tsti Tatung System Technologies Inc. 2022 Annual Report (TWSE: 8099)

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Tatung System Technologies Inc.

2022 Annual Report

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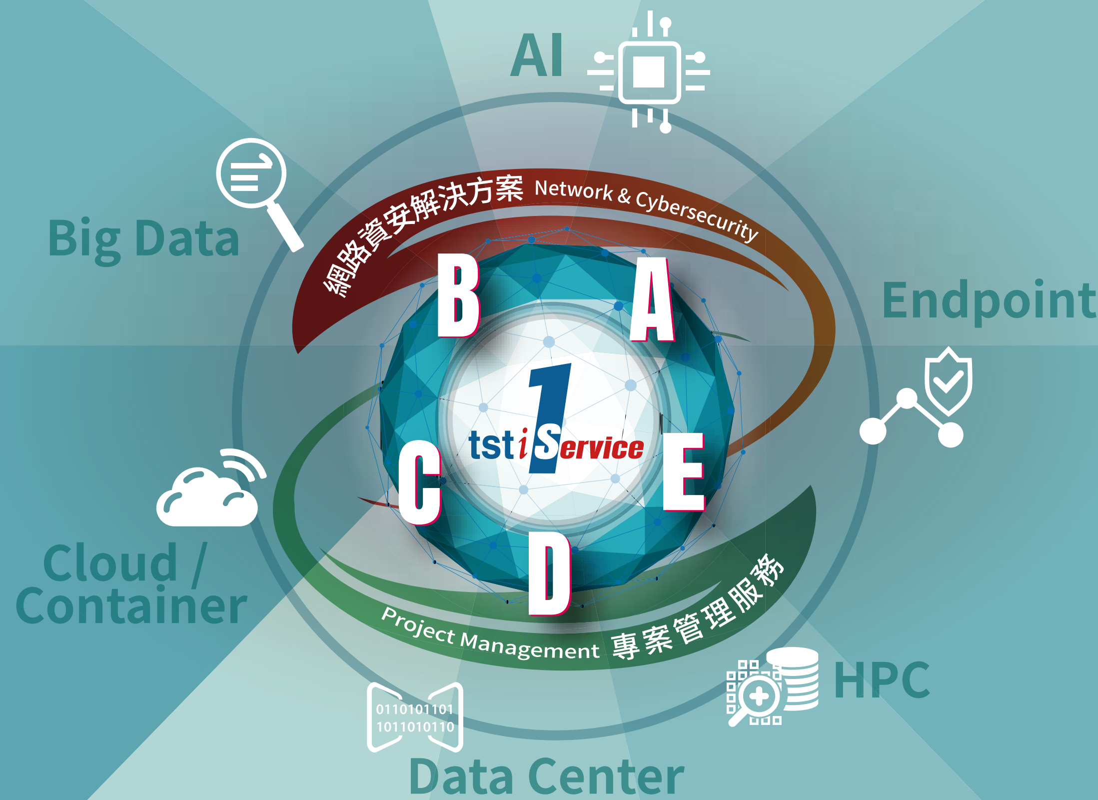
Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.



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E、Trading venues for the listing and trading of overseas securities and the methods of obtaining information

Trading venue name：No overseas securities listed for trading
Information inquiry method：None

F、Company Website

https://www.etatung.com

Table of Contents

One. Letter to Shareholders 1
Two. Company Profile 10
I. Establishment Date 10
II. Company Milestones 10
III. Overview of the Companies and Group 15
IV. Business Philosophy/Core Value of the Company 16
Three. Corporate governance 17
I. Organization System 17
II. Information on Directors, Independent Directors, Chief Executive Officer, Vice President, Assistant VP, and Officers of Departments and Branches 20
III. Implementation Status of Corporate Governance 34
IV. Information on CPA's Professional Fees 67
V. Information on Change of CPAs 68
VI. Where he Company's Chairman, Chief Executive Officer, or the managerial officer in charge of finance or accounting matters was an employee in the most recent year at the accounting form or any of its affiliated companies which the CPAs worked for, his/her name, title and the employment period at such firm or affiliated company must be disclosed 69
VII. Details of equity transferred or pledged by directors, supervisors, managerial officers, or shareholders with more than 10% ownership interest in the most recent year up to the publication date of this annual report. Where the counterpart involved in the transfer or pledge of equity is a related party, the name of such counterpart, his/her relations with the Company, directors, supervisors, managerial officers, or shareholders with more than 10% ownership interest, and the number of shares acquired or pledged must be disclosed. 69
VIII. Information on the mutual relationship of the Top 10 shareholders in terms of proportion of shareholding if they are a related party, spouse, or a relative within the second degree of kinship referred to in SFAS No.6. 70
IX. The total number of shares and total equity stake held in the same invested business by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company 71
Four. Fundraising Status 72
I. Capital and Shares 72
II. Issuance of Corporate Bonds 76
III. Issuance of Preferred Share 76
IV. Issuance of Overseas Depository Receipts 76
V. Issuance of Employee Stock Option Certificates 76
VI. Status of the Employee Restricted Stock Acquired by Managerial Officers, the name of the Top 10 Employees in Terms of the Acquisition, and the Acquisition Status up to the publication date of this annual report 76
VII. Issuance of New Shares in Connection with Mergers or Acquisitions of or Succession to Shares of Other Companies 76
VIII. Implementation of Capital Utilization Plan 76

Five. Overview of Business Operations 77
I. Business of the Company 77
II. Overview of Market and Production/Marketing 88
III. Employees 93
IV. Information on environmental protection expenditure 94
V. Labor–Management Relationship 94
VI. Cyber Security Management 98
VII. Important agreements 103
Six. Overview of Finance 105
I. Condensed balance sheet and comprehensive income statement 105
II. Financial Analysis in the Most Recent Five Years 109
III. Audit Committee' Review Report on the Financial Statements in the Most Recent Year 112
IV. Consolidated Financial Statements in the Most Recent Year 113
V. Separate Financial Statements in the Most Recent Year 190
VI. The Impact of the Financial Distress that the Company or Any of Its Affiliated Companies Experienced in the Most Recent Year and Up to the Publication Date of this Annual Report on the Financial Status of the Company 270
Seven. Review and Analysis of Financial Status and Operational Results, and Risk Assessment 274
I. Financial status 274
II. Financial Performance 275
III. Cash flow 276
IV. The Impact of the Major Capital Expenditures in the Most Recent on Finance and Business 277
V. Reinvestment Policy in the Most Recent Year, Main Reasons for Its Profit/Loss, Improvement Plan, and Investment Plan for the Next Fiscal Year 277
VI. Analysis and Assessment of the following Risk Particulars in the Most Recent Year and up to the Publication Date of This Annual Report 278
VII. Risk Management Structure 281
VIII. Other Significant Maters 281
Eight. Special Notes 284
I. Information on Affiliated Companies 284
II. Any Private Placement of Securities in the Most Recent Year and up to the Publication Date of this Annual Report 292
III. Any Holding and Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report 292
IV. Other Required Supplementary Information 292
Nine. Any of the Matters Listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which May Have Significant Impact on the Shareholders' Equity of the Price of Securities in the Most Recent Year and up to the Publication Date of This Annual Report 293

One. Letter to Shareholders

Dear Shareholders:

In recent years, TSTI has been using digital technologies to assist government and enterprise users in digital transformation, innovating business models, improving operational efficiency and decision-making analysis, aiming to become their best digital transformation partner. In addition to providing integrated application services for information and communication systems, they are also committed to adding value to customer digital innovation.

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

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

I. 2022 Business Report

(I) Results of the business plan

The net consolidated operating revenue of the Company in 2022 was $4,346,640 thousand with a growth of 1.75% compared to 2021; the net unconsolidated operating revenue was $3,662,358 thousand with an increase of 1.22% compared to 2021. The net consolidated operating profit was $194,851 thousand with a decrease of 9.00% compared to 2021; the net unconsolidated operating profit was $170,221 thousand with an decrease of 6.27% compared to 2021. The net consolidated profit before tax in 2022 was $220,007 thousand with an EPS before tax of $2.48, and the net profit after tax was $178,463 with an EPS after tax of $2.02.

Unit: NTD thousands

Item	Consolidated (tsti and subsidiaries)			Separate (tsti)		
	2022	2021	Change %	2022	2021	Change %
Net operating revenue	4,346,640	4,271,883	1.75%	3,662,358	3,618,049	1.22%
Operating cost	3,454,793	3,382,438	2.14%	2,873,950	2,839,921	1.20%
Gross profit	891,847	889,445	0.27%	788,408	778,128	1.32%
Operating expense	696,996	675,325	3.21%	618,187	596,529	3.63%
Operating benefit	194,851	214,120	(9.00%)	170,221	181,599	(6.27%)
Net profit before tax	220,007	222,518	(1.13%)	214,494	213,852	0.30%
Net profit after tax	178,463	178,279	0.10%	178,463	178,279	0.10%

Overview of significant business performance:

I. Business –

1. Awards and sales qualifications for the brands in 2022:

- Awarded the HPE FY22 Best Licensed Service Provider Award and HPE FY22 Best Service Quality Award
- Awarded the HPE FY22 Premier Resale Partner, HPE FY22 Best Resale Partner, FY22 HPE InfoSight Special Contribution Award
- Awarded the Micro Focus 2022 Best Partner Award
- Awarded the HP FY22 Best Contribution Award for Business Channel Computer Systems
- Awarded the NetApp FY22 Solution Contribution Award
- Awarded the Lenovo FY21-22 Partner Awards for Best Enterprise Customer Sales
- Awarded the HPE FY21 Annual Contract Sales Excellence Award
- Awarded the HPE FY21 Best Delivery Partner Award
- Awarded the HPE FY21 Best Total Costumer Experience Award
- Awarded the Avaya Partner Summit 2021 Award the Enterprise Partner of the Year

2. Quality and service:

- Recognized by Fubon, Taishin, Yuanta, and other customers as a supplier with excellent performance in sustainability evaluation.
- Awarded the 2023 Smart City Innovation Application Award, 2022 ASOCIO ICT Application Award – ESG Sustainability Award, 2021 CSEA Customer Service Excellence Award – Best Intelligent System Provider by Taiwan Customer Service Center Development Association (TCCDA), Net Zero Summit & Digital Climate Action Award Hack4ClimateAction Digital Climate Action Award Titanium Level.
- Continued with the professional certifications, ISO 20000, ISO 27001, CMMI-L3, etc., Energy Service Organization Accreditation Information Security Service and Artificial

Intelligence Service Organization, Industrial Development Bureau, Ministry of Economic Affairs, and others.

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

3. Internal operating process:

   The Company digitally optimized the operations of the existing core businesses and is dedicated to the transparency of information on order booking and sales forecast management, marketing management, lead management, project management, payment collection reminder, and follow-up of receivables, in the hope to build a modern platform that can fully display the whole picture of the data and help the departments improve their operation efficiency and quality. The Company implements Tableau, a commercial smart platform tool, and collects data of external competitors and environments for analysis using big data technologies to ensure more efficient development of operational strategies. The Company also collects internal finance, workforce, assets, and marketing data to improve the transparency of the internal information and enhance the management efficiency. The Robotic Process Automation (UiPath) is implemented to improve the efficiency through automation of the process. In response to the trend of telecommuting and mobile office, we introduced Microsoft's M365 cloud services, including Office Online, Microsoft Teams, Outlook Web App, OneDrive personal cloud storage, and SharePoint Online for establishing group communication sites, to enhance employee productivity and output value. For Hybrid Work, we have also introduced and used Cisco WebEx and Avaya Workplace platforms to provide employees with the flexibility to improve collaboration efficiency and operating speed, whether they are working in the office, at home, or on the go.

4. Learning and growth of the employees

   The development and growth of our employees is critical to the success of the Company, and we encourage them to continue to learn and grow. Therefore, we are committed to providing a variety of training and learning resources, including internal training, external technical training, and learning and development programs. In addition, we have invested in and adopted newly introduced mobile learning systems to facilitate employee learning. We have also responded to the government's Corporate Human Resources Enhancement Program and received a six-figure government subsidy for two consecutive years to facilitate the professional development of our employees' ICT capabilities and the continuous improvement of their soft skills in management and services to refine the Company's competitiveness in service excellence. The Company also values employee relations and conducts satisfaction surveys from time to time to understand employees' needs and opinions. Based on the survey results, we will respond appropriately and initiate relevant improvement projects, and report the implementation results to the Company's management and employees to continuously promote the optimization of the organization.

5. Happy workplace for the employees

   We strive to be an ESG happy company model and take a variety of initiatives to ensure the happiness and satisfaction of our employees. First and foremost, the Company provides a quality work environment to promote employee satisfaction. In addition to the launch of the General Affairs Report for Repairs Cloud on the Company's APP, which allows employees to immediately respond to and optimize environmental issues, we are also working to optimize the environment in our Taipei, Taoyuan, Hsinchu, and Taichung offices. In addition, the Company provides employees with multiple career development opportunities, including regular employee training and development assessments through work plans to ensure continuous learning and growth, appropriate compensation and benefits to ensure employees' financial security, and new incentive programs to motivate sales related and non-sales related employees to challenge themselves for breakthroughs to improve the Company's profitability and increase employee motivation. In addition, the Company actively enhances the interaction with customers to ensure excellent customer experience, and builds and promotes its own service brand. Externally, the Company actively establishes good long-term relationships with customers and actively listens to customers' needs to maintain high customer satisfaction; internally, the Company builds a service management platform and regularly holds company-wide service consensus meetings to enable the Company to continuously improve service quality and launch high profit margin service products to create more professional and superior customer experience. We expect our employees to continuously improve their customer experience on top of their economic security, and to continue to accumulate a sense of meaning and happiness at work, in order to achieve our goal of becoming an ESG happy company model.

II. Subsidiary – Chyun Huei Commercial Technologies Inc.

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

III. Subsidiary – Tsti Technologies (Shanghai) Co., Ltd.

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

IV. Subsidiary – TISNet Technology Inc.

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

(II) Implementation status of budget: This is not applicable because the Company did not make the financial forecast public in 2022.

(III) Analysis of revenue and profitability

Item	Consolidated		Separate	
	2022	2021	2022	2021
Current ratio (%)	147.33%	161.32%	138.20%	153.33%
Debt to assets ratio	57.98%	55.75%	56.22%	53.64%
Return on equity	12.53%	12.89%	12.53%	12.89%
Gross profit	20.52%	20.82%	21.53%	21.51%
Net Profit margin	4.11%	4.17%	4.87%	4.93%
EPS after tax	2.02	2.01	2.02	2.01

(IV) Research and development:

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

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

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

The global economy in 2022 had been expected to continue to recover, but under the pressure of high inflation, high interest rates, pandemic viruses, city lockdowns and supply chain disruptions, and energy shortages caused by the war between Russia and Ukraine, the economy has receded significantly. In the outlook for 2023, with the U.S. raising interest rates and driving other countries to follow suit, the volatility will continue and spread to more countries, which will also affect the direction of national economies. The global economic growth rate in 2023 is expected to be lower than in 2022 (with the OECD forecasting 2.6%, the EIU forecasting 2.0%, and the IMF forecasting 2.8%). Moreover, international trade growth is experiencing a downward trend. In 2022, as Taiwan’s economic performance is susceptible to the global political and economic situations, and has been revised downward successively since the outbreak of the war between Russia and Ukraine, although the economic growth was not as good as had been expected originally, the growth rate was still expected to exceed 3.00%. Looking ahead to Taiwan's economy in 2023, the escalating geopolitical tensions and the lingering concerns over the global economic outlook cast a shadow on the prospects. The challenges for Taiwan's economic growth in 2023 have become more severe. The Chung-Hua Institution for Economic Research (CIER) and the Taiwan Institute of Economic Research (TIER) have revised down their projections for Taiwan's economic growth to 2.01% and 2.31% respectively, compared to the previous estimates at the end of last year. Both institutions believe that private consumption will be the main driver of economic growth in 2023. The lifting of post-pandemic restrictions and the implementation of measures to promote reopening and relaxation will provide a greater recovery space for the retail and hospitality sectors, contributing to the growth of private consumption. However, the growth pattern is expected to be characterized by weak external demand, despite the domestic consumption boost.

In terms of ICT industry, MIC released its 2023 trend observation for ICT and software industry in 2022. For ICT, firstly, the global economic performance will “slow down and become more uncertain” in 2023, which will add challenges to market demand and business operations. Secondly, as emerging technologies evolve, they will drive a wide range of transformational and innovative developments, and making a presence in emerging applications with market potential (e.g. electric vehicles, net zero carbon emissions, or green economy) will drive medium- and long-term development; thirdly, in response to the accelerating changes in the internal and external environment, transformation for many industries is imperative. In the software industry, demand for software definitions is rising as vertical applications take hold; AI continues to develop, accelerating the adoption of enterprise applications; geopolitical impact accelerates the application of cloud and supply chain information security; CSR is on the rise, and ESG plays a key role in sustainable investment. Lastly, in addition to digital transformation, operating resilience has become a competitive issue for enterprises.

III. Overview of 2023 Business Plan

Subject to the impact of the aforementioned tendencies, the Company has established the strategic policies and operating plans for 2023 with the major points described below:

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

1. In 2023, the structure of the organization will be adjusted and integrated into System Integration Business Group (SIG), System Services Center (SSC), Smart Communications Business Group (SCBG), Digital Application Business Group (DAG), Product Marketing & PSO Center (PMSC), and Digital Innovation Center (DIC). Each business group and business center is operated as an independent profit center. In addition to focusing on their core business, they also promote inter-segment integrated sales to leverage the overall value of the Company to help customers receive complete digital infrastructure integration services and digital application solution services, and to create higher customer value and customer sales for the Company.
2. In addition to continuing to provide professional workstation services, extending the product resales in their width and depth, Chyun Huei Commercial Technologies will establish good relationship with the manufacturers, enhance the deployment and management of the distributors, build a sound collaboration mechanism, provide enhanced smart system services, and upgrade the e-commerce service platform (www.bingle.com.tw) to provide the best services. It will combine the products and solutions with the domestic virtual shopping platforms for joint marketing to improve the business performance.

3. Based on the existing ISP/IDC operation and maintenance services, TISNet Technology will extend to the development of systems and websites and provision of value-added cloud resource services. It will focus on the compliance of the corporate intranet with the information security regulations and the six information security services (information security inspection service, account security protection, documentation security protection, data security protection, defense against ransomware, and training courses of information security) to attract more corporate customers.
4. TSTI Technologies (Shanghai) will establish business relationship with Openfind and UPAS actively to act as an agent of their products in China. It will introduce new products to increase the growth points, develop new markets, and acquire more sources of customers for the revenue and gross profit of the company.

The synergistic teamwork structure formed by TSTI and our subsidiaries aims to occupy more market shares collaboratively and separately in the fields of integration of IC systems, value-added applications in digital transformation, professional services, distribution and operation, cloud services, and overseas business.

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

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

3. The Digital Innovation R&D Department continues to develop new products and invest in advanced cloud technologies: The dedicated Digital Innovation Technology Center keeps abreast of the trend of digital innovation and the development of advanced software and cloud technologies, sets short-, medium- and long-term development direction of our own brand software, innovates and develops industrial applications, so as to make us the best partner for the industry's digital transformation. Accelerate the productization of our own software, replicate successful industrial applications to expand market shares, and effectively increase gross profit margin and operating revenue.
4. Innovative application adoption: Continue to create solutions and services based on advanced hybrid cloud technologies, and build Cloud SI and MSP business models of IaaS, PaaS, SaaS. Expand the businesses of software resales and private brand software, provide AI information security, ESG zero carbon energy management, smart customer service industry applications, and smart medical solutions.

(III) Continue to strengthen internal management digitalization:

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

(IV) Future direction of software development:

The focus of this year's innovation and development is to enhance the application in the field, and to apply the mature technologies (including artificial intelligence, big data, and microservices) to the practical fields, especially the smart medical care, will be the focus of innovation and development this year.

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

1. The FHIR standard is used for data exchange in remote outpatient system, so that the related systems can be connected to the rest of the world.

2. We will train our FHIR professional talents by reselling products and open source software. Technology development will include IG (Implementation Guide) development, FHIR application development, and FHIR data transfer. Achieve a leading position in the industry in accordance with national policies.

3. Build a big data platform and next-generation medical system with FHIR at the core. Since FHIR will become the standard for medical data model, the related system applications will be applicable to all hospitals without the need to start from scratch for each hospital system as in the past.

4. Develop FHIR ecosystem related applications, As technology continues to develop, new products and applications will be created, including wearable devices, and video. The development of related applications based on FHIR will become the focus of future digital medical care.

IV. Future Development Strategies of the Company

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

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

Chairman

Bo-Yen Shen

Best Regards

Two. Company Profile

I. Establishment Date

The Company was registered and founded on May 5, 2000

II. Company Milestones

The Company has the following significant milestones in recent years:

Year	Significant Milestone, Award and Certification
2023 (up to the publication date)	Awarded the Check Point 2022 Best New Customer Development Partner Award. Recognized as an "Outstanding Service Provider" - CIO Taiwan magazine's "2023 Elite Vendor Supply Brand Survey." Awarded Dell FY22 Best Growth Distribution Partner and Best Hyper-Converged Distribution Partner. Recognized with the Avaya FY22 Best Partner Award. Awarded the Fortinet 2022 Excellence Performance Award. Awarded HPE FY22 Best Solution Partner, Annual Best Authorized Service Provider Award, and Annual Best Service Quality Award.
2022	Awarded the Fubon Financial Holding Co. 2022 Excellent Sustainability Supplier Award.
	Received the Taiwan Internet of Things Association's 2022 Global IoT and Smart Service Best Practices Golden Dragon Award.
	Received the Global Customer Care Awards 2022 Best Intelligent System Supplier Award from the Global Contact Center Association.
	Received the Second Prize in the 2023 Smart City Innovation Application Award.
	Received the FY22 HPE Excellent Reseller Partner Award, FY22 HPE Best Reseller Partner Award, and FY22 HPE InfoSight Special Contribution Award.
	Registered as an Artificial Intelligence Service Capacity of Technical Service Organization Accreditation by Industrial Development Bureau of the Ministry of Economic Affairs.
	Recognized as a Taiwan Shin Kong Bank's excellent vendor at the 2022 Vendor Conference.
	Awarded the 2022 CSEA Excellent Customer Service Award - Best Intelligent Customer Service System Supplier.
	Received the Micro Focus 2022 Best Partner Award, HP FY22 Commercial Channel Computer System Best Contribution Award, and ASOCIO 2022 ICT Award - Environmental, Social & Governance Award.
	Registered as an information security service organization with energy by the Industrial Bureau of the Ministry of Economic Affairs until August 15, 2024.
	Received the NetApp FY22 Solution Contribution Award and Lenovo FY21-22 Partner Awards Best Enterprise Customer Sales Award.
	Received the Titanium Award in the Hack4ClimateAction Digital Climate Action Award at the Net Zero Summit.
	Recognized as an A-level excellent supplier by Yuanta Financial Holding Co.
	Awarded the Fubon Financial Holding Co. 2022 Excellent Sustainability Supplier Award.
	Received the Taiwan Internet of Things Association's 2022 Global IoT and Smart Service Best Practices Golden Dragon Award.
	Received the Global Customer Care Awards 2022 Best Intelligent System Supplier Award from the Global Contact Center Association.
	Awarded the HPE FY21 Outstanding Annual Contract Sales Award, FY21 Best Delivery Partner Award, and FY21 Best Total Costumer Experience Award
	Received the healthy workplace certificate – Badge of Accredited Healthy Workplace (HPAA1100194) – in 2022
	Awarded the Avaya Partner Summit 2021 Enterprise Partner of the Year
2021	Awarded the Fubon Financial Holding 2021 Outstanding Supplier Sustainability Evaluation Award
	Awarded the Avaya Diamond Partner and Avaya FY21 Best IP Office Partner Award
	Awarded the HPE FY21 Outstanding Distribution Partner Award and HPE FY21 Best Dealer Award

	Awarded the Fujitsu Most Valuable Partner
	Awarded the HIP FY21 Best Contribution Award in the category of Commercial Channels for Computer Systems
	Passed the IDO20000 IT Service Management System certification again (–08/31/2023)
	Awarded the TEEMA 2021 Digital Transformation Model Award
	Awarded the AVAYA 2021 Best Enterprise Partner Award in Asia-Pacific Region; the only company in Taiwan
	Integrated 5G with AIoT applications to the first “5G Transportation Intelligent Real-time Monitoring Platform” project – “National Development Council Subsidy Regulations for Promoting Innovative Applications by Introducing 5G and AI into Smart City IoT Projects”
	Implemented the “Perceivable Intelligent Public Lavatory Management Solutions” project – “Ministry of Economic Affairs Smart City Taiwan Subsidy Regulations (Trial in Local Territory and Export to the International Community)”
	Selected by Common Health Magazine as a “Corporate Health Responsibility” commitment company in 2021
	Awarded the 2021 ASOCIO Outstanding ICT Company Award
	Awarded the TCCDA 2021 Customer Service Excellence Awards – Best Intelligence System Supplier
	Awarded the 1111 Job Bank 2021 Happy Enterprise Gold Award again
	Selected by the Industrial Development Bureau, Ministry of Economic Affairs, as a nominee for the Taiwan Mittelstand Award, again and Awarded the 6th Potential Taiwan Mittelstand Award
	Certificated by the Sports Administration, Ministry of Education, as a Sports Enterprise
	Passed the ISO 27001:2013 Information Security Management System certification again (IS693086) (–2024/06/12)
	Awarded the Taiwan Mobile 2020 Outstanding Supplier Sustainable Governance Award
	Received the software quality CMMI ML3 Certificate__53535 (–04/26/2024)
	Awarded the HPE FY20 “Best Customer Satisfaction Award,” FY20 “Best Connected Support Adoption Rate Award,” and FY20 “Best Customer Satisfaction Award”
	Awarded the China Life Insurance 2020 Outstanding Supplier Award – Annual Outstanding Sustainable Suppliers
	Passed the TAF ISO17025, Laboratory Alliance of IoT Cyber Security Testing – IoT Service System Cyber Security Testing Laboratory Accreditation Service_L3766-201208 (12/07/2023)
2020	tsti: The first IC system integrator passing the ISO 45001 certification
	Awarded the honor in 2020 from the Industrial Development Bureau, Ministry of Economic Affairs – AI Technology Service Organization – Application Capability and Service in the AI Industry – Commerce and Productivity – Intelligent Contact Center
	Awarded the HPI FY20 Best Contribution Award in the category of Commercial Computers
	Awarded the 2020 [Customer Service Excellence Awards] Best Customer Service System Supplier
	Registered as a technology Service information organization in 2020 with the Industrial Development Bureau, Ministry of Economic Affairs Recognized with 14 information security service items
	Registered as a technology Service information organization in 2020 with the Industrial Development Bureau, Ministry of Economic Affairs 1. IT service – setup and development service: Application software development service 2. Software product – application software for different industries or specified domains: Intelligent contact center system
	Ranked 300th in the 2019 service industry by the CommonWealth Magazine in its Taiwan Top 2000 Survey; ranked the 14th in the information equipment sales and service industry
	Awarded the HPE FY19 “Best Customer Satisfaction Award,” HPE FY19 “Best Service Quality Award,” and “Best Connected Support Adoption Rate Award”
	Awarded the VMWARE MSC (Master Services Competency) Technology Certification Partner
	Awarded the Dell Technologies 2019 Growth Partner of the Year
2019	Awarded the HPE FY19 Best GreenLake Reseller Award
	Awarded the NVIDIA 2019 PARTNER NETWORK Award
	Selected by Common Health Magazine as a “Corporate Health Responsibility” commitment company in 2019

	Awarded the TCCDA 2019 Customer Service Excellence Awards – Best Innovative System Application in Customer Service
	Selected by the Industrial Development Bureau, Ministry of Economic Affairs, as a nominee for the Taiwan Mittelstand Award, and awarded the 5th Potential Taiwan Mittelstand Award
	Recognized by CFIR in the 2019 computer system integration service ranking among the Top 5000 large companies in Taiwan: 14th place
	Awarded the 1111 Job Bank 2019 Happy Enterprise Award as one of the Top 20 happy enterprises in the technology industry
	Received the healthy workplace certificate – Badge of Accredited Healthy Workplace from the Health Promotion Administration, Ministry of Health and Welfare
	Awarded the Palo Alto Networks 2018 Talent Partner of the Year
	Awarded the HPE Best Data Centre Care Reseller Award – Outstanding Overall Achievement in FY18
	Awarded the HPE FY19 Best GreenLake Reseller Award
2018	Awarded the Fubon Financial Holding 2018 Outstanding Supplier Sustainability Evaluation Award Awarded the 2018 BSI Award – Information Security Protection Practice Award Awarded the HPE FY18 Best Dealer Award, FY18 Best Service Quality Award, and FY18 Best IRS Installation Service Award Awarded the 15th National Brand Yushan Award – Excellent Enterprise Category Awarded the 2018 Customer Service Excellence Awards – Best Online Customer Service System Application award Recognized by the Industrial Development Bureau, Ministry of Economic Affairs, as a technology service information organization – registration as an information security technology service organization; information security testing service category; and information security service, setup and product service category Recognized by CFIR in the 2018 computer system integration service ranking among the Top 5000 large companies in Taiwan: 13th place (2017: 14th place; 2016: 21st place) Passed the ISO 27001:2013 Information Security Management System certification (IS693086) issue by BSI, an international accepted verification institution Recognized by the Industrial Development Bureau, Ministry of Economic Affairs, as a technology service information organization – registration of dual certificates approved in the “information service category – setup & development service” and “software product category – corporate software application” Passed the CMMI-DEV V1.3 Maturity Level 3 Evaluation again Awarded the CISCO 2018 Taiwan Best Partner Award Awarded the HPE FY17 Best Service Quality Award and Best Customer Satisfaction Award; HPE Pointnext FY17 Outstanding Server Service & Sales Award Awarded the 2017 FORTINET Sales Excellence Award
2017	Worked with Tisnet Technology Inc. to acquire the transfer of the Cyber Range Service technology from Cisco and establish the first corporate cyber offensive and defensive exercise center in Taiwan. Recognized as the CISCO FY2017 Security Partner of the Year Awarded the HP FY17 SME Best Performance Contribution Award Recognized as EMC 2016 Best Growth Dealers Passed the ISO 20000 IT Service Management System certification again Recognized by CFIR in the 2017 computer system integration service ranking among the Top 5000 large companies in Taiwan: 14th place (2016: 21st place) Awarded the HPE FY16 Best Customer Satisfaction Award, Best Service Quality Award, CAP Best Contribution Award, Contract SIP Best Performance Award, and Server Pen Rate Best Performance Award Ranked 312th in the 2016 information equipment sales and service industry by the CommonWealth Magazine in its Taiwan Top 2000 Survey

2016	Awarded the HPE FY16 Best Dealer Award Awarded the HP FY16 SME Best Performance Contribution Award and Best Contribution Award in the category of Commercial Channels for Computer Systems. Passed the ISO 20000 IT Service Management System certification again Recognized by the Industrial Development Bureau, Ministry of Economic Affairs, as an information service organization – dual certificates Listed as one of the 2016 Top 5000 large companies in Taiwan: The 21st place in the computer system integration service category; the 29th place in the computer and peripheral equipment and software wholesale/retail category Awarded the HPE-FY16Q1 Contract Overall Best Performance Award and NEBP Best Performance Award Awarded the HPE-FY15 Best Customer Satisfaction Award and Best IRS Installation Service Award Recognized as EMC 2015 Best Growth Dealers Awarded the Intel 2015 Outstanding Business Achievement Award Ranked 311th in the 2015 information equipment sales and service industry by the CommonWealth Magazine in its Survey
2015	Awarded the HPE FY15 Platinum Dealer Best Honor Award, SME Best Performance Contribution Award and Best Contribution Award in the category of Commercial Channels for Computer Systems Listed as one of the 2015 Top 5000 large companies in Taiwan Awarded the HP FY14 Best IRS Installation Service Award, Best Service Quality Award, and Service ONE Best TS Performance Contribution Award Passed the CMMI-DEV V1.3 Maturity Level 3 Evaluation again (23290) Acquired and merged Tisnet Technology Inc., which possesses the Type II telecommunications business license, at the end of June
2014	Awarded the HP FY13 Best Customer Satisfaction Award, Best Service Quality Award and Best IRS Installation Service Award Passed the ISO 20000 IT Service Management System certification
2013	Acquired the qualification certificate for the CNS 15190 Capability Maturity Evaluation Established Tsti Technologies (Shanghai) Co., Ltd. In China The subsidiary Chyun Huei Health Inc. separated and sold its healthcare department and reduced its capital at the beginning of 2013, and changed its name to Chyun Huei Commercial Technologies Inc.; the company will strive for the business in the new fields of software, hardware and services
2012	Received the registration certificate of technology service capability from the Industrial Development Bureau, Ministry of Economic Affairs, in the IT service organization category Awarded the HP 2012 Overall Performance Contribution Award from its Image Printing and Personal System Business Group
2011	• Awarded the HP 2011 Best Performance Contribution Award from the Personal System Business Group for Excellent Direct Distributors, and the Performance Contribution Award from the Enterprise Service and Storage Network Equipment Business Group • Ranked 291st among the Top 500 service companies by the CommonWealth Magazine • Passed the CMMI-DEV Maturity Level 3 Evaluation • Awarded the HP FY11Best IRS Installation Service Award, Best Service Quality Award, and Best Customer Satisfaction Award • Awarded the Avaya 2011 Top Performer Award • Awarded the EMC 2011 Best Dealer Award
2010	• Awarded the HP FY10 Best Customer Satisfaction Award, HP FY10 Best Storage Solution Performance Contribution Award, and Commercial Product Performance Contribution Award from the Personal System Business Group • Awarded the AvayaTop Performer Award in Taiwan • Awarded the Redhat Excellent Dealer Contribution Award
2009	• Ranked 54th among the “INFO TECH 100 TAIWAN” by the Business Next Magazine and as the Top 1 information service provider in Taiwan.
2008	• Recognized as one of the Microsoft Waiwan FY08 partners and awarded the Best Solution Award • Passed the CMMI-SW Maturity Level 3 Evaluation • Established Chyun Huei Health Technologies Inc.
2007	• Recognized as the HP Outstanding Dealer and awarded the Best Performance Contribution Award • Awarded the Avaya Outstanding Performance Award – Fu Hua Financial Holdings and Yuanta Financial Holdings cases
2006	• Awarded the TITA Taiwan Golden Root Award to recognize the contribution of tsti to the development of the industries in Taiwan

	• Awarded the Excellence Award of the 4th Golden Thumb Awards for the outstanding operation of the National Taiwan Science Education Center • Awarded the HA Asia-Pacific Partners Connect Storage System Outstanding Contribution Award • Passed the CMMI-SW Maturity Level 2 Evaluation
2005	• Awarded the first place in the HP Best Customer Satisfaction Award ranked by the NWC customer survey center in Australia • Awarded the HP 2005 Excellent Workstation Sales Contribution Award
2004	• The National Taiwan Science Education Center started the operation officially • Became TPEx listed on March 29, 2004 • Awarded the HP Best Overall Business Contribution Partner Award in the 2nd Golden Diamond Awards and the Business Partner Excellence Award in the Golden Sales Awards
2003	• Awarded the CommonWealth Magazine Outstanding IT Application Award in the 2nd Service Excellence Awards • Acquired the rights to operating the National Taiwan Science Education Center • Awarded the Business Partner Excellence Award in the 1st Golden Sales Awards
2002	• Received the ISO 9001:2000/CNS 12681 Quality Management System certificate
2001	• Awarded the COMPAQ 2001 Best Agent Achievement Award, Commercial PC Best Performance Award, Alpha Best Product Achievement Award, Service Award, and Outstanding Contribution Award for IT Partners
2000	• Separated from Tatung Company to establish Tatung System Technologies Inc.

Please visit our website for more information on the milestones

https://www.etatung.com/Home/ShowProductionInfoIdea?ID=328db11b-34cd-438c-b107-b422af7f93b9

III. Overview of the Companies and Group

Tatung System Technologies Inc. was demerged from Tatung Company in May 2000 and became a TPEx listed company on March 29, 2004 (Stock Name: TSTI; Stock Code: 8099). The Company has three subsidiaries:

1. Chyun Huei Commercial Technologies Inc. (the former Chyun Huei Health Inc. founded in July 2008, which separated and sold its healthcare department and reduced its capital at the beginning of 2013, and changed its name to Chyun Huei Commercial Technologies Inc.) currently acts as an agent of workstations, NVIDIA graphic computing products, Zebra barcode scanning devices, Canon Océ professional output equipment, Sierra Library Service Plaform (LSP) of Innovative Interfaces Inc., and other products. In addition to providing professional services for these products, it operated Bingle (an e-commerce service platform; www.bingle.com.tw) to provide information on a complete set of products and services by combining domestic and international leading IT brands with the service resources of the tsti Group. It also acts as an advisor to provide solutions that can meet the requirements of the small and medium companies for their growth.
2. Tisnet Technology Inc. (invested in June 2015) has the Type II telecommunications business license. Based on the ISP (Internet Service Provider) and IDC (Internet Data Center) operation and maintenance services, it extends to the development of webpages, cyber offensive and defensive exercise courses, information security products related to addition and cancellation of privileged accounts. The company has built additional production lines for information security products and focused more on the integration of services and software products. With this investment, we can enhance our core capability of cyber service technology in line with the tendency of the cloud service and intelligence technology, and provide our own cloud services with integrated mobile commerce and intelligence applications by combining the internet-based commercial services, corporate cloud services and industry chains with existing web services to meet the demands of the customers and assist them in the creation of the highest operating benefits.

3. Tsti Technologies (Shanghai) Co., Ltd. (founded in December 2012) provide Taiwanese companies with integration and setup services of IT infrastructure.

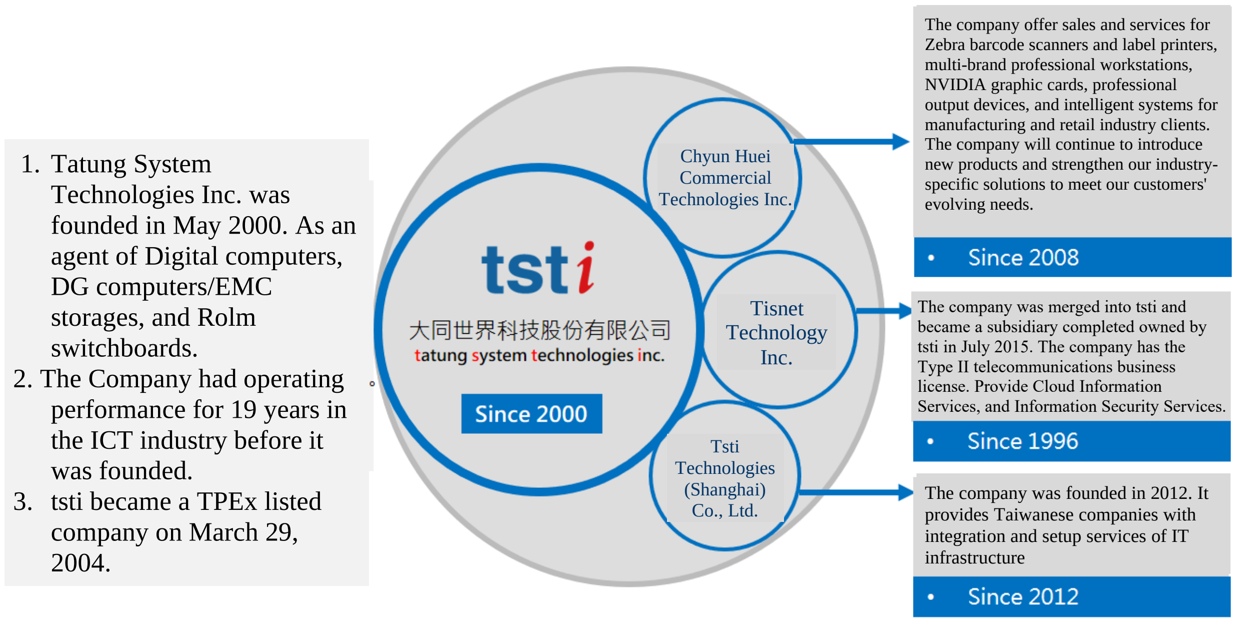
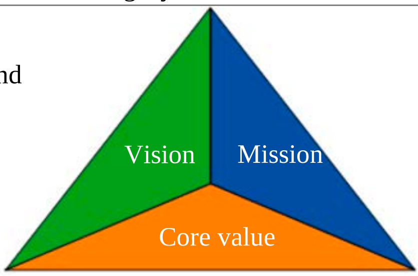


Figure: Overview of the Companies and Group

IV. Business Philosophy/Core Value of the Company

Value proposition	Assistance to the governments and companies in the digital transformation, improvement of the operation efficiency and decision analysis, provision of smart solutions, consultation services, cloud-based cervices, integration and setup of information/communication systems, protection of data security and business continuity services
Vision	Provision of cloud technologies and professional communication integration services to become a leading ICT system setup service provider of the highest competitiveness in Taiwan
Mission	Integration of global technologies to create more values for customers
Core value	Innovation, service, team, integrity

Provision of cloud technologies and professional communication integration services to become a leading ICT system setup service provider of the highest competitiveness in Taiwan



Integration of global technologies to create more values for customers

Innovation, service, team, integrity

The Company is dedicated to accomplishing our missions of "integration of global technologies to add value for customers" and providing cloud technologies and professional communication integration services to become a leading setup service provider of the highest competitiveness in Taiwan, China, and other regions.

Core value

>> **Innovation**

Innovation is the motive that drives the Company to progress. We not only focus on the implementation, integration, innovation and promotion of ICT, but also are brave in adoption of new concepts, alteration of operating processes, formulation of development strategies, and embrace of transformation. In the era when computers, communication devices, and the internet are highly integrated, we provide total data and voice solutions and valuable professional integration services for customers.

>> **Service**

Services are the foundation stone for the maintenance of a long-term trust relationship with customers. We are committed to understanding the deficiencies and demands of the customers in a way of empathic, systematic, and global thinking and establishing a long-term stable relationship with them. These are equally applicable from the preliminary system planning and advisory service through the setup and launch of the system and educational training to the periodical maintenance, extension services, and online customer services (0800) at the later stage.

>> **Team**

Teamwork is the basis for the provision of total customer services and technologies. We believe the best solutions are the result of teamwork and talents are the most important assets of the Company. We place much importance on the professional training of the employees and the cultivation of the teamwork concepts, ensuring they have learned the latest IC tendency and technology through continuing education and training. The Company uses the internal knowledge management platform to accumulate the organizational process assets on an ongoing basis.

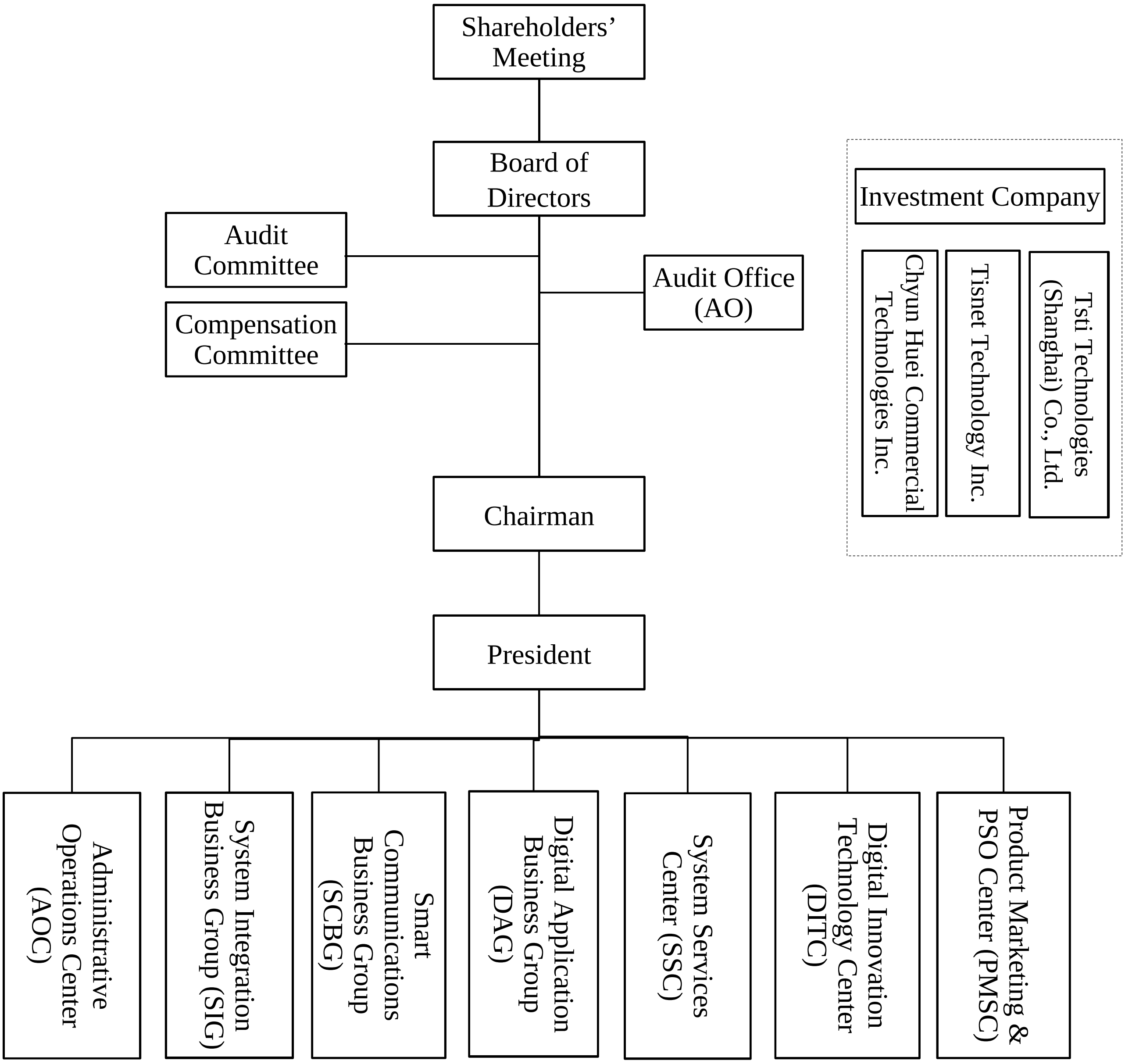
>>**Integrity**

Integrity is the foundation stone and responsibility of the Company for sustainable operations. We follow the principles of ethics to render our services on schedule, with the quality as agreed and within the budget, and take pride in the delivery of high quality. Being dedicated to the core business and R&D, we maintain a long-term stable relationship with the leading brands in the world, acquire established experience and the latest technology, provide customers with quality products and services, and assist them in understanding the tendency.

Three. Corporate governance

I. Organization System

(I) Organizational Structure



(II) Responsibilities of each division

Main division	Responsibilities
Audit Office (AO)	The Audit Office is responsible for the implementation of the internal control system. It evaluates the robustness, reasonableness and effectiveness of the Company's different management systems, conducts internal audits and follows up the effects of improvement measures.
Administrative Operations Center (AOC)	Responsible for managing various administrative affairs of the company, providing functional services including finance, accounting, stock, information, operations, public relations, human resources, general affairs, and occupational safety and health, and assisting cross-functional units to achieve the company's operational goals.
System Integration Business Group (SIG)	System Integration Business Group is responsible for the agency sales of computer, communication, network security, and storage equipment from leading IT brands worldwide. It also provides system and cloud management deployment and application solutions. The main brands it represents are: ● HPE/HP/Dell EMC/Aruba/Cisco/Juniper/Fortinet data center and network security solutions. ● VMware/Red Hat software-defined data center and computing architecture containerized management solutions. ● Nvidia AI artificial intelligence platform planning and consulting implementation services. ● Smart medical application service construction and smart manufacturing and data integration analysis solutions.
Smart Communications Business Group (SCBG)	Smart Communications Business Group is responsible for representing and selling leading global brands of communication and network-related hardware and software products, as well as providing industry customers with complete communication integration and intelligent multimedia customer service center integration services. The main solutions and represented brand products include Avaya telephone exchanges and integrated communication systems, Aruba network equipment and solutions, POLY video conferencing systems, and the tiCC intelligent multimedia contact service center system developed by TSTI. These solutions enable businesses to construct a full multimedia intelligent customer service center, providing multimedia inbound service functions to facilitate smooth communication with customers through voice, data, and video channels. Customers can access the system anytime, anywhere, and choose from a variety of media channels to promote business development, improve work efficiency, and drive growth.
Digital Application Business Group (DAG)	Digital Application Business Group covers the Digital Application Software Department, Software Services Department, and Aviation Operations Department. Our vision is to become the best partner for optimizing business operations and customer experience through software services. We provide customers with software application solutions, enhance operational efficiency and decision analysis, integrate cloud services, and assist customers in sustainable management and improving competitiveness. Our main development directions are to establish our own brand of software applications, provide value-added services for software agent products, obtain large national software projects, and develop business models for cloud software deployment. Our main development content includes large-scale software customization projects, data integration governance and business intelligence analysis, ESG zero-carbon management systems, EMS energy management systems, intelligent medical application services, AIoT smart security toilet solutions, ibo.ai intelligent text robots, and tiCom intelligent network switches and customer service center solutions.

System Services Center (SSC)	System Services Center is comprised of the Customer Service Division 1 and 2, Cloud Technology Division, and Network Security Technology Division. It boasts a strong team with leading national service capabilities in system integration, including modern data center services, cloud services, network security services, and project management. In addition, it has professional service capabilities in the area of branded agency, and possesses the OneService system platform and maintenance center that complies with ITIL architecture. The center provides customers with complete, reliable, and comprehensive professional services, including installation, maintenance, contracts, spare parts, project management, and satisfaction management.
Digital Innovation Technology Center (DITC)	Digital Innovation Technology Center is responsible for introducing innovative technologies, developing vertical domain knowledge, and conducting research and development for proprietary products. By combining technology trends with the company's core values, it aims to enhance the company's competitiveness.
Product Marketing & PSO Center (PMSC)	The Product Marketing & PSO Center is responsible for product agency, market marketing planning (including digital marketing), product pricing, sales, and inventory flow control in the company. Planning and operation of internal training for company product agency and cloud application solutions, covering sales enablement, pre-sales enablement, and post-sales enablement. Assist the company's business units in related pre-sales planning support for projects and technical event speaker activities.
Chyun Huei Commercial Technologies Inc.	Chyun Huei Commercial Technologies Inc. provides sales and services for Zebra barcode scanners and label printers, multi-brand professional workstations, NVIDIA graphics cards, professional output devices, and intelligent systems for manufacturing and retail customers. In the future, we will continue to introduce new products and strengthen our solutions in industry niches to meet our customers' evolving needs.
Tisnet Technology Inc.	Founded in 1996, Tisnet Technology Inc. has the Type II telecommunications business license. It was merged into tsti and became a subsidiary completed owned by tsti in 2015. The main businesses of the company includes cloud service sales, software licensing, professional technologies, website development, domain/SSL and information security services. The focuses of the information security services are: (1) information security inspection service; (2) account security protection; (3) documentation security protection; (4) data security protection; (5) defense against ransomware; and (6) training of information security of talents. In addition to the higher investment in information security services, the company also continuously seizes the business opportunities of cloud services and related integration.
Tsti Technologies (Shanghai) Co., Ltd.	Founded in 2012, Tsti Technologies (Shanghai) Co., Ltd. provide system integration services to enterprises in conjunction with our parent company. We offer comprehensive IT system infrastructure solutions and software/hardware services to support digital operations for businesses.

II. Information on Directors, Independent Directors, Chief Executive Officer, Vice President, Assistant VP, and Officers of Departments and Branches

(I) Directors and independent directors

1. Information on directors and independent directors

April 17, 2023 (Note 1) Unit: shares; %

Title	Nationality or country of registration	Name	Gender Age	Date elected/ appointed	Term of office	Date first elected	Shares held when elected		Current shares held		Current shares held by spouse or minor children		Shares held in the names of others		Educational background and experience	Concurrent posts in tsti or other companies	Other officers, directors, or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship
Chairman/Director	R.O.C.	Tatung Company	-	08.19.2021	3 years	04.26.2000	37,819,027	42.70	37,819,027	42.70	-	-	-	-	-	-	-	-	-
Chairman	R.O.C.	Tatung Company Representative: Bo-Yen Shen	Male 51–60 years old	08.19.2021	3 years	06.16.2006	955,623	1.08	808,623	0.91	-	-	-	-	Doctor (DBA) of Graduate Institute of Technology, Innovation & Intellectual Property Management, College of Commerce, National Chengchi University Master of Graduate Institute of Technology, Innovation & Intellectual Property Management, College of Commerce, National Chengchi University President /Vice President, Tatung System Technologies Inc. Deputy Director, Information and Communication Sales Division, Tatung Company	Executive Vice President, Tatung Company Chairman & Chief Strategy Officer, Tatung System Technologies Inc. Chairman, Information Service Industry Association of R.O.C. Chairman, Asian-Oceanian computing industry organization (ASOCIO) Chairman & President, Tsti Technologies (Shanghai) Co., Ltd. Chairman & President, Tatung Integrated Services Co., Ltd. Chairman, Chyun Huei Commercial Technologies Inc. Director, Tisnet Technology Inc. Director, Tatung Medical & Healthcare Technologies Co., Ltd.	None	None	None
Director	R.O.C.	Tatung Company Representative: Chin-Lai Wang	Male 61–70 years old	09.13.2022	3 years	09.13.2022	-	-	-	-	-	-	-	-	Doctor (DBA) of Management in National Chengchi University Master of Accounting in National Chengchi University Chairman, Ernst & Young Cultural and Educational Foundation Chairman, EY Management Services Inc. Director, Ernst & Young Taiwan	President, Tatung Company Chairman & President, Elitegroup Computer Systems Co., Ltd. Director, Tatung Forever energy Co., Ltd. Director, Tatung Consumer Products(Taiwan) Co., Ltd. Independent Director, Landmark Optoeletronics Corporation Independent Director, PCLTechnologies Inc Independent Director, Metaage Corporation	None	None	None

Title	Nationality or country of registration	Name	Gender Age	Date elected/ appointed	Term of office	Date first elected	Shares held when elected		Current shares held		Current shares held by spouse or minor children		Shares held in the names of others		Educational background and experience	Concurrent posts in tsti or other companies	Other officers, directors, or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship
Director	R.O.C.	Tatung Company Representative: Wen-Hung Huang	Male 51–60 years old	09.13.2022	3 years	09.13.2022	-	-	-	-	-	-	-	-	Ming Chi University of Technology, department of electrical engineering President, Ausenior Information Co., Ltd. Chairman, Ho Than Technology Inc. President, Azion corporation President, Genesis Technology Inc.	President, Tatung System Technologies Inc. Director, Chyun Huei Commercial Technologies Inc. Director, Tisnet Technology Inc. Director, Tsti Technologies (Shanghai) Co., Ltd. Director, Ausenior Information Co., Ltd.	None	None	None
Director	R.O.C.	Tatung Company Representative: Pei-Chun Lu	Female 31–40 years old	02.08.2022	3 years	02.08.2022	-	-	-	-	-	-	-	-	LLM, National Chung Cheng University Director, Forward Electronics Co., Ltd. General Counsel, Legal Affairs Division, Tatung Company Director, Legal Affairs Division, Tatung Company Lawyer	Corporate Governance Officer& General Counsel, Tatung Company	None	None	None
Director	R.O.C.	Tatung Company Representative: Chiu-Chan Hsu	Female 51–60 years old	02.08.2022	3 years	02.08.2022	127,801	0.14	100,801	0.11	-	-	-	-	Master of Laws & Bachelor of Accounting, National Taipei University Assistant VP, Administration Center, Tatung System Technologies Inc. Director, Finance and Business Information Division, Tatung System Technologies Inc. Financial Director, Kinmac Solar	CFO & Corporate Governance Officer, Tatung System Technologies Inc. Chairman & President, Tisnet Technology Inc. Director, Chyun Huei Commercial Technologies Inc. Supervisor, Tsti Technologies (Shanghai) Co., Ltd.	None	None	None
Director	R.O.C.	Twinbot Fintech Consultants Limited	-	08.19.2021	3 years	08.19.2021	4,048,000	4.57	5,961,000	6.73	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Twinbot Fintech Consultants Limited Representative: Kuan-Chih Tseng	Male 41–50 years old	08.30.2021	3 years	08.30.2021	-	-	-	-	-	-	-	-	Department of Psychology, Soochow University Chairman, Amoledcorp	CEO, Mobii Green Energy Co., Ltd.	None	None	None

Title	Nationality or country of registration	Name	Gender Age	Date elected/ appointed	Term of office	Date first elected	Shares held when elected		Current shares held		Current shares held by spouse or minor children		Shares held in the names of others		Educational background and experience	Concurrent posts in tsti or other companies	Other officers, directors, or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship
Independent Director	R.O.C.	Huang-Chi Yeh	Male 61–70 years old	06.15.2022	3 years	06.15.2022	-	-	-	-	-	-	-	-	Bachelor of Bank department, Tamkang University Chairman, Sinopac Futures Corporation Member of Senior Specialized, SinoPac Securities Corporation President, SinoPac Securities Corporation Director, SinoPac Securities Corporation Director, SinoPac Securities (Asia) Limited. Executive Director, Chinese National Futures Association Executive Supervisor, Taiwan Securities Association Director, Sunmax Biotechnology Co., Ltd.	Independent Director, Forward Electronics Co., Ltd. Executive Director, MetaNano Inc. Consultant, Sinopac Futures Corporation	None	None	None
Independent Director	R.O.C.	Ying-Hwang Yang	Male 71–80 years old	06.15.2022	3 years	06.15.2022	-	-	-	-	-	-	-	-	EMBA, Management, National Taipei University of Technology Director, Formosa Plastics Marine Corporation Director, Formosa Plastics Maritime Corporation Supervisor, Formosa Chemicals And Fibre Corporation Supervisor, Formosa Petrochemical Corporation Director, Formosa Petrochemical Corporation President, Formosa Plastics Marine Corporation Senior Vice President, Formosa Petrochemical Corporation Senior Vice President, General Management Office, Formosa Plastics Group	Independent Director, Topkey Corporation	None	None	None

Title	Nationality or country of registration	Name	Gender Age	Date elected/ appointed	Term of office	Date first elected	Shares held when elected		Current shares held		Current shares held by spouse or minor children		Shares held in the names of others		Educational background and experience	Concurrent posts in tsti or other companies	Other officers, directors, or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship
Independent Director	R.O.C.	Maw-In Tsai	Male 61–70 years old	06.15.2022	3 years	06.15.2022	-	-	-	-	-	-	-	-	Postdoctoral researcher at Harvard University Doctor of Laws from Nagoya University Guest professor of WasedaUniversity Associate Professor, Department of Public Administration, Tamkang University Associate Professor, Professor of School of Law, National Taiwan University consultant of the Ministry of the Interior consultant of National Health Insurance Administration member of CentralElection Commission	Independent Director, Elitegroup Computer Systems Co., Ltd. Independent Director, Forward Electronics Co., Ltd. Director & Dean of Film and Arts, Chungyu University Adjunct Professor, Institute of Law, National Taiwan University Member of the Appeal Committee of the Executive Yuan Member of Local Tax Law Review Committee of Ministry of Finance Consultant of Taiwan-Japan Relations Association	None	None	None

Note 1: The last day for share transfer registration of the Company was on April 16, 2023. The aforementioned information on shareholdings is calculated as of the day the shareholders' meeting of the Company stopped making changes to the shareholders' roster.

Note 2: Independent Director Ting-Kuo Chen and Independent Director Chung-Hsien Liu resigned on 02.16.2022 and the resignation took effect on 06.14.2022.

Note 3: All the independent directors of the Company were re-elected on 06.15.2022. The newly elected Independent Director Huang-Chi Yeh, Independent Director Ying-Hwang Yang, and Independent Director Maw-In Tsai took office.

Note 4: Director I-Wen Chung resigned on 06.29.2022; Director Zhi-Fang Wang resigned on 06.30.2022; The company received the re-delegation of the representative Director Wei-Li Tsai on 2022.07.13.

Note5: Director Wei-Li Tsai and one vacant director was replaced with Director Chin-Lai Wang and Wen-Hung Huang on 09.13.2022 (re-delegation of the representative by the corporate director).

2. Major shareholders of the corporate shareholder

April , 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder	
	Names of major shareholders	Shareholding ratio (%)
Tatung Company	San Ya Investment Co., Ltd.	7.47
	Luo De Investment Co., Ltd.	5.64
	Jun Investment International Co., Ltd.	5.47
	Tatung University	3.99
	Ou Chi Investment Co., Ltd.	3.75
	Capital Securities Corporation is entrusted the custody of investment account by Luk Fook Securities Limited	3.74
	Wen-Yi Zheng	3.21
	Zhen-Long Wu	2.99
	Dong-Jun Jiang	2.83
	Capital Securities Corporation in custody for Capital Securities Nominee Ltd., the customer of CSC Securities (HK) Ltd.	2.64
Twinbot Fintech Consultants Limited	Jet Heritage Capital Limited (BVI)	100.00

3. Major Shareholders of the major shareholders in the table above that are corporate shareholders

April , 2022

Name of corporate entity	Major shareholders of the corporate entity
San Ya Investment Co., Ltd.	Kuang-Hsiang Wang (31.33%), Hsueh-E Wang-Hsu (31.33%), Ya-Lin Wang (18.33%), Ya-Hsuan Wang (7.61%), Ya-Wei Wang (7.61%), Li-Chih Wang (0.95%), Li-Chun Wang (0.95%), Li-Ming Wang (0.95%), Li-Chu Wang (0.95%)
Luo De Investment Co., Ltd.	Shan Yuan Construction Co., Ltd. (100%)
Jun Investment International Co., Ltd.	Zhen-Long Wu(44%)、Jyun-Yi Wu(28%)、Yi-Ci Wu(28%)
Tatung University	Hsieh-chih Industry Promotion Association (100%)
Ou Chi Investment Co., Ltd.	GIGANT HOLDINGS LIMITED (BVI) (99.9%)
Jet Heritage Capital Limited (BVI)	I-Yin Hsu (100%)

4. Disclosure of professional qualifications and experiences of directors

Criteria / Name	Professional qualifications and experiences
Chairman Bo-Yen Shen	The person was a doctor (DBA) of the Graduate Institute of Technology, Innovation & Intellectual Property Management, National Chengchi University, and currently serves as the Chairman & Chief Strategy Officer of the Company, Executive Vice President of Tatung Company, Chairman of the Information Service Industry Association of R.O.C., etc. He has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Director Chin-Lai Wang	The person was a doctor (DBA) of Management National Chengchi University, and currently serves as the President of Tatung Company and the Vice President & President of Elitegroup Computer Systems Co., Ltd. He was formerly the Chairman of Ernst & Young Cultural and Educational Foundation, the Chairman of EY Management Services Inc. He has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Director Wen-Hung Huang	The person graduated from Ming Chi University of Technology, department of electrical engineering, and currently serves as the President of the Company. He was formerly the President of Ausenior Information Co., Ltd., the Chairman of Ho Than Technology Inc., the President of Azion corporation and the President of Genesis Technology Inc.. He has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Director Pei-Chun Lu	The person holds a degree of LLM from National Chung Cheng University, and currently serves as the Corporate Governance Officer and General Counsel of Legal Affairs Division in Tatung Company. She has obtained the lawyer’s license of R.O.C., and has more than 5 years of work experience in law and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Director Chiu-Chan Hsu	The person holds the degrees of Master of Laws & Bachelor of Accounting from National Taipei University, and currently serves as the CFO & Corporate Governance Officer of the Company, etc. She has obtained the CPA license of R.O.C., and has more than 5 years of work experience in law, finance and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Director Kuan-Chih Tseng	The person graduated from Soochow University with a degree in Psychology, and currently serves as the CEO of Mobii Green Energy Co., Ltd. He has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Independent Director Huang-Chi Yeh	The person holds a degree of bachelor of Bank department, Tamkang University. He is the convener of the Company’s Audit Committee, and was formerly the Chairman, Sinopac Futures Corporation and the Director, President and Member of Senior Specialized, SinoPac Securities Corporation. He currently serves as the Independent Director of Forward Electronics Co., Ltd. and the Executive Director, MetaNano Inc., and has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Independent Director Ying-Hwang Yang	The person holds a degree of EMBA of Management, National Taipei University of Technology, and is one of the members of the Company’s Audit Committee. He was formerly the Director of Formosa Plastics Marine Corporation and the Director of Formosa Plastics Maritime Corporation and the Supervisor of Formosa Chemicals And Fibre Corporation. He currently serves as the Independent Director, Topkey Corporation. He has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.
Independent Director Maw-In Tsai	The person was a Postdoctoral researcher at Harvard University, Master of Laws and Doctor of Laws from Nagoya University, and is one of the members of the Company’s Audit Committee, and was formerly a Professor of Professor of School of Law, National Taiwan University, and the consultant of the Ministry of the Interior, and the Director of Taiwan Sugar Corporation. He currently serves as the Independent Director, Elitegroup Computer Systems Co., Ltd. and the Independent Director, Forward Electronics Co., Ltd., and has more than 5 years of work experience in business, finance, and other areas required for the operation of the Company. None of the circumstances under Article 30 of the Company Act applies to the person.

5. Continuing training of Director

Director	Date	Training Title	Duration	Total Duration
Bo-Yen Shen	111/10/19	Corporate Governance Summit -Improve the functions of directors and implement the company's sustainable management	3.0	6.0
	111/10/11	Release of reference guidelines for independent directors and audit committees to exercise their powers and advocacy meeting	3.0	
Chin-Lai Wang	111/06/30	ESG Reporting Trends and Their Disclosure Business Implications	3.0	6.0
	111/04/22	Aishin 30 Sustainable Net Zero Summit Forum- Earnest net zero achievement sustainable 2030	3.0	
Wen-Hung Huang	111/12/22	Introduction of Hostile Takeovers and Legal Liabilities of Responsible Persons	3.0	6.0
	111/12/02	The Positioning and Changes of Directors' Functions under the Trend of ESG	3.0	
Pei-Chun Lu	111/09/30	Corporate governance in coping with the changes of the international order	3.0	18.0
	111/09/16	Anatomy of Digital Investigative Measures for Serious Financial Crimes	3.0	
	111/07/21	Supply Chain Information Security Threat Hunting - Opportunities for New Ventures in Taiwan	3.0	
	111/05/27	How to develop sustainable competitive advantage in response to climate change	3.0	
	111/04/26	Labor Dispute Prevention and Corporate Governance	3.0	
	111/03/16	Human Resources in the Process of Enterprise Acquisition	3.0	
Chiu-Chan Hsu	111/10/19	Corporate Governance Summit -Improve the functions of directors and implement the company's sustainable management	6.0	17.0
	111/10/11	Release of reference guidelines for independent directors and audit committees to exercise their powers and advocacy meeting	3.0	
	111/07/27	Sustainable Development Roadmap Industry Theme Seminar	2.0	
	111/07/14	Global Risk Perception - Opportunities and Challenges for the Next Decade	3.0	
	111/07/14	Corporate Governance 3.0 from the Prosecutor's Investigation Perspective	3.0	
Kuan-Chih Tseng	111/12/20	"Insider Practical Discussion and Countermeasures of "Insider Trading" and "False Financial Reporting"	6.0	6.0
Huang-Chi Yeh	111/11/15	Competitive Advantage and Prevention Strategies Analysis for Directors	3.0	9.0
	111/11/09	Independent Director Elite Training Institute -How can independent directors detect the company's financial crisis early	3.0	
	111/10/04	The Challenges and Opportunities of the Sustainable Development Path and the Inventory of Greenhouse Gases	3.0	
Ying-Hwang Yang	111/10/06	Release of reference guidelines for independent directors and audit committees to exercise their powers and advocacy meeting	3.0	6.0
	111/08/11	Looking at mergers and acquisitions from the perspective of directors and supervisors	3.0	
Maw-In Tsai	111/08/24	Enterprise upgrading and transformation strategy and management	3.0	6.0
	111/04/22	Aishin 30 Sustainable Net Zero Summit Forum- Earnest net zero achievement sustainable 2030	3.0	

6. Disclosure of information on the independence of independent directors

Criteria / Name	Independence	Number of public companies where the person concurrently acts as an independent director
Independent Director Huang-Chi Yeh	The three independent directors in the left column have all met the eligibility criteria set forth in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies promulgated by the Financial Supervisory Commission and Article 14-2 of Securities and Exchange Act two years prior to their elected appointment and during their term of office. In addition, all independent directors have been granted full rights to participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, so as to execute relevant authority independently.	1
Independent Director Ying-Hwang Yang		1
Independent Director Maw-In Tsai		2

7. Diversity and independence of the Board of Directors

(1) Diversity of the Board of Directors

It is specified in Article 20 of the Company's Corporate Governance Best-Practice Principles that diversity shall be taken into account for the formation of the Board of Directors. The directors who concurrently serve as the managerial officers of the Company shall not exceed one-third of the total number of directors, and an appropriate policy of diversity shall be devised based on the operations, type of business and development requirements. All members of the Board shall possess the knowledge, skills, and competence necessary to perform their duties. To achieve the goal of ideal corporate governance, the Board of Directors shall, on the whole, possess the following abilities: a. Ability to make operational judgments. b. Ability to perform accounting and financial analysis. c. Ability to conduct business management. d. Ability to handle crises. e. Knowledge of industry. f. Understanding of international markets. g. Ability to lead. h. Ability to make decisions.

The current Board of Directors consists of nine directors, including three independent directors. The age distribution is 31–80 years old, and two of the members are female directors. All directors have specialties in different fields, such as business management, accounting and financial analysis, knowledge of industry, and legal expertise. Their specialties make the functions of the Board of Directors more complete, and help enhance the Company's competitiveness.

(2) Independence of the Board of Directors

There are three independent directors in the Company's Board of Directors, accounting for 33%. The circumstances set forth in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act do not apply to any of the Board members.

(II) Information on Chief Executive Officers, Vice Presidents, Assistant VPs, and officers of departments and branches

April 17, 2023

Title	Nationality	Name	Gender	Date of assumption of office	Number of shares held		Current shares held by spouse and minor children		Shares held in the names of others		Educational background and experience	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship		
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman /Chief Strategy Officer	R.O.C.	Bo-Yen Shen	Male	03.03.2022	808,623	0.91	-	-	-	-	Refer to Section 2, Point 1 of this Part.		-	-	-
President	R.O.C.	Wen-Hung Huang	Male	03.03.2022	-	-	-	-	-	-	Refer to Section 2, Point 1 of this Part.		-	-	-
Senior Vice President	R.O.C.	Chih-Hung Chen	Male	12.27.2016	113,630	0.13	-	-	-	-	M.B.A., College of Management, National Taiwan University M.B.A., College of Business and Management, Tamkang University Senior Vice President, System and Software Services Center, Tatung System Technologies Inc. Assistant VP, Client Services Division (CSD), Tatung System Technologies Inc.	Director, Chyun Huei Commercial Technologies Inc. Director, Tisnet Technology Inc. Director, tsti Technologies (Shanghai) Co., Ltd. Director, i-Torch Technology Corp.	-	-	-
Vice President	R.O.C.	Chiu-Chan Hsu	Female	01.01.2022	100,801	0.11	-	-	-	-	Refer to Section 2, Point 1 of this Part.		-	-	-
Vice President	R.O.C.	Hung-Yu Chen	Male	01.01.2022	40,320	0.05	-	-	-	-	Master, Institute of Applied Mechanics, National Taiwan University Bachelor, Department of Naval Architecture, National Taiwan University Assistant VP/Director, Software Development Division (SDD) Director, Software Integration and Application Division Deputy Director, Project Technology Department, Software Application Sales Division	-	-	-	-
Assistant VP	R.O.C.	Ming-Te Yu	Male	01.01.2020	35,733	0.04	-	-	-	-	M.B.A., Tatung University Department of Electronic Engineering, National Taipei Institute of Technology Director, Product Technology and Service Business Division, tsti Director, Client Service Business Division, tsti Deputy Director, Computer System Division, tsti	-	-	-	-

(III) Remuneration to directors (including independent directors), Chief Executive Officer and Vice President

1. Remuneration to regular and independent directors

December 31, 2021; Unit: NTD thousands

Title	Name	Remuneration to directors								Sum of A, B, C, and D as a percentage of net income		Remuneration received by part-time employees								Sum of A, B, C, D, E, F and G as a percentage of net income		Remuneration received from investees or parent company other than subsidiaries
		Remuneration (A)		Pension (B)		Remuneration to directors (C) (Note 1)		Income from professional practice (D)				Salary, Bonus and special allowance (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company		All companies in financial reports		The Company	All companies in financial reports	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director (Note 2 – Note 3)	Tatung Company Representative Bo-Yen Shen Representative Chin-Lai Wang Representative Wen-Hung Huang Representative Pei-Chun Lu Representative Chiu-Chan Hsu Representative I-Wen Chung Representative Wei-Li Tsai Representative Zhi-Fang Wang Twinbot Fintech Consultants Limited Representative Kuan-Chih Tseng	0	0	0	0	1,800	1,800	160	164	1,960 1 %	1,964 1%	12,758 (Note 6)	13,058 (Note 6)	216 (Note 7)	216 (Note 7)	2,170	0	2,170	0	17,104 10%	17,528 10%	9,778
Independent Director (Note 4 – Note 5)	Huang-Chi Yeh Ying-Hwang Yang Maw-In Tsai Ting-Kuo Chen Chung-Hsien Liu	2,137	2,137	0	0	0	0	80	80	2,217 1%	2,217 1%	0	0	0	0	0	0	0	0	2,217 1%	2,217 1%	None

1. Please describe the payment policy, system, standard and structure of the remuneration to independent directors, and the association of their responsibility, risk, and investment of time with the amount of the remuneration paid: Refer to Section 4, Point 2 of this Part.
2. Further to the aforementioned disclosure, the remunerations received by the directors of the Company for rendering service to all companies included in the financial statements (e.g. serving as a consultant but not the employee of the Company) in the most recent year: None.

Note 1: The Board of Directors resolved on 03.07.2023 and the implementation commended after reporting at the shareholders' meeting on 06.15.2023.
Note 2: Independent Director Ting-Kuo Chen and Independent Director Chung-Hsien Liu resigned on 02.16.2022 and the resignation took effect on 06.14.2022.
Note 3: All the independent directors of the Company were re-elected on 06.15.2022. The newly elected Independent Director Huang-Chi Yeh, Independent Director Ying-Hwang Yang, and Independent Director Maw-In Tsai took office.
Note 4: Director I-Wen Chung resigned on 06.29.2022; Director Zhi-Fang Wang resigned on 06.30.2022; The company received the re-delegation of the representative Director Wei-Li Tsai on 2022.07.13.
Note 5: Director Wei-Li Tsai and one vacant director was replaced with Director Chin-Lai Wang and Wen-Hung Huang on 09.13.2022 (re-delegation of the representative by the corporate director).
Note 6: The special allowance includes the rental of the car for the Chairman and President to the amount of NT$1,401 thousand.
Note 7: The amount of the pension under expenditure in 2022 is subject to the pension system in the "Labor Standards Act"; namely, the allocation of pension according to the new system.

2. Breakdown of remuneration to directors (including independent directors)

Breakdown of remuneration to directors	Name of director			
	Total amount of the first four items (A+B+C+D)		Total amount of the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in financial reports H	The Company	Companies included into the financial statement I
Under $1,000,000	Bo-Yen Shen, Chin-Lai Wang, Wen-Hung Huang, Pei-Chun Lu, Chiu-Chan Hsu, I-Wen Chung, Wei-Li Tsai, Zhi-Fang Wang, Twinbot Fintech Consultants Limited, Kuan-Chih Tseng, Huang-Chi Yeh, Ying-Hwang Yang, Maw-In Tsai, Ting-Kuo Chen, Chung-Hsien Liu	Bo-Yen Shen, Chin-Lai Wang, Wen-Hung Huang, Pei-Chun Lu, Chiu-Chan Hsu, I-Wen Chung, Wei-Li Tsai, Zhi-Fang Wang, Twinbot Fintech Consultants Limited, Kuan-Chih Tseng, Huang-Chi Yeh, Ying-Hwang Yang, Maw-In Tsai, Ting-Kuo Chen, Chung-Hsien Liu	Chin-Lai Wang, Pei-Chun Lu, I-Wen Chung, Wei-Li Tsai, Zhi-Fang Wang, Twinbot Fintech Consultants Limited, Kuan-Chih Tseng, Huang-Chi Yeh, Ying-Hwang Yang, Maw-In Tsai, Ting-Kuo Chen, Chung-Hsien Liu	Chin-Lai Wang, Pei-Chun Lu, I-Wen Chung, Wei-Li Tsai, Zhi-Fang Wang, Twinbot Fintech Consultants Limited, Kuan-Chih Tseng, Huang-Chi Yeh, Ying-Hwang Yang, Maw-In Tsai, Ting-Kuo Chen, Chung-Hsien Liu
$1,000,000 (inclusive) – $2,000,000 (exclusive)	Tatung Company	Tatung Company	Tatung Company	Tatung Company
$2,000,000 (inclusive) – $3,500,000 (exclusive)	-	-	Chiu-Chan Hsu	-
$3,500,000 (inclusive) – $5,000,000 (exclusive)	-	-	-	Chiu-Chan Hsu
$5,000,000 (inclusive) – $10,000,000 (exclusive)	-	-	Bo-Yen Shen (Note) Wen-Hung Huang (Note)	Bo-Yen Shen (Note) Wen-Hung Huang (Note)
$10,000,000 (inclusive) – $15,000,000 (exclusive)	-	-	-	-
$15,000,000 (inclusive) – $30,000,000 (exclusive)	-	-	-	-
$30,000,000 (inclusive) – $50,000,000 (exclusive)	-	-	-	-
$50,000,000 (inclusive) – $100,000,000 (exclusive)	-	-	-	-
Over $100,000,000	-	-	-	-
Total	16 persons	16 persons	16 persons	16 persons

Note: The special allowance includes the rental of the car for the Chairman and President to the amount of NT$1,401 thousand.

3. Remuneration to Chief Executive Officer and Vice President

December 31, 2021 Unit: NTD thousands

Title	Name	Salary (A)		Pension (B)		Bonus, special allowance, etc. (C)		Employee Compensation (D) (Note 1)				Sum of A, B, C, and D as a percentage of net income (%)		Remunerati on received from investees other than subsidiaries
		The Company	All companies in financial reports	The Company	All companies in financial reports	The Company	All companies in financial reports	The Company		All companies in financial reports		The Company	All companies in financial reports	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman & Chief Strategy Officer	Bo-Yen Shen	11,850	12,150	425 (Note 2)	425 (Note 2)	6,487 (Note 3)	6,489 (Note 3)	3,110	-	3,230	-	21,872 12%	22,294 12%	2,600
President	Wen-Hung Huang													
Senior Vice President	Chih-Hung Chen													
Vice President	Chiu-Chan Hsu													
Vice President	Hung-Yu Chen													

Note 1: The Board of Directors resolved on 03.07.2023 and the implementation commended after reporting at the shareholders' meeting on 06.15.2023.
Note 2: The amount of the pension under expenditure in 2022 is subject to the pension system in the "Labor Standards Act"; namely, the allocation of pension according to the new system.
Note 3: The special allowance includes the rental of the car for the Chairman and President to the amount of NT$1,401 thousand.

4. Breakdown of remuneration to Chief Executive Officer and Vice President

Breakdown of remuneration to President and Vice President	Name of President and Vice President	
	The Company	All companies in financial reports
Under $1,000,000	-	-
$1,000,000 (inclusive) – $2,000,000 (exclusive)	-	-
$2,000,000 (inclusive) – $3,500,000 (exclusive)	Chiu-Chan Hsu Hung-Yu Chen	Hung-Yu Chen
$3,500,000 (inclusive) – $5,000,000 (exclusive)	Chih-Hung Chen	Chih-Hung Chen Chiu-Chan Hsu
$5,000,000 (inclusive) – $10,000,000 (exclusive)	Bo-Yen Shen (Note) Wen-Hung Huang (Note)	Bo-Yen Shen (Note) Wen-Hung Huang (Note)
$10,000,000 (inclusive) – $15,000,000 (exclusive)	-	-
$15,000,000 (inclusive) – $30,000,000 (exclusive)	-	-
$30,000,000 (inclusive) – $50,000,000 (exclusive)	-	-
$50,000,000 (inclusive) – $100,000,000 (exclusive)	-	-
Over $100,000,000	-	-
Total	5 persons	5persons

Note : The special allowance includes the rental of the car for the Chairman and President to the amount of NT$1,401 thousand.

5. Name of the managerial officer to whom employee compensation was distributed and the status of the distribution (Note)

December 31, 2022; Unit: NTD thousands

	Title	Name	Stock amount	Cash amount	Total	Total amount as a percentage of net income (%)
Managerial officer	Chairman & Chief Strategy Officer	Bo-Yen Shen	-	3,470	3,470	2%
	President	Wen-Hung Huang				
	Senior Vice President	Chih-Hung Chen				
	Vice President	Hung-Yu Chen				
	Vice President	Chiu-Chan Hsu				
	Assistant VP	Ming-Te Yu				

Note : The Board of Directors resolved on 03.07.2023 and the implementation commended after reporting at the shareholders' meeting on 06.15.2023.

(IV) The payment policy, standard, combination, and decision-making procedure of the remuneration to directors, independent directors, Chief Executive Officer and Vice President, and the association with the business performance

The analysis on the total amount of the remuneration to directors, independent directors, President, Vice President and Chief Strategy Officer as a percentage of the net income in the separate or individual financial reports in the most recent two years

Title	Remuneration as a percentage of net income			
	2022		2021	
	The Company	All companies in financial reports	The Company	All companies in financial reports
Director and independent director (Note)	11%	11%	6%	6%
President, Vice President and Chief Strategy Officer	12%	12%	10%	10%

Note: The remuneration to directors and independent directions contains the remuneration to the director serving concurrently as the Chief Strategy Officer.

1. The payment policy, standard, combination, and decision-making procedure of remuneration

According to Article 31 of the Articles of Incorporation, the Chairman and directors of the company are authorized by the Board of Directors to determine and allocate their compensation based on their level of involvement and contribution to the company's operations, as well as the market standards of the industry, and in accordance with the company's bylaws. 5% to 15% of the current pre-tax net profit prior to deduction of the remuneration to the employees and directors shall be appropriated as the remuneration to the employees, and not more than 5% shall be appropriated as the remuneration to the directors. The 5th Compensation Committee hold its second meeting on August 30, 2021, and the “independent director remuneration system” and the “director remuneration system” were amended and adopted at the meeting. The resolutions were submitted to the Board of Directors for reviewed and approved by the Board on August 30, 2021. Accordingly, directors do not receive fixed compensation and the variable compensation is dependent on the earnings in the year’s final accounting of the Company and the distributable amount is provided in accordance with relevant systems and regulations. Independent directors receive fixed compensation every month rather than variable compensation. All the Board members can receive an attendance fee whenever they are present at the Board of Directors meeting or temporary meeting or the meeting of any functional committees.

2. Association with the business performance and future risk

The remuneration to directors is determined in consideration of the existing matters, the potential risk of assuming responsibilities and obligations in the future, the level of other companies in the industry, and the business and profitability of the Company. According to the Company’s Articles of Incorporation, the total compensation for our managers, such as the general manager and Vice President, includes fixed and variable pay. The fixed pay is evaluated by the compensation committee based on industry standards, as well as the individual's education, professional abilities, and responsibilities. The variable pay, including bonuses and employee compensation, is distributed based on the company's overall performance and the performance of the individual's department, and in accordance with various bonus regulations. The distribution of bonuses and employee compensation is positively correlated with the company's operational performance. To address future risks, our company has purchased directors and officers liability insurance for key personnel.

(V) Disclosures of annual director performance evaluation results

The Company has established the "Board of Directors Performance Evaluation Regulations." The implementation of the evaluation is described below:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation item
Once a year	01.01.2022 to 12.31.2022	● Performance evaluation of Board of Directors ● Board member self-evaluation ● Performance evaluation of functional committee	● Internal self-evaluation of Board of Directors ● Board member self-evaluation ● Peer evaluation	The Board of Directors was subjected to the following five aspects of performance evaluation measurements: 1. Involvement in the Company's operation 2. Improvement of the quality of decision-making by the Board of Directors. 3. Composition and structure of the Board of Directors. 4. Election and continued education of directors. 5. Internal control. The Board members were subjected to the following six aspects of self-evaluation or peer evaluation measurements: 1. Understanding of the objectives and missions of the Company. 2. Knowledge of the responsibilities of directors. 3. Involvement in the Company's operation 4. Internal relationship management and communication. 5. Professional knowledge and continued education of directors. 6. Internal control. The functional committees were subjected to the following five aspects of performance evaluation measurements: 1. Involvement in the Company's operation 2. Knowledge of the responsibilities of functional committees. 3. Improvement of the quality of decision-making by functional committees. 4. Composition and election of the members of functional committees. 5. Internal control.

The evaluation was conducted using the Likert Scale. 5 points meant being compliant with the Company's expectations of the functions very much; 4 points meant being compliant with the Company's expectations of the functions mostly; 3 points meant being compliant with the Company's expectations of the functions fairly; 2 points meant being incompliant with the Company's expectations of the functions; 1 point meant being far lower than the Company's expectations of the functions.

In 2023, the Company reviewed the performance evaluation results of the 2022 Board of Directors, directors, and functional committees:

1. Board of Directors and functional committees: The overall operating status was improved to meet the requirements of the corporate governance. All the members of the committees fulfilled their duties conscientiously. The functions of the Board of Director and the functional committees were carried out effectively.

Table 1 Board of Directors Performance Evaluation Result

Year	2021	2022
Average score	4.97	4.90

Table 2 Functional Committee Performance Evaluation Result

Year	2021	2022
Average score	5.00	4.96

2. Board member: The results of the self-evaluation and overall evaluation were compliant with the Company's expectations of the functions very much.

Table 3 Board Member Self-Evaluation Result

Year	2021	2022
Average score	5.00	4.92

III. Implementation Status of Corporate Governance

(I) Operation status of the Board of Directors

The Board of Directors held six meetings in the most recent year (2022). The presence and attendance of the directors is described below:

Title	Name	Actual number of attendance	Number of attendance by proxy	Actual attendance rate (%)	Remarks
Chairman	Tatung Company Representative Bo-Yen Shen	6	0	100	
Director	Tatung Company Representative Chin-Lai Wang	2	0	100	Re-delegated on 09.13.2022 as a new director
Director	Tatung Company Representative Wen-Hung Huang	2	0	100	Re-delegated on 09.13.2022 as a new director
Director	Tatung Company Representative Pei-Chun Lu	6	0	100	Re-delegated on 02.08.2022 as a new director
Director	Tatung Company Representative Chiu-Chan Hsu	6	0	100	Re-delegated on 02.08.2022 as a new director
Director	Twinbot Fintech Consultants Limited Representative Kuan-Chih Tseng	5	0	83	
Independent Director	Huang-Chi Yeh	4	0	100	By-elected on 06.15.2022 as a new director
Independent Director	Ying-Hwang Yang	4	0	100	By-elected on 06.15.2022 as a new director
Independent Director	Maw-In Tsai	4	0	100	By-elected on 06.15.2022 as a new director
Director	Tatung Company Representative I-Wen Chung	2	0	100	Resigned on 06.29.2022
Director	Tatung Company Representative Wei-Li Tsai	1	0	100	Re-elected on 07.13.2022 as a new director, Resigned on 09.13.2022
Director	Tatung Company Representative Zhi-Fang Wang	2	0	100	Re-elected on 02.08.2022 as a new director, Resigned on 06.30.2022
Independent Director	Ting-Kuo Chen	2	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022
Independent Director	Chung-Hsien Liu	2	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022

Other items to be stated:

I. Where any of the following circumstances occurs to any meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and actions taken by the Company on the opinions shall be specified:

Board of Directors	Proposal and subsequent action	The matters referred to in Article 14-3 of the Securities and Exchange Act	Dissents or qualified opinions of independent directors
8th Board 5th meeting 03.03.2022	(1) Approved the releasing original and new Directors (including Independent Directors) from non-competition restrictions	V	None.
	(2) Approved the amendment to the Regulations Governing the Acquisition and Disposal of Assets	V	None.
	(3) Approved the 2022 certified public accountant's fees and Independence	V	None.
	Independent director opinions: None The Company’s action on independent director opinions: None Resolution result: Approved by all of the directors present.		
8th Board 6th meeting 05.05.2022	(1) Approved the amendment of the Company’s “Delegation of Authority Table”	V	None.
	(2) Approved the amendment of the Company’s “Specimen Seal Management Regulations”	V	None.
	(3) Approved the proposal for cancellation of non-compete restrictions for existing and new directors (including independent directors), and their representatives	V	None.
	Independent director opinions: None The Company’s action on independent director opinions: None Resolution result: Approved by all of the directors present.		
8th Board 8th meeting 08.04.2022	(1) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to June 30, 2021	V	None.
	(2) Approved the company disposes (subleases) the right-of-use assets to Tatung Company Taichung Branch	V	None.
	Independent director opinions: None The Company’s action on independent director opinions: None Resolution result: Approved by all of the directors present.		
8th Board 9th meeting 11.03.2022	(1) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to September 30, 2022	V	None.
	(2) Approved the releasing original and new Directors from non-competition restrictions	V	None.
	Independent director opinions: None The Company’s action on independent director opinions: None Resolution result: Approved by all of the directors present.		

Board of Directors	Proposal and subsequent action	The matters referred to in Article 14-3 of the Securities and Exchange Act	Dissents or qualified opinions of independent directors
8th Board 10th meeting 12.15.2022	(1) Approved the proposal of the Company's endorsement and guarantee for a bank credit facility to the subsidiary Chyun Huei Commercial Technologies Inc.	V	None.
	(2) Approved the proposal of the Company's endorsement and guarantee for the credit facility of a bank or a bills finance company to the subsidiary Tisnet Technology Inc.	V	None.
	(3) Approved the amendment to "the Rules of Procedure for Board of Directors Meetings", "Corporate Governance Best Practice Principles" and and related internal controls(including internal audit implementation rules).	V	None.
	(4) Approved the establishment of the company's "the Procedures for Handling Material Inside Information " and related internal controls(including internal audit implementation rules).	V	None.
	(5) Approved the company obtained the right-to-use assets of the real estate from S.C.A.D..	V	None.
	(6) Approved the releasing directors from non-competition restrictions.	V	None.
	Independent director opinions: None The Company's action on independent director opinions: None Resolution result: Approved by all of the directors present.		

II. Where the implementation status of recusal bearing on the interest of a director is involved, the name of the director, proposal, reasons for the recusal, and participation in the voting shall be described:

1. 03.03.2022 8th Board 5th meeting
   Proposal: Approved the remuneration adjustment for the managerial officers of the Company.
   Director sought to avoid conflict of interest: Bo-Yen Shen, Chiu-Chan Hsu
   Reasons for the recusal, and participation in the voting: According to Article 206 of the Company Act, Chairman and President Bo-Yen Shen, Special Assistant to the Chairman Wen-Hung Huang and CFO Chiu-Chan Hsu left the meeting and did not participate in the voting for recusal as he had conflict of interest in the proposal, and asked the Director I-Wen Chung to act as the acting chair. The acting chair (i.e. the Director I-Wen Chung) asked all the directors present at the meeting for their consent to the amendment of the director remuneration system, and the proposal was adopted without changes.
   Proposal: Change of the managerial officers of the Company.
   Director sought to avoid conflict of interest: Bo-Yen Shen
   Reasons for the recusal, and participation in the voting: According to Article 206 of the Company Act, Chairman and President Bo-Yen Shen and Special Assistant to the Chairman Wen-Hung Huang left the meeting and did not participate in the voting for recusal as he had conflict of interest in the proposal, and asked the Director I-Wen Chung to act as the acting chair. The acting chair (i.e. the Director I-Wen Chung) asked all the directors present at the meeting for their consent to the amendment of the director remuneration system, and the proposal was adopted without changes.
2. 12.15.2022 8th Board 10th meeting
   Proposal: Amendment of the Company's "managerial officer remuneration system."
   Director sought to avoid conflict of interest: Bo-Yen Shen, Wen-Hung Huang, Chiu-Chan Hsu
   Reasons for the recusal, and participation in the voting: According to Article 206 of the Company Act,

Chairman Bo-Yen Shen, Director Wen-Hung Huang and Chiu-Chan Hsu left the meeting and did not participate in the voting for recusal as he had conflict of interest in the proposal, and asked the Independent Director Ying-Hwang Yang to act as the acting chair. The acting chair Ying-Hwang Yang asked all the directors present at the meeting for their consent to the amendment of the director remuneration system, and the proposal was adopted as proposed without objection.

Proposal: Distribution of the business performance bonus to managerial officers for 2022
Director sought to avoid conflict of interest: Bo-Yen Shen, Wen-Hung Huang, Chiu-Chan Hsu
Reasons for the recusal, and participation in the voting: According to Article 206 of the Company Act, Chairman Bo-Yen Shen, Director Wen-Hung Huang and Chiu-Chan Hsu left the meeting and did not participate in the voting for recusal as he had conflict of interest in the proposal, and asked the Independent Director Ying-Hwang Yang to act as the acting chair. The acting chair Ying-Hwang Yang asked all the directors present at the meeting for their consent to the amendment of the director remuneration system, and the proposal was adopted as proposed without objection.

Proposal: Approved the remuneration adjustment for the managerial officers of the Company.
Director sought to avoid conflict of interest: Bo-Yen Shen, Wen-Hung Huang, Chiu-Chan Hsu
Reasons for the recusal, and participation in the voting: According to Article 206 of the Company Act, Chairman Bo-Yen Shen, Director Wen-Hung Huang and Chiu-Chan Hsu left the meeting and did not participate in the voting for recusal as he had conflict of interest in the proposal, and asked the Independent Director Ying-Hwang Yang to act as the acting chair. The acting chair Ying-Hwang Yang asked all the directors present at the meeting for their consent to the amendment of the director remuneration system, and the proposal was adopted as proposed without objection.

III. Please disclose the interval, period, scope, method and item of the self-evaluation (or peer evaluation) of the Board of Directors, and specify the implementation status of this evaluation: Refer to Section 2, Point 4 and 5 of this Part .

IV. Evaluation of the goals and implementation statuses with respect to the enhancement of the functions of the Board of Directors in the current and most recent year:
(1) The Company has established the Rules of Procedure for Board of Directors Meetings and the meetings have proceeded accordingly.
(2) The Company has appointed independent directors, Audit Committee and Compensation Committee to implement corporate governance policies in compliance with the requirements of the competent authority.
(3) The Board members execute performance evaluation mutually every year in order to implement corporate governance properly, improve the function of the Board of Directors, set performance goals, and enhance the operating efficiency of the Board of Directors. Please refer to Section 2, Point 5 of this Part for the performance evaluation result of Board of Directors in 2022.

(II) Operations of the Audit Committee

The Audit Committee held six meetings in the most recent year (2022). The attendance of its members is described below:

Title	Name	Actual number of presence (attendance)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
Convener (chair)	Huang-Chi Yeh	4	0	100	By-elected on 06.15.2022 as a new director
Member	Ying-Hwang Yang	4	0	100	By-elected on 06.15.2022 as a new director
Member	Maw-In Tsai	4	0	100	By-elected on 06.15.2022 as a new director
Convener (chair)	Ting-Kuo Chen	2	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022.
Member	Chung-Hsien Liu	2	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022.

Other items to be stated:
The Audit Committee assists the Board of Directors in fulfilling its supervision responsibility and executes the tasks imposed by the Company Act, Securities and Exchange Act, and other relevant laws and regulations. The Audit Committee operates mainly to ensure proper presentation in the financial reports of the Company; selection (dismissal), independence and performance of CPAs; effective implementation of the Company’s internal control, legal compliance of the Company, and control of the existing or potential risks of the Company.

I. The focus of the work in the recent year (Year 2022) is as follows:
- Review the quarterly report, semi-annual report, annual financial report, the proposal for distribution profits and loss make-up proposal;

- Revise the internal control system and related policies and procedures;
- Material asset or derivatives transactions;
- Material lending founds, endorsements or guarantees;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto;
- Significant investment evaluation and management; and
- Corporate risk management, etc.

II. Where any of the following circumstances occur to the operation of the Audit Committee, the date, term and proposal of the Audit Committee meeting as well as the dissent, reservation or major suggestion of any independent director, the Audit Committee resolution, and how the Company manage the Committee’s opinions shall be described.

Audit Committee	Proposal and subsequent action	The matters referred to in Article 14-5 of the Securities and Exchange Act	Any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors
4rd Board 4th meeting 03.03.2022	(1) Approved the 2021 business report and financial statements.	V	None
	(2) Approved the Company’s 2021 Statement of Internal Control.	V	None
	(3) Approved the releasing original and new Directors(including Independent Directors) from non-competition restrictions.	V	None
	(4) Approved the amendment to the Regulations Governing the Acquisition and Disposal of Assets.	V	None
	(5) Approved the 2022 certified public accountant's fees and Independence.	V	None
	Dissents, qualified opinions, or major suggestions of independent directors: None Audit Committee resolution: Adopted by all of the Audit Committee members. The Company’s action on Audit Committee’s opinions: Adopted by all the directors present at the meeting.		
4rd Board 5th meeting 05.05.2022	(1) Approved the 2022 Q1 consolidated financial reports	V	None
	(2) Approved the amendment of the Company’s “Delegation of Authority Table”	V	None
	(3) Approved the amendment of the Company’s “Specimen Seal Management Regulations”	V	None
	(4) Approved the proposal for cancellation of non-compete restrictions for existing and new directors (including independent directors), and their representatives	V	None
	Dissents, qualified opinions, or major suggestions of independent directors: None Audit Committee resolution: Adopted by all of the Audit Committee members. The Company’s action on Audit Committee’s opinions: Adopted by all the directors present at the meeting.		
4rd Board 7th meeting 08.04.2022	(1) Approved the 2022 Q2 consolidated financial reports	V	None
	(2) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to June 30, 2022.	V	None
	(3) Approved the company disposes (subleases) the right-of-use assets to Tatung Company Taichung Branch	V	None
	Dissents, qualified opinions, or major suggestions of independent directors: None		

	Audit Committee resolution: Adopted by all of the Audit Committee members. The Company's action on Audit Committee's opinions: Adopted by all the directors present at the meeting.		
4rd Board 8th meeting 11.03.2022	(1) Approved the 2022 Q3 consolidated financial reports	V	None
	(2) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to September 30, 2022.	V	None
	(3) Approved the releasing original and new Directors from non-competition restrictions.	V	None
	Dissents, qualified opinions, or major suggestions of independent directors: None Audit Committee resolution: Adopted by all of the Audit Committee members. The Company's action on Audit Committee's opinions: Adopted by all the directors present at the meeting.		
4rd Board 9th meeting 12.15.2022	(1) Approved the proposal of the Company's endorsement and guarantee for a bank credit facility to the subsidiary Chyun Huei Commercial Technologies Inc.	V	None
	(2) Approved the proposal of the Company's endorsement and guarantee for the credit facility of a bank or a bills finance company to the subsidiary Tisnet Technology Inc.	V	None
	(3) Approved the amendment to "the Rules of Procedure for Board of Directors Meetings", "Corporate Governance Best Practice Principles" and and related internal controls(including internal audit implementation rules).	V	None
	(4) Approved the establishment of the company's "the Procedures for Handling Material Inside Information " and related internal controls(including internal audit implementation rules).	V	None
	(5) Approved the company obtained the right-to-use assets of the real estate from S.C.A.D..	V	None
	(6) Approved the releasing directors from non-competition restrictions.	V	None
	Dissents, qualified opinions, or major suggestions of independent directors: None Audit Committee resolution: Adopted by all of the Audit Committee members. The Company's action on Audit Committee's opinions: Adopted by all the directors present at the meeting.		

III. Where the implementation status of recusal bearing on the interest of an independent director is involved, the name of the independent director, proposal, reasons for the recusal, and participation in the voting shall be described: None.

IV. Communication of the independent directors with the chief internal auditor and CPA:

(1) The Audit Committee of the Company is composed of all the independent directors and holds at least one meeting every quarter. Additional meetings may be held whenever necessary.

(2) Communication of the chief internal auditor with the Audit Committee:

1. Regular – The chief internal auditor replied to the questions of the independent directors on the findings in the audit report of the Audit Committee and the progress of the improvement, and enhanced the audit work under the instructions of the Audit Committee to ensure the effectiveness of the internal control system. The matters concerned are described below:

Item	Communication	Result
Self-evaluation of internal control	The self-evaluation matters were reported to the Board of Directors pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies."	The "Declaration of Internal Control System" showing the effective design and implementation of the self-evaluation under the internal control system was presented in accordance with the result of the internal control self-evaluation.

2. Irregular – Communication on the findings of the audit was usually conducted by phone or email or in person. The independent directors would be informed whenever any significant violations were identified.

DATE	MATTERS OF COMMUNICATION
03.03.2022	1. December 2021–January 2022 Audit Implementation Report 2. Review of the 2021 Declaration of Internal Control System
05.05.2022	February 2022–March 2022 Audit Implementation Report
08.04.2022	April 2022–June 2022 Audit Implementation Report
11.03.2022	July 2022–September 2022 Audit Implementation Report
12.15.2022	1. October 2022–November 2022 Audit Implementation Report 2. Review of the 2023 Internal Audit Plan

(3) Communication of the CPA with the Audit Committee

1. Regular – When reviewing quarterly financial reports and auditing annual report, the CPAs communicated with the Audit Committee on the audit plan as well as the implementation status and result.

2. Irregular – Meetings will be arranged, if necessary, if communication is needed on any cases related to business operation or internal control.

DATE	MATTERS OF COMMUNICATION
03.03.2022	1. CPAs were arranged to make a presentation to Audit Committee about the 2021 consolidated and separate financial reports. 2. CPAs discussed and communicated with the Audit Committee members and the attendees about their questions.
05.05.2022	1. CPAs were arranged to make a presentation to Audit Committee about the 2022 first quarter consolidated financial reports. 2. CPAs discussed and communicated with the Audit Committee members and the attendees about their questions.
08.04.2022	1. CPAs were arranged to make a presentation to Audit Committee about the 2022 second quarter consolidated financial reports. 2. CPAs discussed and communicated with the Audit Committee members and the attendees about their questions.
11.03.2022	1. CPAs were arranged to make a presentation to Audit Committee about the 2022 third quarter consolidated financial reports. 2. CPAs discussed and communicated with the Audit Committee members and the attendees about their questions.

(III) Status of corporate governance, deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and reasons for such deviations

Evaluation item	Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies," and disclosed them on the MOPS and the website of the Company.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
II. Shareholding structure and shareholder's equity (1) Does the Company have an internal procedure and handle shareholders' suggestions, doubts, disputes, and litigations accordingly? (2) Does the Company have the name list of the major shareholders who actually control the Company and the persons who have the ultimate control of the major shareholders? (3) Does the Company have risk control and firewall mechanisms in place to between the Company and its affiliates? (4) Has the Company established internal regulations to prohibit insiders from using the information not available to the market to trade securities?	V V V V		(1) In addition to commissioning professional stock service agents to handle shareholder related matters, the Company has disclosed an investor service section on the official website and provided the contact information of the spokesperson, deputy spokesperson, and designated stock service personnel. They are also responsible for the issues on shareholders' suggestions or disputes. (2) The Company refers to the register of shareholders provided by the stock service agent and applicable after the transfer suspension date to acquire the name list of the major shareholders who actually control the Company and the persons who have the ultimate control of the major shareholders, and report and disclose it pursuant to relevant laws and regulations. (3) The Company and the subsidiaries have established respective management regulations and delegation of authority table. The management responsibilities are defined explicitly and implemented properly. The internal control and the compliance with these regulations within the Company and the subsidiaries are reviewed respectively by the Internal Control Committee, internal audit unit, and external independent auditors on a regular basis to ensure the effectiveness of the risk control and firewall mechanisms. (4) The Company disseminates prevention of insider trading on a regular basis every year, and prohibits insiders from using information not available to the market to trade securities.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
III. Composition and responsibility of Board of Directors (1) Has the Board of Directors established and implemented diversity policies and specific	V		(1) 1. The Company has established the diversity policies in Chapter 3 "Enhancement of the Board of Directors Function" of the "Corporate Governance Best Principles." The nomination and election of	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>management objectives?</td><td></td><td></td><td>the Board members are conducted according to the Articles of Incorporation under the candidate nomination system. In addition to assessment of the candidates’ educational background, experience and qualification, we refer to the opinions of the stakeholders and observe the “Director Election Regulations” and “Corporate Governance Best Principles” to ensure the diversity and independence of the Board members.
2. There are currently nine Board members. Three of them are independent directors, occupying 33% of all the Board members, and have a seniority of less than three years. Two of the nine directors are female and occupies 22% of all the Board members. We place importance on the gender equity of the directors. The Board members have experiences and specialties in operations management, industrial knowledge, finance, and strategic management, respectively, to ensure the diversity of the Board of Directors.
3. The Board of Directors has disclosed the diversity policies of Board members on the Company’s website and MOPS.</td><td>Listed Companies

Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies</td></tr>
<tr><td>(2) Apart from the Compensation Committee and Audit Committee, has the Company set up other functional committees at its own discretion?</td><td>V</td><td></td><td>(2) In addition to establishing the Compensation Committee and Audit Committee according to laws, the Company does not set up any other functional committees.</td><td></td></tr>
<tr><td>(3) Does the Company have evaluation regulations for the performance of the Board of Directors and conduct regular performance evaluation every year? Does the Company submit the results of the performance evaluation to the Board of Directors? Are the results used as the basis for the remuneration to and nomination for re-election of individual directors?</td><td>V</td><td></td><td>(3) The Company has established the Director Performance Evaluation Regulations. The annual performance is evaluated based on the qualitative and quantitative objections every year and the result of the evaluation is disclosed on a regular basis. Please refer to Section 2, Point 5 of this Part for the performance evaluation result of Board of Directors in 2022.</td><td></td></tr>
<tr><td>(4) Does the Company review the independence of the CPAs on a regular basis?</td><td>V</td><td></td><td>(4) 1. The CPAs that the Company designates are not the directors, supervisors, managerial officers, employees, or shareholders of the Company or any of our affiliated companies, and they are surely not the stakeholders and have the independent judgment as required by the competent authority.</td><td></td></tr>
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<tr><th rowspan="2">Evaluation item</th><th colspan="3">Status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>2. The Company assessed the competence and independence of the CPAs on a regular basis (once a year),require certified accountants to provide "Independent Statement" and "Audit Quality Indicators (AQIs)", including the following indicators: they do not assume any important accounting or financial report supervising positions of the Company, are not significantly related to the employment or business of the Company, do not hold any financial benefits related to the Company, no other financial interest or business relationship with the company other than the use of visa and tax documents, or refer to AQI index information, confirm that accountants and accounting firms have average audit experience and training hours and continue to introduce digital audit tools to improve audit quality. The assessment of the independence and suitability of accountants in the most recent year was discussed and approved by the Audit Committee on March 3, 2023, and submitted to the resolution of the Board of Directors on March 7, 2023 for approval.</td><td></td></tr>
<tr><td>IV. Does the TWSE/TPEx Listed company have an adequate number of corporate governance personnel with appropriate qualifications to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders' meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders' meetings?</td><td>V</td><td></td><td>To implement the corporate governance and enhance the function of the Board of Directors on December 16, 2020, it adopted the appointment of the CFO Chiu-Chan Hsu as the Corporate Governance Officer since 2021 of the Company. She has had the experience in the management of the finance, stock affairs, and meeting agendas of the Company for more than three years. Continuing training of Corporate Governance Officer in 2022:
<table>
<tr><th>Date</th><th>Training Title</th><th>Duration</th></tr>
<tr><td>2022/10/19</td><td>Corporate Governance Summit -Improve the functions of directors and implement the company's sustainable management</td><td>6.0</td></tr>
<tr><td>2022/10/11</td><td>Release of reference guidelines for independent directors and audit committees to exercise their powers and advocacy meeting</td><td>3.0</td></tr>
<tr><td>2022/07/27</td><td>Sustainable Development Roadmap Industry Theme Seminar</td><td>2.0</td></tr>
<tr><td>2022/07/14</td><td>Global Risk Perception - Opportunities and Challenges for the Next Decade</td><td>3.0</td></tr>
<tr><td>2022/07/14</td><td>Corporate Governance 3.0 from the Prosecutor's Investigation Perspective</td><td>3.0</td></tr>
</table></td><td>Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies</td></tr>
</table>

Evaluation item	Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons
	Yes	No	Summary	
			She takes the responsibility mainly for the supervision and implementation of the corporate governance, including: 1. Planning and handling of matters related affairs, such as the schedule of the board meetings and the date of shareholders' meetings. 2. Provision of required materials for the directors to perform their duties, and provision of meeting materials seven day prior to the board meeting. 3. Preparation of meeting minutes for the Board of Directors, functional committees, and shareholders' meetings, and provision of these minutes within 20 days after the meeting. 4. Assistance in assumption of office and continuing education of directors. 5. Assistance to Board of Directors and functional committees in self-evaluation of performance. 6. Supervision and improvement in the implementation of the Company's corporate governance. 7. Assistance to directors in their legal compliance. The focus of implementation in 2022: 1. Assistance to independent and regular directors in fulfillment of their duties, provision of required materials, and arrangement of their continuing education. 2. Assistance to the Board of Directors and shareholders' meeting in meeting procedures and legal compliance of resolutions. 3. Development of the agenda for the Board of Directors and notification to directors seven days prior to the meeting; convention of the meeting and provision of meeting materials, provided that a board meeting may be convened at any time in case of emergency; provision of a warning in advance if recusal is involved in the agenda; preparation of the minutes for the Board of Directors within 20 days after the meeting. 4. Arrangement of registration prior to the shareholders' meeting; preparation of the meeting notice, meeting manual, and meeting minutes within the statutory time frame; handling of the matters related to alternation registration after amendment of the Article of Incorporation or re-election of directors. 5. Implementation of the education and training for officers and employees to enhance the knowledge of corporate governance and legal compliance. 6. Play of a leading role in the planning and compilation of the Company's sustainability report to manifest the investment of the Company in ESG and enhance the visibility of the Company.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
V. Has the Company established a communication channel for the stakeholders (including but not limited to stockholders,	V		The Company discloses finance and business information in accordance with laws. The shareholders, banks, creditors and debtors, employees, and other stakeholders can understand	Compliant with the Corporate

Evaluation item	Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons
	Yes	No	Summary	
employees, customers and suppliers), set a stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over the material issues on corporate social responsibilities?			the operation status of the Company through our spokesperson and deputy spokesperson. There is a stakeholders' section on the official website of the Company. It provides a channel for them to raise their suggestions and complaints to the Company's management, Audit Committee, any director, and the Board of Directors.	Governance Best-Practice Principles for TWSE/TPEx Listed Companies
VI. Does the Company commission a professional stock service agent to deal with the matters of shareholders' meetings?	V		We commission Grand Fortune Securities Co., Ltd. as an agent for the matters of shareholders' meetings.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
VII. Disclosure of information (1) Has the Company established a website for disclosure of finance, business, and corporate governance information?	V		(1) The Company has a corporate website that can be linked to the MOPS. A designated unit is responsible for the maintenance of the website, and we disclose the latest finance, business, and corporate governance information regularly and in a real-time manner.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Has the Company adopted other means to disclose information (e.g. English website, designation of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, disclosure of investor conferences on the Company's website)?	V		(2) The Company's website is presented in Traditional Chinese and English, and can be linked to the websites of our subsidiaries. As for the maintenance of the website, a responsible unit is designated for collection and disclosure of the Company's information. We have established a spokesperson system according to the regulations and set up an investor conferences section on the website.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(3) Has the Company announced and reported annual financial reports within two months after the end of a fiscal year, and announced and reported Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline?		V	(3) The Company has announced and reported the annual financial report within the statutory time frame, and announced and reported Q1, Q2, Q3 financial reports and the operating status of each month according to the prescribed deadline without making the announcement or reporting earlier.	The Company will assess earlier announcement and reporting of financial reports in advance of the prescribed deadline.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations,	V		(1) Employee rights and care: In addition to acting in accordance with the Labor Standards Act and relevant laws and regulations, setting up the Employee Welfare Committee and the Employee Shareholding Committee, and implementing the pension system, the Company arranges and encourages employees to participate in domestic and overseas training and technology workshops, takes out group insurance for the employees, values the	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Evaluation item	Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and reasons
	Yes	No	Summary	
stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and insuring against liabilities of Company's directors and supervisors)?			employee rights, provides equal employment opportunities, and encourages employees to participate in electronic voting. (2) Investor relations: The Company discloses relevant information pursuant to laws and regulations. We have a spokesperson and a deputy spokesperson to announce messages and answer questions on behalf of the Company. There is an investor information section on our official website. This enables the shareholders to understand the operation status of the Company at any time and can protect the rights of the investors. (3) Supplier relations and stakeholders' rights: We maintain a good communication channels for suppliers, customers, banks and other creditors and debtors, and have a good collaboration relationship with them. There is an Audit Committee mailbox on our official website. It provides a channel for them to raise their suggestions and complaints to the Company's management, Audit Committee, any director, and the Board of Directors. (4) Continuing training of Director, refer to Section 2, Point 5 of this Part. (5) Implementation of risk management policies and risk assessment standards, refer to Section 7 of 7 Part. (6) Implementation of customer policies: The Company is a member of the information service industry. We provide attentive aftersales services by setting up a 0800 customer service hotline and an online repair reporting and query website to provide consumers and customer with consultations and services. (7) Insuring against liabilities of Company's directors and supervisors: We have taken out 2023 liability insurance for the directors and important employees, and reported it at the Board of Directors meeting on March 07, 2023. (8) The Company has established the Board of Directors and shareholders' meeting procedures and the audit and Compensation Committee charters. The meetings are held in accordance with these procedures and charters properly and the contents of the meetings are disclosed after they are held.	Compliant with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

IX. Improvements made based on the corporate governance evaluation result announced by the Company in the most recent year and the prioritized improvements and measures for areas to be improved.

(1) Matters improved

1. When the company releases material information , the English version of the material information will be released simultaneously.
2. The Company will set up an English website, which will contain in finance, business, and corporate governance

related information. 3. The Company will establish human rights protection policies and concrete management plans with reference to the international human rights conventions, and will disclose them on the website or annual report of the Company. (2) Matters to be improved 1. The company established a sustainable development promotion concurrently unit, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy, the status of the handling is supervised by the board of directors, and disclosed on the company website and annual report. 2. The company uploads the English version of the annual report 7 days before the general meeting of shareholders. 3. The company uploads the English version of the meeting procedure manual and supplementary materials 30 days before the regular general meeting of shareholders.

(IV) Information about the members of the Compensation Committee and its operation

1. Information about Compensation Committee members: April 17, 2023

Member type	Name / Criteria	Professional qualifications and experiences	Independence	Number of other public companies where the member also serves in a Compensation Committee
Independent Director	Huang-Chi Yeh	Refer to Section 2, Point 1 of this Part.		1
Independent Director	Ying-Hwang Yang			1
Independent Director	Maw-In Tsai			2

2. Duties of the Compensation Committee:
   (1) Stipulate and regularly review the compensation policies, systems, standards and structures, and performance of directors and managers.
   (2) Regularly review and adjust directors' and managers' remuneration.

3. The Operation of the Compensation Committee:
   (1) The Compensation Committee of the Company is comprised of three members.
   (2) Duration of service for the current term: From August 19, 2021 to August 18, 2024. The Committee held three meetings in the most recent year (2022). The qualifications and attendance of the Committee members are described below:

Title	Name	Actual number of presence (attendance)	Number of attendance by proxy	Actual attendance rate (%)	Remarks
Convener (chair)	Huang-Chi Yeh	2	0	100	By-elected on 06.15.2022 as a new director
Member	Ying-Hwang Yang	2	0	100	By-elected on 06.15.2022 as a new director
Member	Maw-In Tsai	2	0	100	By-elected on 06.15.2022 as a new director
Convener (chair)	Chung-Hsien Liu	1	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022.
Member	Ting-Kuo Chen	1	0	100	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022.
Other items to be stated: I. If the Board of Directors does not adopt or revise the suggestions of the Compensation Committee, the decision must indicate the date of Board of Directors meeting, term, contents of the proposal, Board of Directors resolution and how we handle the Committee's opinions (if the amount of remuneration adopted by the Board of Directors is higher than that suggested by the Committee, the differences and reasons must be indicated): None II. In the event that any member of the Compensation Committee has expressed dissent or reservation over the Committee's decisions, and that the dissent or reservation has been recorded or delivered in writing, the decision shall indicate the date of the Committee's meeting, term, contents of the proposal, opinions of all the members, and how the opinions of a member is handled: None					

(3) The Compensation Committee’s discussions and resolutions in 2022:

Date	Proposal	Resolution result
03.03.2022	1. Distribution of the remuneration to employees and directors in 2021. 2. Amendment of the Company’s “managerial officer remuneration advice.” 3. The company's President remuneration report	The chair asked all the Compensation Committee members for their opinions. The proposal was approved and submitted to the Board of Directors for resolution.
07.01.2022	1. Election of the convener for the 5th Compensation Committee.	The members elected Independent Director Ying-Hwang Yang as the convener of the 5th Compensation Committee.
12.15.2022	1.Amendment of the Company’s “managerial officer remuneration system.” 2. Amendment of the Company’s "Rules for Performance Evaluation of Board of Directors" ,“director remuneration system” and “independent director remuneration system” 3. Distribution of operating performance bonus to managerial officers in 2022. 4. Proposal of remuneration adjustment for the managerial officers of the Company.	The chair asked all the Compensation Committee members for their opinions. The proposal was approved and submitted to the Board of Directors for resolution.

(V) Implementation status of sustainable development, deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and reasons for such deviations

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company have a governance structure that promotes sustainable development, and have a special unit or designate an existing unit for the task of sustainable development promotion? Does the Board of Directors of the Company authorize the management to handle relevant matters? How does the Board of Directors conduct supervision?	V		1. In accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx listed companies and related laws and regulations, the Company formulated the “Corporate Social Responsibility Best Practice Principles” in 2014 and revised its name to the “Corporate Sustainable Development Best Practice Principles” in 2022 to promote the vision and mission of ESG policies. These Principles shall be enacted after review by the Audit Committee and approval by the Board of Directors, and submitted to the shareholders' meeting. The same applies to amendments. and published on the official website of the Company. 2. The Company has established the "Sustainable Development Promotion Team" to promote sustainable development. The Chairman and Chief Executive Officer are the convener and vice convener respectively, and the Chief Financial Officer and Corporate Governance Officer are the chairperson to promote sustainable development through quarterly meetings and issue-based task groups. 2.1. Sustainable Environment Group - Responsible for promoting sustainable environment and sustainable supply, promoting sustainable development through green procurement and reducing the impact of transportation on the environment; 2.2. Corporate Governance Group: Responsible for promoting the ethical corporate management and administering Board of Directors affairs, and regularly promoting and establishing rules and regulations to drive employees to follow the system; 2.3. Social Responsibility Group - Responsible for promoting employee care and social concern, promoting a happy workplace, employee engagement in sustainable development and social welfare activities. 2.4. Business Continuity Group: Responsible for administering risk management, information security, and other business continuity issues. ● For details of the annual implementation status, please refer to point 7 for other important information that is helpful for understanding the implementation of sustainable development. 3. The Company's Board of Directors receives quarterly reports from the management team. Management is required to propose corporate strategies to the Board of Directors. The Board of Directors shall evaluate the likelihood of success of these strategies and shall review the progress of the strategies from time to time, and shall request the management team to make adjustments as necessary. After approval by the Board of Directors, a report shall be submitted to the shareholders' meeting as necessary. When shareholder raise a proposal related to the corporate sustainability, the Board of Directors shall take it into account and incorporate it as a proposal of the shareholders' meeting.	Report based on the implementation status of the Company's Sustainable Development Best Practice Principles.

<table>
<tr><th rowspan="2">Implementation Item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>II. Does the Company conduct risk assessment for environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</td><td>V</td><td></td><td>
1. The disclosure covers the Company's performance in key locations for the period January 2022 to December 2022. The risk assessment boundary is limited to the Company and includes domestic 100%-owned subsidiaries based on their relevance to the core businesses and the extent of their impact of material topics.
2. The Company provides internal and external communication channels for stakeholders (shareholders, employees, suppliers, and customers) to ask questions and express their opinions, and, with respect to the corporate sustainability topics, conducts questionnaire surveys to identify the issues on the sustainable development of the environment, society, and corporate governance based on the materiality principle. As for the analysis of materiality principle issues, the Company has established relevant risk management policies and strategies with reference to the GRI (Global Reporting Initiative), the considerations in the GRI Standards, the characteristics under the industry standards (Software & IT Services) of the Sustainability Accounting Standards Board (SASB), and the UN SDGs to effectively identify, measure, evaluate and control risk management policies and specific action plans to reduce the impact of relevant risks.
3. Based on the assessed risks, relevant risk management policies or strategies are formulated as follows:
<table>
<tr><th>Material topic:</th><th>Risk assessment item</th><th>Description</th></tr>
<tr><td>Environment</td><td>Environmental impact and management</td><td>1. We are an information service company with no factories or related manufacturing machinery, and our main carbon and water footprints and waste are generated from general office activities. In response to environmental impacts, the Company promulgated the Tsti Environmental Policy in 2022 and will continue to promote sustainable environmental protection among employees and suppliers.
2. Regularly review our greenhouse gas emissions plan to examine the impact of our operations. Based on the results, continue to implement carbon reduction measures to reduce the risk of carbon emissions from business vehicles in Scope I and indirect greenhouse gas emissions from electricity use in Scope II.
3. By referring to the results of the TCFD framework for identifying climate risks and opportunities, integrate our core competencies to drive a new business model for ESG sustainability, the ESG zero carbon integrated management</td></tr>
</table>
</td><td>Report based on the implementation status of the Company's Sustainable Development Best Practice Principles.</td></tr>
</table>

Implementation Item	Yes	No	Summary			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
					system.	
			Society	Occupational safety	1. All employees are insured by group insurance and free health checkups are arranged regularly; ISO45001 certification was successfully implemented in December 2020. 2. The on-site medical doctor, occupational nurse and occupational safety and health staff regularly conduct various health management activities, health promotion seminars and public security fire inspections to ensure employee safety and strengthen safety awareness, continuously optimize internal and external occupational safety of the Company and reduce related hazards. 3. In response to the COVID-19 pandemic in 2020, to protect the health of employees and reduce the risk of infection, we implemented online digital health management, with immediate notification of temperature reports, tracking and screening. 4. Regular fire drills and industrial safety education training are held every year to develop employees' emergency response and self-safety management skills.	
				Service quality and safety	1. We have passed the CMMI certification for software quality, ISO 27001 certification for information security management system, and ISO 20000 certification for information service management system to establish a more complete information service system and help corporate users to build a highly competitive information environment. 2. We have set up a hotline and a consultation email box for the questions that customers have on our products. We provide attentive aftersales services by setting up a 0800 customer service hotline and an online repair reporting and query website.	
			Corporate governance	Socio-economic and legal compliance	Through the establishment of a governance organization and the implementation of internal control mechanisms, ensure that all employees and operations of the Company comply with the relevant laws and regulations.	

<table>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td rowspan="2"></td><td>Strengthen the functions of directors</td><td>1. Plan for the relevant trainings for directors and provide them with annual updates on regulations, institutional developments and policies.
2. Provide directors with liability insurance to protect them from potential litigation and claims, and help strengthen corporate governance.</td></tr><tr><td>Stakeholder communication</td><td>1. Analyze important issues of concern to stakeholders to avoid misunderstandings that may lead to operational or litigation risks if stakeholders have different positions from the Company.
2. Establish various communication channels and actively communicate to reduce confrontation and misunderstanding. Set up a mailbox for investors, with a spokesperson to handle and respond to them.</td></tr></table></td><td></td></tr>
<tr><td>III. Environmental issues
(1) Does the Company have an appropriate environmental management system established in accordance with its industrial characteristics?

(2) Is the Company dedicated to enhancing energy efficiency and using recycled materials with low impact on the environment?

(3) Does the Company assess the current and future risks and opportunities which climate</td><td>V

V

V</td><td></td><td>(1) The Company is located in the Group's factory and the Group has implemented the ISO 14001 environmental management system at the Group level since 1996 to improve the environmental performance on an ongoing basis. The Company is in the information service industry and has no environmental pollution from manufacturing plants. We implement internal energy saving and carbon reduction policies as well electronic documentation control and approval. The Company also assist customers in the implementation of energy saving plans, and externally promote the “ESG Zero Carbon Integration System” solution to make a contribution to the energy saving and carbon reduction with our professional information service knowledge.
Starting in 2023, we will report quarterly to the Board of Directors on the schedule and progress of greenhouse gas inventory and verification, and start internal greenhouse gas inventory operations in the first quarter of 2023 in accordance with ISO 14064-1 verification standards. In the future, we will conduct annual greenhouse gas inventory to track the effectiveness of emission reduction and public disclosure.

(2) The Company is actively promoting various energy reduction measures and using continuous electronic document approval optimization to reduce paper costs and reduce environmental impact: The Company has implemented electronic document approval and human resources operating systems. Traditional paper is replaced with transmission of electronic files to reduce the paper at the office. Resource recovery and waste sorting facilities are available on each floor in the office building.
Information equipment supplies are recycled, effectively sorted and reused to improve energy efficiency. We implement recovery of waste computers and toner cartridges. The personal data in the media (e.g. hard disks) are deleted and the media are destroyed physical before they are scrapped to ensure compliance with the Personal Data</td><td>Report based on the implementation status of the Company's Sustainable Development Best Practice Principles.</td></tr>
</table>

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
change potentially brings to the Company? Does the Company take measures in response to climate-related issues?			Protection Act and the resource regeneration principle in favor of the environment. In August 2022, we established a cross-unit green procurement team to purchase nationally certified environmental protection products and actively promote green procurement in the Company. In 2022, green procurement amounted to $2.02 million and passed the green office certification of the Environmental Protection Administration	
(4) Does the Company make statistics of the greenhouse gas emissions, water consumption and total waste weight in the past two years? Does the Company have policies for reduction of greenhouse gas emissions, reduction of water consumption or other waste management policies?	V		(3) The Company has identified the following three major risks by referring to the TCFD framework to identify climate risks and opportunities: increase in greenhouse gas emissions, environmental regulations, and replacement of products and services by low-carbon technologies; integration of the Company's core software development capabilities to promote a new business model for ESG sustainability, and introduction of solutions such as ESG zero-carbon integrated management system, remote video clinic system, and AIoT smart toilets to help customers reduce carbon emissions. To cope with the risk of the climate change to the Company, we have established emergency response management regulations, conducted different emergency response activities and performed public safety and fire service inspections to ensure the safety of the employees and uninterrupted serviced in the emergency. (4) We support the environmental protection polices of the government and are dedicated to the implementation of the energy saving and carbon reduction strategies. The air conditioners were cleaned in May and October 2022 to improve their efficiency and reduce the load to the equipment effectively. We will replace the LED tube lighting with LED flat panel lighting to save energy. We hope to create the highest benefit in energy saving and carbon reduction this way. In 2022, in line with the Company's strategic development, we expanded our Taoyuan and Hsinchu offices and completed the construction of and moved to our new Taichung office, which increased our overall consumption by 37.95 tons of CO_2 emissions in 2022 compared to 2021. The Company will continue to strive to fulfill its corporate social responsibility and sustainable management by conducting greenhouse gas inventories, identifying major CO_2 emission sources, and promoting and implementing effective emission reduction measures.	

tsti Carbon Emissions Statistics

Disclosure date: 03.03.2023

Main GHG emissions sources	2020	2021	Energy saving rate in previous year	2022	Energy saving rate in current year
Scope 1					
Company car (gasoline/KG)	78,287.99	84,562.48	-8.01%	82,150.09	2.85%
Scope 2					

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			(table below)	

Power consumption (kWh)	711,172.26	694,777.54	2.31%	758,722.53	-9.20%
Scope 3					
Transport car (diesel/KG)	140,224.85	194,646.24	-38.81%	171,063.45	12.12%
Total	929,685.10	973,986.26	-4.77%	1,011,936.07	-3.90%

*In 2022, we reduced CO2 emissions by actively controlling the amount of freight transported.

(2) Water consumption: The water used for general office activities is not yet included in the inventory, and no data is available for the time being.

(3) Waste: As for the old, damaged and unusable IT equipment, we have removed usable components and resold scrapped equipment and parts to recycle service providers to earn an amount of NT$4,170 in the hope of achieving the greatest benefit of energy saving and carbon reduction. The Company will continue taking the fulfillment of the corporate social responsibility and the sustainable operations as the goal in the future.

2. Greenhouse gas reduction, water consumption reduction or other waste management policies

In accordance with the greenhouse gas inventory schedule of the Financial Supervisory Commission (FSC), the Company should complete the greenhouse gas inventory in 2027 and complete the external verification operations in 2029. However, in accordance with the requirements of the FSC for subsidiaries included in the consolidated financial statements of TWSE-listed companies with more than $10 billion, we shall follow TATUNG COMPANY to complete the inventory earlier in 2025. At present, the Company arranges quarterly greenhouse gas special progress reports to the Board of Directors, and plans to complete the internal greenhouse gas inventory and internal verification in accordance with ISO 14064-1 and ISO 14064-3 in 2023.

3. The relevant greenhouse gas emissions, water consumption and waste data are based on our own inventory and we have not yet implemented the system verification. In 2023, the internal greenhouse gas inventory was launched in the first quarter in accordance with ISO 14064-1 verification standard. In the future, we will conduct annual greenhouse gas inventory to track the effectiveness of emission reduction and public disclosure.

Implementation Item	Yes	No	Summary	Deviations
IV. Social issues				Report based on the implementation status

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(1) Does the Company have management policies and procedures in accordance with relevant regulations and international human rights conventions? (2) Does the Company establish and implement reasonable employee benefit measures (including remuneration, leave and other benefits)? Is the operating performance or results properly reflected in the remuneration for employees?	V V		(1) The Company has established and announced our human rights policy, formulated related labor management regulations in line with relevant laws and regulations, and observed the basic principles of labor rights specified in the international human rights conventions to protect the basic rights of the employees. In addition, the Company does not adopt discriminatory treatment in our employment policy and disseminates relevant labor regulations irregularly. A labor–management meeting is available to coordinate the labor–management relationship, promote labor–management cooperation, and facilitate harmony between the employees and the management. The Company has established an employee welfare committee to provide subsidies and organize events for the employees. (2) Employee remuneration The Company regards human resources as a source of competitiveness and differentiation, and a highly valued asset of the Company. Therefore, the Company continues to provide each talented employee with favorable wages and benefits. We uphold the idea of sharing the profits with employees to attract, cultivate, develop and encourage talents in all fields. In order to attract talented employees, we provide a year-end bonus equivalent to one month salary and a total of 0.5 month as Dragon Boat Festival and Mid-Autumn Festival bonus. Depending on the specific contribution and performance appraisal of the employees, we provide performance bonuses to employees with good performance. Employees who have been employed for 2 years or more can participate in the Company's profit-sharing remuneration for employees to encourage all employees to work together for the Company's goals. In 2022, the average annual salary increase for both management and non-management positions in the Company was 3%. Employee welfare measures The Company has established an Employee Welfare Committee, and each year the Company appropriates more than NT$3 million as employee welfare funds, planning and providing quality benefits for employees, such as: employee travel subsidies, subsidies for further education and training courses, birthday gift certificates, wedding allowances, childbirth allowances, and wedding and funeral subsidies. In terms of attendance and leave system, the Company adopts the APP sign-in and sign-out system and provides one hour of flexible working hours per day. In addition to the two rest days per week, employees who have been employed for one year are given 10 days of special leave per year. In the event of childcare, material injury, illness or accident, employees can apply for leave without pay in order to address their personal and family needs. Workplace diversity and equality We respect the uniqueness of each employee and strive to create a diverse and inclusive workplace environment. We embrace and respect colleagues from diverse backgrounds and take women seriously to create a more friendly work environment and provide a comfortable breastfeeding room. We strive to achieve equal pay for equal work and equal opportunity for advancement for both men and women. In 2022, the average percentage of female employees was 30%, and the percentage of female senior leaders above the corporate division level reached 20%.	of the Company's Sustainable Development Best Practice Principles.

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(3) Does the Company provide employee with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		The Company attaches importance to employee rights and interests and maintains a good working environment, including physical and mental care: (1) The ratio of employees with physical disabilities is in line with government regulations; (2) 100% of injured employees discuss with the occupational medical doctor, and appropriate rehabilitation care and return-to-work plans are formulated; (3) Foreign employees are treated fairly in terms of appointment/development/employment/retention, cultural integration and health and safety compared to their national counterparts; (4) Continue to implement a happy workplace, through the colleagues independent APP environment optimization notification, and jointly optimize the office environment to work at ease. Operating performance is reflected in employee salaries The Company participates in annual market salary surveys and adjusts salaries according to market salary levels, economic trends and individual performance in order to maintain overall salary competitiveness. In order to reflect the operating results in employee salaries, the Company allocates 5% to 15% of the annual profit as profit-sharing remuneration for employees in accordance with Article 31 of the Company's Articles of Incorporation. The Company has established employee welfare measures (including remuneration, leave and other benefits), and reflected the business performance or result appropriately in the remuneration to the employees. In addition to distributing profit-sharing remuneration for employees depending on the business performance every year and enabling them to share the operating results with the Company, we implement the Employee Stock Ownership Plan (ESOP) and provide subsidies for the employees to subscribe the shares and share the operating results. We implement the volunteer bonus leave to encourage employees to participate in volunteer services and make contributions to the society. (3) Occupational safety and health policy To protect the personal safety of the employees, the Company has taken out group insurance for them and arranged free health checkups on a regular basis. We implemented the ISO 45001 certification successfully in December 2020. Since then, The on-site physician, occupational health nurse, and the personnel in charge of OSH matters arrange various health management activities, health promotion lectures, and public safety and fire inspections irregularly to ensure the safety of the employees and enhance their awareness of safety. We continue optimizing internal and external occupational safety and reducing related hazards. To build a more friendly environment, a breastfeeding room is available to enable female employees to feed their babies after birth and work without concerns. To cope with COVID-19, the Company has implemented online digital health management, reporting and follow-up of body temperature, and instant reporting of testing results since 2020 to protect the health of the employees and reduce the risk of infection. The Company was selected by Common Health Magazine as a Corporate Health Responsibility (CHR) company in 2021. We are committed to implementing employee health promotion activities in the four aspects of awareness, exercise, food, and assistance. The Company was also certificated by the Sports Administration, Ministry of Education, as a Sports Enterprise in 2022 and received the Badge of Accredited Healthy Workplace from the Health Promotion Administration in the same year to demonstrate the fulfillment of the corporate social responsibility, build a health workplace together with the employees, and establish a healthy supportive environment.	

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(4) Does the Company have effective programs for development and training regarding employees' career skills? (5) Does the Company conform to the relevant regulations and international standards with respect to customer health and safety, customer privacy, marketing, labeling for products and services an other issues? Does your company establish the relevant consumer or customer rights protection policies and complaint procedures? (6) Does the Company have a supplier management policy that requires suppliers to comply with the regulations concerning environmental protection, occupational safety and health or labor rights? What's the status of its implementation?	V V V		(4) The Company places much importance on the training of the employees and believes that the power of differentiation comes from the increase of the human capital. Each of the more than 40 professional functions has 5 to 6 professional competences. The analysis of the competences is conducted to identify the strengths and weaknesses of the employees in their competence and establish more premium talent development strategies. In addition, the Company has established a career development and talent retention plan and encouraged employees to improve their professional capability continuously and create a win-win situation for their personal competency and growth. The communication and learning competences are added to the four core competences of innovation, service, team, integrity to enhance the learning organization and culture continuously. 9,346 employees participated in the physical training courses (excluding digital learning courses) of the Company in 2022 to a total of 18,001 hours. (5) 1.In addition to passing the software quality CMMI ML3 certification, ISO 27001 Information Security Management System certification, and ISO 20000 IT Service Management System certification, the Company is recognized by the Industrial Development Bureau, Ministry of Economic Affairs, as a technology service information organization – IT service organization, an information security service organization in the IS category, and a AI service organization in the AI category to build a more complete information service system and assist corporate clients in building an information environment of high competitive strength jointly. 2. The Company has set up a hotline and a consultation email box for the questions that customers have on our products. We provide attentive aftersales services by setting up a 0800 customer service hotline and an online repair reporting and query website. (6) We incorporate the energy-saving electronic products sold by the suppliers in the product line and urge manufacturers to enhance their R&D in the products favorable for energy saving and carbon reduction in order to fulfill the corporate social responsibility. We take purchase of the products with the Green Mark as the first priority. The amount of green procurement in 2022 reached $2.02 million. Some of the information equipment products we sold have been attached with Taiwan Energy Label. In addition to having our suppliers to sign relevant contracts, we also invite them to sign a "Supplier Commitment" that includes compliance with environmental protection, labor, occupational safety and health, information security, and other important issues, and plan to conduct supplier site visits in the hope of mutual learning and growth through exchanges.	
V. Does the Company use internationally accepted standards or guidelines as a		V	The Company only makes reference to relevant internationally prepared standards and guidelines such as the GRI: Core Option of the Global Reporting Initiative (GRI), the considerations in the GRI Standards, the characteristics under the industry standards (Software & IT Services) of the Sustainability Accounting Standards Board (SASB) with self-disclosure of relevant non-financial information but the Company has not formally implemented the verification system.	Report based on the implementation status of the Company's

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
reference for preparation of reports, compilation of the corporate sustainability report, and other reports disclosing non-financial information of the Company? Are assurance or guarantee opinions from any third-party verifying agent acquired for the aforementioned reports?			The Company plans to obtain the assurance from the third-party certification authority before 2026 for the foregoing report.	Sustainable Development Best Practice Principles.

VI. In the event that the Company has established sustainable development best-practice principles in accordance with the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies,” please describe the deviations between the implementation and the established principles: No difference.

VII. Other information useful for understanding of the implementation of sustainable development:

Major ESG and CSR implementation results in 2022:

1. Won 2023 Smart City Innovation Application Award
2. Won 2022 ASOCIO Asia Pacific ICT Application Award - ESG Sustainability Award
3. Won the Hack4ClimateAction Titanium Award at the Net Zero Summit and Digital Climate Action Awards
4. Won the 2022 [Customer Service Excellence Awards] Best Customer Service System Supplier
5. Won the healthy workplace certificate – Badge of Accredited Healthy Workplace (HPAA1100194) – in 2022
6. Won the Sustainability Supplier Recognition: Fubon Bank, Taishin Bank, and Yuanta Bank

Corporate governance

Legal compliance and corporate rules and regulations update announcement: Appointed the Corporate Governance Officer, updated the Corporate Governance Best Practice Principles (2022/12/15), the Environmental Policy (approved on 2022/10/25); completed CSR audits of suppliers in the financial and telecommunications industries, such as Taiwan Mobile, Taishin Bank, Yuanta Bank, Fubon Bank, etc. Professional service quality assurance through ISO20000, ISO27001, CMMI-L3 certification, and the Ministry of Economic Affairs Industrial Development Bureau - Information Security Service Organization and Artificial Intelligence Service Organization registration certificate.

Sustainable environment

TSTI is an information service company with no factories or related manufacturing machinery, and our main carbon and water footprints and waste are generated from general office activities. For greenhouse gas emissions in areas such as company cars, the Company promulgated the Tsti Environmental Policy in 2022 to continue to promote sustainable environmental awareness among employees and suppliers, implemented the Tsti supplier sustainability questionnaire survey, conducted annual supplier sustainability promotion, and promoted electronic voting on shareholder meeting motions. We established an inter-unit green procurement team to procure nationally certified environmental products, and used Taiwan-made recycled rPET fabric for the annual procurement of short-sleeved polo shirts for employees, and passed the green office certification of the Environmental Protection Administration, Executive Yuan; In the office, we continue to promote energy-saving practices, such as introducing smart toilets, replacing LED lighting in meeting spaces, and replacing energy-consuming air conditioning equipment; and integrating corporate core competencies to promote ESG sustainability.

Implementation Item	Implementation status			Deviations the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
Social welfare The human rights policy of the Company is established in accordance with laws and labor management regulations, and subject to the basic principles of labor rights specified in the international human rights conventions. We continue improving, updating and jointly building a friendly workplace, workplace violence elimination statements, sexual harassment prevention measures, regulations for application with respect to the rights specified in the Personal Data Protection Act, and relevant disseminations. TSTI has been awarded the 2022 Healthy Workplace Accreditation - Health Promotion Label (HPAA1100194) and is a Healthy Corporate Citizenship Pledge Company, joining the CommonWealth Magazine's Taiwan Talent Sustainability Initiative Companies. We continue to implement ISO 45001 Occupational Health and Safety Management Systems and continue improving the work environment for the employees in a systematic way, protecting their health, winning the trust of the customers to the Company, and improving our business performance. We continue to care for the disadvantaged and donate to the schooling of disadvantaged students in rural areas of China. We promote the participation of employees in public welfare activities and reward them with volunteer leaves. In response to the promotion of sustainable schooling, we participated in the Yuanta Sapling event; in response to the promotion of supporting Taiwan athletes, we participated in the Taiwan Women's Professional Golf Association (TWM) event. Information disclosure There is a section on the official website for announcement of annual event records. Please visit the sustainability section on the website. (Official Website > Corporate Sustainability) (https://www.etatung.com/Home/ShowProductionInfoIdea?ID=c466ff7b-4c8b-4b1b-a91c-5d9fd2de5ad3)				

VIII.: Implementation of Climate-Related Information: Not applicable.

Greenhouse gas inventory and assurance status: Not applicable.

Basic information of the company: Capital of less than NT$5 billion.

Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEx Listed Companies: Inventory for all consolidated entities.

(VI) Fulfillment of ethical management, deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies," and reasons for such deviations

Item	Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
I. Development of ethical management policies and programs (1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the senior management team demonstrated their commitments to implement the policies? (2) Has the Company established an evaluation mechanism for the risk of dishonest behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"? (3) Does the Company establish procedures, behavioral guidelines, disciplinary actions and complaint systems in action plans against unethical conduct? Are the plans implemented thoroughly and reviewed and modified regularly?	V V V		(1) The Company upholds the business philosophy of integrity and honest, sets up good corporate governance: and risk management mechanisms, and takes compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations governing TWSE/TPEx listed companies, or other laws and regulations governing commercial activities as the premise of the Company's ethical management, and implements it properly in the internal management and external commercial activities. A recusal system applicable to the directors is defined in the "Rules of Procedures for Board of Directors Meeting." In addition to practicing self-discipline strictly, a doctor may not participate in the discussion of or voting on the proposals that are involved in his/her own interest or the interest of the juristic person represented by him/her at a given Board meeting, if his/her participation is likely to prejudice the interest of the Company. In these circumstances, the director may not exercise voting rights as a proxy for another director. (2) To advocate and promote ethical behavior, the Company has established the "Employee Self-Discipline Agreement," "Employee Self-Discipline and Code of Ethical Conduct," "CSR Best-Practice Principles," "Code of Ethical Conduct," "Ethical Management Best-Practice Principles," and "Procedures for Ethical Management and Guidelines for Conduct," and made related regulations public on the intra-net of the Company for the employees to look up. Promotion of the Company's core value and legal compliance is conducted among the employees and relevant education and training courses are provided on a regular basis. The Company also requests the stakeholders who have business relationship with us, such as suppliers and customers, to observe the same ethical standards as those imposed on the employees of the Company. The internal audit unit of the Company performs audit of the Company, suppliers, and customers whenever necessary to ensure compliance with relevant laws and regulations. (3) To avoid unethical conduct, the Company performs dissemination and request officers to identify (potential) concerns about conflict of interest and professional ethics.	Implemented as required by the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and relevant laws and regulations
II. Implementation of ethical management (1) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity	V		(1) To ensure the employees can uphold the principles of ethics in the fulfillment of their duties, observe laws and regulations, and comply with the code of professional ethics, the	Implemented as required by the "Ethical Corporate Management Best-Practice

Item	Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
clauses in the agreements the Company signs with business partners? (2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies, and plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)? (3) Does the Company have established policies to prevent conflict of interest, provided adequate communication channels, and substantiated the policies? (4) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance? (5) Does the Company organize internal or external education and training on a	V V V V		Company has established the "Employee Code of Conduct" and turned the business philosophies and values of the Company into institutionalized regulations. (2) The Human Resources Department takes the responsibility for promotion of the corporate ethical management. It shall report the implementation status to the Board of Directors on a regular basis every year. The Board of Directors adopted the "Procedures for Ethical Management and Guidelines for Conduct" on December 19, 2014 and announced them on the intranet and extranet. The implementation results were reported to the Board of Directors on December 15, 2022 to demonstrate the proper implementation of the ethical management. (3) To improve the efficiency and effectiveness of the implementation and enhance the interaction between the employees, investors and other stakeholders of the Company, an Audit Committee mailbox is set up on our official website. It provides a channel for them to raise their suggestions or complaints to the Company's management, Audit Committee, any director, and the Board of Directors. (4) The Company has established an accounting system and an internal control system to realize the spirit of the ethical management, reasonably maintain the effectiveness and efficiency of the operations, ensure the reliability of the financial reporting, and comply with relevant laws and regulations. (5) The Company provided internal and external educational training on the ethical management issues in 2022; 307 employees participated in the training to a total of 463 hours.	Principles for TWSE/GTSM Listed Companies" and relevant laws and regulations
III. Functioning of the whistleblowing system (1). Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel and designated appropriate personnel to deal with the reported matters? (2) Has the Company developed any standard investigation procedures for reported misconduct, defined follow-up actions to be taken following the completion of the	V V		There is an Audit Committee mailbox on our official website. It provide a channel for the employees and related personnel to report improper behavior at the workplace. The Internal Control Committee is responsible for the investigation. Any behavior violating the standards of professional ethics will be subjected to punishment in accordance with the Employee Code of Conduct. Whistleblowers are protected from inappropriate disciplinary actions due to their whistleblowing.	Compliant with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies

Item	Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
investigation, or had confidentiality systems in place? (3) Has the Company adopted any measures to protect whistleblowers from being improperly handled due to whistleblowing?	V			
IV. Enhancement of information disclosure Has the Company disclosed its ethical management principles and implementation results on the website and MOPS?	V		The Company discloses the ethical management principles, relevant regulations, and dissemination information on the intranet for the employees to look up whenever necessary. The Company discloses the detailed information on ethical Management in the annual report that the Company makes public on the official website, and announces it on MOPS in accordance with the laws.	Compliant with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies
V. If the Company has established ethical management principles based on the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies," please describe any difference between the principles and the established principles: No difference				
VI. Other important information that is helpful to understand the implementation of the ethical corporate management: The Company requests the suppliers having business relationships with us to uphold the spirit of the ethical management. As for the implementation status of the corporate governance, please visit MOPS or the website of the Company. As for the Corporate Governance Best-Practice Principles and relevant regulations, please visit the website of the Company: Corporation Governance under the Investor Relations.				

(VII) Inquiry method of the Corporate Governance Best-Practice Principles and relevant regulations

Please visit the website of the Company: Corporation Governance under the Investor Relations.

(VIII) Other important information that is helpful to understand the implementation of the corporate governance

As for the implementation status of the corporate governance, please visit MOPS or the website of the Company.

(IX) Implementation status of the internal control system

1. Statement of Internal Control

Tatung System Technologies Inc.
Statement of Internal Control System

Date: March 7, 2023

The Company states the following with regard to its internal control system during fiscal year 2022, based on the findings of a self-assessment:

I. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The Company has established such a system to provide reasonable assurance of the effectiveness and efficiency of its operations (including profitability, performance and safeguarding of assets security), reliabilities, timeliness, transparency of reporting, and compliance with applicable laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may vary along with changes in the operating environment or circumstances. The Company's internal control system features a self-monitoring mechanism, however, and the Company takes corrective actions as soon as a deficiency is identified.

III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, "the Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five key elements based on the process of management control: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communications, and 5) monitoring activities, each of these elements in turn contains certain audit items. Please refer to the Regulations for details.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the aforementioned audit findings, the Company believes that on December 31, 2022, its internal control system (including supervision of subsidiaries), as well as internal controls to monitor the attainment of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations were effective in design and operation and reasonably assured the achievement of the above-stated objectives.

VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be publicized. Any falsehood, concealment, or other illegality in the publicized content will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This Statement has been unanimously approved by the 9 attending directors in the Board of Directors Meeting of the Company on March 7, 2023.

Tatung System Technologies Inc.

Bo-Yen Shen
Chairman

Wen-Hung Huang
President

2. If review of the internal control system has been conducted by CPAs, the CPAs' review report must be disclosed: None.

(X) Where the punishments received by the Company and the internal personnel thereof in accordance with laws or imposed by the Company on the internal personnel thereof violating the requirements of the internal control system in the most recent year up to the publication date of this annual report may lead to a material effect on shareholders' equity or stock price, such punishments, material deficiencies and improvements shall be specified: None.

(XI) Important resolution made at the Board of Directors meeting in the most recent year (2022) up to the publication date of this annual report

Meeting time	Meeting type	Important resolution
03.03.2022	Board of Directors	(1) Approved the distribution of the remuneration to employees and directors in 2021 (2) Approved the Company's 2021 business report and financial reports. (3) Approved the distribution of the profit in 2021 (4) Approved the Company's 2021 Statement of Internal Control (5) Approved the by-election of independent directors (6) Approved the proposal for cancellation of non-compete restrictions for existing and new directors (including independent directors), and their representatives (7) Approved the amendment of the Company's "Articles of Incorporation" (8) Approved the amendment of the Company's "CSR Best-Practice Principles" (9) Approved the amendment of the Company's "Procedure for Acquisition or Disposal of Assets" (10) Approved the matters on the convention of the 2022 general shareholders' meeting. (11) Approved the matters related to acceptance of shareholders' proposals and nominations (12) Approved the Company's 2022 CPA's professional fee and the independence of the CPAs. (13) Approved the appointment of the Compensation Committee (14) Approved the remuneration adjustment for the managerial officers of the Company. (15) Approved the transfer of the Company's managerial officers (16) Approved the Company's strategic investment
05.05.2022	Board of Directors	(1) Approved the 2022 Q1 consolidated financial reports (2) Approved the amendment of the Company's "Rules of Procedure for Shareholders' Meetings" (3) Approved the amendment of the Company's "Delegation of Authority Table" (4) Approved the amendment of the Company's "Specimen Seal Management Regulations" (5) Approved the nomination and reviewed the name list of the director candidates (6) Approved the proposal for cancellation of non-compete restrictions for existing and new directors (including independent directors), and their representatives (7) Approved the cancellation of non-compete restrictions for managerial officers (8) Approved the addition of the causes for convention of the 2022 general shareholders' meeting. (9) Approved the establishment of the schedule for the Company's greenhouse gas inventories and assurance
07.01.2022	Board of Directors	(1) Adopted the establishment of the 2022 cash dividend distribute date (2) Approved the qualifications of the 5th Compensation Committee members
08.04.2022	Board of Directors	(1) Approved the 2022 Q2 consolidated financial reports (2) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to June 30, 2022.

Meeting time	Meeting type	Important resolution
		(3) Approved the company disposes (subleases) the right-of-use assets to Tatung Company Taichung Branch (4) Approved the bank credit application
11.03.2022	Board of Directors	(1) Approved the 2022 Q3 consolidated financial reports (2) Approved the proposal of a payment at a significant amount other than loaning of funds that has exceeded the normal credit time frame by a certain period up to September 30, 2022. (3) Approved the releasing original and new Directors from non-competition restrictions.
12.15.2022	Board of Directors	(1) Amendment of the Company's "managerial officer remuneration system." (2) Amendment of the Company's "Rules for Performance Evaluation of Board of Directors" ,"director remuneration system" and "independent director remuneration system" (3) Distribution of operating performance bonus to managerial officers in 2022. (4) Proposal of remuneration adjustment for the managerial officers of the Company. (5) Approved the Company's 2023 job objectives (6) Approved the Company's 2023 audit plan (7) Approved the application of credit facility to a bank and a bills finance company (8) Approved the proposal of the Company's endorsement and guarantee for a bank credit facility to the subsidiary Chyun Huei Commercial Technologies Inc. (9) Approved the proposal of the Company's endorsement and guarantee for the credit facility of a bank or a bills finance company to the subsidiary Tisnet Technology Inc. (10) Approved the amendment to "the Rules of Procedure for Board of Directors Meetings", "Corporate Governance Best Practice Principles" and and related internal controls(including internal audit implementation rules). (11) Approved the establishment of the company's "the Procedures for Handling Material Inside Information " and related internal controls(including internal audit implementation rules). (12) Approved the company obtained the right-to-use assets of the real estate from S.C.A.D.. (13) Approved the releasing directors from non-competition restrictions.
03.07.2023	Board of Directors	(1)Approved the 2022 distribution of employees' and directors' remuneration. (2)Approved the 2022 business report and financial statements. (3)Approved the 2022 earnings distribution. (4)Approved the 2022 internal control system statement (5)Approved the amendment of the "Articles of Incorporation." (6)Approved the convening of the 2023 annual general shareholders meeting. (7)Approved the relevant operational matters regarding the right to accept shareholder proposals. (8)Approved the 2023 certified public accountant's fees and Independence. (9)Approved by the company until December 31, 2022, exceeding the normal credit period for a certain period and the amount of money is not a capital loan and the nature of the case. (10)Approved the banking company credit application cases. (11)Approved the formulation of the company and its subsidiaries' greenhouse gas inventory and verification progress plan. (12)Approved the releasing directors from non-competition restrictions.
05.05.2023	Board of Directors	(1) Approved the 2023 Q1 consolidated financial reports. (2) Approved the General Principles for the Establishment of the Company's Pre-Approved Non-assurance Services Policy. (3) Approved the application of credit facility to a bank and a bills finance company. (4) Approved the amendment of the "Rules and Procedures of Shareholders' Meeting." (5) Approved the addition of the causes for convention of the 2023 general shareholders' meeting.

(XII) Resolutions at the shareholders' meeting in the most recent year

1. At the general shareholder's meeting on June 15, 2022, the shareholders actually present at the meeting represented a total of 46,801,912 shares (including 7,554,790 shares represented to vote in the electronic form), occupying 52.84% of the 88,560,000 voting shares issued by the Company.

<table>
<tr><th>Proposal</th><th>Resolution result</th><th>Implementation status</th></tr>
<tr><td>the Company's 2021 business report and financial reports (including separate and consolidated financial reports)</td><td>There were 45,511,985 rights for the proposal, occupying 97.24% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>Completed.</td></tr>
<tr><td>The proposal for distribution of the 2021 earnings</td><td>There were 45,511,986 rights for the proposal, occupying 97.24% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>The Board of Directors were authorized to set ex-dividend related dates. The ex-dividend date was set to August 15, 2022 and the cash dividend distribution date was set to September 02, 2022. (Cash dividend per share $1.8)</td></tr>
<tr><td>The proposal for amendment of the Company's "Articles of Incorporation"</td><td>There were 45,513,110 rights for the proposal, occupying 97.25% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>Completed.</td></tr>
<tr><td>The proposal for amendment of the Company's "Procedure for Acquisition or Disposal of Assets"</td><td>There were 45,491,110 rights for the proposal, occupying 97.2% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>Completed.</td></tr>
<tr><td>The proposal for amendment of the Company's "Rules of Procedure for Shareholders' Meetings"</td><td>There were 45,508,686 rights for the proposal, occupying 97.24% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>Completed.</td></tr>
<tr><td>The proposal for by-election of directors</td><td><table>
<tr><th colspan="3">Election Result(the name list of elected directors)</th></tr>
<tr><th>Title</th><th>Name</th><th>Number of rights</th></tr>
<tr><td>Independent Director</td><td>Huang-Chi Yeh</td><td>44,765,233 rights</td></tr>
<tr><td>Independent Director</td><td>Ying-Hwang Yang</td><td>44,675,574 rights</td></tr>
<tr><td>Independent Director</td><td>Maw-In Tsai</td><td>44,421,473 rights</td></tr>
</table></td><td>Completed.</td></tr>
<tr><td>The proposal for cancellation of non-compete restrictions for new directors (including independent directors)</td><td>There were 45,015,213 rights for the proposal, occupying 96.18% of the total rights represented by the shareholders present at the meeting. The proposal was adopted without change.</td><td>Completed.</td></tr>
</table>

(XIII) Records or written statements made by any director or supervisor who expressed dissent to important resolutions adopted by the Board of Directors in the most recent year up to the publication date of this annual report: None.

(XIV) Summary of resignation and dismissal of the Company's Chairman, Chief Executive Officer, accounting officer, financial officer, internal audit officer, Corporate Governance Officer and R&D officer in the most recent year up to the publication date of this annual report:

Resignation and Dismissal Summary of Company's Important Personnel **May 05, 2023**

TITLE	NAME	DATE OF INAUGURATION	DATE OF DISMISSAL	REASON FOR RESIGNATION/DISMISSAL
President	Bo-Yen Shen (Note)	01.01.2022	03.03.2022	The Board of Directors appointed a new President. The Chairman did not act as the President concurrently anymore.

Note: Approved by the Board of Directors on March 03, 2022.

IV. Information on CPA's Professional Fees

(I) Disclosure of the amount of the audit and non-audit fees paid to CPAs, the accounting firm and any of its affiliated companies that the CPAs worked for, and the details of the non-audit services

Amount Unit: NTD thousands

Accounting firm	CPA	CPA's audit period	Audit fee	Non-audit fee	Total	Remarks
KPMG	Hsin-Ting Huang Li-Chen Lai	01.01.2022-12.31.2022	1,990	510	2,500	Non-audit fee including 1. Transfer pricing reporting $230 thousand 2. Tax compliance audit fee $280 thousand

(II) When the Company changes the accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:

The audit fee for 2011 was 2,190 yuan, which was reduced by 200 yuan after the replacement, a decrease of 9%. This is because the distribution group has been changed to an accounting firm and the overall operation is smooth.

(III) If the audit fees are reduced by more than 10% as compared with the previous year, the amount, proportion and reason for reduction of the audit fee shall be disclosed: None.

V. Information on Change of CPAs

(I) Former CPA:

<table>
<tr><td>Date of change</td><td colspan="5">Approved by Board of Directors on December 14, 2021.</td></tr>
<tr><td>Reasons and description of change</td><td colspan="5">To enhance smooth operation between the Company and the Group</td></tr>
<tr><td rowspan="3">Whether the appointment is terminated or not accepted by the client or CPA</td><td colspan="3">Party
Status</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="3">Termination of appointment</td><td></td><td>V</td></tr>
<tr><td colspan="3">Declination of appointment (renewal)</td><td></td><td></td></tr>
<tr><td>Opinions and reasons for audit reports issued during the most recent two years, excluding those issued without reservations</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Any differences in opinions between CPA and issuer</td><td rowspan="4">Yes</td><td></td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Audit scope or steps</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td colspan="2">Other disclosures
(To be disclosed in accordance with Article 10(6)(1)(d) to (1)(g) of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(II) Succeeding CPA:

Accounting firm	KPMG Taiwan
CPA	Hsin-Ting Huang and Li-Chen Lai
Date of appointment	Approved by Board of Directors on December 14, 2021 to change from Q1 of 2022.
Matters and results of the consultation on accounting treatment methods or accounting principles for specific transactions and possible issuance of financial reports prior to the appointment	None
Written opinions of the succeeding CPA on the matters regarding which the former CPA has expressed dissent.	None

(III) The former CPA's written response to the matters in Article 10(6)(1) and (2)(c): None.

VI. Where he Company's Chairman, Chief Executive Officer, or the managerial officer in charge of finance or accounting matters was an employee in the most recent year at the accounting form or any of its affiliated companies which the CPAs worked for, his/her name, title and the employment period at such firm or affiliated company must be disclosed: None.

VII. Details of equity transferred or pledged by directors, supervisors, managerial officers, or shareholders with more than 10% ownership interest in the most recent year up to the publication date of this annual report. Where the counterpart involved in the transfer or pledge of equity is a related party, the name of such counterpart, his/her relations with the Company, directors, supervisors, managerial officers, or shareholders with more than 10% ownership interest, and the number of shares acquired or pledged must be disclosed.

1. Changes in equity of directors, supervisors, managers and major shareholders

Title	Name	2022		Up to April 17, 2023		Remarks
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Major shareholder / Corporate director	Tatung Company	-	-	-	-	
Chairman / Chief Strategy Officer	Tatung Company Representative: Bo-Yen Shen	(52,000)	-	-	-	
Director	Tatung Company Representative: Chin-Lai Wang	-	-	-	-	Re-delegated on 09.13.2022 as a new director
Director / President	Tatung Company Representative: Wen-Hung Huang	-	-	-	-	Re-delegated on 09.13.2022 as a new director
Director	Tatung Company Representative: Pei-Chun Lu	-	-	-	-	Re-delegated on 02.08.2022 as a new director
Director / CFO / Corporate Governance Officer	Tatung Company Representative: Chiu-Chan Hsu	(23,000)	-	(4,000)	-	Re-delegated on 02.08.2022 as a new director
Corporate Director	Twinbot Fintech Consultant Ltd.	54,000	2,800,000	91,000	-	
Director	Twinbot Fintech Consultant Ltd. Representative: Kuan-Chih Tseng	-	-	-	-	
Independent Director	Huang-Chi Yeh	-	-	-	-	By-elected on 06.15.2022 as a new director
Independent Director	Ying-Hwang Yang	-	-	-	-	By-elected on 06.15.2022 as a new director
Independent Director	Maw-In Tsai	-	-	-	-	By-elected on 06.15.2022 as a new director
Special assistant of Chairman	Ying-Hsiu Liu	22,000	-	-	-	
Senior Vice President	Chih-Hung Chen	23,000	-	-	-	
Vice President	Hung-Yu Chen	-	-	-	-	
Assistant VP	Ming-Te Yu	(21,000)	-	-	-	

Title	Name	2022		Up to April 17, 2023		Remarks
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Major shareholder	I-YIin, Hsu	66,000	-	4,000	-	2022.10.11 new appointment, Resigned on 04.17.2023
Director	Tatung Company Representative: I-Wen Chung	Not applicable	Not applicable	Not applicable	Not applicable	Resigned on 06.29.2022
Director	Tatung Company Representative: Wei-Li Tsai	Not applicable	Not applicable	Not applicable	Not applicable	Re-elected on 07.13.2022 as a new director, Resigned on 09.13.2022
Director	Tatung Company Representative: Zhi-Fang Wang	Not applicable	Not applicable	Not applicable	Not applicable	Re-elected on 02.08.2022 as a new director, Resigned on 06.30.2022
Independent Director	Ting-Kuo Chen	Not applicable	Not applicable	Not applicable	Not applicable	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022
Independent Director	Chung-Hsien Liu	Not applicable	Not applicable	Not applicable	Not applicable	Resigned on 02.16.2022 and the resignation took effect on 06.14.2022

2. Information on transfer of shares: None.
3. Information on pledge of shares: None.

VIII. Information on the mutual relationship of the Top 10 shareholders in terms of proportion of shareholding if they are a related party, spouse, or a relative within the second degree of kinship referred to in SFAS No.6.

April 17, 2023; unit: share; %

Name	Shareholdings of shareholder		Shareholdings of spouse and minor		Shareholdings in the name of others		The title/name and relationship of the Top 10 shareholders having a mutual relationship as a related party, spouse or a relative within the second degree of kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Tatung Company	37,819,027	42.70	-	-	-	-	None	None	
Representative: Wkang-Hsiang Wang	-	-	-	-	-	-			
I-Yin Hsu	8,970,000	10.13	-	-	-	-	Twinbot Fintech Consultants Limited	Investee of company	
Genesis Technology Inc.	7,200,000	8.13	-	-	-	-	None	None	
Representative: An Da Xin Investment Co., Ltd.	-	-	-	-	-	-			
Twinbot Fintech Consultants Limited (Twinbot company)	5,961,000	6.73	-	-	-	-	I-Yin Hsu	Parent companymaj or shareholder of Twinbot company	
Representative: Pei-Wei Hsu	-	-	-	-	-	-			
Employee Stock Ownership Trust	4,800,611	5.42	-	-	-	-	None	None	

Account managed by CTBC Bank in trust Representative: Ming-Te Yu	35,733	0.04	-	-	-	-			
Zerone Win Investment Co., Ltd. Representative: Chia-Sun Lin	1,500,000	1.69					None	None	
	-	-	-	-	-	-			
Investment account of Goldman Sachs International operated by HSBC (Taiwan)	1,273,000	1.44	-	-	-	-	None	None	
Chin-Chuan Wu	1,240,000	1.40	-	-	-	-	Tong Ann Chemicals Co., Ltd.	Investee of company	
Tong Ann Chemicals Co., Ltd.(Tong Ann company) Representative: Chin-Chuan Wu	828,000	0.94	-	-	-	-	Chin-Chuan Wu	Chairman of Tong Ann company	
	1,240,000	1.40							
Bo-Yen Shen	808,623	0.91	-	-	-	-	None	None	

IX. The total number of shares and total equity stake held in the same invested business by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company

December 31, 2022; Unit: NTD thousands

Invested business (Note)	Investment of the Company		Investment of directors, supervisors, managerial officers and directly or indirectly controlled business		Total investment	
	Number of shares/amount of contribution	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares/amount of contribution	Shareholding ratio
Chyun Huei Commercial Technologies Inc.	11,000 (thousand shares)	100%	-	-	11,000 (thousand shares)	100%
Tisnet Technology Inc.	6,750 (thousand shares)	100%	-	-	6,750 (thousand shares)	100%
Tsti Technologies (Shanghai) Co., Ltd.	Amount of contribution: RMB 15,000	100%	-	-	Amount of contribution: RMB 15,000	100%
i-Torch Technology Corp.	500 (thousand shares)	20%	-	-	500 (thousand shares)	20%

Note: The Company’s long-term investment under the equity method.

Four. Fundraising Status

I. Capital and Shares

(I) Type of shares issued in the most recent year up to the publication date of this annual report

1. Capital sources:

May 5, 2023

Month/ year	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks						
		Number of shares	Amount	Number of shares	Amount	Capital sources (NTD thousands)					Investment by property other than cash	Others
		(share)	(NTD thousands)	(share)	(NTD thousands)	Cash Capital increase	Capitalization of retained earnings into new shares	Capitalization of employee bonus into new shares	Capitalization of capital reserve	Total		
May 2000	10	50,000,000	500,000	30,000,000	300,000	-	-	-	-	-	-	Note 1
September 2000	10	50,000,000	500,000	37,500,000	375,000	75,000	-	-	-	75,000	-	Note 2
June 2001	10	50,000,000	500,000	41,315,600	413,156	-	37,500	656	-	38,156	-	Note 3
June 2002	10	50,000,000	500,000	45,600,000	456,000	-	20,658	22,186	-	42,844	-	Note 4
August 2003	10	50,000,000	500,000	50,000,000	500,000	-	22,800	21,200	-	44,000	-	Note 5
July 2004	10	75,000,000	750,000	54,200,000	542,000	-	25,000	17,000	-	42,000	-	Note 6
July 2005	10	75,000,000	750,000	57,468,000	574,680	-	21,680	11,000	-	32,680	-	Note 7
June 2006	10	75,000,000	750,000	60,000,000	600,000	-	8,620.2	16,699.8	-	25,320	-	Note 8
July 2007	10	75,000,000	750,000	64,270,000	642,700	-	30,000	12,700	-	42,700	-	Note 9
September 2008	10	75,000,000	750,000	67,200,000	672,000	-	19,281	10,019	-	29,300	-	Note 10
August 2009	10	100,000,000	1,000,000	70,560,000	705,600	-	33,600	-	-	33,600	-	Note 11
January 2010	10	100,000,000	1,000,000	88,560,000	885,600	180,000	-	-	-	180,000	-	Note 12

Note 1: Letter Jing (2000)-Shou-Shang-Tzu No. 089114283 of the Ministry of Economic Affairs, dated May 5, 2000
Note 2: Letter (2000) Tai-Tsai-Cheng (1) No. 60079 of the Securities and Futures Commission, Ministry of Finance, dated July 17, 2000
Note 3: Letter (2001) Tai-Tsai-Cheng (1) No. 136925 of the Securities and Futures Commission, Ministry of Finance, dated June 12, 2001
Note 4: Letter (2002) Tai-Tsai-Cheng (1) No. 0910132138 of the Securities and Futures Commission, Ministry of Finance, dated June 13, 2002
Note 5: Letter (2003) Tai-Tsai-Cheng (1) No. 0920128949 of the Securities and Futures Commission, Ministry of Finance, dated June 30, 2003
Note 6: Letter Zheng-Ji-Yi-Tzi No. 0930129390 of the Securities and Futures Commission, Ministry of Finance, dated July 5, 2004
Note 7: Letter Jin-Guan-Zheng-Yi-Tzu No. 0940122850 of the Financial Supervisory Commission, Executive Yuan, dated June 8, 2005
Note 8: Letter Jin-Guan-Zheng-Yi-Tzu No. 0950127765 of the Financial Supervisory Commission, Executive Yuan, dated June 30, 2006
Note 9: Letter Jin-Guan-Zheng-Yi-Tzu No. 0960037254 of the Financial Supervisory Commission, Executive Yuan, dated July 17, 2007
Note 10: Letter Jin-Guan-Zheng-Yi-Tzu No. 0970050246 of the Financial Supervisory Commission, Executive Yuan, dated September 22, 2008
Note 11: Letter Jing-Shou-Shang-Tzu No. 10801115060 of the Department of Commerce, Ministry of Economic Affairs, dated August 26, 2019
Note 12: Letter Jing-Shou-Shang-Tzu No. 10801196220 of the Department of Commerce, Ministry of Economic Affairs, dated January 13, 2020

2. Type of share

May 5, 2022

Types of shares	Authorized capital stock (share)			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	88,560,000	111,440,000	200,000,000	TPEx companies' stock (Code: 8099)

3. Information on shelf registration system: None.

(II) Shareholder structure

April 17, 2023 Unit: person; share; %

Shareholder structure / Quantity	Government agency	Financial institution	Other corporate bodies	Individual	Foreign institution and foreigner	Total
Persons	-	-	26	5,680	12	5,718
Shares held	-	-	59,492,835	27,602,132	1,465,033	88,560,000
Shareholding ratio	-	-	67.18	31.17	1.65	100.00

(III) Distribution of equity

April 17, 2023

Shareholding range	Number of shareholders	Shares held	Shareholding ratio
1 to 999	3,201	230,598	0.26
1,000 to 5,000	1,871	3,648,806	4.12
5,001 to 10,000	317	2,392,091	2.70
10,001 to 15,000	115	1,418,358	1.60
15,001 to 20,000	49	869,929	0.98
20,001 to 30,000	66	1,636,317	1.85
30,001 to 40,000	19	664,305	0.75
40,001 to 50,000	19	863,643	0.98
50,001 to 100,000	32	2,248,813	2.54
100,001 to 200,000	12	1,452,418	1.64
200,001 to 400,000	4	1,182,804	1.34
400,001 to 600,000	3	1,551,657	1.75
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	2	1,636,623	1.85
Over 1,000,001	8	68,763,638	77.64
Total	5,718	88,560,000	100.00

Note: The Company does not issue preferred stocks.

(IV) Major shareholders

April 17, 2023

Share / Names of major shareholders	Shares held	Shareholding ratio
Tatung Company	37,819,027	42.70
I-Yin Hsu	8,970,000	10.13
Genesis Technology Inc.	7,200,000	8.13
Twinbot Fintech Consultants Limited	5,961,000	6.73
Employee Stock Ownership Trust Account managed by CTBC Bank in trust	4,800,611	5.42
Zerone Win Investment Co., Ltd.	1,500,000	1.69
Investment account of Goldman Sachs International operated by HSBC (Taiwan)	1,273,000	1.44
Chin-Chuan Wu	1,240,000	1.40
Tong Ann Chemicals Co., Ltd.	828,000	0.94
Bo-Yen Shen	808,623	0.91

Note: The aforementioned are the shareholders who hold five percent or more of the Company's shares or the Top 10 shareholders in terms of shareholding.

(V) Market value per share in the most recent two years, together with the Company's net worth per share, earnings per share, dividends per share, and related information

Item	Year		2022	2021	As of May 5, 2023 in the current year (Note 1)
Market price per share	Highest		42.30	56.60	56.50
	Lowest		31.50	24.25	37.60
	Average		39.31	41.57	45.47
Net worth per share	Before distribution		16.18	15.98	16.52
	After distribution		-	14.18	-
Earnings per share	Weighted average shares (thousand shares)		88,560	88,560	88,560
	Earnings per share		2.02	2.01	0.34
Dividends per share	Cash dividend		(Note 2)1.75	1.80	-
	Bonus share	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividend		-	-	-
ROI analysis	P/E ratio		19.09	18.97	-
	P/D ratio		21.98	21.21	-
	Cash dividend yield (%)		4.55	4.71	-

Note 1: Please identify the net worth per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor up to the publication date of this annual report, and provide the information available up to the publication date of this annual report in the other fields.

Note 2: The distribution of FY 2022 earnings has not been approved by the shareholders' meeting yet.

(VI) The Company’s dividend policy and implementation status:

1. Dividend policy stipulated in the Articles of Incorporation

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

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

   The net profit after tax of the Company in current period, if any, in the final account at the end of any fiscal year shall be used to make up the losses (including adjustment of undistributed earnings) of the previous years. The Company shall then set aside 10% of the said earnings as a legal reserve, unless such legal reserve amounts to the total authorized capital of the Company. The Company shall provide or reverse a special reserve pursuant to laws or the regulations of the competent authority. When the company sets aside special reserves in accordance with the law, The net increase in the fair value of investment properties and other net decreases in equity accumulated in previous periods should be recorded as a special reserve in the same amount as the previous period's undistributed earnings, and if there is still a shortfall, and if there is still a shortfall, the same amount should be recorded in the current period's undistributed earnings other than the current period's net income after tax.If there is any residual balance, it shall be, together with the undistributed earnings at the beginning of the period (including adjustment of undistributed earnings), used as accumulated dividends for shareholders. The Board of Directors shall draft an earnings distribution proposal and submit it to the shareholders’ meeting for approval.

2. Dividend distribution proposed at the current shareholders’ meeting

   The Company plans to appropriate NT$154,980,000 for distribution of dividends from the earnings in 2022. The cash dividend per share is $1.75

3. Anticipated significant changes to dividend policy: The dividend policy of the Company did not change significantly.

(VII) Effect of the allocation of bonus shares proposed at the current shareholders’ meeting on the Company’s business performance and earnings per share: Not applicable.

(VIII) Remuneration to employees and directors:

1. The percentage or scope of the remuneration to employees and directors according to the Articles of Incorporation: Refer to (VI).
2. The basis of the calculation for the remuneration to employee and directors, the calculation of the number of shares for the share-based remuneration to employees, and the accounting treatment of any discrepancies between the actually distributed calculated amounts:
   The Company calculates the distribution amount by multiplying the amount of the pre-tax net profit in 2022 prior to the deduction of the remuneration to employees and directors by the distribution percentage specified in the Articles of Incorporation. However, if the Board of Directors adopts a resolution to allow the discrepancy between the actually distributed calculated amounts, it will be treated as the changes in accounting estimates and stated as loss or profit in 2023.

3. The distribution of remuneration approved by the Board of Directors:
   (1) The amount of the remuneration to employees, directors and supervisors distributed in cash or share: If there is any discrepancy from the estimated amount of the expenses recognized in the year, the discrepancy, the reason for the discrepancy, and the status of the treatment shall be disclosed:
   The Compensation Committee of the Company had a discussion and reported it to the Board of Directors, which gave its approval on March 07, 2023. The remuneration to the directors and employees amounted to $3,937,333 and $18,500,000, respectively.

(2) The amount of the remuneration to the employees in the form of stocks, and share of that amount as a percentage of the sum of the net income after tax stated in the separate or individual financial reports for the current period and total employee remuneration:
The Company did not distribute share dividends to the employees in the current year.

4. The actual distribution of the remuneration to employees and directors in the previous year (including the number and amount of shares distributed and the stock price); if there is any difference from the recognized amount of the remuneration to the employees and directors, the difference, the reason for the difference, and the treatment shall be disclosed:

Unit: NTD

Distribution	2021			
	Actual number of shares distributed under resolution of the Board	The number of shares to be distributed as approved by the Board	Difference	Reason
Cash dividend to employees	18,000,000	18,000,000	-	-
Share dividend to employees	0	0	-	-
Number of shares	0	0	-	-
Remuneration to directors	3,016,776	3,016,776	-	-

(IX) Buyback of the Company's share: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employee Stock Option Certificates: None.

VI. Status of the Employee Restricted Stock Acquired by Managerial Officers, the name of the Top 10 Employees in Terms of the Acquisition, and the Acquisition Status up to the publication date of this annual report: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions of or Succession to Shares of Other Companies

1. Issuance of new shares in connection with mergers or acquisitions of or succession to shares of other companies in the most recent year up to the publication date of this annual report: None
2. Issuance of new shares in connection with mergers or acquisitions of or succession to shares of other companies and approved by the Board of Directors in the most recent year up to the publication date of this annual report: None

VIII. Implementation of Capital Utilization Plan

1. Plan: Analysis on any uncompleted plans for private placement of securities or completed plan within the most recent three years with unrealized benefit up to the quarter directly prior to the publication date of this annual report: None
2. Implementation: Not applicable.

Five. Overview of Business Operations

I. Business of the Company

(I) Business scope

1. Main items:

Business code	Business	Business code	Business
CC01110	Computer and Peripheral Equipment Manufacturing	E701010	Telecommunications Engineering
F113050	Wholesale of Computers and Clerical Machinery Equipment	E701020	Satellite Television KU Channels and Channel C Equipment Installation
F113070	Wholesale of Telecommunication Apparatus	E701030	Controlled Telecommunications Radio-Frequency Devices Installation Engineering
F118010	Wholesale of Computer Software	E605010	Computer Equipment Installation
F213030	Retail Sale of Computers and Clerical Machinery Equipment	E701040	Simple Telecommunications Equipment Installation
F213060	Retail Sale of Telecommunication Apparatus	F108031	Wholesale of Medical Devices
F601010	Intellectual Property Rights	F208031	Retail Sale of Medical Apparatus
I103060	Management Consulting	J601010	Arts and Literature Service
I301010	Information Software Services	JB01010	Conference and Exhibition Services
I301020	Data Processing Services	IG03010	Energy Technical Services
I301030	Electronic Information Supply Services	E6030310	Cable Installation Engineering
JE01010	Rental and Leasing	E6030350	Automatic Control Equipment Engineering
IZ13010	Internet Certificates Service	EZ05010	Instrument and Meters Installation Engineering
ZZ99999	All business activities that are not prohibited or restricted by law, except those that are subject to special approval.	F401021	Restrained Telecom Radio Frequency Equipment and Materials Import

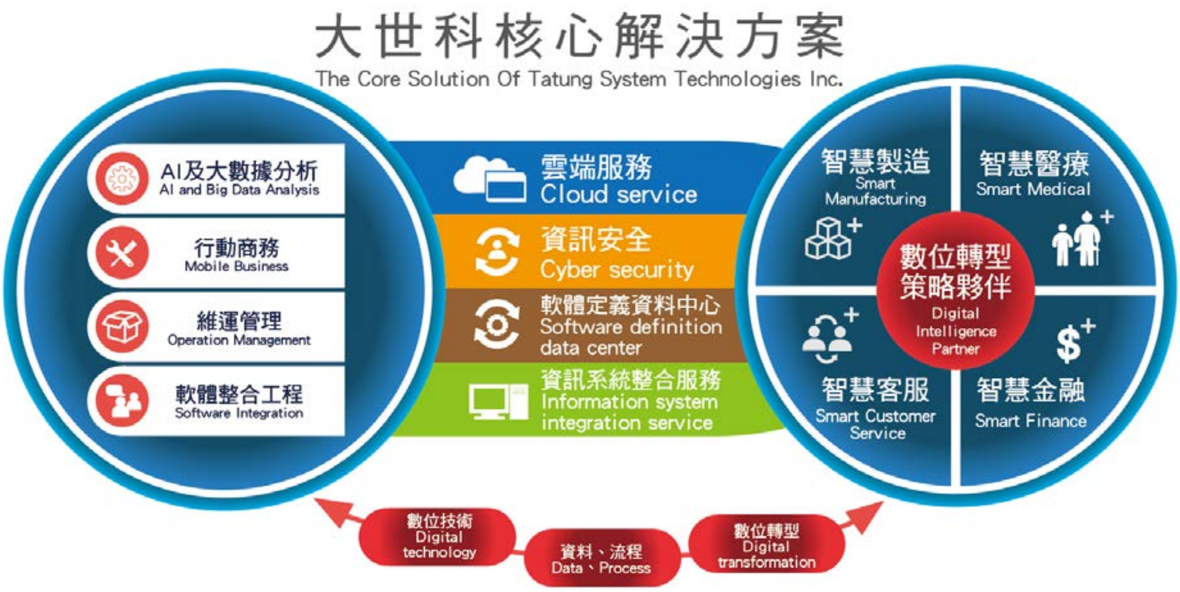
2. Operating revenue percentage

Unit: NTD thousands; %

Year / Major product	2022		2021	
	Revenue	%	Revenue	%
Computer/peripheral	2,126,769	48.93%	1,980,852	46.37%
Communication system/internet/information security	429,078	9.87%	429,834	10.06%
Software/technology service/education & training/engineering	1,380,701	31.76%	1,616,118	37.83%
Others	410,092	9.44%	245,079	5.74%
Total	4,346,640	100.00%	4,271,883	100.00%

3. Product and service items of the Company

The Company is dedicated to acting as a professional partner for the customers in digital transformation. With the support of our digital technology, we assist governments and companies in the digital transformation, improvement of the operation efficiency and decision analysis, provision of smart solutions, consultation services, cloud-based cervices, integration and setup of information/communication systems, and protection of data security and business continuity services.



(1) AI and big data analytics

In the respect of big data analytics (Big Data), using what strategies and solutions and how to control key technologies to maximize their value in the commercial applications are the big challenges for the companies in the ear of Big Data. We provide platforms, key technologies and application practices needed for big data analytics as a basis for the companies to build a platform of high performance, flexibility and cost-efficiency, and develop data warehousing and commercial intelligent applications, including the big data analytics services in the three facets of distributed computing, data analysis, and data storage.

(2) Information security Services

Hackers use more diversified means to attack on the internet as the cyber applications have become popular. For the early warning and prevention of cyber security events, we provide cyber security services with the operational security of the customer as the core, assist the customer in planning the priority of defense and implementing the integration and setup of the systems, provide cyber and information security solutions of high performance to ensure the operational efficiency and security. As for our security solutions and services, we provide active endpoint detection services based on AI and big data analysis of security behavior to help companies find out security events as early as possible. We provide autonomous vulnerability assessment and source code review services, which are needed for the customers in the development of their applications, to verify and protect software from being attacked to the weakness in the Web applications. We provide cyber and information security protection solutions of high performance, enterprise cyber structure design and planning, setup and related engineering services (including Core/Edge, Wireless, and Radio), and other optimization and technology consultation services. In addition to the information security protection services such as the firewall and IPS of the next generation, We provide “visible and active FAN security defense solutions” for the visibility of the security events in the intranet. These solutions include planning and setup of network hubs, including environmental control and integration of the green energy in the design of the hub.

(3) Qbot – a smart application of communication products

With the changes of the communication processes in different generations, many novel AI technologies and their integration have become a trend of development. The tsti Qbot series can meet the requirements for integration in different applications fields. The ChatBot (ibo.ai) and the deep semantic analysis technology are a breakthrough of the traditional human–machine communication approach. It provides a dialog process in natural language and can solve the problems of the end customers by giving an instant reply at any time. By connecting with the RPA technology, it further realizes the ideal automation of processes for the customers, and is applicable to the fields of finance, insurance, smart factories, etc. As for customer service, the smart Chatbot (ibo.ai) can transfer the requirements for virtual-to-physical communication to our cloud customer service products. It provide customer service agents with a textual reply solution to answer the questions from different channels using the active machine In addition to inquiring the answering process of via the robot, it can annotate for the customer as well as aggregating data and making them more complete to achieve the goal of a seamless human–machine collaboration. For the customers who need a physical voice or video dialog with the agent, The Mercurius video and audio technology can start the dialog and provide complete processes and approaches needed for the services. The tsti Qbot series are suitable for flexible stacking and integration applications and can meet different requirements of the customer to provide real intelligent services.

(4) Smart healthcare application services

We assist hospitals in establishing big data centers and service frameworks based on containerization and FHIR to break down information silos within the medical system. We use a data lake as the foundation for artificial intelligence applications in healthcare and provide a data exchange platform that crosses systems, hospital areas, and hospitals. Our medical big data BI battle situation management and smart healthcare solutions include telemedicine consultation, AI precision medicine, next-generation HIS container platform consulting services, smart toilets, medical equipment endpoint protection, and medical OT field security protection.

(5) OneCloud Deployment and management of cloud services

TSTI OneCloud Service provides consulting services to help enterprises with cloud adoption, usage, optimization, and cost reduction. Services include planning, deployment, migration, operations, maintenance, and optimization. The cloud solutions cover the three major public clouds, data management, hybrid cloud data centers, cloud backup, cloud disaster recovery, cloud-native container platform management, and AI applications. TSTI also offers cloud network planning and cloud security protection, providing comprehensive cloud solutions for information security. Leveraging the flexibility and agility of public and hybrid clouds, TSTI helps enterprises quickly build digital transformation applications and platforms, and provides OneCloud Managed Service to assist enterprises with worry-free cloud operations and management.

Note: For more information, please visit the official website of the Company http://www.etatung.com

(Subsidiary) Chyun Huei Commercial Technologies's product name and service item

Major product (service)	Function
Brand Workstation Products	The company acts as an agent for sell brand workstation products from multiple manufacturers such as HP, Dell, Lenovo, and Supermicro, as well as NVIDIA graphic computing products, to provide professional products required for high-speed computing and graphics in various industries. We also collaborate with CAD and CAM software vendors to offer a complete hardware and software solution, along with consulting services..
Zebra Barcode Scanning and RFID Smart Label Solutions	The company is authorized to sell Zebra barcode scanning devices, fixed or handheld readers, and RFID smart label solutions. Zebra offers a comprehensive product line for barcode printing, enterprise printing, asset tracking, IoT solutions, and mobile and location sensing technologies for various industries.
Canon Océ Professional Output Equipment	The company sell Canon Océ wide-format printers, which are high-quality and easy-to-use. The equipment guarantees fast printing, copying, and storage of engineering files, increasing productivity and meeting different production needs from low to high volume and speed.
Asset Management, Security Control, and Operation Management	In addition to selling Innovative Interface Inc.'s Sierra/library service platform, we also offer asset management and smart operation and security management platforms that provide quantitative data reports to prevent malicious software, ransomware, adware, and cracking software from invading devices, avoiding wasted investment, and maximizing resource utilization.
Bingle E-commerce Platform	The company developed the Bingle E-commerce platform (www.bingle.com.tw) that combines the service resources of well-known domestic and foreign information brands and the group services of DTS to provide a complete range of products and services information and business consulting solutions, meeting the needs of small and medium-sized enterprise growth.

Note: For more information, please visit the official website of the Company http://www.chci.com.tw

(Subsidiary) Tisnet Technology's product name and service item

Major product (service)	Function
ISP and IDC operation service	In addition to the application of domain names, the company acts as an agent for the sale of SSL certificated to enhance the cyber security and increase the subscription service revenue.
Network and website integration service	In addition to the website, system and app development projects as well as cash flow and short message concatenation services, the company provides system transfer services to assist customers in their transfer to the cloud platform.
Cloud service	Tisnet Technology is a Microsoft Cloud Service Partner (CSP) and plays the role of a cloud service provider in the enhancement of the corporate operations.
Intranet security and compliance management service	The company takes intranet security issue as the core of the security products and services, including intranet connection control, intranet environment monitoring and management, intranet terminal security protection, and intranet asset security protection.
Information security – privileged access management and audit	The ANCHOR PAM function can meet the requirements for centralization of accounts, single sign-in, operation track record, job report, and audit process.

Note: For more information, please visit the official website of the Company http://www. tisnet.com.tw/

(Subsidiary) Tsti Technologies (Shanghai)'s product name and service item

Major product (service)	Function
IT infrastructure solution	Enterprise data center construction, enterprise backup center construction, network infrastructure, data backup and storage, server fault-tolerant cluster, and server and desktop virtualization.
IC integration solution	IP Voice communication, audio and video conferencing integration solutions, and network monitoring security.

Note: For more information, please visit the official website of the Company http://www.tsticn.com/

(II) Industry overview

1. Economic profile

The global economy in 2022 had been expected to continue to recover, but under the pressure of high inflation, high interest rates, pandemic viruses, city lockdowns and supply chain disruptions, and energy shortages caused by the war between Russia and Ukraine, the economy in the second half of the year receded significantly. In the outlook for 2023, with the U.S. raising interest rates and driving other countries to follow suit, the volatility will continue and spread to more countries, which will also affect the direction of national economies. The World Bank predicts that global GDP may only grow by 1.7% this year, and the International Finance Association (IIF) predicts that global economic growth may slow down significantly to 1.2%, while IMF revised its forecast in the World Economic Outlook report in January, predicting that the global economic growth rate will still be 2.9% in 2023 because inflation will slow down. In 2022, As Taiwan's economic performance is susceptible to the global political and economic situations, and has been revised downward successively since the outbreak of the war between Russia and Ukraine. Although the economic growth was not as good as had been expected originally, the growth rate was still expected to exceed 3.00%. In the outlook for Taiwan economy in 2023, as interest rates have been raised to curb inflation, and manufacturing activity in a number of countries slows down significantly, further affecting Taiwan's import and export and investment performance. Fortunately, the impact of the pandemic inside the country gradually subsided and domestic consumption and related industries had better performances. The Taiwan Institute of Economic Research (TIER) estimates that Taiwan's economic growth rate will be 2.91% in 2023; the Directorate General of Budget, Accounting and Statistics, Executive Yuan estimates 2.75%; and the Chung-Hua Institution for Economic Research estimates 2.72%.

2. Industry development trend

In terms of ICT industry, MIC released its 2023 trend observation for ICT and software industry in 2022. For ICT, firstly, the global economic performance will "slow down and become more uncertain" in 2023, which will add challenges to market demand and business operations. Secondly, as emerging technologies evolve, they will drive a wide range of transformational and innovative developments, and making a presence in emerging applications with market potential (e.g., electric vehicles, net zero carbon emissions, or green economy) will drive medium- and long-term development; thirdly, in response to the accelerating changes in the internal and external environment, transformation for many industries is imperative. In the software industry, demand for software definitions is rising as vertical applications take hold; AI continues to develop, accelerating the adoption of enterprise applications; geopolitical impact accelerates the application of cloud and supply chain information security; CSR is on the rise, and ESG plays a key role in sustainable investment. Lastly, in addition to digital transformation, operating resilience has become a competitive issue for enterprises.

3. Correlation among upstream, midstream and downstream in the industry

As for the configuration of the industry chain in the IT service industry in Taiwan, the upstream players (manufacturers – international and domestic leading companies) play the role of product and technology providers, and implement advanced information application technologies. The downstream players, including software consultants and independent software providers, software sales service providers and system integrators, play the roles of technology application integrators. They develop their respective service models based on their experience and understanding in the professional domains of the industry to which their customers belong. They provide solutions (or services) or integrate the advanced technologies provided by the upstream players for the end customers to meet their demands.

The midstream players are usually distributors or wholesalers. In addition to the major role of stocking, warehousing and distribution, they assist manufacturers in distribution of goods to the downstream distributors, who will resell them to end customers. Standard software and hardware products with a huge sales volume are attractive to them. Some companies provide software and hardware spares, testing devices and supports, and training on sale of products. Most of the manufacturers take a multi-agent strategy. They have multiple distributor and agency channels to ensure extending to more end customers. Most of the agents sell goods for multiple brands to meet the demands of the customers and increase their revenue.

The agents of the Company are vertically integrated direct dealers of information services based on the software, hardware and network technologies. The upstream companies for which we act as an agent include Avaya, Aruba, Bosch, Cisco, EMC, HPI & HPE, Microsoft, NICE, NVIDIA, Redhat, VMware and other IC software and hardware manufacturers. We are engaged in the business including cloud computing and IC system integration services, such as virtualization consultation and system setup, data backup and storage equipment installation, planning and setup of commercial switchboard, high-speed computing server, network equipment and planning and setup of information security, graphic workstation, commercial terminal computer, highway toll calculation software, contact center related equipment and desktop integration software, warranty service, movement of data center, education and training, and other related products and services. We have customers in different industries, including telecommunications industry, logistics industry, manufacturing industry, transport service industry, healthcare industry, financial and securities industry, educational institution, and government agency.

4. Development trend of products and their competition status

(1) Development trend of products

tsti is one of the leading information service companies in Taiwan. We are engaged in the business including servers, workstations, network products, information security services, IT software and applications, professional consultation services, profession after-sales and repair services, and PCs and peripherals. We are a company providing total solutions for information service applications. In consideration of the rapid development and application of the four trends of cloud, mobilization, community and intellectualization, the Company makes use of the capabilities and experiences of the professional talents in project management, software development, and integrated application in different industries to provide professional services and solutions in the seven fields of cloud service, mobile commerce, big data analytics, contact center system, IoT application, intelligent manufacture application, and cyber security. For more information on the development trend of related products, please refer to V. Overview of Business Operations I (1)3. “Product and service items of the Company.”

(2) Competition status

In the environment of digital transformation (intelligent manufacturing, smart healthcare, financial technology, smart retail, etc.), the issues on mobile applications, intelligent analysis, cloud computing, community collaboration, and information security have more impact on the operation of a company and, thus, are decisive in the deployment and tendency of its information investments. This trend develops rapidly and re-shapes the innovative applications and services of the IC system integration service industry. The situation of “the big getting bigger” is the finality. However, the application service is very location dependent and can be deployed in a wide range or areas. Any single standard solution of a leading company is not the key to meet the requirements. Hence, how to find differentiation in the application services and apply the resource advantages of the Company to the development of the application service solutions, develop the market in the Blue Ocean, clarify the position of the Company, and select the right application fields is really the way of survival.
In addition to making technology investment in the global leading brands on an ongoing basis, we work with mobile communication service operators, commercial software manufacturers and partners to provide customers with more complete consultation and integration services that can meet their demands more appropriately. We continue improving our competitive strength in the integration and setup of the IoT applications and ICTs (Information and Communication Technologies). We are dedicated to connecting the future by ICT, striving for growing continuously, and providing customers with more competitive ICT solutions.

(III) Overview of technology and R&D

1. The investment of the Company in R&D in the most recent year (2022) and up to the publication date of this annual report (2023 Q1) was NT$84,327 thousand and NT$18,745 thousand, respectively.
2. Technology or product developed successfully

Year	Technology or product name
2022	Omnidigital Inside pilot program
2022	Subscription-based operational management platform - Operational Support System (Phase 2)
2022	Cloud-based Intelligent Hospital with the Internet of Medical Things (IoMT)

3. Subject of R&D project

(1) <u>Omnidigital Inside pilot program</u>

The Company Tatung System Technologies Inc. has engaged in the integration of contact center systems for more than 30 years. In the past, the development of the contact center system was technology-oriented and focused on how to use innovative technology to build a better contact center system. From now on, however, the Company will be dedicated to the omniditigal development of the contact center system. An omniditigal contact center focuses on the process of contact with all the customers and provision of constant digitization experience among the customer, allowing them to combine more than one channels at the same time and helping the Company use AI technology to improve the efficiency of the customer service agents. Innovative technology is not the focus anymore. It is replaced by customer experience.

We call this the Omnidigital Inside plan. It starts from the internal implementation to break the isolations build by different technologies in the past and provide customers with complete digital experience services. The following items are covered in Phase 1: video applications, cross-channel communication, digitization of communication content, and expertization of smart ChatBot..

(2) Subscription-based operational management platform - Operational Support System (Phase 2)

The time of subscription economy has come; business models in software, automobile, network equipment, etc. with the traditional buyout concept has gradually developed into the subscription model based on sharing. The features of subscription service are: quick activation, automatic updating, and the pay-as-you-go scheme. For operators implementing subscription economy model, a responsible and complete system is needed for all aspects, including operation, business and management support. Only with that can the operators support the whole subscription economy and provide comprehensive, high-quality services.

The Phase-1 focus in the previous was on the equipment management, equipment provision, digital twin, status and setting management, equipment update, and remote sensing and control. This have been implemented on the platform. This year, in addition to optimizing existing functions continuously, we will development related applications in different industries on the existing platform and verify its benefit based on practical experience. The industry applications to be put into practice include charging pile management, ESG in the energy domain, and integration of medical devices.

(3) Cloud-based Intelligent Hospital with the Internet of Medical Things (IoMT)

The importance of the interoperability has become more important in the medial industry. The Fast Healthcare Interoperability Resources (FHIR) are a digital format of the Electronic Medical Record Exchange function and used by many leading medical industries in the world. Based on HTTP RESTful protocol, FHIR can be applied to a wide range of equipment. This year, we plan to develop a FHIR-based IoMT intelligent hospital platform to collect the basic information of the patients and the real-time data from the Internet ward devices (e.g. sensor and wearable device) and the medical instruments, transfer them to the FHIR format, and upload them to the platform. Development, analysis and research of related websites and apps as well as cross-hospital interoperability of data are practicable and expected. The platform can be operated in coordination with the contact center to arrange labor force through the agents of the contact center and thus improve the mobility.

The tasks at Phase 1 will focus on the construction of the cloud FHIR platform and development of the FHIR application scenario to build a solid foundation for the long-term development in the future.

3. Time course of and annual spending on R&D

(1) Omnidigital Inside pilot program

This project started on January 1, 2022 and ended before December 31, 2022. The total spending on R&D was around $12,000 thousand.

(2) Subscription-based operational management platform - Operational Support System (Phase 2)

This project started on January 1, 2022 and ended before December 31, 2022. The total spending on R&D was around $7,000 thousand.

(3) Cloud-based Intelligent Hospital with the Internet of Medical Things (IoMT)

This project started on January 1, 2022 and ended before December 31, 2022. The total spending on R&D was around $11,000 thousand.

(IV) The long and short-term plans for business development of the Company

Short-term development plan:

The Company upholds the mission of “integration of global technologies to add value for customers,” and sets the vision of providing cloud technologies and professional communication integration services and becoming a leading setup service provider of the highest competitiveness in Taiwan. With the support of our digital technology, we also assist governments and companies in the digital transformation, improvement of the operation efficiency and decision analysis. We sell the products of the leading brands in the world under the agency, including Avaya, Aruba, Cisco, DellEMC, HPI & HPE, Informatica, Microsoft, NICE, Motorola, NVIDIA, Redhat and VMware.

The Company continues to invest in the skills of selling products as an agent for improvements. With the efforts of the sales and the marketing department, our business and technical teams have cultivated nearly 30 years of experience of services in information technologies and communication technologies, allowing us to assist corporations and governments to set up the best platform for computing and communication systems. Heretofore, tsti has customers in the fields of telecommunication, financial holding, manufacturing, media, circulation, military and government, and education and research. Our operational units include the System Integration Business Group (SIG), System Services Center (SSC), Smart Communications Business Group (SCBG), Digital Application Business Group (DAG), Digital Innovation Technology Center (DITC), and Product Marketing & PSO Center (PMSC). All the units work together and focus on the principle of “focus on strategies to enhance the foundation and growth.” By doing so, we may offer comprehensive and professional system services, and provide customers with the best solutions and satisfactory services. The short-term business development plans for each unit of tsti are as follows:

System Integration Business Group (SIG)	● Focusing on and taking care of large customers to improve the width and depth of the market; switching from selling hardware to professional services to increase the overall customer satisfaction and the gross margin. ● Continuously promote sales transformation, develop opportunities in software-defined data centers (SDDC), artificial intelligence, big data, and container development platforms, and increase service penetration rates. ● Improving in selling digital transformation solutions for manufacturers and developing in-house solutions to develop new markets and thereby boost the customer stickiness. ● Developing industry solutions, smart healthcare market and smart business opportunity creation; providing customers in the field with complete system planning consulting services and solution integration and setup services.
Smart Communications Business Group (SCBG)	● Continuously consolidate and maintain the leading position in the enterprise voice communication industry and create new market opportunities in response to emerging technology trends such as multimedia customer service and hybrid office. ● Provide hybrid office solutions, network and information security, overall planning and sales of integrated solutions, and maximize customer value. ● Strengthen the professional service capabilities of the intelligent customer service center solution and integrated communication

	solution to meet customers' one-stop shopping for comprehensive services.
Digital Application Business Group (DAG)	● Develop financial and medical application solutions, create cross-domain sales opportunities for existing key customers, deepen large projects, and become customers' digital growth partners. ● Expand data governance and data lake projects, develop cross-domain business intelligence, and information operation opportunities. ● Focus on cloud AIoT application solutions such as smart healthcare, AI intelligent text robots, smart public toilets, and ESG zero-carbon pipe systems. ● Focus on agent software product sales and value-added services, and improve professional vendor services in AI data integration and processing analysis.
System Services Center (SSC)	● Continuously develop a competitive professional service team that focuses on customer experience and customer-centric. ● Construct the OneService all-digital service operation platform to provide innovative digital customer experiences and excellent service operations, and create high-quality, efficient, and high-value services. ● Offer the tsti OneService service brand and service products from AI to Edge. ● Establish the OneService Operation Center and SOC to provide ICT Managed Service and Managed Security Service and become customers' most trustworthy business partner.
Product Marketing & PSO Center (PMSC)	● Continuously represent and promote internationally competitive brands, integrate existing product lines and technical capabilities, and establish AI SI and Cloud SI business models and professional services. ● Create differentiated OneService and OneCloud integrated solutions with market potential and competitiveness, enhance customer value, improve competitiveness, and increase professional service penetration rate. ● Conduct digital and physical marketing activities to generate customer opportunities, enhance company market visibility, expand market coverage and influence.
Digital Innovation Technology Center (DITC)	● Develop proprietary products in vertical fields such as smart healthcare and artificial intelligence applications. ● Continuously invest in cloud-based advanced technologies, artificial intelligence, and NVIDIA software applications.
Subsidiary – Chyun Huei Commercial Technologies Inc.	● Expand business in Zebra barcode printing, enterprise printing, RFID asset tracking, and Internet of Things solutions. ● Increase revenue from workstation and graphics card sales. ● Strengthen promotion of asset management, smart operation, and cybersecurity management platforms. ● Utilize the BiNGLE (www.bingle.com.tw) e-commerce platform to enhance the visibility and combat capabilities of the company's professional workstation products.
Subsidiary – Tisnet Technology Inc.	● Continuously develop the following businesses: cloud service sales, software licensing, professional technologies, website development, domain/SSL and information security services. The

	focuses of the information security services are: (1) information security inspection service; (2) account security protection; (3) documentation security protection; (4) data security protection; (5) defense against ransomware; and (6) training of information security talents. In addition to the higher investment in information security services, the company also continuously seizes the business opportunities of cloud services and related integration.
Subsidiary – Tsti Technologies (Shanghai) Co., Ltd.	● Collaborate with the parent company to provide system integration services. ● Expand cloud solutions to seize cloud service opportunities.

<u>Long-term development plan</u>:

In response to the market trend and strong demand for digitalization, digital optimization and digital transformation, the shortage of digital information talents has become an operational challenge for enterprises. To meet customer needs and seize market opportunities, Tsti has created the tsti OneService brand to provide the ABCDE services of the From AI to Edge, including: cybersecurity-based AI platform applications, Big Data management, Cloud & Container Cloud services and management, modern Data Center and Edge Computing. OneService is a service content creation centered on customer needs and service oriented, focusing on customer value and superior customer experience as the development goal.

Cloud services, whether IssS, PaaS, or SaaS, have been widely adopted by enterprises and are experiencing double-digit growth every year; Tsti has accumulated several years of cloud-native container platform and management technologies, AIoT smart city solutions, and private brand software cloud services, and is launching the tsti OneCloud cloud service brand in 2023 to enter the market. In order to quickly seize this trend and business opportunity. In terms of cloud service architecture, tsti OneCloud provides private cloud, public cloud and hybrid cloud models; the content form of cloud service includes IaaS, PaaS and SaaS. The IaaS and PaaS cloud solutions integrate the existing agency brand partner solutions. SaaS not only has its own brand application software including: ibo.ai intelligent dialogue robot, tiCC cloud customer service, smart toilet, ESG zero carbon integration management, etc., but also actively represents cloud services of well-known domestic and foreign SaaS cloud service providers for value-added integration and value-added service provision.

The Company actively invests in the research and development of advanced communication technologies, the development of our own brand software, and the value-added integration of domestic and foreign brand software we represent; At present, the "Customer Experience Solution" includes: Intelligent Cloud Customer Service, Intelligent Dialogue Robot, Enterprise Large Knowledge Base Management Platform, Customer Experience Management, and so on; In the "ESG Zero Carbon Sustainability Solution", it includes: Smart Toilet, Energy Management, Zero Carbon Integration Management, Telemedicine, and so on; in the "Smart Medical Solution", it has developed and integrated ten solutions, including: FHIR Server, Remote Video Clinic, Medical Product and Operation BI Warfare Management, Next Generation HIS Container Platform Management, Medical Material E-procurement Platform, and so on. tsti OneSoftware brand for marketing.

The Company will operate in the digital finance, smart manufacturing, smart medical, government and telecom, distribution and SMB markets in a prudent manner to achieve balanced development in each industry market to reduce the risk of ups and downs in specific industries; focus on strategies to promote service transformation, cloud transformation, software transformation and operational digital transformation to innovate value, superior customer experience and create new revenue. We plan to enter the ASEAN market with competitive cloud services and proprietary software solutions from OneCloud and OneSoftware, and develop into an international regional cloud service and software provider. The Company is committed to sustainable operations and actively practices ESG. In addition to internal efforts in corporate governance, social care and environmental sustainability, the company is also actively developing digital services and software solutions that link ESG issues and sustainability goals to form an ESG business and social ecosystem, and is actively working to create maximum value for customers, shareholders, employees and society.

II. Overview of Market and Production/Marketing

(I) Market analysis

1. Sales region for major products

Unit: NTD thousands; %

Item \ Year	2022		2021	
	Amount	%	Amount	%
Domestic sales	4,297,379	98.87	4,225,159	98.91
International sales	49,261	1.13	46,724	1.09
Total	4,346,640	100.00	4,271,883	100.00

2. Market share

The CRIF Top 5000 enterprise ranking collects information on 5,000 large companies with annual net revenue of over $100 million. In addition to the ranking by revenue, four representative indicators of revenue, profitability, return on investment, and productivity are also used to evaluate the performance of the enterprises. In order to further evaluate the business performance of these enterprises, they rank these enterprises in a more comprehensive manner by referring to indicators such as net revenue, net profit after tax, revenue growth rate, net profit margin, return on net worth, return on assets, sales per employee, and productivity indicators.
According to the "Top 5000 Taiwan Large Enterprise Ranking Study" published annually by CRIF, the Company has been ranked among the top 500 service companies in terms of business performance, and among the top 25 in the category of computer system integration services.

The CommonWealth Magazine publishes the "CommonWealth Magazine 2000 Survey" in May every year. In 2021, 650 companies were selected in the service industry and the Company was ranked 302nd in the "Services" category. We even ranked 15th in the “information equipment sales and service industry” under the category. In addition, CIO Taiwan magazine's "2023 Elite Vendor Brand Survey" recognized the Company as an "Outstanding Service Provider". CIO Taiwan is an exclusive exchange platform for CIOs based on the combination of CIO association and CIO IT officer magazine. The list of 2023 Elite Vendor Outstanding Service Providers covers the most important and long-term cooperative IT service providers other than the original manufacturers. These above achievements demonstrate that the Company has already had a certain level of market share in the customers’ sales throughout the nation.

3. Future supply and demand in this market and growing potential

According to the analysis and data compiled by the MIC research team of Institute for Information Industry (May 2022), the scale and estimated output value of the IT software and service market in Taiwan are as follows:

Unit: NTD 100 millions			2020	2021	2022	2023	2024	CAGR
IT services	Data processing	Data processing/Co-location	721	681	811	965	1,148	15.7%
		Website operation	99	114	121	128	136	
	System integration	Other computer-related services	199	226	248	271	297	9.3%
		System integration and configuration	132	161	172	184	197	
		Consultation	273	291	295	299	302	

		System planning, analysis and design	867	927	977	1,030	1,086	
		Total	1,471	1,605	1,692	1,784	1,882	
	Total		2,291	2,400	2,624	2,877	3,166	
IT software	Distribution		225	274	327	389	853	8.0%
	Software design		776	917	987	1,062	1,143	14.8%
	Total		1,001	1,191	1,313	1,450	1,606	9.7%
Total			3,292	3,723	4,234	4,844	5,623	9.6%

The output value of the IT software and service market in Taiwan is projected to rise from NT$372.3 billion in 2021 to NT$562.3 billion in 2024 with a compound annual growth rate of 9.6%; the growth momentum comes from the growth of system integration and data processing businesses, accounting for 60%.

With the impact of the COVID-19 pandemic, the transformation to telecommuting and online meetings has accelerated the use of the cloud, and with the booming development of mobile applications, huge amounts of data, social media and other emerging technologies, many enterprises have changed their business models driven by the epidemic, enhancing the overall information service and software industry output value.
System integrators, in recent years, have been actively transforming into ICT information and communication services, and entering the cloud, big data, AI, etc.
It is expected that the role of information software and information services will become more and more important. The rapidly changing international situation and the supply chain crisis not only test the operational resilience of enterprises, but also accelerate their digital transformation. It is a matter of urgency for enterprises to transform and upgrade through emerging technologies and improve internal operational processes and services. If the information service industry can combine the core technology capabilities required for cloud services with the energy of consulting services, and apply the emerging technologies in various vertical industries and work segments, it will help enterprises to effectively enhance the operational resilience and create various value-added service business opportunities.

4. Competitive niche

(1) Use of the integration and application capabilities of the containerization technology to assist customers in rapid deployment of digital transformation

The mature software development team and the large project development experience of the Company are the major competitive advantages in the containerization process. Other system integrators are not in the position to build these capabilities in a short period of time. The containerization not only provide driving force to the upgrade of the infrastructure. It involves the alteration of the resource management concepts and the management of the life cycle in the development of the system. The niche of the Company consists in the combination of the experience in the setup of the infrastructure with the capability of developing large software development projects. With these, we can provide companies with rapid resource activation, flexible resource management, and multiple resources (big data, GPU, edge computing, and hybrid cloud) needed for their digital transformation to assist them with the successful accomplishment of this task.

(2) Complete product lines and extensive technology service experiences to provide customers with the best solutions and carry out the setup and integration effectively

The Company is an agent of many leading brands in the world. As the technology evolves and customers have their needs for their growth, we will adjust the product lines depending on the development trend, arrange technology personnel to develop products and technologies, and encourage them to acquire relevant licenses and provide the best support for customers. With the completely planned solutions, we will keep striving for the right of agency for international leading brands, establishing complete product lines, and investing in technologies and service teams. Based on the performance in the implementation of large software and hardware projects, we have accumulated many experiences in system integration and technology consultation, and are able to provide customers in different industries with the best value-added solutions and improve their competitive advantages.

(3) Provision of premium operation and maintenance services all year round and assurance of the quality by passing the ISO 20000 certification

The customers that purchase server, storage, communication, and network systems, especially large data or call centers, require multiple functions, professional services and high performance to ensure uninterrupted operation of the system. The after-sales services must be professional and provided in a timely manner. The Company has hundreds of professional technology engineers, and is one of a few companies that can provide a twenty-four-seven service mechanism in the industry. We passed the ISO 20000 IT Service Management System certification in 2014 and renewed the certificate every year since then to ensure providing customers with premium after-sales services in a timely manner.

The Company provides genuine parts and certified technicians, professional consultation teams, and complete service locations. All the project management, on-site repair, labor dispatching, and other services are based on the SAP CRM service module system (including project management, on-site repair recording system, labor dispatching system, and parts management) in connection with the KM system and textual customer service system. The Company also conduct personnel management and evaluation systems to ensure providing customers with rapid and satisfactory services. The Company has marketing and service bases in Taipei, Hsinchu, Taichung, Tainan, Chiayi, Kaohsiung, and Shanghai in the hope to provide more rapid and premium services for the customers in Taiwan and China with a wider marketing and service network.

(4) Maintenance of a long-term interactive and close relationship with manufacturers

The Company is dedicated to being the best distribution partner for the brands that we sell under agency. We hold marketing workshops together with the manufacturers and update the market information to the customer and potential clients. We work with the manufacturers to develop new customers and markets, and establish sales strategies in different periods.

(5) Continuous improvement of the digitization in internal operations and the development of talents

The Company continues digitizing the operations and enhancing the intelligent operation of the internal information systems by integrating all the information systems within the Company, such as CRM, ERP, BPM (Electronic Sign-off System), KM (managerial), EIP (Enterprise Information Portal), and ticc (Omni-Channel Contact Center System). This way, all the information flows of the Company will be smoother Company continuously We will smarter to ensure provision of more effective operational information and improvement of overall operation efficiency and quality. As for the development of the talent, we will enhance the development of the competency model for each function and establish a connection between the performance, competency and knowledge management and preform this connection effectively, in order to establish and implement a comprehensive management mechanism for identification of talents, implementation of KP, competence evaluation, internal job rotation, performance coaching, technology inheritance, and off-board management.

5. Favorable and unfavorable factors for future development and the countermeasures

(1) Favorable factors

① The core technology of the Company is in line with the development trend of the cloud applications and IC integration.

The demand for cloud services grows every year. The public cloud services that foreign companies provide run into fierce competition. In addition to providing companies with private cloud, the Company provides virtualization management, containerization technology, cloud computing and their integration, setup and services for which we have leading advantages in technology based on our system integration specialties. The Company continues inputting software technology talents and acquires Microsoft, VMware, Cisco, and HPE technology certificates. We have solid technology strength in the integration of virtual hosts and cloud-based automated management.

② Comprehensive and diverse solutions and product lines

The Company provides a complete set of products, professional consultation and after-sales services in six professional service and solution fields of cloud service, mobile commerce, big data analytics, contact center system, integration service, and intelligent application. This way, we can meet the requirements of the customers and improve the competitive strength of the customers with our value-added software and digital transformation technologies.

③ Collaboration with Chyun Huei Commercial, Tisnet Technology and tsti Technologies (Shanghai) to ensure solid regional deployment of products

The Company and three subsidiaries are engaged in marketing of products under agency, including IT Infra equipment, software development, after-sales services, cloud services, IoT applications, co-location, Dell workstations, and Zebra/Motorola products. The sales and service locations of the Company are in Taiwan (a total of six locations in northern, central, and southern Taiwan) and Shanghai. Sales representative with extensive experience are arranged to provide customers with premium services in a timely manner.

④ Quality service teams

The Company provides online after-sales repair request services and twenty-four-seven contracted services. We respond to the requirements of the customers and maintain their information system environment at any time, and win their trust and recognition.

⑤ Dedicated R&D unit

The R&D units are dedicated to developing in-house products and inputting new technologies, facilitating the control over solutions and the improvement in gross margin.

(2) Disadvantages and counter measures

① The scale of domestic demand market is limited, resulting in fierce competition in the industry.

The usage of domestic cloud services continues to increase, compressing the market of outsourced services and reducing the opportunities for physical sales. The entry thresholds of the IT service industry is not high, leading to a disadvantage for the industry's development, which is low-price competition.

Here are the counter measures of the Company: In addition to the continuous accumulation of project experience in all industries, the Company insists on doing research and making development. We develop new products and create differentiated products/services, continue to increase the added value of the original products and services, and expand the scope of business in an aggressive manner. Not only that, but we also provide the best support services from every aspect, such as planning, setups, consultation, and installation and maintenance. We also closely follow the development trend of the market, and create advantages by using the digital transformation technology to improve competitiveness.

② Technology is innovated constantly; talent cultivation is not easy and takes time, while international suppliers start talent poaching.

The key to the long-term development of the IT service industry is attracting professional talents and project management teams with profits. Tech talents need long-term cultivation and experience learned to possess highly professional knowledge, and they need to accumulate special, core skills through projects. Thus, professional talents are important assets. However, when domestic and international suppliers failed to cultivate long-term talents or focus on specific fields, they poach talents with considerably valuable incentives, and thus causing distress on local system integrators.

The counter measures of the Company are as follows: We see talents as the most important asset of the Company, and believe that only with good employee satisfaction can we achieve good customer satisfaction. The Company makes every effort to provide each employee with favorable wages and benefits. We uphold the idea of sharing the profits with employees to attract, cultivate, develop and encourage talents in all fields. We also implement the learning organization culture by combining the core values of the Company with the competency-based learning maps for 36 professional positions. Moreover, the Company strive for promoting professional certifications. We increase budget in employee training, provide well-established welfare schemes, and cultivate and improve the professional literacy of the employees through educational training. With employee compensations and shareholder rewards, the Company shares operating profits and consolidates the strength of the employees. The Company participates in industry–academia collaboration and applies academic research resources to the business applications.

③ Lower budgets of the government for information expenses and lack of training and incentive effects in the Government Procurement Act for premium information service companies

The budgets of the government for information expenses are lower in the general budget of the central government and the Government Procurement Act prefers to the price proposal policy based on the lowest price. The requirements of a software design procurement agreement cannot often be confirmed because the contact person is changed, resulting in losses arising from the entire project. This may lead to lower participation willingness of the premium information service companies. In addition, since the government does not have a significant policy of ICT applications and industries, information service providers usually contact with individual companies directly and thus cannot produce the overall application value in the industry.

The Company takes the following countermeasures: We will continue enhancing the confidence of the corporate customers to use the IC system solutions of the Company by promoting successful application cases and verifying the technology performance, in the hope to grasp the opportunity to become a premium system setup and service company when the government can improve the government procurement environment reasonably and enhance its support of the ICT industry.

(II) Key purpose and manufacturing process of major products

For the information on the key purpose of the Company’s major products, please refer to V. Overview of Business Operations I. Business of the Company (I) Business Scope 3. “Product and service items of the Company.” In addition, we are an information service company and do not have the manufacturing process of the manufacturers.

(III) Supply of major products

The major products and service of the Company are deployment and management of cloud services, IoT applications, cyber and information security, high-performance computing, integration and planning of information infrastructure, integration of IC and multimedia, contact centers, and commercial applications.

The major suppliers of the Company are Avaya, Aruba, Bosch, Cisco, EMC, HPI & HPE, Microsoft, NICE, NVIDIA, Redhat, and VMware. The supply status is good so far. The software and hardware required are different depending on the scale and feature of the project, which may have significant deviations. The Company has established distribution relationship with major suppliers (foreign manufacturers) of the hardware that we purchase frequently. Both parties have entered into agency or distribution agreements based on the good faith and mutual benefit.

Overall, the Company did not have significant shortage or interruption in supply of goods over the past three years, except for a few delays due to COVID-19.

(IV) The name of the customer that accounted for more than 10% of the total purchase (sales) amount in any of the most recent two years, the proportion of the purchase (sales) amount, and the reason for the changes:

1. Information on major customer of sales in the most recent two years   Unit: NTD thousands; %

	2022				2021				2023 up to last quarter			
Item	Title	Amount	Percentage in annual net sales (%)	Relationship with the issuer	Title	Amount	Percentage in annual net sales (%)	Relationship with the issuer	Title	Amount	Percentage in net sales in the current year up to last quarter (%)	Relationship with the issuer
1	None				None				None			

2. Information on major suppliers in the most recent two years   Unit: NTD thousands; %

	2022				2021				2023 up to last quarter			
Item	Title	Amount	Percentage in annual net purchase (%)	Relationship with the issuer	Title	Amount	Percentage in annual net purchase (%)	Relationship with the issuer	Title	Amount	Percentage in net purchase in the current year up to last quarter (%)	Relationship with the issuer
1	Company U	606,614	18%	None	Company U	517,039	16%	None	Company U	160,917	20%	None
2									Company J	96,351	12%	None

(V) Production quantity in the most recent two years

This is not applicable because tsti is an information service company and do not have the manufacturing process of the manufacturers.

(VI) Sales quantity in the most recent two years

Unit: NTD thousands

Sales value / Major product	2022		2021	
	Revenue	%	Revenue	%
Computer/peripheral	2,126,769	48.93%	1,980,852	46.37%
Communication system/internet/information security	429,078	9.87%	429,834	10.06%
Software/technology service/education & training/engineering	1,380,701	31.76%	1,616,118	37.83%
Others	410,092	9.44%	245,079	5.74%
Total	4,346,640	100.00%	4,271,883	100.00%

Note: Since we have many kinds of products and they have different quantities subject to different units, there is no consistent quantitative statistics. So, the sales value is shown based on the type of the products.

III. Employees

Overview of employees

Statistics of the labor structure up to the end of February 2023:

Unit: Person; year; %

Year		2022	2021	2020	As of Feb 28, 2023
Number of employees	Sales personnel	111	99	97	112
	R&D personnel	410	404	389	414
	Administrative personnel	102	114	115	105
	Total	623	617	601	631
Average age		39	39.6	39	36
Average years of service		6.8	7.2	6.8	8
Educational background	Doctor	0.2%	0%	0.1%	0.2%
	Master	14.7%	15.4%	14.8%	13.7%
	College	81.7%	81.5%	81.7%	82.3%
	Senior high school	3.4%	3.1%	3.4%	3.8%

IV. Information on environmental protection expenditure

Total amounts of the losses and fines incurred due to environmental pollution in the most recent year and up to the publication date of this annual report, the countermeasures in the future, and possible expenditure: None

The Company responds to government environmental policies and is committed to implementing energy-saving and carbon-reducing strategies. In May and October of 2022, the air conditioning equipment was maintained and cleaned to effectively improve the air conditioning efficiency and reduce equipment load. The Company has also gradually replaced LED tube lamps with LED panel lamps for greater energy efficiency. In 2022, in line with the Company's strategic development, the offices in Taoyuan and Hsinchu were expanded, and the new Taichung office was completed and relocated. The Company will continue to fulfill its corporate sustainability responsibility and strive for sustainable development, implement greenhouse gas inventories, identify major CO_2 emission sources, and promote and implement effective emission reduction measures.

V. Labor–Management Relationship

Harmonious labor–management relationship is the foundation stone of the Company for sustainable operations. Thanks to the endeavor of the management and employees, the labor–management relationship of the Company was harmonious and co-prosperous over the past years.

There is a communication section on the website. A physical mailbox is provided for the employees to give feedback anonymously. The Company has designed the “Innovation Proposal Incentive Regulations” to encourage employees to express their ideals and provide them with a flexible space for expression and thinking. This way, the employees and management can form positive consensuses that are favorable for mutual collaboration. Hence, the Company did not have labor–management controversies.

The Company’s employee welfare measures, continuing education and training, retirement system, and the implementation status thereof are described below:

(I) Welfare measure

The Company takes out full insurance (including illness, accident, cancer, and occupational accident) for each employee on the date when he/she takes office to protect his/her safety. The Employee Welfare Committee has been established. The Committee members represent the labor and management, respectively, to discuss and negotiate welfare measures and improve the happiness of the employees.

The Employee Welfare Regulations established by the Employee Welfare Committee contain the following particulars:

1. Allowance for marriage, childbirth and festivities
2. Hospitalization consolidation for family members
3. Funeral consolidation (including the employee and his/her own parents, spouse, children, and relatives for whom bereavement leave is allowed)

4. Childcare allowance
5. Student grant (including the employee and his/her children)
6. Language learning, magazine, and reading club subsidies
7. Club activity and team competition subsidies
8. Subsidies for employee travels for relaxation and improvement of work efficiency
9. Organization of gatherings for Family Day to help employees create a win-win situation between the work and family
10. Contracted stores for food, clothing, housing, transportation, education and entertainment
11. Birthday allowance and party
12. Bonuses for three traditional festivals
13. Other sports clubs

Due to the development of the COVID-19 pandemic in the 2022, we adjusted Mid-Autumn Festival and Dragon Boat Festival gifts to e-gift vouchers. This provided employees with more options in use of their benefits. The vouchers have different amounts for more than 30 brands for the employees to select. The entire process from distribution, receiving, and use of the vouchers were digitized to reduce the consumption of paper and the carbon emissions. Employees can protect the environment by using e-gift vouchers.

In consideration that employees are important driving force for the growth, the Company takes the following additional welfare measures to the aforementioned measure items:

1. Distribution of performance bonus depending on the operating status
2. Annual performance cup and bonus
3. Year-end dinner party and lot drawing
4. Education and training of employees at manufacturer’s premises
5. Employee stock bonus
6. Massage service
7. Company’s anniversary event
8. Anniversary souvenir
9. Employee Shareholding Committee to encourage employees to subscribe the shares of the Company
10. Subsidies for private car for commercial purposes

(II) Continuing education and training:

The Company places much importance on the education and training of the employees. We believe they are the most important assets of the Company. In addition to the internal professional and management courses, we arrange employees to take part in external training at manufacturers’ premises to improve the competitive strength and service power. 9,346 employees participated in the physical training courses (excluding digital learning courses) of the Company in 2022 to a total of 18,001 hours. The courses provided include the following:

- Basic general course: To assist new employees in their adaption to the work environment, the Company arranges basic general courses for them within three months after they take office. The education and training courses for new employees are provided physically and virtually, including corporate culture, introduction of the organization, and regulations and rules. The courses on the Company’s systems and workplace instructions are provided for all the employees.
- Management competency: To enhance the management capability of the managerial officers, the Company designs different management competency courses for different management levels and functions to improve the leading ability of the managerial officers and ensure accomplishing the performance of the organization effectively. The courses contains performance management, analysis and solution of problems, negotiation and communication skills, accountability, practical drill in recruitment and interview skills, required knowledge of finance and law, and so on.
- Technology competency: For the software development, hardware maintenance and system integration, in addition to participating in the workshops organized by the manufacturers, the Company arranges sharing of experience in practical operation of the machine and small group learning to ensure stable service capabilities.
- Personal performance: In order to help colleagues improve their work efficiency and maintain high organizational performance, we plan practical personal productivity courses every year, such as project management courses, industry trend seminars, and M365 usage experience sharing, etc.

- Professional competency: Based on the business function map, we invite senior managers and colleagues in business to share their work skills and successful experiences, which can help new business colleagues achieve better work performance. We also invite experienced instructors to teach the tips for improving service soft skills.

(III) Retirement system

The retirement system of the Company is established according to the Labor Standards Act and the Labor Pension Act. We contribute a fixed percentage of the total monthly wage as a pension fund every year and remit it to the labor pension reserve fund account opened by the Labor Pension Fund Supervisory Committee for its disposition, or contribute 6% of the employee's month wage as a pension reserve fund and deposit it in the personal pension fund account of the employee. Five employees applied for retirement in 2022.

(IV) Work environment and safety protection measure:

The Company received the healthy workplace certificate – Badge of Accredited Healthy Workplace from the Health Promotion Administration and implemented no-smoking measures at the workplace. The filter of the water dispenser is replaced periodically and the water tower and air conditioning environment are cleansed on a regular basis to provide a healthy work environment for the employees.

Door control of the office building is implemented and protected by security guards 24 hours a day to eliminate any concerns about the safety. The Company provides protective equipment against occupational injuries to protect the personal safety of the employees.

The Company has formulated an emergency response handbook and provided equipment needed for emergency response. In addition to the training on fire safety and earthquake protection, the Company took additional measures for prevention of COVID-19 in January 2020 to incorporate the hazard of biologic pathogens in the emergency response management regulations. Education was arranged for the employees to learn the epidemic and the prevention of its infection. The employees monitored their body temperature and health, and reported them using the app that we developed by ourselves. The occupational health nurse of the Company prepared a list for care and follow-up purposes. The employees were arranged to work on difference schedules, at different locations, and in different groups to ensure their health and the business continuity of the Company.

To protect the physical and mental health of the employees and build a good work environment, the Company passed the ISO 45001:2018 Occupational Health and Safety Management Systems certification at the end of November 2020. We are the first company in the ICTsystem integration industry that acquires this certificate in Taiwan. We optimize our ESH policies continuously to provide employees with multiple health management mechanisms and welfare measures.

(V) Employee engagement:

The Company will continue implementing multiple measures to communicate with the employees and for their welfare and health.

Communication with employees

The Company attaches importance to two-way communication and tries to provide open and transparent communication channels between the managerial officer and employee and between the employees. The Company performs employee satisfaction survey every year, including the satisfaction with the managerial officer, work, collaboration with the organization, system of the Company, and work environment. The result of the survey is summarized and reported to the management and employees, relevant optimization projects are developed accordingly. A labor–management meeting is held every quarter. The representatives of both parties to make full communication at the meeting and have an effective dialog on the business status of the Company and the activities of the employees. In addition, the Company provides employees with electronic and physical opinion mailboxes and an online discussion platform. With these, the employee can make suggestions and conduct communication with his/her name or anonymously.

Employee welfare

The Company continues optimizing the work environment, provides multiple special offers for the employees of the Group every year, and encourages employees to live healthily and happily, and provides them with many attentive mechanisms and activities. This way, the Company provides an opportunity for the employees and their family members to have a good memory.

- Bonus for birthday, Dragon Boat Festival and Moon Festival
- Annual travel subsidies; bus arranged for returning to hometowns for Chinese New Year
- Allowance for marriage and childbirth
- Subsidies for education of children
- Subsidies for continuing education at university
- Flexible schedule for commuting to and from work
- Application for free scooter parking lots
- Free coffee and snacks
- Free board games to play with family members or friends
- Special offers for employees at company store
- Contracted stores for food, clothing, housing, transportation, education entertainment, and healthcare
- Sports for donation; health passport

Health of employees

The Company pays much attention to the health of the employees. We work with the health checkup centers of large hospitals to provide periodical health checkups for the employees. A family medicine physician provides on-site medical service every month to provide the employees with professional advice and treatment. A full-time nurse provides them with physical examination, care, and healthcare at different levels; she also provided nursing consultation and emergency care services. The Company invites physicians from Taipei City Hospital to give health lectures, organizes different health activities, and arranges blind massagists to provide physical therapies on an irregular basis. We implemented the health app in 2020 to provide the epidemic prevention information for the employees and enable them to report their body temperature. We continue optimizing the app to establish digitized employee health management.

- Health checkup and examination services at contracted hospitals
- Friendly space setup (lactation room)
- Health facilities and devices (sphygmomanometer, body fat scale, first aid kit)
- Employee group insurance (including life insurance, accident insurance, medical insurance, and cancer insurance)
- Gym, table tennis room, badminton court, basketball court, volleyball court
- Badminton club, table tennis club, swimming club, jogging club, board game club, movie appreciation club

Employee incentive

The Company praises outstanding teams and individuals with multiple incentive programs to encourage employees to pursue personal growth, constantly improve their performance, and be dedicated to innovation and alteration. The incentives include outstanding business contribution award, department achievement award, outstanding service award, model employee award, best new employee award, key technology license award, and sales goal achievement award at different levels.

(VI) Losses arising from labor–management controversies in the most recent years and up to the publication date of this annual report, the estimated amount likely to be incurred currently and in the future, and countermeasures:

(VII) The number of full-time non-managerial employees, the annual average employee benefit expense, and the deviation from the previous year

Item	2022	2021	Deviation
Number of full-time non-managerial employees (person)	528	504	4.76%

The annual average employee benefit expense of the full-time non-managerial employees (NTD)	878,542	853,927	2.88%

VI. Cyber Security Management

(1) Cyber security risk management structure, policy, management plan and investment in resources:

1. Cyber security risk management structure

- The company introduced ISO27001:2013 standard in 2018 to manage information security risks in response to various security threats. We have implemented international standards and domestic information security control guidelines to enhance the overall effectiveness of information security governance. Our goal is to reduce the probability and impact of operational risks and achieve a higher level of maturity in information security governance.
- The “Information Security Promotion Committee” established in April 2019 reviews the information security governance policy of the group company and supervises the operation of the information security and personal data management to ensure the effectiveness of their operations. The convener of the Committee reports the status of the information security governance to the Board of Directors on a regular basis.
- The Chairman acts as the chair and the President acts as the convener of the “Information Security Promotion Committee.” The Committee members are the heads of the business groups, the head of the audit unit, the ISMS executive secretary, and PIMS executive secretary. The Committee has a subordinate cross-department operation group responsible for the implement of the Company’s information security governance and policy. With these, the Company establishes a total information security protection capability and extends relevant activities to all the department of the Group. The executive secretary holds an information security management meeting once a year.
- The Committee was renamed to “Information Security and Privacy Protection Committee” in December 2021 to demonstrate the importance of the organization to the issue of privacy protection.

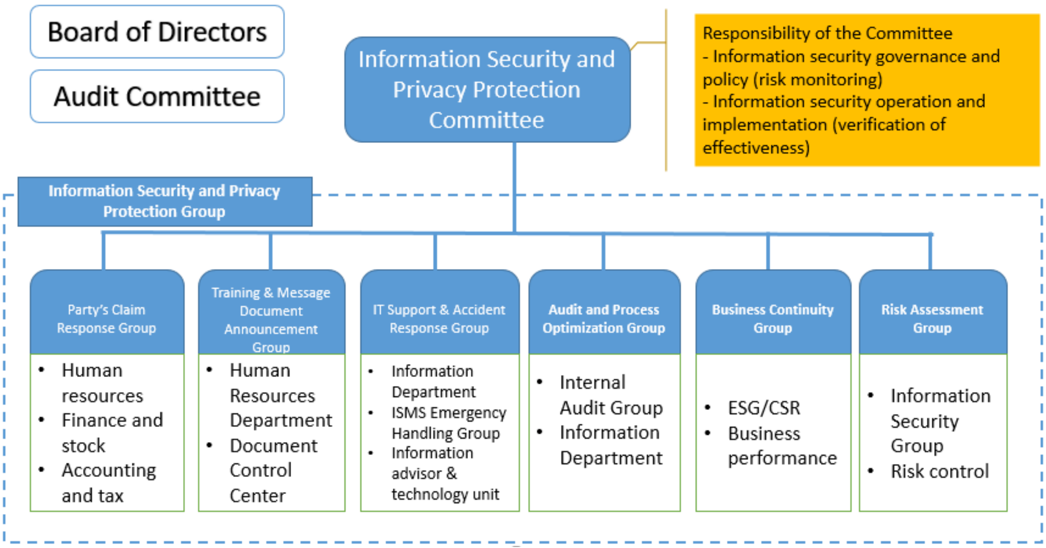


Figure: tsti Information Security Organization Structure

2. Cyber security policy

Focus on information security management, building of multi-layer information security protection, monitoring of information security effectiveness, implementation of review and continuous improvement

To effectively implement information security management, our organization has formed a "Cybersecurity and Privacy Protection Task Force" consisting of responsible personnel from various units of the group. We follow the Plan-Do-Check-Action (PDCA) management cycle to review the applicability of our information security policies, continuously promote and monitor the effectiveness of protective measures, and regularly report on our execution results to the Cybersecurity and Privacy Protection Committee. Our goal is to keep up with the evolving landscape of cybersecurity and privacy protection.

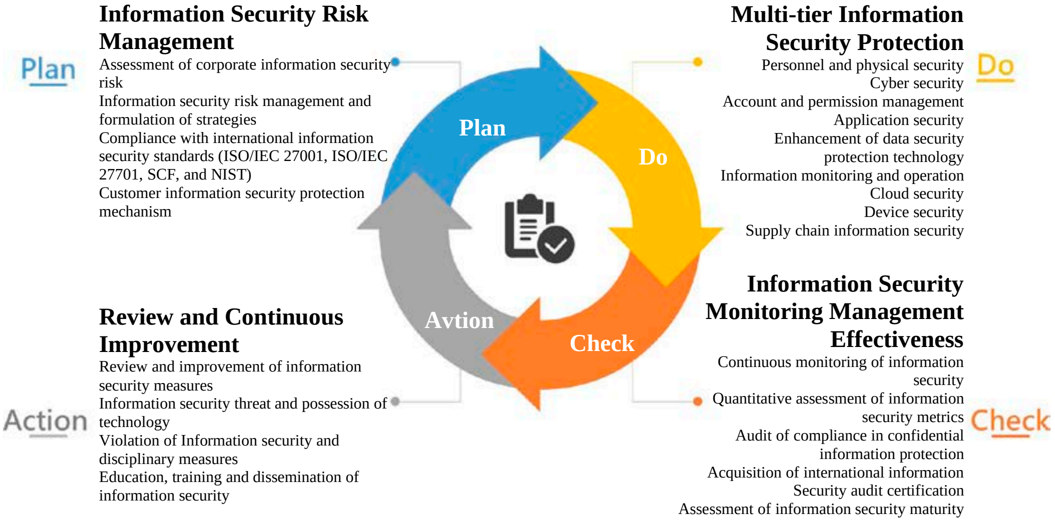


Figure: Cyber Security Policy, Information Security Risk Management, and Continuous Improvement Structure

3. Specific management policies

- The information security management is the focus at the “planning stage” to build a complete information security management system (ISMS), pass the international information security management system certification (ISO/IEC 27001). The focus includes the mitigation of the information security threats to the company in terms of the system, technology and procedure in order to provide high-level confidential information protection services that meet the requirements of the customers.
- Building a multi-tier information protection mechanism is the focus at the “implementation stage.” This is accomplished by implementing innovative vertical and horizontal defense technology for information security and integrating the information security control mechanism in the routine processes, such as the operation of the software and hardware and the supplier information security management. A systematized information security monitoring mechanism is needed to protect the confidentiality, completeness and usability of the important assets within the company.
- Active monitoring of the information security management effectiveness is the focus at the “audit stage.” Assessment and quantitative analysis of the information security metrics are performed based on the result of the audit, and regular simulation exercises of cyber attacks are needed for the assessment of the information security maturity.
- The review and continuous improvement are the focus at the “action stage” to ensure the implementation of the monitoring and audit and the sustained effectiveness of the information security regulations. When any employee acts in violation of the regulations and procedures, disciplinary measures are taken according to the handling procedures of information security violations and punishment within the personnel system is imposed depending on the severity (including the performance of the employee in the current year or required legal action). In addition,

improvement actions, such as information security measures and education, training and dissemination practices, are reviewed and implemented on a regular basis to ensure non-disclosure of the Company's important confidential information.

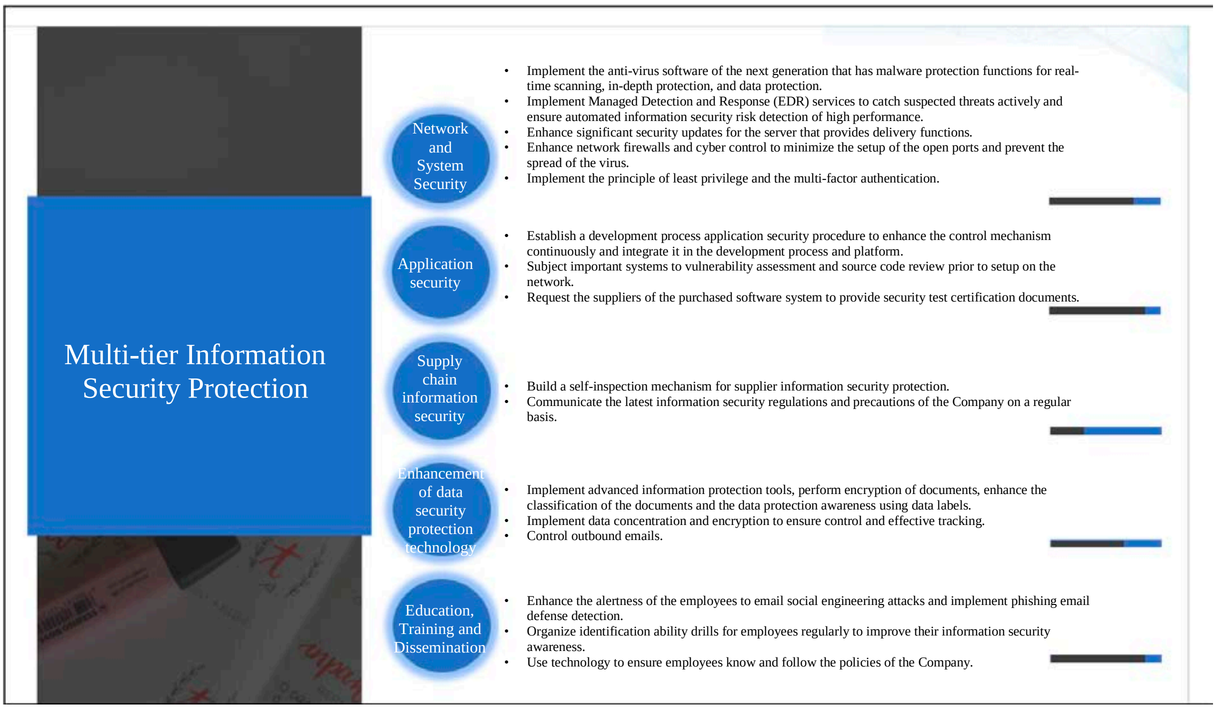
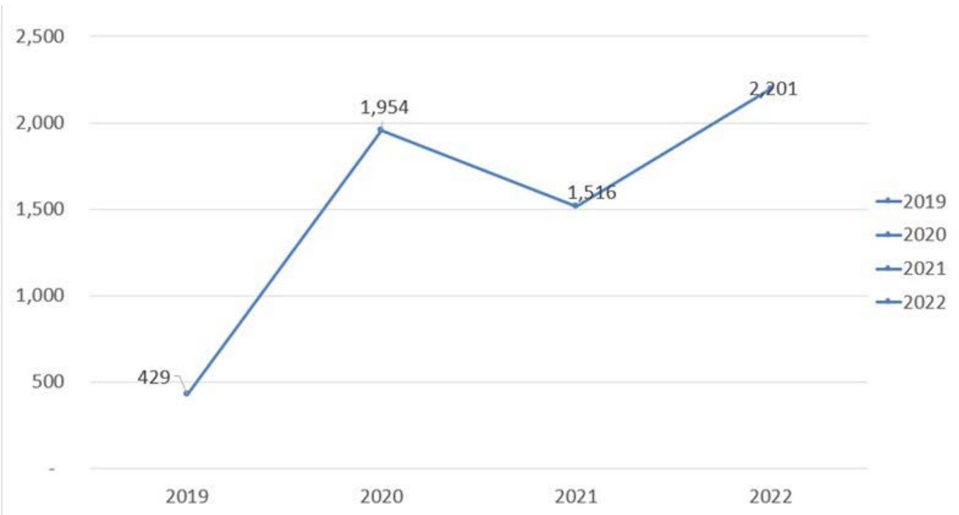


Figure: Cyber Security and Multi-tier Information Security Protection Management Solution

4. **Resources input in cyber security management**



Funds input in information security (unit: thousands)

(2) Impact of significant cyber security events, countermeasures, and descriptions

The vast majority of the cybersecurity incidents that occurred in 2022 were blocked by endpoint protection software systems during user browsing and downloading, without any actual successful attacks taking place. For incidents that did occur, they were protected by the organization's defense in-depth security mechanisms and did not meet the criteria for triggering the internal cybersecurity crisis management mechanism or the statutory reporting level to regulatory authorities. No data breaches were confirmed to have occurred in 2022.

Cyber security risk and countermeasures

Our company has established comprehensive network and computer security measures. However, we cannot guarantee 100% control or maintenance of the computer systems that support critical business functions such as operations and accounting, as they may be vulnerable to purposeful cyber-attacks from third parties. These cyber attacks invade the intranet of the Company illegally and destroy the operation and damage the goodwill of the Company. When the system of the Company is affected badly by cyber attacks, important data may be lost and critical business operation systems may be disrupted as a result. The Company continues to review and assess the information security regulations and procedures to ensure their appropriateness and effectiveness. However, we cannot guarantee that we will not be exposed to new risks and attacks by the rapidly changing information security threats. The purpose of cyber attacks may be the attempt to steal the business secrets and other confidential information of the Company, such as the exclusive information of the customers or other stakeholders and the personal data of the employees.

Malicious hackers may also inject computer virus, malicious software or ransomware in the network system of the Company to interfere with our operations, blackmail or exact the Company, take over the control of the computer system, or spy upon our confidential information. These attacks may lead to compensation to customers due to delay or interruption in dealing with orders, or the Company may need to bear a huge amount of costs for rectification or improvement to enhance the cyber security system of the Company. These may also involve the Company in litigation or regulatory investigation because of the disclosed information of any employees, customers or third parties to whom the Company bears non-disclosure obligations.

The Company has previously downloaded network components to meet the requirements of the customer and found that these components contained malicious applications, or the notebook of an employee was hacked due to lack of alertness, and the hacker used this notebook to connect to and operate the attacked server. We may encounter similar attacks in the future. To prevent these attacks and reduce their impact, the Company implements relevant improvement measures and performs updates on an ongoing basis. For the endpoint protection, we implement the anti-virus software of the next generation that has malware protection functions, including:

- Real-time scanning: provides real-time detection of harmful files to prevent threats to the computer;
- In-depth protection: ensures the client uses secured applications. The security of the applications is verified via trusted cloud services. In case the security cannot be verified, the function will be activated to monitor the behavior of the applications;
- Data protection: monitors the protected folder to block suspected applications; the Managed Detection and Response (MDR) is implemented to catch suspected threats actively and provide the information on clues and suspected behavior rapidly using the AI technology to ensure high-performance automated information security detection.

As for the protection system, the Company enhances the security of the server that provides delivery functions. For example, more attention should be paid to the security updates of the central control of anti-virus software, AD server, and assets management system because they have the software delivery function. As for the minimization of the open port setup, ransomware may use the outward exposed services and open ports (e.g. RDP 3389 and SMB 445) to spread in the network. In addition to the necessity of these open ports, the trustworthiness of the object using these services must be verified. The network firewalls and cyber control are also enhanced to prevent the spread of computer virus, block the networking behavior via any known malicious IP or URL, prohibit any rules that allow all the connections, and only allow the connection to the outward IP or DN. The Company implements the principle of least privilege to reduce the opportunity for the attacker to acquire the administrator privilege, and control and restrict the access. Only the minimum privilege required for the tasks is provided to the users other than the administrator. In addition to performing inspection regularly, prohibiting the use of inactive account, and implementing multi-factor authentication, the Company improves the information security awareness among the employees and train them on a regular basis to cultivate positive information security awareness and good habit in use of the network, such as identification of suspected emails, refraining from clicking links or opening the attachments of any email from unknown or untrusted sources. The Company also arranges social engineering drills to improve the effectiveness of the training. As for the protection of data, we protect updated backups and keep them offline, make backups perform drills regularly, encrypt critical or sensitive data, implement the software having the document encryption function and a documentation security management system to avoid disclosure of sensitive data. We also perform the 3-2-1 backup principle and select important systems to make image files as required by RTO, RPO and MTPD. These files can be used for rapid recovery and redeployment. As for the preparation of emergency response plans, the Company prepares them and performs drills prior to the occurrence of the event. When monitoring systems, server rooms and other units report incidents, the company activates its emergency response team to investigate and propose solutions. The incident's severity and scope are determined, and response measures are decided and executed to resolve the incident. After the incident is resolved, recovery operations are implemented and the event is recorded.

As cloud computing gradually becomes the foundation of business operations and development, the company also leverages cloud platforms to empower its value. In 2022, the company implemented a zero-trust deployment plan for Microsoft 365, which includes:

- Deploying the identity infrastructure of M365
- Choosing zero-trust identity and device access protection
- Managing devices with Intune
- Evaluating, testing, and deploying Microsoft 365 Defender
- Deploying information protection solutions with Microsoft Purview
- Deploying data privacy protection solutions with Microsoft 365 to comply with data privacy laws and regulations.

"Zero-trust" is a new security model that takes on security gaps and verifies every request as if it were coming from an uncontrolled network. Regardless of where the request comes from or what resources are being accessed, the zero-trust model always tells us to "never trust, always verify." The zero-trust approach extends to the entire digital asset and serves as an integrated security concept and end-to-end strategy.

VII. Important agreements

Nature	Party	Duration	Contents	Restrictive clauses
tsti as an agent	Hewlett-Packard Enterprise Taiwan Ltd.	From 12.24.2010	Value-added reseller of servers, storage equipment, network equipment, and professional services	None
tsti as an agent	HP Taiwan Information Technology Ltd.	From 12.24.2010	Value-added reseller of commercial computers, workstations, and printers	None
tsti dealer agreement	NVIDIA CORPORATION	From 8.1.2015	Authorized dealer of Quadro/Tesla/vGPU/DGX	None
tsti as an agent	Avaya International Sales Ltd.	From 2.1.2011	Sales and services of Avaya enterprise communication and contact center solutions	None
tsti dealer agreement	RED HAT, Inc.	From 9.27.2010	Red Hat dealer	None
tsti dealer agreement	Citrix Systems, Inc.	2.1.2022–1.31.2023	Citrix Series dealer	None
tsti as an agent	Dell Technologies	1.29.2022–2.3.2023	Dell/EMC Series products and services	None
tsti as an agent	INFORMATICA agent in Taiwan	From 10.1.2018	Agent of all the INFORMATICA product lines in Taiwan	None
tsti as an agent	NICE Systems Ltd.	From 12.11.2019	NICE products and services	None
tsti dealer agreement	Cisco Systems, Inc	06.21.2021–06.20.2022	Cisco products and services	None
tsti dealer agreement	VMware, Inc.	01.29.2022–02.03.2023	VMware products and services	None
Chyun Huei Commercial as an agent	Zebra Technologies Taiwan Co., Ltd.	01.01.2022–12.31.2023	Agent of Zebra label (barcode) printers, RFID printers, handheld terminal equipment, and advance data collection equipment	None
Chyun Huei Commercial as a dealer (Gold)	Dell B.V., Taiwan Branch (Netherlands)	–effective to 02.03.2023	Solution provider	None
Chyun Huei Commercial is a member of the NVIDIA Partner Network (NPN).	NVIDIA CORPORATION	From 6.22. 2017	NVIDIA® Quadro® Professional Graphics Card	None
Chyun Huei Commercial as a dealer	Canon Marketing Taiwan Co., Ltd	01.01.2022–12.31.2022	LFP, PSV, PST Series products and their function packages, consumables, and related components	None
Chyun Huei Commercial as a dealer	HP Taiwan Information Technology Ltd.	From 3.12.2019	Wide-format inkjet printers	None

Chyun Huei Commercial as an agent	Innovative Interfaces Incorporated	Three years from 12.15.2020	Automated library system	None
Chyun Huei Commercial as an agent	Canon Singapore Pte. Ltd.	From 10.04.2021	TDS Series products and their function packages, consumables, and related components	None
Tsti Technologies (Shanghai) as an agent	New H3C Technologies Co., Ltd.	From 01.01.2018	Certified agent of the product lines including all the previous HEP and H3C products; territory: China	None
Tsti Technologies (Shanghai) as an agent	Cisco Systems (China) Network Technology Co., Ltd.	From 01.17.2022	Dealer partner; territory: China	None
Tsti Technologies (Shanghai) as an agent	Dell China Co., Ltd.	From 04.02.2014	All the DELLEMC products; territory: China	None
Tisnet Technology as an agent	Microsoft Taiwan Corporation	From 05.2015	Cloud Service Provider(Tier 1)	None
Tisnet Technology as an agent	Global Wisdom Software Technology Co. Ltd.	06.2018	ANCHOR (privileged access management)	None

Six. Overview of Finance

I. Condensed balance sheet and comprehensive income statement

(I) Condensed balance sheet – consolidated financial statements

Unit: NTD thousands

Item / Year		Financial data in the most recent five years (Note 1)					Financial data up to March 31, 2023 in the current year (Note 4)
		2022	2021	2020	2019	2018	
Current assets		2,640,510	2,457,096	2,289,764	2,531,347	2,116,721	2,611,508
Property, plant and equipment (Note 2)		91,423	115,590	108,924	103,393	148,497	96,106
Intangible assets		6,177	7,595	3,176	3,948	9,814	5,803
Others asset (Note 2)		671,364	617,919	356,340	352,245	211,465	631,348
Total assets		3,409,474	3,198,200	2,758,204	2,990,933	2,486,497	3,344,765
Current liabilities	Before distribution	1,792,275	1,523,130	1,240,488	1,470,720	1,409,827	1,727,027
	After distribution	(Note 3)	1,682,538	1,360,044	1,563,708	1,444,771	(Note 3)
Non-current liabilities		184,411	259,926	165,703	207,768	90,447	154,565
Total liabilities	Before distribution	1,976,686	1,783,056	1,406,191	1,678,488	1,500,274	1,881,592
	After distribution	(Note 3)	1,942,464	1,525,747	1,771,476	1,535,218	(Note 3)
Equity attributable to owners of the parent							
Share capital		885,600	885,600	885,600	885,600	672,000	885,600
Capital reserve		80,092	80,092	80,092	80,679	587	80,092
Retained earnings	Before distribution	471,004	453,430	390,217	349,685	314,493	501,378
	After distribution	(Note 3)	294,022	270,661	256,697	279,549	(Note 3)
Other equity		(3,908)	(3,978)	(3,896)	(4,069)	(3,707)	(3,897)
Treasury stock		0	0	0	0	0	0
Equity attributable to former owner of business combination under common control		0	0	0	0	0	0
Non-controlling interests		0	0	0	550	2,850	0
Total shareholders' equity	Before distribution	1,432,788	1,415,144	1,352,013	1,312,445	986,223	1,463,173
	After distribution	(Note 3)	1,255,736	1,232,457	1,219,457	951,279	(Note 3)

Note 1: The above data in each year have been audited and certified by CPAs.

Note 2: The Company did not perform revaluation of assets up to the quarter prior to the publication data of this annual report.

Note 3: The shareholders' meeting has not adopted a resolution on the surplus distribution of 2021.

Note 4: The consolidated financial data have been reviewed by CPAs up to the quarter prior to the publication data of this annual report.

(II) Condensed comprehensive income statement – consolidated financial statements

Unit: NTD thousands (except for EPS)

Item \ Year	Financial data in the most recent five years (Note 1)					Financial data up to March 31, 2023 in the current year (Note 2)
	2022	2021	2020	2019	2018	
Revenue	4,346,640	4,271,883	4,285,891	4,028,429	3,700,938	1,056,141
Gross profit	891,847	889,445	806,956	792,569	731,783	214,008
Operating profit (loss)	194,851	214,120	157,082	132,976	88,859	39,391
Non-operating revenue and expense	25,156	8,398	21,782	(7,045)	1,629	(1,407)
Net profit before tax	220,007	222,518	178,864	125,931	90,488	37,984
Net profit of continuing operations in current period	178,463	178,279	145,318	100,426	75,872	30,374
Losses from discontinued operations	0	0	0	0	0	0
Net profit (loss) in current period	178,463	178,279	145,318	100,426	75,872	30,374
Other comprehensive income in current period (net after tax)	(1,411)	4,408	(11,661)	648	1,439	11
Total comprehensive income in current period	177,052	182,687	133,657	101,074	77,311	30,385
Net profit attributable to owners of the parent	178,463	178,279	145,494	102,702	78,077	30,374
Net profit attributable to the equity attributable to former owner of business combination under common control	0	0	0	0	0	0
Net profit attributable to non-controlling equity	0	0	(176)	(2,276)	(2,205)	0
Total comprehensive income attributable to owners of the parent	177,052	182,687	133,845	103,374	79,561	30,385
Total comprehensive income attributable to the equity attributable to former owner of business combination under common control	0	0	0	0	0	0
Total comprehensive income attributable to non-controlling equity	0	0	(188)	(2,300)	(2,250)	0
Earnings per share	2.02	2.01	1.64	1.44	1.11	0.34

Note 1: The above data in each year have been audited and certified by CPAs.

Note 2: The consolidated financial data have been reviewed by CPAs up to the quarter prior to the publication data of this annual report.

(III)Condensed balance sheet – separate financial statements

Unit: NTD thousands

Item		Financial data in the most recent five years (Note 1) 2022	2021	2020	2019	2018
Current assets		2,294,461	2,122,709	1,949,577	2,233,703	1,812,916
Property, plant and equipment (Note 2)		79,839	99,241	91,860	78,663	114,265
Intangible assets		6,132	7,195	2,732	382	2,080
Others asset (Note 2)		892,498	823,537	568,142	513,033	399,552
Total assets		3,272,930	3,052,682	2,612,311	2,825,781	2,328,813
Current liabilities	Before distribution	1,660,235	1,384,448	1,103,963	1,325,472	1,265,522
	After distribution	(Note 3)	1,543,856	1,223,519	1,418,460	1,300,466
Non-current liabilities		179,907	253,090	156,335	188,414	79,918
Total liabilities	Before distribution	1,840,142	1,637,538	1,260,298	1,513,886	1,345,440
	After distribution	(Note 3)	1,796,946	1,379,854	1,606,874	1,380,384
Equity attributable to owners of the parent						
Share capital		885,600	885,600	885,600	885,600	672,000
Capital reserve		80,092	80,092	80,092	80,679	587
Retained earnings	Before distribution	471,004	453,430	390,217	349,685	314,493
	After distribution	(Note 3)	294,022	270,661	256,697	279,549
Other equity		(3,908)	(3,978)	(3,896)	(4,069)	(3,707)
Treasury stock		0	0	0	0	0
Equity attributable to former owner of business combination under common control		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total shareholders' equity	Before distribution	1,432,788	1,415,144	1,352,013	1,311,895	983,373
	After distribution	(Note 3)	1,255,736	1,232,457	1,218,907	948,429

Note 1: The above data in each year have been audited and certified by CPAs.
Note 2: The Company did not perform revaluation of assets.
Note 3: The shareholders' meeting has not adopted a resolution on the surplus distribution of 2021.

(IV) Condensed comprehensive income statement— separate financial statements

Unit: NTD thousands (except for EPS)

Item \ Year	Financial data in the most recent five years (Note 1)				
	2022	2021	2020	2019	2018
Revenue	3,662,358	3,618,049	3,597,047	3,363,405	2,986,695
Gross profit	788,408	778,128	695,745	688,041	637,415
Operating profit (loss)	170,221	181,599	137,044	135,706	110,929
Non-operating revenue and expense	44,273	32,253	34,193	(13,243)	(20,458)
Net profit before tax	214,494	213,852	171,237	122,463	90,471
Net profit of continuing operations in current period	178,463	178,279	145,494	102,702	78,077
Losses from discontinued operations	0	0	0	0	0
Net profit (loss) in current period	178,463	178,279	145,494	102,702	78,077
Other comprehensive income in current period (net amount after tax)	(1,411)	4,408	(11,649)	672	1,484
Total comprehensive income in current period	177,052	182,687	133,845	103,374	79,561
Earnings per share	2.02	2.01	1.64	1.44	1.11

Note 1: The above data in each year have been audited and certified by CPAs.

(V) Names and audit opinions of CPAs in the most recent five years

Year	Accounting firm	CPA	Audit opinion
2018	Ernst & Young Global Limited	Chih-Huei Yang, Tsui-Hui Hsiao	Unqualified opinion
2019	Ernst & Young Global Limited	Chih-Huei Yang, Tsui-Hui Hsiao	Unqualified opinion
2020	Ernst & Young Global Limited	Chih-Huei Yang, Yahn-Jyun Wang	Unqualified opinion
2021	Ernst & Young Global Limited	Chih-Huei Yang, Yahn-Jyun Wang	Unqualified opinion
2022	KPMG	Huang Hsin Ting, Lai Li Chen	Unqualified opinion

II. Financial Analysis in the Most Recent Five Years

(I) Financial analysis in the most recent five years – consolidated financial statements

Analysis item (Note 3) / Year		Financial analysis in the most recent five years (Note 1)					2023 Q1 (Note 2)
		2022	2021	2020	2019	2018	
Financial structure (%)	Debt to asset ratio	57.98	55.75	50.98	56.12	60.34	56.25
	Long-term capital accounted for Property, plant and equipment	1,768.92	1,449.15	1,393.37	1,470.32	725.04	1,683.29
Solvency (%)	Current ratio	147.33	161.32	184.59	172.12	150.14	151.21
	Quick ratio	100.93	115.42	123.47	113.75	115.42	104.91
	Interest coverage ratio	80.11	151.15	116.92	28.44	50.91	17.59
Operating capacity	Account eceivable turnover (times)	5.38	6.17	5.94	4.56	4.08	4.41
	Average collection days	67.84	59.15	61.44	80.04	89.46	82.76
	Inventory turnover (times)	4.73	4.93	4.49	5.06	6.97	4.21
	Account payable turnover (times)	3.60	3.91	4.25	3.94	4.72	3.49
	Average days in sales	77.16	74.03	81.29	72.13	52.36	86.69
	Property, plant and equipment turnover (times)	41.99	38.05	40.37	31.99	21.52	45.06
	Total asset turnover (times)	1.32	1.43	1.49	1.47	1.67	1.25
Profitability	Return on asset (%)	5.47	6.03	5.10	3.80	3.50	3.81
	Return on equity (%)	12.53	12.89	10.91	8.74	7.57	8.39
	Net income before tax to paid-in capital ratio (%)	24.84	25.13	20.20	14.22	13.47	17.16
	Net profit ratio (%)	4.11	4.17	3.39	2.49	2.05	2.88
	Earnings per Share (NTD)	2.02	2.01	1.64	1.44	1.11	0.34
Cash flow	Cash flow ratio (%)	0.87	23.02	8.03	15.71	4.71	2.22
	Cash flow adequacy ratio (%)	62.17	83.09	66.33	55.85	39.49	72.28
	Cash reinvestment ratio (%)	(7.80)	12.03	0.38	10.77	(3.10)	2.07
Leverage	Operating leverage	2.33	2.24	2.51	2.81	3.53	2.59
	Financial leverage	1.01	1.01	1.01	1.04	1.02	1.06

Increases or decreases of more than 20% in the financial ratio in the most recent two years are explained below:

(1) The increase of 22% in the Long-term capital accounted for Property, plant and equipment resulted primarily from a decline in acquisition of the Property, plant and equipment in 2022 compared to 2021.

(2) The decrease of 47% in the interest coverage ratio resulted primarily from a rise in short-term loans and finance cost.

(3) The decrease of 96% in the cash flow ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

(4) The decrease of 25% in the cash flow adequacy ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

(5) The decrease of 165% in the cash reinvestment ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

(2) Financial analysis in the most recent five years – separate financial statements

Analysis item (Note 3)	Year	Financial analysis in the most recent five years (Note 1)				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt to asset ratio	56.22	53.64	48.24	53.57	57.77
	Long-term capital accounted for property, plant and equipment	2,019.93	1,680.99	1,642.01	1,907.26	930.55
Solvency (%)	Current ratio	138.20	153.33	176.60	168.52	143.25
	Quick ratio	91.89	110.54	116.84	110.12	108.68
	Interest coverage ratio	83.88	169.12	126.63	32.43	93.60
Operating capacity	Account receivable turnover (times)	5.17	6.16	6.15	4.67	4.12
	Average collection days	70.60	59.25	59.35	78.16	88.59
	Inventory turnover (times)	4.36	4.76	4.17	4.54	6.02
	Account payable turnover (times)	3.30	3.67	3.97	3.62	4.20
	Average days in sales	83.72	76.68	87.53	80.40	60.63
	Property, plant and equipment turnover (times)	40.90	37.87	42.19	34.87	23.28
	Total asset turnover (times)	1.16	1.28	1.32	1.31	1.45
Profitability	Return on asset (%)	5.71	6.33	5.39	4.11	3.83
	Return on equity (%)	12.53	12.89	10.92	8.95	7.82
	Net income before tax to paid-in capital ratio (%)	24.22	24.15	19.34	13.83	13.46
	Net profit ratio (%)	4.87	4.93	4.04	3.05	2.61
	Earnings per Share (NTD)	2.02	2.01	1.64	1.44	1.11
Cash flow	Cash flow ratio (%)	(0.82)	21.37	5.26	13.72	6.19
	Cash flow adequacy ratio (%)	50.62	72.47	64.41	53.52	33.91
	Cash reinvestment ratio (%)	(9.08)	9.58	(2.10)	8.43	(2.33)
Leverage	Operating leverage	2.43	2.37	2.63	2.65	2.84
	Financial leverage	1.02	1.01	1.01	1.03	1.01

Increases or decreases of more than 20% in the financial ratio in the most recent two years are explained below:

(1) The increase of 20% in the Long-term capital accounted for Property, plant and equipment resulted primarily from a decline in acquisition of the Property, plant and equipment in 2022 compared to 2021.

(2) The decrease of 50% in the interest coverage ratio resulted primarily from a rise in short-term loans and finance cost.

(3) The decrease of 104% in the cash flow ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

(4) The decrease of 30% in the cash flow adequacy ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

(5) The decrease of 195% in the cash reinvestment ratio resulted primarily from a decline in the net cash flow from operating activities in 2022 compared to 2021.

Note 1: The above data in each year have been audited and certified by CPAs.

Note 2: The consolidated financial data have been reviewed by CPAs up to the quarter prior to the publication data of this annual report.

Note 3: The calculation formula for the financial analysis is described below:

1. Financial structure
   (1) Debt to asset ratio = total liabilities / total assets
   (2) Long-term capital accounted for property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period
3. Operating capacity
   (1) Account receivable turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivablebalance (including accounts receivable and notes receivable from business activities).
   (2) Average collection days = 365 / Acouunt receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4) Account payable turnover (including accounts payable and notes payable from business activities) = cost of goodssold / average accountpayable balance (including accounts payable and notes payable from business activities).
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant and equipment turnover = Net sales / Average netproperty, plant and equipment.
   (7) Total assets turnover = Net sales / Average total assets
4. Profitability
   (1) Return on assets = [net profitafter tax + interest expense x (1 - tax rate)] / average total assets.
   (2) Return on equity = net profit after tax / average total equity
   (3) Net profit ration = net profit after tax / net sales
   (4) Earnings per share = (attributable to the shareholder’s profit and loss of the parent company - Preferred stock dividends) / Weighted average number of shares issued
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities in the latest five years / (capital expenditure inventory increase + cash dividends) in the latest five years.
   (3) Cash flow reinvestment ratio = (Cash flow from operating activities-Cash dividends) / (Property, Plant and Equipment + long term investments + Other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net sales- variable operating costs and expenses) / operatingprofit.
   (2) Financial leverage = operatingprofit / (operating profit- interest expense).

III. Audit Committee' Review Report on the Financial Statements in the Most Recent Year

Tatung System Technologies Inc. (TSTI)

Audit Committee's Review Report

The Board of Directors of the Company has prepared the business report, financial statements (including parent company only and consolidated) and earnings distribution table for the year ended December 31, 2022. The financial statements have been audited by CPAs Hsin-Ting Huang and Li-Chen Lai, from KPMG, the CPA firm engaged by the Board of Directors to complete the audit. The above business report, financial statements and earnings distribution table and have been reviewed and determined to be accurate by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for your review.

To

2023 Regular Shareholders' Meeting of the Company

Tatung System Technologies Inc. (TSTI)

Convener of the Audit Committee: Huang-Chi Yeh

Huang-Chi Yeh

March 3, 2023

IV. Consolidated Financial Statements in the Most Recent Year

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of TATUNG SYSTEM TECHNOLOGIES INC. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TATUNG SYSTEM TECHNOLOGIES INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TATUNG SYSTEM TECHNOLOGIES INC.

Chairman: Shen, Bo Yen

Date: March 7, 2023

安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue Recognition

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

KPMG

(a) Description of the key audit matter:

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

(b) Audit procedures performed:

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

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

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

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

2. Inventory

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

(a) Description of the key audit matter:

The inventory of the Group is an important asset for its operation. As of December 31, 2022, the net carrying value of inventory was $813,313 thousand, accounting for 24% of the total assets. Since inventory is a key component of the Group's assets and the amount is considered material. Therefore, the existence of inventory is one of the key audit matters.

(b) Audit procedures performed:

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

· Understanding and testing the design and implementation of internal controls over the buying cycle.

· Selecting samples for taking inventory.

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

Other Matter

The consolidated financial statements of the Group as of and for the year ended December 31, 2021, were audited by other auditors and issued unmodified opinions with other matter paragraphs at March 3, 2022.

TATUNG SYSTEM TECHNOLOGIES INC. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we and other auditors have issued an unmodified opinion with other matter paragraphs.

KPMG

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

KPMG

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2023

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 585,499	17	626,894	20
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	51,394	2	73,075	2
1140	Contract assets, current (Notes 6(s), (v) and 7)	238,505	7	375,421	12
1150	Notes receivable, net (Note 6(d))	32,793	1	36,605	1
1170	Accounts receivable, net (Note 6(d))	804,797	24	563,010	18
1180	Accounts receivable－related parties, net (Notes 6(d), 7 and 8)	74,081	2	45,212	2
1196	Operating lease receivable, net (Notes 6(e), (v)and 7)	9,586	-	19,292	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	11,354	-	18,281	-
1200	Other receivables (Note 6(v))	970	-	181	-
130X	Inventories (Note 6(g))	813,313	24	647,975	20
1410	Prepayments	18,218	-	51,150	2
	Total current assets	2,640,510	77	2,457,096	77
	Non-current assets:				
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	18,200	-	-	-
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	57,094	2	37,387	1
1550	Investments accounted for using equity method (Note 6(h))	4,583	-	4,336	-
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	96,732	3	185,307	6
1600	Property, plant and equipment (Note 6(i))	91,423	3	115,590	4
1755	Right-of-use assets (Notes 6(j) and 7)	135,757	4	162,294	5
1780	Intangible assets (Note 6(k))	6,177	-	7,595	-
1840	Deferred tax assets (Note 6(p))	30,160	1	43,606	1
1920	Refundable deposits (Note 7)	93,132	3	85,686	3
1931	Long-term notes receivable, net (Note 6(d))	770	-	1,583	-
1932	Long-term receivables, net (Notes 6(d) and 7)	225,208	7	83,449	3
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	9,728	-	14,271	-
	Total non-current assets	768,964	23	741,104	23
	Total assets	$ 3,409,474	100	3,198,200	100

5-1

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (Note 6(l))	$ 240,000	7	50,000	2
2110	Short-term notes and bills payable (Note 6(m))	59,978	2	-	-
2130	Contract liabilities, current (Notes 6(s) and 7)	136,573	4	78,939	2
2150	Notes payable	2,871	-	5,775	-
2170	Accounts payable	948,540	27	942,831	29
2180	Accounts payable－related parties (Note 7)	18,320	1	3,204	-
2200	Other payables (Notes 6(q) and 7)	245,757	7	253,183	8
2230	Current tax liabilities (Note 6(p))	30,512	1	46,446	2
2250	Provisions, current	241	-	465	-
2280	Lease liabilities, current (Notes 6(n) and 7)	102,088	3	115,887	4
2300	Other current liabilities	7,395	-	26,400	1
	Total current liabilities	1,792,275	52	1,523,130	48
	Non-Current liabilities:				
2570	Deferred tax liabilities (Note 6(p))	715	-	-	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	59,772	2	114,398	3
2610	Long-term payable	30,000	1	87,751	3
2620	Long-term payable－related parties (Note 7)	35,949	1	-	-
2640	Net defined benefit liabilities, non-current (Note 6(o))	57,663	2	57,249	2
2645	Guarantee deposits received (Note 7)	312	-	528	-
	Total non-current liabilities	184,411	6	259,926	8
	Total liabilities	1,976,686	58	1,783,056	56
	Equity attributable to owners of parent: (Note 6(q))				
3110	Common stock	885,600	26	885,600	28
3200	Capital surplus	80,092	2	80,092	2
	Retained earnings:				
3310	Legal reserve	283,678	9	265,401	8
3320	Special reserve	3,978	-	3,896	-
3350	Unappropriated earnings	183,348	5	184,133	6
	Total retained earnings	471,004	14	453,430	14
3400	Other equity	(3,908)	-	(3,978)	-
	Total equity	1,432,788	42	1,415,144	44
	Total liabilities and equity	$ 3,409,474	100	3,198,200	100

6

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenues(Notes 6(s) and 7)**	$ 4,346,640	100	4,271,883	100
5000	**Operating costs(Notes 6(g) and 7)**	3,454,793	79	3,382,438	79
5950	**Gross profit**	891,847	21	889,445	21
6000	**Operating expenses: (Notes 6(d), (o), (t) and 7)**				
6100	Selling expenses	469,796	11	438,815	10
6200	Administrative expenses	144,134	3	164,668	4
6300	Research and development expenses	83,512	2	71,874	2
6450	Expected credit gains	(446)	-	(32)	-
	Total operating expenses	696,996	16	675,325	16
6900	**Net operating income**	194,851	5	214,120	5
7000	**Non-operating income and expenses:(Notes 6(h), (u) and 7)**				
7100	Interest income	6,934	-	4,732	-
7010	Other income	14,754	-	6,372	-
7020	Other gains and losses	6,002	-	(995)	-
7050	Finance costs	(2,781)	-	(1,482)	-
7060	Shares of profit (loss) of associates accounted for using equity method	247	-	(229)	-
	Total non-operating income and expenses	25,156	-	8,398	-
7900	**Profit before income tax**	220,007	5	222,518	5
7950	**Less: Income tax expenses(Note 6(p))**	41,544	1	44,239	1
8200	**Net income**	178,463	4	178,279	4
8300	**Other comprehensive (loss) income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(1,852)	-	5,613	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	371	-	(1,123)	-
	Total items that may not be reclassified subsequently to profit or loss	(1,481)	-	4,490	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	70	-	(82)	-
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	70	-	(82)	-
8300	**Other comprehensive (loss) income**	(1,411)	-	4,408	-
8500	**Total comprehensive income**	**$ 177,052**	**4**	**182,687**	**4**
	Earnings per share(NT dollars)(Note 6(r))				
9750	Basic earnings per share	$	2.02		2.01
9850	Diluted earnings per share	$	2.00		2.00

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent						
			Retained earnings			Other Equity	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
Balance on January 1, 2021	$ 885,600	80,092	252,049	4,069	134,099	(3,896)	1,352,013
Net income for the year ended December 31, 2021	-	-	-	-	178,279	-	178,279
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	4,490	(82)	4,408
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	182,769	(82)	182,687
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	13,352	-	(13,352)	-	-
Cash dividends	-	-	-	-	(119,556)	-	(119,556)
Special reserve	-	-	-	(173)	173	-	-
Balance on December 31, 2021	885,600	80,092	265,401	3,896	184,133	(3,978)	1,415,144
Net income for the year ended December 31, 2022	-	-	-	-	178,463	-	178,463
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(1,481)	70	(1,411)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	176,982	70	177,052
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	18,277	-	(18,277)	-	-
Special reserve	-	-	-	82	(82)	-	-
Cash dividends	-	-	-	-	(159,408)	-	(159,408)
Balance on December 31, 2022	**$ 885,600**	**80,092**	**283,678**	**3,978**	**183,348**	**(3,908)**	**1,432,788**

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		2022	2021
Cash flows from (used in) operating activities:			
Profit before tax	$	220,007	222,518
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		144,106	127,001
Amortization expense		4,260	3,085
Expected credit loss		(446)	(32)
Interest expense		2,781	1,482
Interest income		(6,934)	(4,732)
Dividend income		(840)	-
Share of (profit) loss of associates accounted for using equity method		(247)	229
Gain on disposal of property, plant and equipment		(1,777)	(15)
Gain on disposal of other assets		(219)	(1)
Total adjustments to reconcile profit (loss)		140,684	127,017
Changes in operating assets and liabilities:			
Contract assets		225,491	(194,247)
Notes receivable		3,812	(26,595)
Accounts receivable		(241,341)	45,969
Accounts receivable-related parties		(28,869)	2,290
Operating lease receivable		9,706	(4,189)
Finance lease receivable		10,641	3,189
Other receivables		(724)	73
Inventories		(201,860)	(25,331)
Prepayments		32,931	(16,814)
Long-term notes receivable		813	812
Long-term receivables		(141,759)	(77,172)
Long-term finance lease receivable		4,543	5,102
Contract liabilities		57,634	17,938
Notes payable		(2,904)	(28,440)
Accounts payable		5,709	206,029
Accounts payable-related parties		15,116	(3,000)
Other payables		(8,637)	26,802
Other current liabilities		(19,229)	17,343
Net defined benefit liabilities		(1,437)	(3,340)
Other operating liabilities		(21,802)	87,751
Total adjustments		(161,482)	161,187
Cash generated from operations		58,525	383,705
Income taxes paid		(42,946)	(33,024)
Net cash flows from (used in) operating activities		15,579	350,681

8-1

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of financial assets measured at amortized cost	(127,595)	(245,128)
Disposal of financial assets measured at amortized cost	129,569	193,201
Acquisition of financial assets at fair value through profit or loss	(18,200)	-
Acquisition of property, plant and equipment	(11,992)	(27,634)
Disposal of property, plant and equipment	10,634	27
Increase in refundable deposits	(7,446)	(5,394)
Acquisition of intangible assets	(2,842)	(7,504)
Interest received	6,869	4,653
Dividends received	840	-
Net cash flows from (used in) investing activities	(20,163)	(87,779)
Cash flows from (used in) financing activities:		
Increase in short-term loans	190,000	-
Increase in short-term notes and bills payable	59,978	-
Decrease in guarantee deposits received	(216)	(36)
Payment of lease liabilities	(124,704)	(62,318)
Cash dividends paid	(159,408)	(119,556)
Interest paid	(2,515)	(1,455)
Net cash flows from (used in) financing activities	(36,865)	(183,365)
Effect of exchange rate changes on cash and cash equivalents	54	(72)
Net (decrease) increase in cash and cash equivalents	(41,395)	79,465
Cash and cash equivalents at beginning of period	626,894	547,429
Cash and cash equivalents at end of period	$ 585,499	626,894

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(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

These consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2023.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards (″IFRSs″) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.
The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 ″Property, Plant and Equipment - Proceeds before Intended Use″
- Amendments to IAS 37 ″Onerous Contracts - Cost of Fulfilling a Contract″
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 ″Reference to the Conceptual Framework″

(b) The impact of IFRS issued by the FSC but not yet effective
The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NTD) unless otherwise stated.

(c) Basis of consolidation

(i) Preparation principles of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

1) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
2) exposure, or rights, to variable returns from its involvement with the investee, and
3) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

1) the contractual arrangement with the other vote holders of the investee
2) rights arising from other contractual arrangements
3) the Group′s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

1) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
2) derecognizes the carrying amount of any non-controlling interest;
3) recognizes the fair value of the consideration received;
4) recognizes the fair value of any investment retained;
5) recognizes any surplus or deficit in profit or loss; and
6) reclassifies the parent′s share of components previously recognized in other comprehensive income to profit or loss.

(ii) 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 December 31, 2022	Holding percentage December 31, 2021	Note
The Company	Chyun Huei Commercial Technologies Inc.	Computer and business equipment wholesale or retail and information software service	100.00%	100.00%	
The Company	TISNet Technology Inc.	Type II telecommunications business, cloud information services and information security services	100.00%	100.00%	
The Company	TSTI Technologies (Shanghai) Co., Ltd.	System integration service	100.00%	100.00%	

(d) Foreign currencies

The Group′ s consolidated financial statements are presented in New Taiwan Dollar, which is also the Company′ s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(i) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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

(iii) Exchange differences arising on a monetary item that forms part of a reporting entity′ s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(e) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollar at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

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

(ii) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

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

An asset is classified as current when:

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

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

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

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

All other assets are classified as non-current.

A liability is classified as current when:

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

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

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

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

All other liabilities are classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Financial instruments

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

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

(i) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the accounts date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

1) the Group′s business model for managing the financial assets and

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

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

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

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

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

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

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

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

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

<u>Fair value through profit or loss (FVTPL)</u>

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

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

(ii) Impairment of financial assets

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

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

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

2) the time value of money; and

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

The loss allowance is measures as follow:

1) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

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

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

4) For operating and financial lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(iii) Derecognition of financial assets

A financial asset is derecognized when:

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

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

3) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivables including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(iv) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(v) Offsetting of financial instruments

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

(i) Inventories

Inventories are valued at lower of cost and net realizable value item by item. Costs incurred in bringing each inventory to its present location and condition are accounted for using the weighted average method. For obsolete inventories, provision is made for allowance for inventory valuation and obsolescence loss.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is treated in accordance with IFRS 15 and not within the scope of inventories.

(j) Investments accounted for using the equity method

The Group′ s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group′ s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group′ s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group′ s percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group′ s interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ′share of profit or loss of an associate′ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

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

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

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

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

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

(l) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

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

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

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

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

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

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

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

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

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

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

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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

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

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

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

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 ″Impairment of Assets″ to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivables at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

A summary of the policies applied to the Group′s intangible assets is as follows:

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

(n) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset′s recoverable amount.

An asset′s recoverable amount is the higher of an asset′s or cash-generating unit′s (″CGU″) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset′s or cash-generating unit′s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(o) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

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

(p) Revenue recognition

The Group′ s revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group′ s main source of revenue is the sale of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer has the right to use and gains almost all of the residual benefit). The main products of the Group are computer, communication, network-related equipment and software and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is treated in accordance with IAS 37.

The credit period of the Group′ s sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Additionally, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance and other professional services for the sale of equipment. Such services are separately priced or negotiated, and provided based on contract period. As the Group provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight line method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

Information System Services

The Group provides services for the management, development, design, import and support of enterprise information systems. Some of the contracts include hardware equipment and software agreements.

Most of the service contracts of the Group are customized integrated services provided according to customer demand and have enforceable rights for the payment of completed service. Therefore, revenue is recognized base on the completion ratio of services. The price of the service contract is usually fixed, and the contract price is collected in accordance with the schedule agreed with the customer. When the service provided by the Group exceeds the payment made by the customer, the contract assets are recognized. However, any payment by the customer in excess of the services already provided by the Group shall be regarded as a contract liability.

For contract agreements that include multiple deliverables of goods or services, the content of the contract is hardware equipment and maintenance services. Since maintenance services can also be performed by other manufacturers and do not involve integrated services, maintenance services are identified as separate performance obligations. The transaction price is based on the relative stand-alone selling price to allocate the contract price to each performance obligation. Revenue from the hardware equipment is recognized when the hardware equipment is delivered to the customer, the legal ownership is transferred to the customer and the customer has accepted the hardware equipment, and maintenance service is recognized when the obligation is fulfilled.

In addition, the Group provides quality warranty for the hardware equipment, and the provision is treated in accordance with IAS 37.

The contract between the Group and the customer provides the goods or services promised to the customer and the payment period from the customer does not exceed one year. Therefore, the Group does not adjust the transaction price for the time value of the currency.

(q) Government grants and government assistance

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

(r) Employee benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee′ s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group′ s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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

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

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

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

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

(s) Income taxes

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

<u>Current income tax</u>

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

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

Deferred tax

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Earnings per share

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

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group′ s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(a) Measurement of defined benefit obligations

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

(b) Recognition of deferred tax assets

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

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

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

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

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 527	327
Bank drafts	564,972	517,623
Time deposits	20,000	108,944
Total	$ 585,499	626,894

(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

	December 31, 2022
Financial assets designated at fair value through profit or loss:	
Non publicly listed stocks	$ 18,200

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

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

(c) Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Time deposit - General	$ 45,115	66,553
Time deposit - Restricted (Performance Guarantee)	63,373	43,909
Less: Loss allowance	-	-
Total	$ 108,488	110,462
Current	$ 51,394	73,075
Non-current	57,094	37,387
Total	$ 108,488	110,462

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

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

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

	December 31, 2022	December 31, 2021
Notes receivable arose from operation	$ 33,563	38,188
Less: Loss allowance	-	-
Subtotal	33,563	38,188
Accounts receivable	760,651	532,177
Installment accounts receivable	183,854	123,328
Less: Unrealized interest income-installment accounts receivable	(5,208)	(6,325)
Subtotal	939,297	649,180
Less: Loss allowance	(2,275)	(2,721)
Subtotal	937,022	646,459

Accounts receivable-related parties	$	38,540	35,824
Installment accounts receivable-related parties		133,423	13,225
Less: Unrealized interest income-installment accounts receivable-related parties		(4,899)	(3,837)
Subtotal		167,064	45,212
Less: Loss allowance		-	-
Subtotal		167,064	45,212
Total	$	1,137,649	729,859
Current	$	911,671	644,827
Non-current		225,978	85,032
Total	$	1,137,649	729,859

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

December 31, 2022

Group 1

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	1,055,421	0%~0.1%	1,111
0 to 60 days past due		9,868	0%~0.85%	1
61 to 120 days past due		1,374	0%	-
121 to 180 days past due		1,180	59.23%	699
181 to 240 days past due		46	100%	46
241 to 365 days past due		1,951	1.12~100%	22
More than 366 days past due		-	0%	-
Total	$	1,069,840		1,879

Group 2

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 240 days past due	-	0%	-
241 to 365 days past due	137	100%	137
More than 366 days past due	259	100%	259
Total	**$ 396**		**396**

Group 3

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 69,347	0%	-
0 to 180 days past due	341	0%	-
181 to 365 days past due	-	0%	-
366 to 545 days past due	-	0%	-
546 to 730 days past due	-	0%	-
More than 731 days past due	-	0%	-
Total	**$ 69,688**		**-**

December 31, 2021

Group 1

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 636,836	0%	1,660
0 to 60 days past due	16,696	0%	31
61 to 120 days past due	1,709	36%	623
121 to 180 days past due	27	100%	27
181 to 240 days past due	51	100%	51
241 to 365 days past due	70	100%	70
More than 366 days past due	-	0%	-
Total	**$ 655,389**		**2,462**

Group 2

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 240 days past due	-	0%	-
241 to 365 days past due	100	100%	100
More than 366 days past due	159	100%	159
Total	**$ 259**		**259**

Group 3

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 76,917	0%	-
0 to 180 days past due	15	0%	-
181 to 365 days past due	-	0%	-
366 to 545 days past due	-	0%	-
546 to 730 days past due	-	0%	-
More than 731 days past due	-	0%	-
Total	**$ 76,932**		**-**

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

	2022	2021
Balance at January 1	$ 2,721	2,790
Impairment losses recognized	(446)	(32)
Amounts written off	-	(37)
Balance at December 31	**$ 2,275**	**2,721**

The expected recovery of installment accounts receivable is as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 81,192	42,942
One to two years	76,501	20,862
More than two years	149,477	62,587
Total	$ 307,170	126,391

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

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

(e) Operating lease receivable (including related parties)

	December 31, 2022	December 31, 2021
Operating lease receivable	$ 9,515	19,241
Less: Loss allowance	-	-
Subtotal	9,515	19,241
Operating lease receivables-related parties	71	51
Less: Loss allowance	-	-
Subtotal	71	51
Total	$ 9,586	19,292

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

	December 31, 2022	December 31, 2021
Less than one year	$ 8,138	90,051
One to two years	7,702	3,219
Two to three years	6,520	2,941
Three to four years	5,156	2,406
Four to five years	2,295	2,105
More than five years	448	1,120
Present value of lease payments receivable	$ 30,259	101,842

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

(f) Finance lease receivable (including related parties)

	December 31, 2022	December 31, 2021
Finance lease receivable	$ 15,577	30,055
Less: Unearned finance income on finance lease	(246)	(399)
Subtotal (total carrying amount)	15,331	29,656
Less: Loss allowance	-	-
Subtotal	15,331	29,656
Finance lease receivable-related parties	$ 5,825	2,970
Less: Unearned finance income on finance lease - related parties	(74)	(74)
Subtotal (total carrying amount)	5,751	2,896
Less: Loss allowance	-	-
Subtotal	5,751	2,896
Total	**$ 21,082**	**32,552**
Current	$ 11,354	18,281
Non-current	9,728	14,271
Total	**$ 21,082**	**32,552**

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

	December 31, 2022	December 31, 2021
Less than one year	$ 11,674	18,754
One to two years	5,429	9,151
Two to three years	2,435	4,073
Three to four years	1,344	874
Four to five years	520	173
More than five years	-	-
Total lease payments receivable	21,402	33,025
Less: Unearned finance income on finance lease	(320)	(473)
Less: Loss allowance	-	-
Present value of lease payments receivable	**$ 21,082**	**32,552**

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

(g) Inventories

(i) The details of inventories are as follows:

	December 31, 2022	December 31, 2021
Inventory - merchandise	$ 132,141	125,140
Merchandise have been delivered and have not been accepted yet	681,172	522,835
Total	$ 813,313	647,975

The Group's inventory costs recognized as expenses in 2022 and 2021 were $3,455,254 thousand and $3,382,256 thousand, respectively.

The inventory valuation losses (profits) recognized in 2022 and 2021 were $(461) thousand and $182 thousand, respectively.

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:

	December 31, 2022		December 31, 2021	
Name of investee	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates				
I-Torch Technology Corp.	$ 4,583	20%	4,336	20%

	2022	2021
Attributable to the Group:		
Profit (loss) from continuing operations	$ 247	(229)
Comprehensive income	$ 247	(229)

(ii) The investments accounted for using equity method of the Group were not pledged as collateral.

(i) Property, plant and equipment

	December 31, 2022	December 31, 2021
Owner occupied property, plant and equipment	$ 26,777	39,502
Property, plant and equipment leased out under operating leases	64,646	76,088
Total	$ 91,423	115,590

(i) The cost, depreciation, and impairment of the property, plant and equipment for the Group for the years ended December 31, 2022 and 2021 were as follows:

		Transportation equipment	Office equipment	Lease hold improvements	Total
Cost or deemed cost:					
Balance on January 1, 2022	$	38	154,791	12,090	166,919
Additions		-	7,159	5,779	12,938
Disposal		(38)	(17,969)	(3,398)	(21,405)
Effect of movements in exchange rates		-	29	-	29
Other changes		-	1,255	-	1,255
Balance on December 31, 2022	**$**	**-**	**145,265**	**14,471**	**159,736**
Balance on January 1, 2021	$	540	132,960	13,721	147,221
Additions		-	26,490	1,324	27,814
Disposal		(502)	(5,807)	(2,955)	(9,264)
Effect of movements in exchange rates		-	(14)	-	(14)
Other changes		-	1,162	-	1,162
Balance on December 31, 2021	**$**	**38**	**154,791**	**12,090**	**166,919**
Depreciation and impairment losses:					
Balance on January 1, 2022	$	38	117,365	10,014	127,417
Depreciation		-	16,598	1,468	18,066
Disposal		(38)	(9,112)	(3,398)	(12,548)
Effect of movements in exchange rates		-	27	-	27
Other changes		-	(3)	-	(3)
Balance on December 31, 2022	**$**	**-**	**124,875**	**8,084**	**132,959**
Balance on January 1, 2021	$	534	109,352	10,638	120,524
Depreciation		6	13,820	2,331	16,157
Disposal		(502)	(5,795)	(2,955)	(9,252)
Effect of movements in exchange rates		-	(12)	-	(12)
Balance on December 31, 2021	**$**	**38**	**117,365**	**10,014**	**127,417**
Carrying amounts:					
Balance on December 31, 2022	**$**	**-**	**20,390**	**6,387**	**26,777**
Balance on January 1, 2021	**$**	**6**	**23,608**	**3,083**	**26,697**
Balance on December 31, 2021	**$**	**-**	**37,426**	**2,076**	**39,502**

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

	Office equipment
Cost or deemed cost:	
Balance on January 1, 2022	$ 195,106
Disposal	(72,985)
Other changes	35,264
Balance on December 31, 2022	**$ 157,385**
Balance on January 1, 2021	$ 180,315
Disposal	(26,902)
Other changes	41,693
Balance on December 31, 2021	**$ 195,106**
Depreciation and impairment losses:	
Balance on January 1, 2022	$ 119,018
Depreciation	46,706
Disposal	(72,985)
Balance on December 31, 2022	**$ 92,739**
Balance on January 1, 2021	$ 98,088
Depreciation	47,832
Disposal	(26,902)
Balance on December 31, 2021	**$ 119,018**
Carrying amounts:	
Balance on December 31, 2022	**$ 64,646**
Balance on January 1, 2021	**$ 82,227**
Balance on December 31, 2021	**$ 76,088**

For the years ended December 31, 2022 and 2021, none of the borrowing costs arising from property, plant and equipment were capitalized and the property, plant and equipment were not 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, 2022	$	82,239	13,042	1,053	181,939	278,273
Additions		26,371	2,905	228	26,775	56,279
Write-off		(9,136)	(2,595)	-	(49,365)	(61,096)
Effect of movements in exchange rates		15	-	-	-	15
Balance on December 31, 2022	$	99,489	13,352	1,281	159,349	273,471
Balance on January 1, 2021	$	22,234	7,348	1,053	83,580	114,215
Additions		66,309	6,625	-	98,359	171,293
Write-off		(6,297)	(931)	-	-	(7,228)
Effect of movements in exchange rates		(7)	-	-	-	(7)
Balance on December 31, 2021	$	82,239	13,042	1,053	181,939	278,273
Accumulated depreciation and impairment losses:						
Balance on January 1, 2022	$	32,015	5,680	495	77,789	115,979
Depreciation		28,861	3,557	243	46,673	79,334
Write-off		(5,641)	(2,595)	-	(49,365)	(57,601)
Effect of movements in exchange rates		2	-	-	-	2
Balance on December 31, 2022	$	55,237	6,642	738	75,097	137,714
Balance on January 1, 2021	$	10,149	3,594	284	45,359	59,386
Depreciation		27,354	3,017	211	32,430	63,012
Write-off		(5,489)	(931)	-	-	(6,420)
Effect of movements in exchange rates		1	-	-	-	1
Balance on December 31, 2021	$	32,015	5,680	495	77,789	115,979
Carrying amounts:						
Balance on December 31, 2022	$	44,252	6,710	543	84,252	135,757
Balance on December 31, 2021	$	50,224	7,362	558	104,150	162,294
Balance on January 1, 2021	$	12,085	3,754	769	38,221	54,829

For the years ended December 31, 2022 and 2021, the right-of-use assets of the Group were not pledged as collateral.

(k) Intangible assets

The costs, amortization, and impairment of the intangible assets of the Group for the years ended December 31, 2022 and 2021were as follows:

		Computer software	Copyright	Total
Cost or deemed cost:				
Balance on January 1, 2022	$	5,242	5,000	10,242
Additions-acquired separately		2,842	-	2,842
Disposal		(2,096)	-	(2,096)
Balance on December 31, 2022	**$**	**5,988**	**5,000**	**10,988**
Balance on January 1, 2021	$	7,794	2,000	9,794
Additions-acquired separately		4,504	3,000	7,504
Disposal		(7,056)	-	(7,056)
Balance on December 31, 2021	**$**	**5,242**	**5,000**	**10,242**
Amortization and impairment losses:				
Balance on January 1, 2022	$	2,147	500	2,647
Amortization		3,260	1,000	4,260
Disposal		(2,096)	-	(2,096)
Balance on December 31, 2022	**$**	**3,311**	**1,500**	**4,811**
Balance on January 1, 2021	$	6,518	100	6,618
Amortization		2,685	400	3,085
Disposal		(7,056)	-	(7,056)
Balance on December 31, 2021	**$**	**2,147**	**500**	**2,647**
Carrying value:				
Balance on December 31, 2022	**$**	**2,677**	**3,500**	**6,177**
Balance on January 1, 2021	**$**	**1,276**	**1,900**	**3,176**
Balance on December 31, 2021	**$**	**3,095**	**4,500**	**7,595**

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

		2022	2021
Operating costs	$	222	222
Selling expenses		582	666
Administrative expenses		2,456	1,778
Research and development expenses		1,000	419
Total	**$**	**4,260**	**3,085**

(l) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 240,000	50,000
Unused short-term credit lines	$ 160,000	436,603
Range of interest rates	1.76%~2.16%	1.00%~1.15%

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

(m) Short-term notes and bills payable

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

(n) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	$ 102,088	115,887
Non-current	59,772	114,398
Total	$ 161,860	230,285

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interests on lease liabilities	$ 612	796
Income from sub-leasing right-of-use assets	$ 21,055	36,740
Expenses relating to short-term leases	$ 230	326

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

	2022	2021
Total cash outflow for leases	$ 125,546	63,440

(i) Real estate leases

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

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

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

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 100,606	114,251
Fair value of plan assets	(42,943)	(57,002)
Net defined benefit liability (asset)	$ 57,663	57,249

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

1) Composition of plan assets

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

The Group′s Bank of Taiwan labor pension reserve account balance amounted to $42,942 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

		2022	2021
Defined benefit obligations at January 1	$	114,251	117,795
Current service costs and interest		957	1,211
Remeasurements loss (gain):			
- Actuarial loss (gain) arising from demographic assumptions		1,020	(1,482)
- Actuarial gain arising from financial assumptions		(3,059)	(2,919)
- Experience adjustment		8,184	(354)
Benefit paid		(20,747)	-
Defined benefit obligations at December 31	**$**	**100,606**	**114,251**

3) Movements of defined benefit plan assets

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

		2022	2021
Fair value of plan assets at January 1	$	(57,002)	(51,593)
Interest income		(297)	(160)
Contributions paid by the employer		(2,098)	(4,392)
Benefits paid		20,747	-
Remeasurement of the net defined benefit liability (asset)		(4,293)	(857)
Fair value of plan assets at December 31	**$**	**(42,943)**	**(57,002)**

4) Expenses recognized in profit or loss

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

		2022	2021
Current service costs	$	363	847
Net interest of net liabilities for defined benefit obligations		297	204
	$	660	1,051

5) Actuarial assumptions

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

	2022	2021
Discount rate	1.08%	0.52%
Future salary increase rate	1.00%	1.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2022 is $885 thousand.

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

6) Sensitivity analysis

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

		Impact on the defined benefit obligations	
		Increased 0.50%	Decreased 0.50%
December 31, 2022			
Discount rate(changes in 0.5%)	$	(2,390)	2,813
Future salary increasing rate(change in 0.5%)		2,790	(2,403)
December 31, 2021			
Discount rate(changes in 0.5%)	$	(2,702)	6,926
Future salary increasing rate(change in 0.5%)		6,853	(2,703)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The pension costs incurred from the contributions to the Bureau of the Labor Insurance were as follows :

	2022	2021
Operating expenses	$ 22,672	21,042

(p) Income taxes

(i) Income tax expenses

The components of income tax in the years 2022 and 2021 were as follows:

	2022	2021
Current tax expenses		
Current period	$ 29,417	44,702
Adjustment for prior periods	(2,405)	(310)
	27,012	44,392
Deferred tax expense		
Origination and reversal of temporary differences	14,532	(153)
Income tax expenses	$ 41,544	44,239

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ (371)	1,123

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Profit excluding income tax	$ 220,007	222,518
Income tax using the Company′ s domestic tax rate	44,001	44,503
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	(128)	(302)
Non-deductible expenses	(4,460)	(6,231)
Adjustments for prior periods	(2,405)	(310)
Others	4,536	6,579
Income tax expenses	$ 41,544	44,239

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

		Defined Benefit Plans	Inventory valuation and obsolescence loss	Investments accounted for using equity method	Others	Total
January 1, 2022	$	11,370	4,240	25,869	2,127	43,606
Recognized in profit or loss		(287)	(92)	(13,219)	(219)	(13,817)
Recognized in other comprehensive income		371	-	-	-	371
December 31, 2022	**$**	**11,454**	**4,148**	**12,650**	**1,908**	**30,160**
January 1, 2021	$	13,161	4,204	24,662	2,549	44,576
Recognized in profit or loss		(668)	36	1,207	(422)	153
Recognized in other comprehensive income		(1,123)	-	-	-	(1,123)
December 31, 2021	**$**	**11,370**	**4,240**	**25,869**	**2,127**	**43,606**

Deferred Tax Liabilities:

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

(iii) Assessment of tax

As of December 31, 2022, the assessment of the income tax returns of the Group is as follows.

Company name	Years of Assessment
The Company	2020
Chyun Huei Commercial Technologies Inc.	2020
TISNet Technology Inc.	2020

(q) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company′ s authorized capital were both $2,000,000 thousand, and issued capital were both $885,600 thousand, with a par value of $10, both of which were 88,560 thousand shares. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

		December 31, 2022	December 31, 2021
Common stock premium	$	75,600	75,600
Employee share options		4,492	4,492
Total	$	80,092	80,092

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

(iii) Retained earnings

According to the Company′ s Articles of Incorporation, current year′ s earnings, if any, shall be distributed in the following order: offset prior years′ operation losses (including adjustments to the amount of undistributed surplus); legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company′ s total capital stock. Allocation or reverse of special reserves as required by law or government authorities. On June 15, 2022, the regular shareholders′ meeting resolved that if the amount set aside for "the cumulative net increase in fair value of investment property from the preceding period" and "the cumulative decrease in equity of the prior period" are insufficient, the equal amount of special reserve should be set aside based on the undistributed earnings before distributing earnings. If there remains any deficiency, the remaining amount required should be set aside from the amount of the after-tax net profit for the period, plus items other than the after-tax net profit for the period. The remaining net profits and the retained earnings from previous years (including adjustments to the amount of undistributed surplus), if any, the Board of Directors will prepare a distribution proposal and submit the same to the shareholders′ meeting for review and approval by a resolution.

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

1) Legal reserve

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

2) Special reserve

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

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

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

3) Earning distribution

Earing distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 19, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021	2020
Legal reserve	$ 18,277	13,352
Special reserve	82	(173)
Cash dividends	159,408	119,556
Dividend per share (NT$)	1.8	1.35

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

		Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2022	$	(3,978)
Exchange differences on foreign operations		70
Balance at December 31, 2022	$	(3,908)
Balance at January 1, 2021	$	(3,896)
Exchange differences on foreign operations		(82)
Balance at December 31, 2021	$	(3,978)

(r) Earnings per share

		2022	2021
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$	178,463	178,279
Weighted average number of ordinary shares outstanding		88,560	88,560
Basic earnings per share (dollar)	$	2.02	2.01
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$	178,463	178,279
Weighted average number of ordinary shares outstanding		88,560	88,560
Effect of potentially dilutive ordinary shares			
Effect of employee shares bonus		551	568
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)		**89,111**	**89,128**
Diluted earnings per share (dollar)	$	2.00	2.00

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2022	2021
Sale of goods	$	3,507,683	3,370,891
Rendering of services		703,619	774,287
Leasing revenue		135,338	126,705
Total	$	4,346,640	4,271,883

Timing of revenue recognition:

At a point in time	$	3,643,021	3,497,596
Over time		703,619	774,287
Total	$	**4,346,640**	**4,271,883**

(ii) Contract balances

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

		December 31, 2022	**December 31, 2021**	**January 1, 2021**
Sales of goods	$	321,578	551,616	359,808
Rendering of services		13,659	9,112	6,673
Total	$	**335,237**	**560,728**	**366,481**
Current	$	238,505	375,421	256,548
Non-current		96,732	185,307	109,933
Total	$	**335,237**	**560,728**	**366,481**

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

The significant changes in the Group′ s balances of contract assets during the years ended December 31, 2022 and 2021, are as follows:

		2022	**2021**
The opening balance transferred to accounts receivable	$	(390,592)	(256,196)
Change in the measure of progress		165,101	450,443
Net movements for the period	$	**(225,491)**	**194,247**

2) Contract liabilities

		December 31, 2022	**December 31, 2021**	**January 1, 2021**
Sale of goods	$	120,985	71,097	52,285
Rendering of services		15,588	7,842	8,716
Total	$	**136,573**	**78,939**	**61,001**

The significant changes in the Group′ s balances of contract liabilities during the years ended December 31, 2022 and 2021, are as follows:

		2022	2021
The opening balance transferred to revenue	$	(76,997)	(58,297)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)		134,631	76,235
Net movements for the period	**$**	**57,634**	**17,938**

(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.

For the years ended December 31, 2022 and 2021, the amount of employees' compensation provided by the Company was $18,500 thousand and $18,000 thousand respectively, and the amount of directors' remuneration was $3,937 thousand and $3,017 thousand respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss of the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. The information is available on the Market Observation Post System website. There was no difference between the amounts approved in the Board of Directors′ meeting and the amounts estimated in the 2022 and 2021 consolidated financial statements.

(u) Non-operating income and expenses

(i) Interest income

		2022	2021
Interest income from bank deposits	$	807	503
Interest income from financial assets measured at amortized cost		764	585
Others		5,363	3,644
Total interest income	**$**	**6,934**	**4,732**

(ii) Other income

		2022	2021
Government grant income	$	10,003	1,448
Dividend income		840	-
Others		3,911	4,924
Total other income	**$**	**14,754**	**6,372**

(iii) Other gains and losses

		2022	2021
Gains on disposal of property, plant and equipment	$	1,777	15
Income from sub-leasing right-of-use assets		219	-
Foreign exchange gains (losses)		4,006	(1,010)
Net value on other gains and losses	**$**	**6,002**	**(995)**

(iv) Finance costs

		2022	2021
Interest expense	$	2,169	686
Interest on lease liabilities		612	796
Total finance costs	**$**	**2,781**	**1,482**

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2022 and 2021, the Group′s exposure to credit risk and the maximum exposure were mainly from the carrying amount of financial assets and contract assets recognized in the consolidated balance sheet.

2) Concentration of credit risk

As of December 31, 2022 and 2021, contract assets and accounts receivables from top ten customers represent 50% and 48% of the total contract assets and accounts receivables of the Group, respectively. The concentration of credit risk of the remaining contract assets and accounts receivables is relatively insignificant.

Credit risk from bank deposits and other financial instruments is managed by the 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) Receivables and debt securities

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

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

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

		December 31, 2022	December 31, 2021	January 1, 2021
Total carrying amount (including current and non-current)	$	335,237	560,728	366,481
Expected credit loss rates		0%	0%	-
Loss allowance		-	-	-
Total	**$**	**335,237**	**560,728**	**366,481**

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

		December 31, 2022	December 31, 2021	January 1, 2021
Operating lease receivable	$	9,586	19,292	15,103
Finance lease receivable		21,082	32,552	40,843
Total carrying amount (including current and non-current)		30,668	51,844	55,946
Expected credit loss rates		0%	0%	0%
Loss allowance		-	-	-
Total	**$**	**30,668**	**51,844**	**111,892**

The movement in the provision for impairment of contract assets, lease receivables, other receivables, and long-term receivables during the years ended December 31, 2022 and 2021 is as follows:

		Contract assets	Lease receivables	Other receivables	long-term receivables
January 1, 2022	$	-	-	-	913
Write off		-	-	-	-
Effect of exchange rate changes		-	-	-	-
December 31, 2022	$	-	-	-	913
January 1, 2021	$	-	-	5,734	913
Write off		-	-	(5,734)	-
Effect of exchange rate changes		-	-	-	-
December 31, 2021	$	-	-	-	913

(ii) Liquidity risk

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

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

		Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2022							
Non-derivative financial liabilities							
Short-term Loans	$	240,000	240,786	240,786	-	-	-
Short-term notes and bills payable		59,978	60,000	60,000	-	-	-
Accounts Payable (including related parties)		1,281,437	1,281,437	1,215,488	50,249	15,700	-
Guarantee Deposits received (including related parties)		312	312	312	-	-	-
Lease liabilities		161,860	166,470	105,880	51,985	8,605	-
	$	1,743,587	1,749,005	1,622,466	102,234	24,305	-
December 31, 2021							
Non derivative financial liabilities							
Short-term Loans	$	50,000	50,042	50,042	-	-	-
Accounts Payable (including related parties)		1,292,744	1,292,744	1,204,993	87,751	-	-
Guarantee Deposits received		528	528	528	-	-	-
Lease liabilities		230,285	232,664	117,403	114,497	764	-
	$	1,573,557	1,575,978	1,372,966	202,248	764	-

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

	December 31, 2022		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 1,774	30.7100	54,463
CNY	33,589	4.4090	148,094
Financial liabilities			
Monetary items			
USD	678	30.7100	20,829
CNY	1,380	4.4090	6,085

	December 31, 2021		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 1,458	27.6800	40,359
CNY	20,624	4.3440	89,589
Financial liabilities			
Monetary items			
USD	739	27.6800	20,462
CNY	909	4.3440	3,950

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 December 31, 2022 and 2021, 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 $1,756 thousand and $1,055 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 years ended 2022 and 2021, net foreign exchange gains (losses) are amounted to $4,006 thousand, and $(1,010) 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 $240 thousand and $50 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group′ s borrowing at variable rates.

5) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

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

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the 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:

(Continued)

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

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

The 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

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

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

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

4) Transfers between Level 1 and Level 2

The valuation techniques of the Group remained unchanged. No transfers were made between the fair value levels in the hierarchy for the years ended December 31, 2022 and 2021.

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.

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 December 31, 2022)	·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	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
	Inputs	Movements	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	322	(322)	-	-

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

(w) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivables and lease receivables) and financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group′ s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group′ s internal rating criteria etc. Certain counter parties′ credit risk will also be managed by taking credit enhancing procedures, such as requesting for advance receipts.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for contract assets and accounts receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk and then further determines the method of measuring the loss allowance and the loss rates.

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

(iv) Liquidity risk

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

(v) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

1) Currency risk

The Group′s exposure to the risk of changes in foreign exchange rates relates primarily to the Group′s operating activities (when revenues or expenses are denominated in a different currency from the Group′s functional currency) and the Group′s net investments in foreign subsidiaries.

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

2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group′s exposure to the risk of changes in market interest rates relates primarily to the Group′s debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

(x) Capital management

The primary purpose of the 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, 2022	Cash flows	Others	December 31, 2022
Short-term loans	$ 50,000	190,000	-	240,000
Short-term notes and bills payables	-	59,978	-	59,978
Lease liabilities	230,285	(124,704)	56,279	161,860
Guarantee Deposits received	528	(216)	-	312
Total liabilities from financing activities	**$ 280,813**	**125,058**	**56,279**	**462,150**

	January 1, 2021	Cash flows	Others	December 31, 2021
Short-term loans	$ 50,000	-	-	50,000
Lease liabilities	180,429	(62,318)	112,174	230,285
Guarantee Deposits received	564	(36)	-	528
Total liabilities from financing activities	**$ 230,993**	**(62,354)**	**112,174**	**280,813**

(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 statementsconsolidated financial statements.

Name of related party	Relationship with the Group
Tatung Co.	Parent company
I-Torch Technology Corp.	Associates
Tatung University	Other related party (note 1)
Tatung Senior High School	Other related party (note 2)
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
Chunghwa Picture Tubes, Ltd.	Other related party
TOES Opto-Mechatronics Co., Ltd.	Other related party
Nature Worldwide Technology Corp.	Other related party
Forward Electronics Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Okuma Co., Ltd.	Other related party
Hsieh-Chih Industrial Library Publishing Co.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	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
Chinese Taipei Football Association	Other related party(Note 3)

Note 1: On December 22, 2021, Tatung University had been classified as non-relate party.

Note 2: On December 22, 2021, Tatung Senior High School had been classified as non-relate party.

Note 3: On January 7, 2022, Chinese Taipei Football Association had been classified as non-relate party.

(b) Significant transactions with related parties

(i) Sales

		2022	2021
Parent company	$	208,692	191,871
Associates		57	121
Other related parties		14,311	30,859
	$	**223,060**	**222,851**

The Group 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:

2022		2021	
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

	2022	2021
Parent company	$ 57,552	2,187
Associates	-	2,221
Other related parties	4,744	3,316
	$ 62,296	**7,724**

The Group 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:

	2022		2021	
Location	**Related party**	**Arm′ s length customer**	**Related party**	**Arm′ s length customer**
Domestic	O/A 60-90 days	O/A 30-90 days	O/A 60-90 days	O/A 30-90 days
Oversea	30-90 days after QC	30-60 days after QC	30-60 days after QC	30-60 days after QC

(iii) Operating expenses

	2022	2021
Parent company	$ 10,046	13,373
Other related parties	22,241	22,643
	$ 32,287	**36,016**

(iv) Property transaction

	2022	2021
Acquisition of assets		
Other related parties	**$ 81**	**-**

(v) Contract Assets

Account	Relationship	December 31, 2022	December 31, 2021
Contract assets, current	Parent company	$ 57,985	71,210
〃	Other related parties	85	-
Contract assets, non-current	Parent company	55,923	113,908
		$ 113,993	**185,118**

(vi) Receivables from related parties

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Parent company	$ 71,890	35,408
〃	Tatung Medical & Healthcare Technologies Co., Ltd.	921	6,282
〃	Other related parties	1,270	3,522
Operating lease receivable	Parent company	57	46
〃	Other related parties	14	5
Finance lease receivable	Parent company	1,608	863
		$ 75,760	46,126
Long-term receivables	Parent company	92,984	-
〃	Nature Worldwide Technology Corp.	913	913
Long-term finance lease receivable	Parent company	4,143	2,033
Total		98,040	2,946
Less: loss allowance		(913)	(913)
Net amount		$ 97,127	2,033

(vii) Refundable deposits

	December 31, 2022	December 31, 2021
Shan-Chin Asset Development Co.	$ 3,525	4,019

(viii) Guarantee deposits received

	December 31, 2022	December 31, 2021
Parent company	$ 130	-

(ix) Payables to related parties

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable - related parties	Parent company	$ 13,820	314
〃	Tatung University	-	2,286
〃	Shan-Chin Asset Development Co.	-	394
〃	Tatung Medical & Healthcare Technologies Co., Ltd.	4,500	-
〃	Other related parties	-	210
		$ 18,320	3,204
Long-term payables - related parties	Parent company	$ 35,949	-
Other payables	Parent company	$ 1,540	1,491
〃	Other related parties	387	390
		$ 1,927	1,881

(x) Contract liabilities

Account	Relationship	December 31, 2022	December 31, 2021
Contract liabilities, current	Parent company	$ 2,019	1,848
〃	Other related parties	133	97
		$ 2,152	1,945

(xi) Leases to related parties

	Right-of-use assets	
	December 31, 2022	December 31, 2021
Shan-Chin Asset Development Co.	$ 22,240	44,332

	Lease liabilities (including current and non-current)	
	December 31, 2022	December 31, 2021
Shan-Chin Asset Development Co.	$ 22,517	44,634

	Finance costs	
	For the years ended December 31	
	2022	2021
Parent company	$ -	1
Shan-Chin Asset Development Co.	367	622
	$ 367	623

(xii) Interest income

	2022	2021
Shan-Chin Asset Development Co.	$ 30	30

(xiii) Others matters

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

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

(c) Key management personnel compensation

	2022	2021
Short-term employee benefits	$ 21,445	17,606

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Financial assets measured at amortized cost -current	Performance guarantee	$ 7,941	6,811
Financial assets measured at amortized cost -non-current	Performance guarantee	55,432	37,098
Accounts receivable－related parties	Sale with recourse	1,126	1,149
		$ 64,499	45,058

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:

	December 31, 2022	
Contracting Party	Transfer amount	Advance amount
Taishin International Bank	$ 1,126	-

	December 31, 2021	
Contracting Party	Transfer amount	Advance amount
Taishin International Bank	$ 1,149	-

(9) Commitments and contingencies:

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

Item	Target	December 31, 2022	December 31, 2021
Guarantee notes submitted	Business collaboration, project agency and application for bank financing	$ 534,524	310,451
Deposit bank guarantee	business collaboration	$ 1,927	15,703

(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 years ended December 31					
	2022			2021		
By function / By item	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits						
Salary	1,064	494,070	495,134	858	481,960	482,818
Labor and health insurance	140	46,964	47,104	111	45,225	45,336
Pension	64	23,268	23,332	52	22,041	22,093
Others	-	24,756	24,756	-	22,136	22,136
Depreciation	98,925	45,181	144,106	85,810	41,191	127,001
Amortization	222	4,038	4,260	222	2,863	3,085

(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	286,558	128,500	50,000	-	-	3.49%	716,394	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	286,558	114,000	114,000	-	-	7.96%	716,394	Y	N	N

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

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

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

(1) An investee that has a business relationship with the Company.

(2) A subsidiary in which the Company holds directly over 50% of equity interest.

(3) An investee in which the Company and its subsidiaries hold over 50% of equity interest.

(4) An investee in which the Company holds directly or indirectly over 90% of equity interest.

(5) A company which needs mutual insurance basing on the construction agreement.

(6) A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.

(7) The performance guarantee of the preconstruction real estate contact between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

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

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

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

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

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

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

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

(iii) Securities held as of December 31, 2022 (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	18,200	9.33%	18,200	

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

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

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

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

(In Thousands of New Taiwan Dollars)

Purchaser (seller)	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	Sales	(137,180)	(3.75)%	O/A 30-90 days	No significant difference	O/A 30-150 days	132,602	13.10%	Note 1

Note 1: The Company has a contract assets amounted to $113,908 thousand to tatung Co.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		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	132,602	1.68	-		6,856	-

(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	Account receivable - related parties	25,338	According to the conditions in the contract	1%
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Long term receivable - related parties	40,107	"	1%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Account payable- related parties	66,514	"	2%

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee company	Inverstment income (loss) recognized	Note
				December 31, 2022	December 31, 2021	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	42,740	42,740	11,000,000	100.00%	143,633	9,496	9,496	
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Type Ⅱ telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00%	83,356	12,557	12,557	
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%	4,583	1,235	247	

Note: The transactions among the consolidated entities were written off in 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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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)	(2,564) (RMB580)	100.00%	(2,564)	1,732	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	137,404 (USD 4,606)	859,673

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

(1) Direct investment in Mainland China.

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

(3) Other methods

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

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

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

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 30.71 as of December 31, 2022.

(iii) Significant transactions:

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

(d) Major shareholders

Shareholder′s Name \ Shareholding	Shares	Percentage
Tatung Co.	37,819,027	42.70%
Hsu, I-Yin	8,966,000	10.12%
Genesis Technology Inc.	7,200,000	8.13%
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 TWSE 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.

V. Separate Financial Statements in the Most Recent Year

Independent Auditors' Report Translated from Chinese

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

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Revenue Recognition

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

(a) Description of the key audit matter:

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

(b) Audit procedures performed:

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

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

2. Inventory

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

(a) Description of the key audit matter:
The inventory of the Company is an important asset for its operation. As of December 31, 2022, the net carrying value of inventory was $754,939 thousand, accounting for 23% of the total assets. Since inventory is a key component of the Company's assets and the amount is considered material. Therefore, the existence of inventory is one of the key audit matters.

(b) Audit procedures performed:
The main audit procedures of the key audit matter mentioned above include:
· Understanding and testing the design and implementation of internal controls over the buying cycle.
· Selecting samples for taking inventory.
· For the inventory that has been delivered to the customer at the end of the period and has not yet been completed for acceptance, we tested whether the inventory received the delivery order signed by the customer, selected orders or contracts to examine the trading conditions.

Other Matter

The financial statements of the Company as of and for the year ended December 31, 2021, were audited by other auditors and issued unmodified opinions with other matter paragraphs at March 3, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2023

Notice to Readers

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 458,776	14	491,310	16
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	21,009	1	65,968	2
1140	Contract assets, current (Notes 6(s), (v) and 7)	233,020	7	367,302	12
1150	Notes receivable, net (Note 6(d))	14,809	1	4,140	-
1170	Accounts receivable, net (Note 6(d))	710,966	22	474,775	16
1180	Accounts receivable－related parties, net (Notes 6(d), 7 and 8)	66,401	2	90,651	3
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	9,266	-	19,058	1
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	10,361	-	16,951	1
1200	Other receivables (Note 6(v))	926	-	170	-
130X	Inventories (Note 6(g))	754,939	23	564,478	18
1410	Prepayments	13,988	-	27,906	1
	Total current assets	2,294,461	70	2,122,709	70
	Non-current assets:				
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	18,200	1	-	-
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	57,094	2	36,859	1
1550	Investments accounted for using equity method (Note 6(h))	233,304	7	233,059	8
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	96,732	3	185,307	6
1600	Property, plant and equipment (Note 6(i))	79,839	2	99,241	3
1755	Right-of-use assets (Notes 6(j) and 7)	132,217	4	156,167	5
1780	Intangible assets (Note 6(k))	6,132	-	7,195	-
1840	Deferred tax assets (Note 6(p))	28,918	1	42,224	1
1920	Refundable deposits (Note 7)	98,417	3	82,277	3
1932	Long-term receivables, net (Notes 6(d) and 7)	219,301	7	75,689	3
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	8,315	-	11,955	-
	Total non-current assets	978,469	30	929,973	30
	Total assets	$ 3,272,930	100	3,052,682	100

4-1

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Balance Sheets (CONT' D)

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022			December 31, 2021	
	Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
	Current liabilities:					
2100	Short-term loans (Note 6(l))	$	240,000	7	50,000	2
2110	Short-term notes and bills payable (Note 6(m))		59,978	2	-	-
2130	Contract liabilities, current (Notes 6(s) and 7)		132,065	4	73,466	2
2150	Notes payable		2,871	-	2,192	-
2170	Accounts payable		854,274	26	850,697	28
2180	Accounts payable－related parties (Note 7)		21,484	1	9,056	-
2200	Other payables (Notes 6(q) and 7)		218,975	7	222,797	7
2230	Current tax liabilities (Note 6(p))		25,202	1	37,791	1
2250	Provisions, current		241	-	465	-
2280	Lease liabilities, current (Notes 6(n) and 7)		98,670	3	112,505	4
2300	Other current liabilities		6,475	-	25,479	1
	Total current liabilities		1,660,235	51	1,384,448	45
	Non-Current liabilities:					
2570	Deferred tax liabilities (Note 6(p))		715	-	-	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)		59,772	2	111,746	4
2610	Long-term payables		30,000	1	87,751	3
2620	Long-term payables－related parties (Note 7)		35,949	1	-	-
2640	Net defined benefit liabilities, non－current (Note 6(o))		53,240	1	53,119	2
2645	Guarantee deposits received (Note 7)		231	-	474	-
	Total non-current liabilities		179,907	5	253,090	9
	Total liabilities		1,840,142	56	1,637,538	54
	Equity attributable to owners of parent (Note 6(q)):					
3110	Common stock		885,600	27	885,600	29
3200	Capital surplus		80,092	2	80,092	2
	Retained earnings:					
3310	Legal reserve		283,678	9	265,401	9
3320	Special reserve		3,978	-	3,896	-
3350	Unappropriated earnings		183,348	6	184,133	6
	Total retained earnings		471,004	15	453,430	15
3400	Other equity		(3,908)	-	(3,978)	-
	Total equity		1,432,788	44	1,415,144	46
	Total liabilities and equity	$	3,272,930	100	3,052,682	100

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(s) and 7)**	$ 3,662,358	100	3,618,049	100
5000	**Operating costs (Notes 6(g) and 7)**	2,873,950	78	2,839,921	79
5950	**Gross profit**	788,408	22	778,128	21
6000	**Operating expenses (Notes 6(d), (o), (t) and 7):**				
6100	Selling expenses	399,562	11	369,876	10
6200	Administrative expenses	134,161	4	152,801	4
6300	Research and development expenses	84,327	2	73,922	2
6450	Expected credit losses (gains)	137	-	(70)	-
	Total operating expenses	618,187	17	596,529	16
6900	**Net operating income**	170,221	5	181,599	5
7000	**Non-operating income and expenses (Notes 6(h), (u) and 7):**				
7100	Interest income	6,327	-	4,330	-
7010	Other income	14,613	-	5,651	-
7020	Other gains and losses	6,185	-	(1,577)	-
7050	Finance costs	(2,588)	-	(1,272)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	19,736	1	25,121	1

5

	Total non-operating income and expenses	44,273	1	32,253	1
7900	**Profit from continuing operations before tax**	214,494	6	213,852	6
7950	**Less: Income tax expenses (Note 6(p))**	36,031	1	35,573	1
	Net income	178,463	5	178,279	5
8300	**Other comprehensive (loss) income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(1,581)	-	5,476	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	(216)	-	109	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	316	-	(1,095)	-
	Total items that may not be reclassified subsequently to profit or loss	(1,481)	-	4,490	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	70	-	(82)	-
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	70	-	(82)	-
8300	**Other comprehensive (loss) income**	(1,411)	-	4,408	-
	Total comprehensive income	$ 177,052	5	182,687	5
	Basic earnings per share (NT dollars) (Note 6(r))				
	Basic earnings per share	$	2.02		2.01
	Diluted earnings per share	$	2.00		2.00

6

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

			Retained Earnings			Other Equity	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
Balance on January 1, 2021	$ 885,600	80,092	252,049	4,069	134,099	(3,896)	1,352,013
Net income for the year ended December 31, 2021	-	-	-	-	178,279	-	178,279
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	4,490	(82)	4,408
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	182,769	(82)	182,687
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	13,352	-	(13,352)	-	-
Cash dividends	-	-	-	-	(119,556)	-	(119,556)
Special reserve	-	-	-	(173)	173	-	-
Balance on December 31, 2021	885,600	80,092	265,401	3,896	184,133	(3,978)	1,415,144
Net income for the year ended December 31, 2022	-	-	-	-	178,463	-	178,463
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(1,481)	70	(1,411)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	176,982	70	177,052
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	18,277	-	(18,277)	-	-
Special reserve	-	-	-	82	(82)	-	-
Cash dividends	-	-	-	-	(159,408)	-	(159,408)
Balance on December 31, 2022	**$ 885,600**	**80,092**	**283,678**	**3,978**	**183,348**	**(3,908)**	**1,432,788**

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statements of Non-Consolidated Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		2022	2021
Cash flows from (used in) operating activities:			
Profit before tax	$	214,494	213,852
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		130,654	112,389
Amortization expense		3,732	2,378
Expected credit loss (gain)		137	(70)
Interest expense		2,588	1,272
Interest income		(6,327)	(4,330)
Dividend income		(840)	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(19,736)	(25,121)
Gain on disposal of property, plan and equipment		(1,777)	(15)
Gain on disposal of other assets		(219)	(1)
Total adjustments to reconcile profit (loss)		108,212	86,502
Changes in operating assets and liabilities:			
Contract assets		222,857	(186,128)
Notes receivable		(10,669)	(2,696)
Accounts receivable		(236,328)	(17,870)
Accounts receivable–related parties		24,250	(15,461)
Operating lease receivable		9,792	(4,462)
Finance lease receivable		10,305	3,289
Other receivables		(688)	51
Inventories		(223,251)	(35,442)
Prepayments		13,918	3,151
Long-term receivables		(143,612)	(48,983)
Long-term finance lease receivable		3,640	5,697
Contract liabilities		58,599	20,063
Notes payable		679	(32,023)
Accounts payable		3,577	208,194
Accounts payable–related parties		12,428	482
Other payables		(4,985)	22,685
Other current liabilities		(19,228)	17,936
Net defined benefit liabilities		(1,460)	(3,572)
Other operating liabilities		(21,802)	87,751
Total adjustments		(193,766)	109,164
Cash generated from operations		20,728	323,016
Income taxes paid		(34,283)	(27,129)
Net cash flows from (used in) operating activities		(13,555)	295,887

7

Cash flows from (used in) investing activities:		
Acquisition of financial assets measured at amortized cost	(82,632)	(209,433)
Disposal of financial assets measured at amortized cost	107,356	160,024
Acquisition of financial assets at fair value through profit or loss	(18,200)	-
Acquisition of property, plant and equipment	(10,715)	(18,906)
Disposal of property, plant and equipment	10,634	27
Increase in refundable deposits	(16,140)	(6,235)
Acquisition of intangible assets	(2,669)	(6,841)
Interest received	6,259	4,282
Dividends received	20,185	7,121
Net cash flows from (used in) investing activities	14,078	(69,961)
Cash flows from (used in) financing activities:		
Increase in short-term loans	190,000	-
Increase in short-term notes and bills payable	59,978	-
Decrease in guarantee deposits received	(243)	(34)
Payment of lease liabilities	(121,062)	(58,736)
Cash dividends paid	(159,408)	(119,556)
Interest paid	(2,322)	(1,245)
Net cash flows from (used in) financing activities	(33,057)	(179,571)
Net (decrease) increase in cash and cash equivalents	(32,534)	46,355
Cash and cash equivalents at beginning of period	491,310	444,955
Cash and cash equivalents at end of period	$ **458,776**	**491,310**

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

TATUNG SYSTEM TECHNOLOGIES INC.

Notes to Non consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

1. Company history

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

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

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

2. Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 7, 2023.

3. New standards, amendments and interpretations adopted

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies

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

(a) Statement of compliance

These parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(b) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (NTD) unless otherwise stated.

(c) Foreign currencies

(i) Foreign currency transactions

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

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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

3) Exchange differences arising on a monetary item that forms part of a reporting entity′ s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(ii) Translation of financial statements in foreign currency

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollar at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss

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

2) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(i) The Company expects to settle the liability in its normal operating cycle
(ii) The Company holds the liability primarily for the purpose of trading
(iii) The liability is due to be settled within twelve months after the reporting period
(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Financial instruments

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

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

(i) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the accounts date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

Fair value through profit or loss (FVTPL)

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

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

(ii) Impairment of financial assets

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

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

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

2) the time value of money; and

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

The loss allowance is measures as follow:

1) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

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

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

4) For operating and financial lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(iii) Derecognition of financial assets

A financial asset is derecognized when:

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

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

3) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivables including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(iv) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

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

<u>Financial liabilities at amortized cost</u>

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

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

<u>Derecognition of financial liabilities</u>

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

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

(v) Offsetting of financial instruments

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

(g) Inventories

Inventories are valued at lower of cost and net realizable value item by item. Costs incurred in bringing each inventory to its present location and condition are accounted for using the weighted average method. For obsolete inventories, provision is made for allowance for inventory valuation and obsolescence loss.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is treated in accordance with IFRS 15 and not within the scope of inventories.

(h) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. The current period net income or loss and other comprehensive income or loss in the parent company only financial statement are same as the net income or loss and other comprehensive income or loss attributable to allocation holders of the parent in the consolidated financial statement. Additionally, the equity in the parent company only financial statement is the same as the equity attributable to equity holders of the parent in the consolidated financial statement. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the parent company only financial statements under IFRS 10 〃 Parent company only Financial Statements〃 and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company′ s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Using the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company′ s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company′ s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company′ s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Company′ s interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ʻshare of profit or loss of an associateʼ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

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

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

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

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

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

(j) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

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

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

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

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

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

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

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

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

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

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

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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

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

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

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

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 ″Impairment of Assets″ to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivables at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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

(l) Impairment of non financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset′ s recoverable amount. An asset′ s recoverable amount is the higher of an asset′ s or cash-generating unit′ s (″CGU″) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset′ s or cash-generating unit′ s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

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

(n) Revenue recognition

The Company′ s revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company′ s main source of revenue is the sale of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer has the right to use and gains almost all of the residual benefit). The main products of the Company are computer, communication, network-related equipment and software and revenue is recognized based on the consideration stated in the contract.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is treated in accordance with IAS 37.

The credit period of the Company′ s sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Additionally, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Company provides maintenance and other professional services for the sale of equipment. Such services are separately priced or negotiated, and provided based on contract period. As the Company provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Company. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight line method over the contract period.

Most of the contractual considerations of the Company are collected evenly throughout the contract period. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

Information System Services

The Company provides services for the management, development, design, import and support of enterprise information systems. Some of the contracts include hardware equipment and software agreements.

Most of the service contracts of the Company are customized integrated services provided according to customer demand and have enforceable rights for the payment of completed service. Therefore, revenue is recognized base on the completion ratio of services. The price of the service contract is usually fixed, and the contract price is collected in accordance with the schedule agreed with the customer. When the service provided by the Company exceeds the payment made by the customer, the contract assets are recognized. However, any payment by the customer in excess of the services already provided by the Company shall be regarded as a contract liability.

For contract agreements that include multiple deliverables of goods or services, the content of the contract is hardware equipment and maintenance services. Since maintenance services can also be performed by other manufacturers and do not involve integrated services, maintenance services are identified as separate performance obligations. The transaction price is based on the relative stand-alone selling price to allocate the contract price to each performance obligation. Revenue from the hardware equipment is recognized when the hardware equipment is delivered to the customer, the legal ownership is transferred to the customer and the customer has accepted the hardware equipment, and maintenance service is recognized when the obligation is fulfilled.

In addition, the Company provides quality warranty for the hardware equipment, and the provision is treated in accordance with IAS 37.

The contract between the Company and the customer provides the goods or services promised to the customer and the payment period from the customer does not exceed one year. Therefore, the Company does not adjust the transaction price for the time value of the currency.

(o) Government grants and government assistance

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

(p) Employee benefits

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

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

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

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

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

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

(q) Income taxes

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

<u>Current income tax</u>

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

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

Deferred tax

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Earnings per share

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

(s) Operating segments

Please refer to the consolidated financial report of TATUNG SYSTEM TECHNOLOGIES INC. for the years ended December 31, 2022 for operating segments information.

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

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(a) Measurement of defined benefit obligations

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

(b) Recognition of deferred tax assets

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

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

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

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

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 405	205
Bank drafts	458,371	432,161
Time deposits	-	58,944
Total	**$ 458,776**	**491,310**

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

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

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

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

	December 31, 2022
Financial assets designated at fair value through profit or loss:	
Non publicly listed stocks	$ 18,200

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

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

(c) Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Time deposit - General	$ 20,206	63,653
Time deposit - Restricted (Performance Guarantee)	57,897	39,174
Less: Loss allowance	-	-
Total	$ 78,103	102,827
Current	$ 21,009	65,968
Non-current	57,094	36,859
Total	$ 78,103	102,827

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

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

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

	December 31, 2022	December 31, 2021
Notes receivable arose from operation	$ 14,809	4,140
Less: Loss allowance	-	-
Subtotal	14,809	4,140
Accounts receivable	678,222	453,416
Installment accounts receivable	122,335	47,768
Less: Unrealized interest income-installment accounts receivable	(2,318)	(2,482)
Subtotal	798,239	498,702
Less: Loss allowance	(1,063)	(926)
Subtotal	797,176	497,776

Accounts receivable-related parties	$	18,558	51,423
Installment accounts receivable-related parties		186,900	97,801
Less: Unrealized interest income-installment accounts receivable-related parties		(5,966)	(5,885)
Subtotal		199,492	143,339
Less: Loss allowance		-	-
Subtotal		199,492	143,339
Total	**$**	**1,011,477**	**645,255**

Current	$	792,176	569,566
Non-current		219,301	75,689
Total	**$**	**1,011,477**	**645,255**

(i) Credit loss

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

December 31, 2022

Group 1

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	995,279	0%	-
0 to 60 days past due		8,250	0%	-
61 to 120 days past due		1,375	0%	-
121 to 180 days past due		1,180	59.24%	699
181 to 240 days past due		6,138	0.74%	46
241 to 365 days past due		22	100%	22
More than 366 days past due		-	0%	-
Total	**$**	**1,012,244**		**767**

Group 2

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 240 days past due	-	0%	-
241 to 365 days past due	137	100%	137
More than 366 days past du	159	100%	159
Total	**$ 296**		**296**

December 31, 2021

Group 1

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 629,528	0%	-
0 to 60 days past due	14,918	0%	-
61 to 120 days past due	1,428	43%	619
121 to 180 days past due	27	100%	27
181 to 240 days past due	51	100%	51
241 to 365 days past due	70	100%	70
More than 366 days past du	-	0%	-
Total	**$ 646,022**		**767**

Group 2

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 240 days past due	-	0%	-
241 to 365 days past due	-	0%	-
More than 366 days past due	159	100%	159
Total	**$ 159**		**159**

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

	2022	2021
Balance at January 1	$ 926	996
Impairment losses recognized	137	-
Impairment losses reserved	-	(70)
Balance at December 31	**$ 1,063**	**926**

The expected recovery of installment accounts receivable is as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 81,650	61,513
One to two year	73,762	18,922
More than two year	145,539	56,767
Total	**$ 300,951**	**137,202**

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

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

(e) Operating lease receivable (including related parties)

		December 31, 2022	December 31, 2021
Operating lease receivable	$	9,266	19,058
Less: Loss allowance		-	-
Total	$	9,266	19,058

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

		December 31, 2022	December 31, 2021
Less than one year	$	6,593	89,152
One to two years		6,296	2,813
Two to three years		5,642	2,655
Three to four years		4,957	2,388
Four to five years		2,200	2,105
More than five years		448	1,120
Present value of lease payments receivable	$	26,136	100,233

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

(f) Finance lease receivable (including related parties)

		December 31, 2022	December 31, 2021
Finance lease receivable	$	15,223	29,246
Less: Unearned finance income on finance lease		(187)	(340)
Subtotal (total carrying amount)		15,036	28,906
Less: Loss allowance		-	-
Subtotal		15,036	28,906
Finance lease receivable-related parties	$	3,640	-
Less: Unearned finance income on finance lease-related parties		-	-
Subtotal (total carrying amount)		3,640	-
Less: Loss allowance		-	-
Subtotal		3,640	-
Total	$	18,676	28,906
Current	$	10,361	16,951
Non-current		8,315	11,955
Total	$	18,676	28,906

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

	December 31, 2022	December 31, 2021
Less than one year	$ 10,548	17,290
One to two years	4,615	8,249
Two to three years	2,009	3,259
Three to four years	1,171	448
Four to five years	520	-
More than five years	-	-
Total lease payments receivable	18,863	29,246
Less: Unearned finance income on finance lease	(187)	(340)
Less: Loss allowance	-	-
Present value of lease payments receivable	**$ 18,676**	**28,906**

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

(g) Inventories

The details of inventories are as follows:

	December 31, 2022	December 31, 2021
Inventory - merchandise	$ 84,241	97,182
Merchandise have been delivered and have not been accepted yet	670,698	467,296
Total	**$ 754,939**	**564,478**

(i) The Company's inventory costs recognized as expenses in 2022 and 2021were $2,873,950 thousand and $2,839,921 thousand, respectively.

(ii) No loss on decline in value of inventories was recognized for the write-down of inventories to net realizable value, and no gain on the reversal of the write-down of inventories was recognized for the increase in net realizable value or sale of inventories in 2022 and 2021.

(iii) As of December 31, 2022 and 2021, the inventories of the Company were not pledged as collateral .

(h) Investments accounted for using equity method

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

		December 31, 2022	December 31, 2021
Investments in subsidiaries	$	228,721	228,723
Investments in associates		4,583	4,336
	$	233,304	233,059

(i) Investments in subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Associates

	December 31, 2022		December 31, 2021	
Name of investee	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates				
I-Torch Technology Corp	$ 4,583	20%	4,336	20%

		2022	2021
Attributable to the Company			
Profit (loss) from continuing operations	$	247	(229)
Comprehensive income	$	247	(229)

(iii) As of December 31, 2022 and 2021, the investments accounted for using equity method of the Company were not pledged as collateral.

(i) Property, plant and equipment

		December 31, 2022	December 31, 2021
Owner occupied property, plant and equipment	$	19,132	24,302
Property, plant and equipment leased out under operating leases		60,707	74,939
Total	$	79,839	99,241

(i) The cost, depreciation, and impairment of the property, plant and equipment for the Company for the years ended December 31, 2022 and 2021 were as follows:

		Transportation equipment	Office equipment	Leasehold improvements	Total
Cost or deemed cost:					
Balance on January 1, 2022	$	38	74,022	8,947	83,007
Additions		-	6,935	4,677	11,612
Disposal		(38)	(17,645)	(3,398)	(21,081)
Other changes		-	882	-	882
Balance on December 31, 2022	**$**	**-**	**64,194**	**10,226**	**74,420**
Balance on January 1, 2021	$	540	59,385	9,717	69,642
Additions		-	18,426	650	19,076
Disposal		(502)	(4,526)	(1,420)	(6,448)
Other changes		-	737	-	737
Balance on December 31, 2021	**$**	**38**	**74,022**	**8,947**	**83,007**
Depreciation and impairment losses:					
Balance on January 1, 2022	$	38	51,143	7,524	58,705
Depreciation		-	7,938	869	8,807
Disposal		(38)	(8,788)	(3,398)	(12,224)
Balance on December 31, 2022	**$**	**-**	**50,293**	**4,995**	**55,288**
Balance on January 1, 2021	$	534	50,629	8,049	59,212
Depreciation		6	5,028	895	5,929
Disposal		(502)	(4,514)	(1,420)	(6,436)
Balance on December 31, 2021	**$**	**38**	**51,143**	**7,524**	**58,705**
Carrying amounts:					
Balance on December 31, 2022	**$**	**-**	**13,901**	**5,231**	**19,132**
Balance on January 1, 2021	**$**	**6**	**8,756**	**1,668**	**10,430**
Balance on December 31, 2021	**$**	**-**	**22,879**	**1,423**	**24,302**

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

		Office equipment
Cost or deemed cost:		
Balance on January 1, 2022	$	188,180
Disposal		(71,873)
Other changes		31,909
Balance on December 31, 2022	**$**	**148,216**

Balance on January 1, 2021	$	174,470
Disposal		(26,902)
Other changes		40,612
Balance on December 31, 2021	**$**	**188,180**
Depreciation and impairment losses:		
Balance on January 1, 2022	$	113,241
Depreciation		46,141
Disposal		(71,873)
Balance on December 31, 2022	**$**	**87,509**
Balance on January 1, 2021	$	93,040
Depreciation		47,103
Disposal		(26,902)
Balance on December 31, 2021	**$**	**113,241**
Carrying amounts:		
Balance on December 31, 2022	**$**	**60,707**
Balance on January 1, 2021	**$**	**81,430**
Balance on December 31, 2021	**$**	**74,939**

For the years ended December 31, 2022 and 2021, none of the borrowing costs arising from property, plant and equipment were capitalized and the property, plant and equipment were not pledged as collateral.

(j) Right-of-use assets

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

		Building	Transportation equipment	Office equipment	Other equipment	Total
Cost:						
Balance on January 1, 2022	$	68,225	13,043	1,053	181,939	264,260
Additions		25,344	2,905	228	26,775	55,252
Write-off		(8,109)	(2,596)	-	(49,365)	(60,070)
Balance on December 31, 2022	**$**	**85,460**	**13,352**	**1,281**	**159,349**	**259,442**
Balance on January 1, 2021	$	8,251	7,349	1,053	83,580	100,233
Additions		65,300	6,625	-	98,359	170,284
Write-off		(5,326)	(931)	-	-	(6,257)
Balance on December 31, 2021	**$**	**68,225**	**13,043**	**1,053**	**181,939**	**264,260**

	Building	Transportation equipment	Office equipment	Other equipment	Total
Accumulated depreciation and impairment losses:					
Balance on January 1, 2022	$ 24,128	5,681	495	77,789	108,093
Depreciation	25,233	3,556	243	46,674	75,706
Write-off	(4,613)	(2,596)	-	(49,365)	(56,574)
Balance on December 31, 2022	**$ 44,748**	**6,641**	**738**	**75,098**	**127,225**
Balance on January 1, 2021	$ 4,947	3,595	284	45,359	54,185
Depreciation	23,699	3,017	211	32,430	59,357
Write-off	(4,518)	(931)	-	-	(5,449)
Balance on December 31, 2021	**$ 24,128**	**5,681**	**495**	**77,789**	**108,093**
Carrying amount:					
Balance on December 31, 2022	**$ 40,712**	**6,711**	**543**	**84,251**	**132,217**
Balance on December 31, 2021	**$ 44,097**	**7,362**	**558**	**104,150**	**156,167**
Balance on January 1, 2021	**$ 3,304**	**3,754**	**769**	**38,221**	**46,048**

For the years ended December 31, 2022 and 2021, the right-of-use assets for the Company were not pledged as collateral.

(k) Intangible assets

The costs, amortization, and impairment loss of the Company′ s intangible assets for the years ended December 31, 2022 and 2021 were as follows:

	Computer software	Copyright	Total
Cost or deemed cost:			
Balance on January 1, 2022	$ 3,775	5,000	8,775
Additions-acquired separately	2,669	-	2,669
Disposal	(1,657)	-	(1,657)
Balance on December 31, 2022	**$ 4,787**	**5,000**	**9,787**
Balance on January 1, 2021	$ 1,124	2,000	3,124
Additions-acquired separately	3,841	3,000	6,841
Disposal	(1,190)	-	(1,190)
Balance on December 31, 2021	**$ 3,775**	**5,000**	**8,775**
Amortization and impairment losses:			
Balance on January 1, 2022	$ 1,080	500	1,580
Amortization	2,732	1,000	3,732
Disposal	(1,657)	-	(1,657)
Balance on December 31, 2022	**$ 2,155**	**1,500**	**3,655**
Balance on January 1, 2021	$ 292	100	392
Amortization	1,978	400	2,378
Disposal	(1,190)	-	(1,190)
Balance on December 31, 2021	**$ 1,080**	**500**	**1,580**

Carrying value:				
Balance on December 31, 2022	$	2,632	3,500	6,132
Balance on January 1, 2021	$	832	1,900	2,732
Balance on December 31, 2021	$	2,695	4,500	7,195

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

	2022	**2021**
Operating expenses	$ 3,732	2,378

(ii) Collateral

As of December 31, 2022 and 2021, the intangible assets of the Company were not pledged as collateral.

(l) Short-term loans

	December 31, 2022	**December 31, 2021**
Unsecured bank loans	$ 240,000	50,000
Unused short-term credit lines	$ 60,000	358,103
Range of interest rates	1.76%~2.16%	1.00%~1.15%

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

(m) Short-term notes and bills payable

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

(n) Lease liabilities

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

	December 31, 2022	**December 31, 2021**
Current	$ 98,670	112,505
Non-current	59,772	111,746
Total	$ 158,442	224,251

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interests on lease liabilities	$ 555	711
Income from sub-leasing right-of-use assets	$ 21,055	36,740
Expenses relating to short-term leases	$ 230	320

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

	2022	2021
Total cash outflow for leases	$ 121,847	59,767

(i) Real estate leases.

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

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

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

(ii) Other leases

The Company leases transportation equipment, some office equipment and other equipment, the lease terms usually range from 1 to 3 years.

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

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

(o) Employee benefits

(i) Defined benefit plans

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

		December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$	96,183	110,120
Fair value of plan assets		(42,943)	(57,001)
Net defined benefit liability(asset)	$	53,240	53,119

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

1) Composition of plan assets

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

The Company′ s Bank of Taiwan labor pension reserve account balance amounted to $42,943 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

		2022	2021
Defined benefit obligations at January 1	$	110,120	113,760
Current service costs and interest		936	979
Remeasurements loss (gain)			
- Actuarial loss (gain) arising from demographic assumptions		1,020	(1,482)
- Actuarial gain arising from financial assumptions		(2,993)	(2,809)
- Experience adjustment		7,847	(328)
Benefit paid		(20,747)	-
Defined benefit obligations at December 31	$	96,183	110,120

3) Movements of defined benefit plan assets

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

		2022	2021
Fair value of plan assets at January 1	$	(57,002)	(51,593)
Interest income		(297)	(160)
Contributions paid by the employer		(2,098)	(4,392)
Benefits paid		20,747	-
Remeasurement of the net defined benefit liability (asset)		(4,293)	(857)
Fair value of plan assets at December 31	**$**	**(42,943)**	**(57,002)**

4) Expenses recognized in profit or loss

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

		2022	2021
Current service costs	$	363	626
Net interest of net liabilities for defined benefit obligations		276	193
	$	**639**	**819**

5) Actuarial assumptions

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

	2022	2021
Discount rate	1.08%	0.52%
Future salary increase rate	1.00%	1.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2022 is $838 thousand.

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

6) Sensitivity analysis

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

	Impact on the defined benefit obligations		
		Increased 0.50%	Decreased0.50 %
December 31, 2022			
Discount rate(changes in 0.5%)	$	(2,390)	2,769
Future salary increasing rate(change in 0.5%)		2,747	(2,403)
December 31, 2021			
Discount rate(changes in 0.5%)	$	(2,631)	6,693
Future salary increasing rate(change in 0.5%)		6,622	(2,632)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

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

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2022 and 2021 amounted to $20,055 thousand and $18,727 thousand, respectively.

(p) Income taxes

(i) Income tax expenses

The components of income tax in the years 2022 and 2021 were as follows:

		2022	2021
Current tax expenses			
Current period	$	24,102	36,703
Adjustment for prior periods		(2,408)	(966)
		21,694	35,737
Deferred tax expense (income)			
Origination and reversal of temporary differences		14,337	(164)
Income tax expense	$	36,031	35,573

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

		2022	2021
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement from defined benefit plans	$	(316)	1,095

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows

		2022	2021
Profit excluding income tax	$	214,494	213,852
Income tax using the Company's domestic tax rate		42,899	42,770
Non-deductible expenses		(4,460)	(6,231)
Adjustments for prior periods		(2,408)	(966)
Income tax expenses	$	36,031	35,573

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

		Investments accounted for using equity method	Inventory valuation and obsolescence loss	Defined benefit plans	Others	Total
January 1, 2022	$	25,869	4,040	10,624	1,691	42,224
Recognized in profit or loss		(13,219)	-	(292)	(111)	(13,622)
Recognized in other comprehensive income		-	-	316	-	316
December 31, 2022	$	12,650	4,040	10,648	1,580	28,918
January 1, 2021	$	24,661	4,040	12,433	2,021	43,155
Recognized in profit or loss		1,208	-	(714)	(330)	164
Recognized in other comprehensive income		-	-	(1,095)	-	(1,095)
December 31, 2021	$	25,869	4,040	10,624	1,691	42,224

Deferred Tax Liabilities:

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

(iii) Assessment of tax

The Company′ s tax returns for the year through 2020 were assessed by the Taipei National Tax Administration.

(q) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company′ s authorized capital were both $2,000,000 thousand, and issued capital were both $885,600 thousand, with a par value of $10, both of which were 88,560 thousand shares. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Common stock premium	$ 75,600	75,600
Employee share options	4,492	4,492
Total	**$ 80,092**	**80,092**

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

(iii) Retained earnings

According to the Company′ s Articles of Incorporation, current year′ s earnings, if any, shall be distributed in the following order: offset prior years′ operation losses (including adjustments to the amount of undistributed surplus); legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company′ s total capital stock. Allocation or reverse of special reserves as required by law or government authorities. On June 15, 2022, the regular shareholders′ meeting resolved that if the amount set aside for "the cumulative net increase in fair value of investment property from the preceding period" and "the cumulative decrease in equity of the prior period" are insufficient, the equal amount of special reserve should be set aside based on the undistributed earnings before distributing earnings. If there remains any deficiency, the remaining amount required should be set aside from the amount of the after-tax net profit for the period, plus items other than the after-tax net profit for the period. The remaining net profits and the retained earnings from previous years (including adjustments to the amount of undistributed surplus), if any, the Board of Directors will prepare a distribution proposal and submit the same to the shareholders′ meeting for review and approval by a resolution.

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

1) Legal reserve

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

2) Special reserve

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

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

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

3) Earning distribution

Earning distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 19, 2021, respectively.The relevant dividend distributions to shareholders were as follows:

	2021	2020
Legal reserve	$ 18,277	13,352
Special reserve	82	(173)
Cash dividends	159,408	119,556
Dividend per share (NT$)	1.8	1.35

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

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2022	$ (3,978)
Exchange differences on foreign operations	70
Balance at December 31, 2022	$ (3,908)
Balance at January 1, 2021	$ (3,896)
Exchange differences on foreign operations	(82)
Balance at December 31, 2021	$ (3,978)

(r) Earnings per share

	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 178,463	178,279
Weighted average number of ordinary shares outstanding	88,560	88,560
Basic earnings per share (dollar)	$ 2.02	2.01

		2022	2021
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$	178,463	178,279
Weighted average number of ordinary shares outstanding		88,560	88,560
Effect of potentially dilutive ordinary shares			
Effect of employee shares bonus		551	568
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)		89,111	89,128
Diluted earnings per share (dollar)	$	2.00	2.00

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2022	2021
Sale of goods	$	2,938,332	2,793,920
Rendering of services		590,028	702,327
Leasing revenue		133,998	121,802
Total	$	3,662,358	3,618,049
Timing of revenue recognition:			
At a point in time	$	3,072,330	2,915,722
Over time		590,028	702,327
Total	$	3,662,358	3,618,049

(ii) Contract balances

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

		December 31, 2022	December 31, 2021	January 1, 2021
Sales of goods	$	316,093	543,497	359,808
Rendering of services		13,659	9,112	6,673
Total	$	329,752	552,609	366,481
Current	$	233,020	367,302	256,548
Non-current		96,732	185,307	109,933
Total	$	329,752	552,609	366,481

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

The significant changes in the Company′ s balances of contract assets during the years ended December 31, 2022 and 2021, are as follows:

		2022	2021
The opening balance transferred to accounts receivable	$	(382,473)	(256,196)
Change in the measure of progress		159,616	442,324
Net movements for the period	**$**	**(222,857)**	**186,128**

2) Contract liabilities

		December 31, 2022	December 31, 2021	January 1, 2021
Sale of goods	$	116,477	65,624	44,688
Rendering of services		15,588	7,842	8,715
Total	**$**	**132,065**	**73,466**	**53,403**

The significant changes in the Company′ s balances of contract liabilities during the years ended December 31, 2022 and 2021, are as follows:

		2022	2021
The opening balance transferred to revenue	$	(71,941)	(51,045)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)		130,540	71,108
Net movements for the period	**$**	**58,599**	**20,063**

(t) Employees′ compensation and directors' remuneration

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

For the years ended December 31, 2022 and 2021, the amount of employees' compensation provided by the Company was $18,500 thousand and $18,000 thousand respectively, and the amount of directors' remuneration was $3,937 thousand and $3,017 thousand respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss of the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. The information is available on the Market Observation Post System website. There was no difference between the amounts approved in the Board of Director's meeting and the amounts estimated in the 2022 and 2021 parent-company-only financial statements.

(u) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	$ 317	265
Interest income from financial assets measured at amortized cost	651	516
Others	5,359	3,549
Total interest income	**$ 6,327**	**4,330**

(ii) Other income

	2022	2021
Government grant income	$ 10,003	1,448
Dividend income	840	-
Others	3,770	4,203
Total other income	**$ 14,613**	**5,651**

(iii) Other gains and losses

	2022	2021
Gains on disposal of property, plant and equipment	$ 1,777	15
Income from sub-leasing right of use assets	219	-
Foreign exchange gains (losses)	4,189	(1,592)
Net value on other gains and losses	**$ 6,185**	**(1,577)**

(iv) Finance costs

	2022	2021
Interest expense	$ 2,033	561
Interest on lease liabilities	555	711
Total finance costs	**$ 2,588**	**1,272**

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2022 and 2021, the Company's exposure to credit risk and the maximum exposure were mainly from the carrying amount of financial assets and contract assets recognized in the balance sheet.

2) Concentration of credit risk

As of December 31, 2022 and 2021, contract assets and accounts receivable from top ten customers represent 54% of the total contract assets and accounts receivable of the Company. The concentration of credit risk of the remaining contract assets and accounts receivables is relatively insignificant.

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

3) Receivables and debt securities

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

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

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

	December 31, 2022	December 31, 2021	January 1, 2021
Total carrying amount (including current and non-current)	$ 329,752	552,609	366,481
Expected credit loss rates	0%	0%	-
Loss allowance	-	-	-
Total	**$ 329,752**	**552,609**	**366,481**

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

	December 31, 2022	December 31, 2021	January 1, 2021
Operating lease receivable	$ 9,266	19,058	14,596
Finance lease receivable	18,676	28,906	37,892
Total carrying amount (including current and non-current)	27,942	47,964	52,488
Expected credit loss rate	0%	0%	0%
Loss allowance	-	-	-
Total	$ 27,942	47,964	52,488

The movement in the provision for impairment of contract assets, lease receivables, and other receivables during the years ended December 31, 2022 and 2021 is as follows:

	Contract assets	Lease receivables	Other receivables
January 1, 2022	$ -	-	-
Additions/Reversals	-	-	-
Write off (Note)	-	-	-
December 31, 2022	$ -	-	-
January 1, 2021	$ -	-	5,366
Additions/Reversals	-	-	-
Write off (Note)	-	-	(5,366)
December 31, 2021	$ -	-	-

Note: The contractual amounts of financial assets for the Company, which have been written-off and are still under recourse activity, are $0 in the years 2022 and 2021.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term loans	$ 240,000	240,786	240,786	-	-	-
Short-term notes and bills payable	59,978	60,000	60,000	-	-	-
Accounts Payable (including related parties)	1,163,553	1,163,553	1,097,604	50,249	15,700	-
Guarantee deposits received	231	231	231	-	-	-
Lease liabilities	158,442	163,024	102,434	51,985	8,605	-
	$ 1,622,204	1,627,594	1,501,055	102,234	24,305	-

December 31, 2021						
Non derivative financial liabilities						
Short-term loans	$ 50,000	50,042	50,042	-	-	-
Accounts Payable (including related parties)	1,172,493	1,172,493	1,084,742	87,751	-	-
Guarantee deposits received	474	474	474	-	-	-
Lease liabilities	224,251	226,560	113,962	111,834	764	-
	$ 1,447,218	**1,449,569**	**1,249,220**	**199,585**	**764**	**-**

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

	December 31, 2022		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 1,745	30.7100	53,573
CNY	15,548	4.4090	68,549
Financial liabilities			
Monetary items			
USD	231	30.7100	7,090
CNY	296	4.4090	1,303

	December 31, 2021		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 1,458	27.6800	40,359
CNY	19,602	4.3440	85,149
Financial liabilities			
Monetary items			
USD	739	27.6800	20,462
CNY	1	4.3440	5

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, refundable deposits, accounts and other payables that are denominated in foreign currency. As of December 31, 2022 and 2021, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Company and the Company against the main foreign currencies would increase (decrease) profit before tax by $1,137 thousand and $1,050 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

3) Foreign exchange gains or losses on monetary items

Since the Company has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended 2022 and 2021, net foreign exchange gain (loss) amounted to $4,189 thousand, and $(1,592) thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate had increased/decreased by 10 basis points, the Company’ s net income would have increased/decreased by $240 thousand and $50 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Company’ s borrowing at variable rates.

5) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

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

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

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

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

4) Transfers between Level 1 and Level 2

The valuation techniques of the Company remained unchanged. No transfers were made between the fair value levels in the hierarchy for the years ended December 31, 2022 and 2021.

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	**Valuation technique**	**Significant unobservable inputs**	**Interrelationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through profit or loss—equity investments without an active market	Market approach	·Market liquidity discount rate (20% as of December 31, 2022)	·None

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

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

		Upward or downward	**Current profit (loss) arising from changes in fair value**		**Other comprehensive income arising from changes in fair value**	
	Inputs	**Movements**	**Favorable**	**Unfavorable**	**Favorable**	**Unfavorable**
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	322	(322)	-	-

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

(w) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivables and lease receivables) and financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company′ s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company′ s internal rating criteria etc. Certain counter parties′ credit risk will also be managed by taking credit enhancing procedures, such as requesting for advance receipts and insurance.

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

The Company adopted IFRS 9 to assess the expected credit losses. Except for contract assets and accounts receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Company makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk and then further determines the method of measuring the loss allowance and the loss rates.

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

(iv) Liquidity risk

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

(v) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

1) Currency risk

The Company′ s exposure to the risk of changes in foreign exchange rates relates primarily to the Company′ s operating activities (when revenues or expenses are denominated in a different currency from the Company′ s functional currency) and the Company′ s net investments in foreign subsidiaries.

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

2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company′ s exposure to the risk of changes in market interest rates relates primarily to the Company′ s debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

(x) Capital management

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

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

Reconciliation of liabilities arising from financing activities were as follows:

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

		January 1, 2021	Cash flows	Others	December 31, 2021
Short-term loans	$	50,000	-	-	50,000
Lease liabilities		171,822	(58,736)	111,165	224,251
Guarantee deposits received		508	(34)	-	474
Total liabilities from financing activities	**$**	**222,330**	**(58,770)**	**111,165**	**274,725**

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Tatung Co. is both the parent company and the ultimate controlling party of the Company. It owns 42.70% percent of all shares outstanding of the Company, and has issued the Consolidated Financial Statements available for Public Use.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Tatung Co.	Parent company
Chyun Huei Commercial Technologies Inc.	Subsidiaries
TISNet Technology Inc.	Subsidiaries
TSTI Technologies (Shanghai) Co., Ltd.	Subsidiaries
I-Torch Technology Corp.	Associates
Shan Chin Investment Co., Ltd.	Other related party
Shan-Chin Asset Development Co.	Other related party
Tatung Company of Japan Inc.	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Medical & Healthcare Technologies Co., Ltd.	Other related party
Chunghwa Picture Tubes, Ltd.	Other related party
TOES Opto-Mechatronics Co., Ltd.	Other related party
Nature Worldwide Technology Corp.	Other related party
Forward Electronics Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Okuma Co., Ltd.	Other related party
Hsieh-Chih Industrial Library Publishing Co.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	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
Tatung University	Other related party (Note 1)
Tatung Senior High School	Other related party (Note 2)
Chinese Taipei Football Association	Other related party (Note 3)

Note 1: On December 22, 2021, Tatung University had been classified as non-relate party.

Note 2: On December 22, 2021, Tatung Senior High School had been classified as non-relate party.

Note 3: On January 7, 2022, Chinese Taipei Football Association had been classified as non-relate party.

(c) Significant transactions with related parties

(i) Sales

	2022	2021
Parent company	$ 137,180	157,766
Subsidiaries	40,564	119,988
Associates	7	71
Other related parties	7,661	25,150
	$ 185,412	**302,975**

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

2022		**2021**	
Related party	**Arm′ s length customer**	**Related party**	**Arm′ s length customer**
O/A 30-90 day	O/A30-150 day	O/A30-90 day	O/A30-150 day

(ii) Purchases

	2022	2021
Parent company	$ 56,120	2,163
Subsidiaries	15,556	16,021
Associates	-	2,221
Other related parties	4,745	3,316
	$ 76,421	**23,721**

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

	2022		**2021**	
Location	**Related party**	**Arm′ s length customer**	**Related party**	**Arm′ s length customer**
Domestic	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days
Oversea	30-45 days after QC	30 days after QC	30-45 days after QC	30 days after QC

(iii) Operating expenses

		2022	2021
Parent company	$	10,046	10,066
Subsidiaries		2,829	3,861
Other related parties		19,637	19,883
	$	**32,512**	**33,810**

(iv) Property transaction

		2022	2021
Acquisition of assets			
Other related parties	**$**	**60**	**-**

(v) Contract Assets

Account	Relationship		December 31, 2022	December 31, 2021
Contract assets, current	Parent company	$	57,985	71,210
Contract assets, non-current	Parent company		55,923	113,908
		$	**113,908**	**185,118**

(vi) Receivables from related parties

Account	Relationship		December 31, 2022	December 31, 2021
Accounts receivable - related parties	Parent company	$	39,618	30,957
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.		25,338	30,413
〃	Subsidiary-TISNet Technology Inc.		-	20,208
〃	Subsidiary-Others		393	424
〃	Other related parties		1,052	8,649
Finance lease receivable	Parent company		780	-
		$	**67,181**	**90,651**

Account	Relationship	December 31, 2022	December 31, 2021
Long-term receivables	Parent company	92,984	-
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.	40,107	52,688
Long-term finance lease receivable	Parent company	2,860	-
		$ 135,951	52,688

(vii) Other receivables

	December 31, 2022	December 31, 2021
Subsidiary-TISNet Technology Inc.	$ 5	22

(viii) Refundable deposits

	December 31, 2022	December 31, 2021
Subsidiaries	$ 8,690	-
Other related parties	3,303	3,797
	$ 11,993	3,797

(ix) Guarantee deposits received

	December 31, 2022	December 31, 2021
Parent company	$ 130	-

(x) Payables to related parties

Account	Relationship	December 31, 2022		December 31, 2021
Accounts payable - related parties	Parent company	$	13,817	304
〃	Subsidiary-TISNet Technology Inc.		867	2,392
〃	Subsidiary-Chyun Huei Commercial Technologies Inc.		996	3,464
〃	Subsidiary-Others		1,303	5
〃	Associates		-	210
	Other related parties-Tatung University		-	2,286
〃	Other related parties		4,501	395
		$	21,484	9,056
Long-term payables - related parties	Parent company	$	35,949	-
Other payables	Parent company	$	1,324	1,254
〃	Subsidiaries		935	961
	Other related parties		387	390
		$	2,646	2,605

(xi) Leases to related parties

	Right-of-use assets		
	December 31, 2022		December 31, 2021
Shan-Chin Asset Development Co.	$	19,639	39,130

	Lease liabilities (including current and non-current)		
	December 31, 2022		December 31, 2021
Shan-Chin Asset Development Co.	$	19,865	39,356

	Finance costs 2022	Finance costs 2021
Parent company	-	1
Shan-Chin Asset Development Co.	$ 329	560
	$ 329	561

(xii) Interest income

	2022	2021
Shan-Chin Asset Development Co.	$ 27	27

(xiii) Guarantees and endorsements

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

	December 31, 2022	December 31, 2021
Subsidiary-TISNet Technology Inc.	$ 114,000	84,000
Subsidiary-Chyun Huei Commercial Technologies Inc	50,000	128,500
	$ 164,000	212,500

(xiv) Others matters

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

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

(d) Key management personnel compensation

	2022	2021
Short-term employee benefits	$ 21,139	17,408

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Financial assets measured at amortized cost, current	Performance guarantee	$ 2,465	2,604
Financial assets measured at amortized cost, non-current	Performance guarantee	55,432	36,570
Total		$ 57,897	39,174

(9) Commitments and contingencies:

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

Item	Target	December 31, 2022	December 31, 2021
Guarantee notes submitted	Business collaboration	$ 499,753	310,243
Deposit bank guarantee	Business collaboration	$ 1,927	15,703

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

By function / By item	2022 Operating Cost	2022 Operating Expense	2022 Total	2021 Operating Cost	2021 Operating Expense	2021 Total
Employee benefits						
Salary	-	433,036	433,036	-	423,252	423,252
Labor and health insurance	-	40,537	40,537	-	39,365	39,365
Pension	-	20,694	20,694	-	19,546	19,546
Remuneration of directors	-	4,177	4,177	-	3,577	3,577
Others	-	22,149	22,149	-	19,877	19,877
Depreciation	92,813	37,841	130,654	79,534	32,855	112,389
Amortization	-	3,732	3,732	-	2,378	2,378

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows：

	2022	2021
Number of employees	562	546
Number of directors (non-employee)	6	7
Average employee benefit expense	$ 929	931
Average employee salary expense	$ 779	785
Adjustment to average employee salary expense	(0.8)%	
Remuneration for supervisors	$ -	-

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

Our company commits to providing competitive pay policy according to market salary, industry standard, organizational structure and internal fairness. In order to retain and attract talents, we periodically evaluate above conditions and properly adjust our remuneration.

Directors′ remuneration shall be based on the current period′ s income before tax less employees′ compensation and allocated no more than 5% of the base, and the overall business results and their degree of participation will be taking into consideration.

Manager and employees′ salary includes monthly base salary (MBS), bonuses based on business outcome and employee remuneration according to annual profit and our Article of Incorporation.

Besides, in order to fulfill our corporate social responsibility, we design an integral employee benefit plan(EBP), provides employees with reasonable allowances and subsidies, and regularly conducts employee performance appraisal and competency assessment to truly recognize employees′ work performance and career potential as an important cornerstone for organization development, succession and talent management. Please refer to Note 6(t) for details on employee and director remuneration regulations

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	286,558	128,500	50,000	-	-	3.49%	716,394	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	286,558	114,000	114,000	-	-	7.96%	716,394	Y	N	N

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

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

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

1. An investee that has a business relationship with the Company.
2. A subsidiary in which the Company holds directly over 50% of equity interest.
3. An investee in which the Company and its subsidiaries hold over 50% of equity interest.
4. An investee in which the Company holds directly or indirectly over 90% of equity interest.

5. A company which needs mutual insurance basing on the construction agreement.
6. A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.
7. The performance guarantee of the preconstruction real estate contact between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

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

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

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

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

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

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

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

(iii) Securities held as of December 31, 2022 (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	18,200	9.33%	18,200	

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

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

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

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

(In Thousands of New Taiwan Dollars)

Purchaser (seller)	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	Sales	(137,180)	(3.75)%	O/A 30-90 days	No significant difference	O/A 30-150 days	132,602	13.10%	Note 1

Note 1: The Company has a contract assets amounted to $113,908 thousand to Tatung Co.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		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	132,602	1.68	-		6,856	-

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee company	Investment income (losses) recognized	Note
				December 31, 2022	December 31, 2021	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	42,740	42,740	11,000,000	100.00%	143,633	9,496	9,496	
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Type Ⅱ telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00%	83,356	12,557	12,557	
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%	4,583	1,235	247	

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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)	(2,564) (RMB580)	100.00%	(2,564)	1,732	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	137,404 (USD 4,606)	859,673

Note 1: The method for engaging in investment in Mainland China include the following:
(1) Direct investment in Mainland China.
(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).
(3) Other methods

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

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

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

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 30.71 as of December 31, 2022.

(iii) Significant transactions:
The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in ″Information on significant transactions″.

(d) Major shareholders:None

Shareholding Shareholder′ s Name	Shares	Percentage
Tatung Co.	37,819,027	42.70%
Hsu, I-Yin	8,966,000	10.12%
Genesis Technology Inc.	7,200,000	8.13%
Twinbot International Consultants Limited	5,889,000	6.64%

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

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

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Cash on hand and revolving funds		$ 405	
Cash in banks			
Demand deposits		454,803	
Check deposits		1,850	
Foreign currency deposits	USD55,941.95 dollars (rate30.71)	1,718	
		$ 458,776	

Statement of Contract assets - current

Client name	Description	Amount	Note
Company A		$ 57,985	
Company B		25,375	
Company C		21,960	
Company D		18,830	
Company E		16,380	
Others (Note)		92,490	
Total		**$ 233,020**	

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of accounts receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Current			
Company F		$ 150,444	
Company B		78,710	
Company G		63,644	
Others (Note)		419,231	
Total		712,029	
Less: Loss allowance		(1,063)	
Net amount		**$ 710,966**	

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

Statement of long-term receivables

Client name	Description	Amount	Note
Non-current			
Company A		$ 92,984	
Company H		55,356	
Company I		40,108	
Company J		19,139	
Others (Note)		11,714	
Total		219,301	
Less: Loss allowance		-	
Net amount		**$ 219,301**	

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Item	Description	Amount: Cost	Amount: Net realized value	Note
Goods		$ 775,140	775,692	
Less: Allowance for inventory valuation losses		(20,201)		
Net amount		$ 754,939		

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of changes in investments accounted for using equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

	Beginning Balance		Addition		Decreased		Ending Balance			Ending Balance		Guarantee	
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Amount	or collateral	Note
Chyun Huei Commercial Technologies Inc.	11,000	$ 153,505	-	9,496	-	19,368	11,000	100%	143,633	13.06	143,633	None	
TISNet Technology Inc.	5,850	70,992	900	12,557	-	193	6,750	100%	83,356	12.35	83,356	〃	
TSTI Technologies (Shanghai) Co., Ltd.	-	4,226	-	70	-	2,564	-	100%	1,732	0.12	1,732	〃	
I Torch Technology Corp	500	4,336	-	247	-	-	500	20%	4,583	9.17	4,583	〃	
		$ 233,059		22,370		22,125			233,304		233,304		

Note 1: The increase in this period was due to the recognition of $22,300 thousand in the shares of profits of subsidiaries and associates accounted for using equity method thousand and $70 thousand in the exchange differences on the translation of foreign operations financial statements.

Note 2: The decrease in this period was due to the recognition of $2,564 thousand in share of losses of subsidiaries and associates accounted for using equity method, $19,345 thousand in cash dividends received from investees and $216 thousand in actuarial losses recognized in subsidiaries.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of short-term loans

December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Types	Description	Ending balance	Contract period	Interest Rate Range	Loan Commitments	Mortgage or guarantee
Bank loan	Land Bank of Taiwan	$ 50,000	2022.11.14~2023.02.10	Note	50,000	None
Bank loan	Hua Nan Bank	90,000	2022.12.07~2023.01.07	"	100,000	None
Bank loan	Far Eastern International Bank	50,000	2022.12.01~2023.01.30	"	100,000	None
Bank loan	Taishin International Bank	50,000	2022.12.07~2023.03.07	"	50,000	None
		$ 240,000			300,000	

Note: The interest rate ranges from 1.755% to 2.160%, with a maximum callable rate of 2.160%, which is due to the annual renewal period. The loan is borrowed across the year-end, and has been repaid on January 7, 2023.

Statement of accounts payable

Client name	Description	Amount	Note
Company K		$ 174,672	
Company L		109,033	
Company M		94,864	
Company N		87,243	
Others (Note)		388,462	
Total		$ 854,274	

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Item	Amount	Note
Sales of goods	$ 2,938,332	
Rendering of services	590,028	
Leasing revenue	133,998	
Net amount	$ 3,662,358	

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

Statement of operating costs

Item	Description	Amount	Note
Inventories, January 1		$ 584,679	
Add: Purchase		2,954,808	
Less: Inventories, December 31		(775,140)	
Transfer into leased assets		(31,909)	
Transfer into office equipment		(882)	
Transfer into expense		(32,415)	
Cost of goods sold		2,699,141	
Other business costs			
Add: Rental costs-deprecation		46,390	
Other costs-deprecation		46,423	
Other costs		81,996	
Total		$ 2,873,950	

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of operating expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollar)

Item		Selling expenses	Administrative expenses	Research and development expenses	Total
Salary and wages expenses	$	290,689	83,864	62,660	437,213
Technical consulting expenses		-	10,650	1,050	11,700
Insurance expenses		28,885	7,165	6,215	42,265
Depreciation		25,161	8,311	4,369	37,841
Others		54,827	24,171	10,033	89,031
Total	**$**	**399,562**	**134,161**	**84,327**	**618,050**

VI. The Impact of the Financial Distress that the Company or Any of Its Affiliated Companies Experienced in the Most Recent Year and Up to the Publication Date of this Annual Report on the Financial Status of the Company: None

Seven. Review and Analysis of Financial Status and Operational Results, and Risk Assessment

I. Financial status

Unit: NTD thousands

Item \ Year	End of 2022	End of 2021	Deviation	
			Amount	%
Current assets	2,640,510	2,457,096	183,414	7.46%
Non-current assets	768,964	741,104	27,860	3.76%
Total assets	3,409,474	3,198,200	211,274	6.61%
Current liabilities	1,792,275	1,523,130	269,145	17.67%
Non-current liabilities	184,411	259,926	(75,515)	(29.05%)
Total liabilities	1,976,686	1,783,056	193,630	10.86%
Capital stock	885,600	885,600	0	0.00%
Retained earnings	471,004	453,430	17,574	3.88%
Other equity	(3,908)	(3,978)	70	(1.76%)
Total equity	1,432,788	1,415,144	17,644	1.25%

Description of significant changes (Analysis of deviation over 20% and exceeding NT$10 million):

1. Decrease in non-current liabilities:

This primarily due to a decline in the Lease liabilities in 2022 compared to 2021.

II. Financial Performance

Unit: NTD thousands

Item \ Year	2022	2021	Increase (decrease) amount	Change ratio %
Revenue	4,346,640	4,271,883	74,757	1.75%
Operating cost	(3,454,793)	(3,382,438)	(72,355)	2.14%
Gross profit (net)	891,847	889,445	2,402	0.27%
Operating expense	(696,996)	(675,325)	(21,671)	3.21%
Operating profit	194,851	214,120	(19,269)	(9.00%)
Non-operating revenue and expense	25,156	8,398	16,758	199.55%
Net Profit Before Taxes	220,007	222,518	(2,511)	(1.13%)
Income tax expense	(41,544)	(44,239)	2,695	(6.09%)
Net profit in current period	178,463	178,279	184	0.10%
Other comprehensive income in current period (net after tax)	(1,411)	4,408	(5,819)	(132.01%)
Total comprehensive income in current period	177,052	182,687	(5,635)	(3.08%)

(I) Description of significant changes (Analysis of deviation over 20% and exceeding NT$10 million):

1. Non-operating revenue and expense:

   This is primarily due to participation in Technology Development Programs, so it results in a rise of subsidy income.

(II) Possible impact of the expected sales volume and its basis on the future finance and business of the Company and countermeasures:

Please refer to the Letter to Shareholders.

III. Cash flow

(I) Analysis of liquidity in the most recent two years

Year / Item	2022	2021	Increase (decrease) ratio
Cash flow ratio	0.87%	23.02%	-96.22%
Cash flow adequacy ratio	62.17%	83.09%	-25.18%
Cash reinvestment ratio	(7.80%)	12.03%	-164.84%

Description of significant changes (Analysis of deviation over 20%):

1. Decrease in cash flow ratio/ Cash flow adequacy ratio /cash reinvestment ratio

   This is primarily a result of the decline in the net cash flow from operating activities in 2022 compared to 2021.

(II) Improvement plan for insufficient liquidity: Not applicable.

(III) Cash liquidity analysis for the next fiscal year

Unit: NTD thousands

Cash balance at the beginning of the year (1)	Estimated annual net cash flow from operating activities (2)	Estimated annual net cash flow from investment and financing activities (3)	Estimated cash surplus (deficit) amount(1)+(2)+(3)	Expected cash deficiency remedies	
				Investment plan	Financing plan
626,894	(28,419)	(61,696)	536,779	-	-

IV. The Impact of the Major Capital Expenditures in the Most Recent on Finance and Business

(I) Usage of major capital expenditures and the source of funds: None.
(II) Expected benefits: None.

V. Reinvestment Policy in the Most Recent Year, Main Reasons for Its Profit/Loss, Improvement Plan, and Investment Plan for the Next Fiscal Year

(I) Reinvestment policy in the most recent year

We established three subsidiaries (Chyun Huei Commercial, Tisnet Technology Inc., and Tsti Technologies (Shanghai)) in recent years. In response to the digital transformation and the opportunity in the intelligent manufacturing, we invested in i-Torch Technology in 2019 to form a complementary relationship with the core business of the Company. As for the reinvestment policy in the future, we will focus on the intelligent applications that combine the new technologies with the industries, such as AI application, Internet+, and IoT applications in industries, and make use of the complementary markets and resources to make strategic investment. This way, we hope to expand the market, establish and integrate the value chains for the industries, and enhance the overall value of the industries as a basis for the deployment.

(II) Main reasons for the profit/loss and improvement plan

Unit: NTD thousands

Item \ Description	Book value	Profit (loss) from investees in 2022	Policy	Main reason for profit or loss	Improvement plan
Chyun Huei Commercial Co., LTD	143,633	9,496	Integrated sale of software and hardware; acting as an agent for leading brands	Stable business in the sale of hardware and agency business	-
Tisnet Technology Inc.	83,356	12,557	Sales and services in the fields of network ISP connection, domain registration, and network engineering	Stable cyber security business	-
Tsti Technologies (Shanghai) Co., Ltd.	1,732	(2,564)	System integration and information security solutions	Looking for new product agency and business models	1. Focus on major customers 2. Grasp of the information security opportunities
i-Torch Technology Corp.	4,583 (Note)	(247)	Wholesale of computer software packages, computer equipment management, and IT consultation	At the initial stage and contine to develop	-

(Note) i-Torch Technology Corp. as an investee of the Company was founded on July 25, 2019. The investment amount was NT$5,000 thousand and the Company acquired 500 thousand shares at a shareholding ratio of 20%.

(III) Investment plan for the next fiscal year

As for the complementary solutions, we will figure out suitable investment policies by conducting the assessment and implementation of these solutions as well as the implementation of any new business models.

1. With the Omni-Channel Contact Center System as the basis, we will add the development of an overall solution containing the smart ChatBot services and related applications, design a cloud version, and strive for cloud service opportunities.
2. Intelligent manufacturing and healthcare are the opportunities and the focuses in Taiwan and China. It is worthy to make investment for regional and product deployments. We will find the companies that meet the requirements of our policy as the targets of the investment to enhance the overall value chain and market development of the Company.
3. We will invest resources to expand our operation scale depending on the market situation and the demand of the Company.

VI. Analysis and Assessment of the following Risk Particulars in the Most Recent Year and up to the Publication Date of This Annual Report

(I) The effect of the fluctuation in interest and exchange rates and the inflation on the profit and loss of the Company, and the countermeasures in the future:

1. Changes in interest rate

The Company maintains multiple fundraising channels and select the financing instruments with lower capital cost rate to control the cost.

2. Changes in exchange rate

The Company purchased some products directly from overseas suppliers and sells them on the domestic market. Hence, the cost of the Company will be reduced and the profit will rise to create higher competitiveness for the Company when NTD goes up.

We also pay attention to the fluctuation of the major currencies in the world at all times and take the following measures against the fluctuation of the exchange rate:

(1) The person in charge of financial matters refers to the fluctuation of the current bank exchange rate and professional advice every day to understand the tendency of the rate at all times.

(2) The Company opens foreign exchanges accounts and adjusts the position of foreign currency held to reduce the impact of the fluctuation on the Company.

(3) Both sales and purchases are priced in foreign currency and the foreign currency expenses are made up directly with the foreign currency income.

3. Inflation

The Company is not affected. We have good business relationship with the manufacturers and thus can acquire the products at the most favorable price and with the moat adequate supply quantity.

(II) Policies on engaging in high risk and high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main reasons for profit and loss, and countermeasures in the future:

1. The Company has not engaged in high risk and high leverage investments or derivative transactions up to now.

2. The Company operates the finance conservatively and never engages in high risk and high leverage investments. When engaging in loaning funds to others, the purpose is to help the subsidiaries with

their working capital turnover, creation of bank credit facility, and acquisition of the quota under the agency. In addition to careful assessment, the Company acts in accordance with the regulations of the competence authority and the internal rules, performs audit on a regular basis, and conducts announcement and reporting pursuant to laws and regulations.

3. The company engaged in loaning funds to others, endorsement and guarantee in accordance with the internally established "Procedures for Loaning Funds to Others" and "Procedures for Endorsements and Guarantees."

(III) Future R&D plan and expected funds for R&D:

1. The R&D plan in the most recent year and the current process

R&D plan in 2023	Schedule	Progress
Telemedicine system for remote consultation s- meets WHO cybersecurity standards	01/01/2023–12/31/2023	To be completed at the end of 2023
Next-generation healthcare data platform with FHIR as its core	01/01/2023–12/31/2023	To be completed at the end of 2023

The focus of this year's innovation and development is the deepening of field applications, applying mature technologies including artificial intelligence, big data, and microservices to practical fields, especially smart healthcare, which will be the focus of innovation and development for this year.

The post-COVID era has accelerated the digital transformation of the healthcare system, and with the gradual relaxation of relevant regulations, the medical information system will face significant changes. These changes include telemedicine, cloud-based electronic medical records, FHIR becoming the standard for electronic medical records, and the promotion of next-generation medical systems. These changes represent a predictable future, and the medical information ecology will undergo significant changes. The core technology of these changes is FHIR. The following explains the company's investment direction and expectations:

(1) The telemedicine system will adopt the FHIR standard for data exchange, allowing related systems to connect with the international community.
(2) Through proxy products and open-source software, cultivate FHIR professionals in the company. Technical development will include the formulation of IG (Implementation Guide), FHIR application development, and FHIR data transfer. Complying with relevant national policies, we aim to achieve a leading position in the industry.
(3) Build a big data platform and next-generation medical system with FHIR as the core. Since FHIR will become the medical data model standard, related system applications will be universal in various hospitals, without the need for each hospital system to start from scratch as in the past.
(4) Develop FHIR ecosystem-related application systems. With the continuous development of technology, new products and applications, including wearable devices and video, will emerge. Developing relevant applications based on FHIR will be the key to future digital healthcare.

2. Expected funds for R&D

We plan to invest $85,000 thousand in the R&D in 2023.

(IV) Impact of the change in domestic/foreign important policies and laws on the finance and business of the Company and countermeasures:

The Company did not encounter any changes in domestic/foreign important policies and laws that had impact on the finance and business. Nevertheless, we will keep watching the development trend of the domestic and foreign political and economic environments and laws, and take countermeasures whenever necessary.

(V) Impacts of the change in technology and industry on the finance and business of the Company and countermeasures:

The Company is fully and promptly informed on the development of the technology in related industries, and make use of it appropriately. We did not encounter any changes in technology and industry that has impact on the finance and business of the Company.

(VI) Impact of the change in cooperate image on the crisis management of the Company and countermeasures:

We have upheld "Innovation, Service, Team, Integrity" as the core value since our foundation, and have not encountered any changes in cooperate image that have had brought about crisis to the Company.

(VII) Expected benefits and potential risks from merger or acquisition:

We keep watching the companies that may be helpful to the operation of the Company. The potential strategic investments or vertical integration will be subjected to the benefit assessment and risk aversion in accordance with the internal control procedure.

(VIII) Expected benefits and potential risks from expanding of plants:

N/A

(IX) Risks from concentration of purchases or sales:

The Company has scattered the sales of goods gradually and tried our best to expand the market and strive for new customers. In addition, the manufacturer from which we purchased goods most occupied about 20% of the total purchase amount mainly because we purchased the products under agency through it. Currently, we reduce the risk of concentration by increasing more kinds of products at the sales end.

(X) Impact and risk from large transfer of shares held by directors, supervisors, and large shareholders holding more than 10% of the shares:

The shareholding of the Company's directors has been steady over the past years. There was no large transfer or change of shares.

(XI) Impact and risk from changes in management rights:

We have a strong management team. There was no impact and risk from changes in management rights.

(XII) For litigation or non-litigation events, please indicate the Company and directors, supervisors, Chief Executive Officer, substantial responsible person, large shareholder holding more than 10% of the shares and affiliated companies that are involved in significant litigation, non-litigation or administrative dispute event with affirmative judgment or pending in the court proceeding; where the result may have substantial impact on the shareholder's equity or stock price, the dispute fact, claim amount, start date of the litigation, primary litigation parties, and the handling status up to the publication date of this annual report shall be disclosed:

Related litigation and non-litigation events and their impact have been indicated in the financial reports.

(XIII) Other significant risks: None.

VII. Risk Management Structure

In a sound and cost-efficient way, the Company integrates and manages all the potential risks in the strategies, operations, finance and other hazard risks that may be harmful to the operations and profitability of the Company, and enhances corporate risk management in recent years for the long-term responsibility of sustainability to the industry and society and for the development of the internal audit based on the corporate governance, including detection, assessment, reporting and handling of risks. The Company has a three-tier risk control structure. The person in charge of related matters and the managerial officer at the division level are the first-tier personnel responsible for the identification of risk, assessment and reporting at the initial stage. The monthly management meeting with the President as the chair is at the second tier and responsible for the aggregation, review and handling of the identified risk in the individual processes. The Audit Committee and Board of Directors are at the third tier.

All the risk assessment matters of the Company are subject to internal audit for prevention purposes.

The risk management structure is described as follows:

Assistance of significant risk	**Tier 1**	**Tier 2**	**Tier 3**
	Direct unit for risk control	Risk review and handling	Audit Committee and Board of Directors
Financial risk in interest and exchange rates	Administrative Operations Center (AOC)	Management meeting (Members: President, Vice President, heads of divisions, CFO, and procurement, information and audit heads)	Final control of risk
High-risk and high-leverage investment			
Loaning funds to others, endorsement and guarantee			
Derivatives transaction			
R&D plan	Digital Innovative Technology Center (DIC)		
Changes in policy and law	Administrative Operations Center (AOC)		
Changes in technology and industry	Administrative Operations Center (AOC)		
Changes in corporate image	Administrative Operations Center (AOC)		
Concentration of purchases or sales	Procurement, sales		
Changes of directors, supervisors and large shareholders' equity	Administrative Operations Center (AOC)		
Litigation and non-litigation events	Administrative Operations Center (AOC)		

VIII. Other Significant Maters

Risk item	Risk factor	Impact on the Company in 2023	Countermeasure
Information security	Information security risk means the threat that may have overall impact on the assets, processes and operating environments	We implement the information security policy of the Company and continue receiving dual certificates in the ISO	1. In order to implement corporate governance, the "Information Security and Personal Data Promotion Committee" was established in 2019, and the committee was expanded to include subsidiary members in 2020, inviting subsidiary general managers and business group BG supervisors to join. In December 2021, the organization was renamed as the "Information Security and Privacy Protection Committee" to demonstrate the organization's emphasis on privacy protection issues. 2. Continuously maintain international information security management system certification (ISO/IEC 27001).

Risk item	Risk factor	Impact on the Company in 2023	Countermeasure
	of a corporate organization.	information service and security fields to demonstrate our professional services in the information security and information service system.	3. To ensure the normal operation of the organization and strengthen risk management, in addition to effectively managing and maintaining privileged account management systems, document protection and file management systems, the organization continues to allocate information security budgets to strengthen its defensive capabilities. For example, the organization utilizes MDR threat detection and response services to actively capture suspicious threats and quickly provide intelligence through AI technology for efficient and automatic detection of information security risks. The organization also uses next-generation antivirus software for real-time scanning, deep protection, and data protection. 4. The organization continues to implement the principle of least privilege for personnel to reduce the chance of attackers gaining administrative access. Access control and restrictions are implemented, and users other than administrators are only provided with the minimum necessary access rights for their work. Administrator privileges should also avoid using attack methods that have been exploited by hackers. Therefore, the organization has completely disabled the powershell and regedit commands. 5. To reduce account attacks from external sources, inactive accounts are disabled, and multi-factor authentication is implemented. 6. The organization implements information security protection by continuously conducting vulnerability scanning and penetration testing analysis. A joint defense line is constructed based on an intelligence sharing platform. The organization also utilizes the DASEC information security notification system and external intelligence sharing information to improve its ability to make decisions regarding network security incidents, protect its interests from harm, and proactively identify potential information security risks and levels. Corrective measures are formulated for significant events, and improvements are continuously monitored. 7. To meet the information security management requirements of RTO, RPO, and MTPD and reduce internal operational impact, a proactive monitoring system is implemented in the server farm. 8. In order to ensure system security protection, we will continue to use Fortify source code scanning tool, utilize Static Code Analyzer (SCA) and WebInspect dynamic application testing tool to perform testing and analysis, and identify security vulnerabilities and information security loopholes in the code or website to produce reports. The report can deeply correspond to the line numbers of the code where the problem occurs, so that security personnel can quickly fix the security vulnerabilities. We provide a 360-degree comprehensive

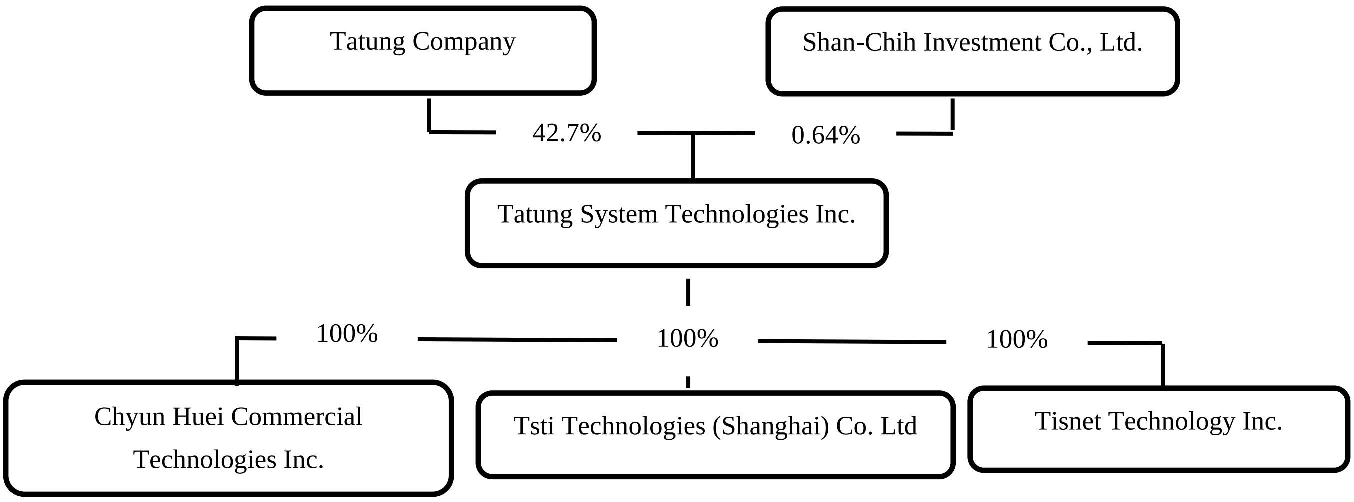
Risk item	Risk factor	Impact on the Company in 2023	Countermeasure
			protection to prevent malicious program attacks and reduce operating costs. 9. For purchased software products (including customized parts), the product supplier must provide security inspection certification documents before acceptance. The contract will also review the appropriateness of the content of the information security clause and add a "Supplier Service Information Security Management Statement" and a "Personal Confidentiality Commitment" as attachments. 10. To comply with regulatory email audits, the email audit and archiving system will continue to be upgraded.

Eight. Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report of Tsti and Affiliates

1.Organizational chart of affiliated companies and equity structure



2.Basic information on affiliated companies

Unit; NTD thousands/RMB thousands March 31, 2023

Company	Establishment Date	Address	Paid-in capital	Primary business or production item
Chyun Huei Commercial Technologies Inc.	07.16.2008	No. 22, Sec. 3, Zhongshan N. Rd., Taipei City (5th floor in Beishegong Building)	NT$110,000	Information software service, data processing service, wholesale/retail of computer and business machine equipment, wholesale/retail of telecommunications devices, computer and simple telecommunications equipment installation
Tsti Technologies (Shanghai) Co. Ltd	12.12.2002	Suite 306, 3Fl, No. 1366, Wuzhong Rd., Minxing District, Shanghai City	RMB 15,000	Development of computer software technologies, technology service, technology information consultation, commercial information consultation.
Tisnet Technology Inc.	08.10.1996	1Fl, No. 13, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City	NT$58,500	Design and development of computer software, Type II telecommunications business

3.Entities presumed to have a controlling and subordinate relationship according to Article 369-3 of the Company Act: None

4.The industry covered by the business of all affiliated companies: Please refer to Item 2.

5.Information on the directors, supervisors, and Presidents of the affiliated companies

Unit: share; amount of contribution: RMB March 31, 2022

Company	Title	Name or Representative	Number of shares held	
			Number of shares (shares)	Shareholding ratio (%)
Chyun Huei Commercial Technologies Inc.	Chairman	Tatung System Technologies Inc. Corporate representative: Bo-Yen Shen	11,000,000	100%
	Director	Tatung System Technologies Inc. Corporate representative: Wen-Hung Huang		
	Director	Tatung System Technologies Inc. Corporate representative: Chih-Hung Chen		
	Director	Tatung System Technologies Inc. Corporate representative: Chiu-Chan Hsu		
	Director	Tatung System Technologies Inc. Corporate representative: Hsiao-Ying Huang		
	Supervisor	Tatung System Technologies Inc. Corporate representative: Yi-Chun Chen		
	President	Yueh-Chi Lu		
Tsti Technologies (Shanghai) Co. Ltd	Chairman and President	Tatung System Technologies Inc. Corporate representative: Bo-Yen Shen	(Amount of contribution) RMB 15,000,000	100%
	Director	Tatung System Technologies Inc. Corporate representative: Yueh-Chi Lu		
	Director	Tatung System Technologies Inc. Corporate representative: Wen-Hung Huang		
	Director	Tatung System Technologies Inc. Corporate representative: Chih-Hung Chen		
	Director	Tatung System Technologies Inc. Corporate representative: Hsiao-Ying Huang		
	Supervisor	Tatung System Technologies Inc. Corporate representative: Chiu-Chan Hsu		

<table>
<tr><th rowspan="2">Company</th><th rowspan="2">Title</th><th rowspan="2">Name or Representative</th><th colspan="2">Number of shares held</th></tr>
<tr><th>Number of shares (shares)</th><th>Shareholding ratio (%)</th></tr>
<tr><td rowspan="6">TISNet Technology.Inc.</td><td>Chairman and President</td><td>Tatung System Technologies Inc.
Corporate representative: Chiu-Chan Hsu</td><td rowspan="6">6,750,000</td><td rowspan="6">100%</td></tr>
<tr><td>Director</td><td>Tatung System Technologies Inc.
Corporate representative: Bo-Yen Shen</td></tr>
<tr><td>Director</td><td>Tatung System Technologies Inc.
Corporate representative: Wen-Hung Huang</td></tr>
<tr><td>Director</td><td>Tatung System Technologies Inc.
Corporate representative: Chih-Hung Chen</td></tr>
<tr><td>Director</td><td>Tatung System Technologies Inc.
Corporate representative: Hsiao-Ying Huang</td></tr>
<tr><td>Supervisor</td><td>Tatung System Technologies Inc.
Corporate representative: Yueh-Chi Lu</td></tr>
</table>

6.Business overview of affiliated companies

Unit: NTD thousands December 31, 2021

Company	Capital	Total value of assets	Total liabilities	Net worth	Revenue	Operating profit (loss)	Income in current period (after tax)	Earnings per share (NTD) (after tax)
Chyun Huei Commercial Technologies Inc.	110,000	202,565	58,932	143,633	336,184	12,423	9,496	0.86
Tsti Technologies (Shanghai) Co. Ltd (Note 1)	15,000	18,760	18,367	393	14,501	(790)	(580)	NA
TISNet Technology.Inc.	67,500	159,815	76,459	83,356	343,687	15,701	12,557	1.86

Note 1: The unit is RMB thousands

(II) Declaration of Consolidation of Financial Statements of Affiliates

Please refer to Chapter Six IV..

(III) Affiliation Report

1. Declaration for the Affiliation Report of the Company

We hereby declare that the Affiliation Report of 2022 had been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises" and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2022.

Very truly yours,

Tatung System Technologies Inc.

By

Chairman: Shen, Bo-Yen

March 7, 2023

2. Independent Auditor's Report

To: Tatung System Technologies Inc.

The Affiliation Report of 2022 had been prepared by Tatung System Technologies Inc. in conformity with the Criteria Governing Preparation of Affiliation Reports,Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises (“the Criteria”). We have examined the Affiliation Report of the Company against the Criteria and the notes to the financial statements as of and for the year ended December 31, 2022 (“the Notes”) and issued this review opinion.

In our opinion, there was no significant inconsistency found between your 2022 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2022.

Hsin-Ting Huang

Li-Chen Lai

KPMG, Taiwan

March 7, 2023

3.Overview of the relationship between the subordinate and controlling companies

Unit: share

Controlling company	Reason	Shareholding and pledging of controlling company			Director, supervisor or manager designated by controlling company	
		Shares held	Shareholding ratio	Shares pledged	Title	Name
Tatung Company	This is the only largest shareholder of the Company and the rest equities are held by other shareholders. It can acquire the power of attorney representing the voting rights of relative majority without the need of contractual rights, and can appoint the administration personnel who have the ability to lead critical activities of the Company.	37,819,027 shares	42.70%	-	Chairman Director Director Director Director	Bo-Yen Shen Chin-Lai Wang Pei-Chun Lu Wen-Hung Huang Chiu-Chan Hsu

4. Transaction details:

(1) Purchase (sale) of goods:

Unit: NTD thousands; %

Transaction with controlling company				Conditions for trading with controlling company		Regular trading conditions		Reason	Accounts and notes receivable (payable)		Overdue receivables			Remarks
Purchase (Sale)	Amount	Proportion in total purchases (sales)	Sales gross profit	Unit price (NTD)	Credit period	Unit price (NTD)	Credit period		Balance	Proportion in total accounts and notes receivable (payable)	Amount	Processing	Amount of allowance for bad debt	
(Sale)	$(137,180)	(3.75)%	-	-	O/A 30–90 days	-	O/A 30–150 days	-	$132,602	13.10%	-	-	-	Note 1
Purchase	56,120	1.90%	-	-	O/A 60–90 days	-	O/A 60–90 days	-	(49,766)	(5.27)%	-	-	-	

Note 1: This includes an additional balance of contract assets amount to $113,908 thousand.

(2) Property transactions:

Unit: NTD thousands

Trading type (acquisition or disposal)	Name of the property	Transaction date or date of factual occurrence	Amount	Terms of delivery or payment	Details of the receipt/ payment	Losses and gains on disposal of property	Reasons for selecting the controlling company as the transaction counterpart	Information on the last preceding transfer				Method by which the transaction was decided upon	Reference basis upon which the price was determined	The specific purpose of the acquisition or disposal and the usage status of the object of the transaction	Other special stipulations
								Ownership	Relationship	Date	Amount				
Disposal	Office in Taichung	2022.08.04	$3,495	Fixed monthly rent	Received according to the contract	$219	Overall planning of the group's business	TAIWAN MOBILE CO., LTD.	Non-related parties	2022.07.19	$11,203	Passed by the resolution of the board of directors	According to the general market price	Considering the overall operating costs of the group, some of the leased objects are sub-leased to Tatung Company. The monthly rent collected will be used as the company's working capital.	Deposit: $130 Financelease receivable：$3,640

(3) Financing: None

(4) Lease of assets: None

(5) Other significant transactions: Purchase of products, commodities and services from Tatung Company and recognized as expenses of $10,046 thousand on the account.

5. Endorsement and guarantee: None.

II. Any Private Placement of Securities in the Most Recent Year and up to the Publication Date of this Annual Report

None.

III. Any Holding and Disposal of the Company’s Shares by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report

None.

IV. Other Required Supplementary Information

None.

Nine. Any of the Matters Listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which May Have Significant Impact on the Shareholders’ Equity of the Price of Securities in the Most Recent Year and up to the Publication Date of This Annual Report

None.

TATUNG SYSTEM TECHNOLOGIES INC.

Chairman:

Awards

GUARANTEE

創新應用獎 / 2023智慧城市
2023 SCSE Innovative Application Award

資通訊科技應用獎 - ESG永續獎
ESG Award - ASOCIO 2022 ICT Award
Outstanding ICT Company Award / ASOCIO

數位氣候行動獎 鈦金級殊榮
Digital Climate Action Titanium Award

中堅企業遴選 潛力中堅企業 / 經濟部
Potential Taiwan Mittelstand Award / Economic Affairs, R.O.C

數位轉型楷模企業
Digital Transformation Model Enterprise

績優永續供應商
Excellent Sustainable Supplier

ticc	ibo.ai	ticare	ESG Zero Carbon IMS	AIoT Smart Toilet Management Solution
Contact Center	AI Chatbot	Video Clinic	ESG ZeroCarbon	AIoT iToilet

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ISO 20000 ISO 27001 ISO 45001 CMMI-Dev ML3

TWSE MOPS https://mops.twse.com.tw
Official Website https://www.etatung.com