

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2023 AND 2022  
(STOCK CODE: 6697)

***Notice to Readers***

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors' report and consolidated financial statements shall prevail.*

**INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.**

**DECLARATION FOR CONSOLIDATED FINANCIAL STATEMENT OF AFFILIATED COMPANIES**

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2023 (from January 1, 2023, to December 31, 2023), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already been disclosed in said consolidated financial statements of the parent company and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Company Name: Information Technology Total Services Co., Ltd.

Responsible Person: Shang-Wei Kao

February 21, 2024

## **INDEPENDENT AUDITOR’S REPORT**

(2024) Cai-Shen-Bao-Zi No. 23003145

To Information Technology Total Services Co., Ltd.:

### **Audit opinion**

We have reviewed the accompanying consolidated balance sheets of Information Technology Total Services Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2023 and 2022, and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2023 and 2022, and its consolidated financial performance and consolidated cash flows for the periods from January 1 to December 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and promulgated by the Financial Supervisory Commission (FSC), based on our audit results and the audit reports of other certified public accountants (CPAs) (see the section of “Other matters”).

### **Basis of audit opinion**

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Report section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of our audit opinion.

## **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2023, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2023, are stated as follows:

### **Service revenue – the correctness of recognition of the establishment of information systems**

#### Description

Please refer to Note 4(25) of the consolidated financial statements for the accounting policies for the revenue recognition of the Group. For critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

The main business items of the Group are information software, information processing, and electronic information supply, and the sale of a variety of information equipment, as well as other products and services. Among them, the service revenue from the construction of information systems is recognized as revenue according to the percentage of completion method when the service is provided to each customer during the financial reporting period. The percentage of completion is determined on the basis of the cost incurred as of the balance sheet date, which is determined based on the total estimated cost of the service contract. Because the percentage of completion involves the judgment of the management, and the service revenue for 2023 has a material impact on the consolidated financial statements, we have listed the recognition of the service revenue as a key audit matter.

#### Corresponding audit procedures

The main corresponding procedures we have implemented for said specific aspect of the key audit matter are as follows:

1. Understand the control process of the revenue recognition regarding information system construction services to evaluate the effectiveness of the internal control of the revenue recognition.
2. Randomly audit the service revenue from information system construction projects recognized throughout the year; check the prices of customer service contracts, the service items provided, and the payment conditions; obtain the project cost details; check the receipts for the costs invested; and verify the percentages of the costs invested, to confirm the correctness of the time point and amount of service revenue recognized based on the percentage of completion of each project.
3. Examine the completed contracts after the balance sheet date and examine the difference between the actual costs and the estimated costs, so as to evaluate the reasonableness of the calculation of the percentage of completion.

#### **Other matters – other CPAs’ audit**

As stated in Note 6(7) of the consolidated financial statements, the financial statements of the Group’s investees using the equity method included in the consolidated financial statements were not audited by ourselves but by other CPAs. Therefore, in the opinion expressed by us regarding aforementioned consolidated financial statements, the amounts listed in the investees’ financial statements and relevant information disclosed in Note 13 are based on the audit reports of other CPAs. The amount of investment in the aforementioned companies using the equity method as of December 31, 2023 and 2022 was NT\$41,768 thousand and NT\$42,625 thousand, respectively, accounting for 4% and 5% of the total consolidated assets, respectively. For the years ended December 31, 2023 and 2022, the comprehensive income recognized for the aforementioned companies was NT\$8,553 thousand and NT\$10,343 thousand, respectively, accounting for 12% and 17% of the consolidated comprehensive income, respectively.

#### **Other matters – parent company only financial report**

The Company has also prepared the parent company only financial statements for the years ended December 31, 2023 and 2022, for which we have issued an unqualified opinion, alongside the audit report as in the section of “Other matters.”

## **Responsibilities of the management and governance bodies for the consolidated financial statements**

The management is responsible for preparing the financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements are free of material misstatement due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group to continue as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting, unless the management intends to liquidate the Group or cease operations or has no viable alternative but to liquidate or cease operations.

The governance bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the consolidated financial statements will be discovered during an audit conducted in accordance with the auditing standards of the Republic of China. Misstatement can arise from fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We rely on our professional judgment and professional skepticism during an audit conducted in accordance with the auditing standards of the Republic of China. We also performed the following tasks:

1. We identified and assessed the risk of any misstatement in the consolidated financial statements due to fraud or error, designed and implemented response measures suitable for

the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatement due to fraud was higher than the same due to errors.

2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusion was based on the audit evidence obtained as of the date of this audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between ourselves and the governance bodies include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective

measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the audit report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases in which we decided not to communicate specific items in the audit report, for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

PricewaterhouseCoopers Taiwan

Ping-Chun Chih

CPA

Tsung-Hsi Lai

Former Securities Administration Commission, Ministry of Finance

Approval No.: (1999) Tai-Cai-Zheng (VI) No. 16120  
Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Zheng-VI-Zi No. 0960038033

February 21, 2024

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Assets	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalent	6(1)	\$ 306,754	30	\$ 171,492	19
1136	Financial assets measured at amortized cost – current	6(3) and (8)	1,126	-	755	-
1140	Contract assets – current	6(17)	89,442	9	35,235	4
1150	Notes receivable, net	6(4)	6,362	-	1,657	-
1160	Notes receivable – related parties, net	7	-	-	441	-
1170	Accounts receivable, net	6(4)	271,596	27	293,888	33
1180	Accounts receivable - related parties, net	7	74,760	7	71,217	8
1200	Other receivables		5,332	1	6,030	1
1210	Other receivables – related parties	7	-	-	61	-
130X	Inventories	6(5)	2,661	-	7,939	1
1410	Prepayments	6(6)	16,701	3	24,469	3
1470	Other current assets		79	-	106	-
11XX	<b>Total current assets</b>		<u>774,813</u>	<u>77</u>	<u>613,290</u>	<u>69</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive profit or loss - non-current	6(2)	32,524	3	32,530	4
1535	Financial assets measured at amortized cost – non-current	6(3) and (8)	246	-	357	-
1550	Investment using equity method	6(7)	45,137	4	46,289	5
1600	Property, plant, and equipment	6(8)	31,910	3	33,265	4
1755	Right-of-use assets	6(9)	9,243	1	14,592	1
1780	Intangible assets		888	-	1,191	-
1840	Deferred income tax assets		1,334	-	5,847	1
1920	Refundable deposits		8,890	1	7,907	1
1930	Long-term notes and accounts receivable	6(10)	98,363	10	130,095	15
1990	Other non-current assets – others	6(12)	8,197	1	248	-
15XX	<b>Total non-current assets</b>		<u>236,732</u>	<u>23</u>	<u>272,321</u>	<u>31</u>
1XXX	<b>Total assets</b>		<u>\$ 1,011,545</u>	<u>100</u>	<u>\$ 885,611</u>	<u>100</u>

(Continued)

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Liability and equity	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Contract liabilities – current	6(16)	\$ 24,223	2	\$ 14,633	2
2150	Notes payable		720	-	891	-
2170	Accounts payable		287,656	28	187,610	21
2180	Accounts payable – related parties	7	8,637	1	8,341	1
2200	Other payables	6(10)	75,853	8	72,292	8
2220	Other payables – related parties	7	2,381	-	2,978	-
2230	Income tax liabilities in the current period	6(23)	7,022	1	9,867	1
2280	Lease liabilities – current		4,612	-	5,577	1
2399	Other current liabilities – others		4,850	1	13,286	1
21XX	<b>Total current liabilities</b>		<u>415,954</u>	<u>41</u>	<u>315,475</u>	<u>35</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(23)	6,884	1	6,576	1
2580	Lease liabilities – non-current		4,887	-	9,239	1
2645	Deposit received		397	-	743	-
25XX	<b>Total non-current liabilities</b>		<u>12,158</u>	<u>1</u>	<u>16,558</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>428,112</u>	<u>42</u>	<u>332,033</u>	<u>37</u>
<b>Equity</b>						
<b>Equity attributable to owners of the parent company</b>						
	Share capital	6(12)				
3110	Common shares		273,234	27	273,234	31
	Capital surplus	6(13)				
3200	Capital surplus		158,042	16	158,042	18
	Retained earnings	6(14)				
3310	Legal Reserve		53,949	5	48,340	5
3320	Special reserves		1,042	-	5,484	1
3350	Undistributed Earnings		98,794	10	69,520	8
	Other equity	6(15)				
3400	Other equity		(1,628)	-	(1,042)	-
31XX	<b>Total equity attributable to owners of the parent company</b>		<u>583,433</u>	<u>58</u>	<u>553,578</u>	<u>63</u>
3XXX	<b>Total equity</b>		<u>583,433</u>	<u>58</u>	<u>553,578</u>	<u>63</u>
	Material contingent liabilities and 9 unrecognized contractual commitments					
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,011,545</u>	<u>100</u>	<u>\$ 885,611</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Item	Note	Year ended December 31			
			2023		2022	
			Amount	%	Amount	%
4000	Operating Revenue	6(17) and 7	\$ 1,343,318	100	\$ 1,330,274	100
5000	Operating costs	6(5), (12), (22) and 7	( 1,157,535)	( 86)	( 1,146,926)	( 86)
5950	Gross profit, net		<u>185,783</u>	<u>14</u>	<u>183,348</u>	<u>14</u>
	Operating expenses	6(12), (22) and 7				
6100	Selling expenses		( 19,616)	( 1)	( 20,435)	( 1)
6200	Administrative expenses		( 80,284)	( 6)	( 79,865)	( 6)
6300	R&D expense		( 9,809)	( 1)	( 9,499)	( 1)
6450	Expected credit impairment losses	12(2)	-	-	( 22,050)	( 2)
6000	Total operating expenses		( 109,709)	( 8)	( 131,849)	( 10)
6900	Operating profits		<u>76,074</u>	<u>6</u>	<u>51,499</u>	<u>4</u>
	Non-operating income and expense					
7100	Interest revenue	6(18)	1,672	-	470	-
7010	Other revenue	6(19)	3,480	-	3,528	-
7020	Other gains and losses	6(20)	106	-	1,045	-
7050	Financial costs	6(9)(21)	( 239)	-	( 543)	-
7060	Share of profit or loss on associates and joint ventures accounted for using the equity method	6(7)	<u>8,263</u>	<u>1</u>	<u>9,933</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>13,282</u>	<u>1</u>	<u>14,433</u>	<u>1</u>
7900	<b>Profit before tax</b>		<u>89,356</u>	<u>7</u>	<u>65,932</u>	<u>5</u>
7950	Income tax expense	6(23)	( 15,193)	( 1)	( 10,291)	( 1)
8200	<b>Current net income</b>		<u>\$ 74,163</u>	<u>6</u>	<u>\$ 55,641</u>	<u>4</u>
	<b>Other net consolidated incomes</b>					
	<b>Items not recategorized to profits and losses</b>					
8320	Share of other comprehensive income on associates and joint ventures accounted for using the equity method – items not reclassified to profit or loss	6(6)	( \$ 6)	-	\$ 560	-
8349	Income tax related to not recategorized items	6(23)	1	-	( 112)	-
	<b>Items possibly recategorized to profits and losses later</b>					
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	6(16)	( 732)	-	4,706	1
8399	Income tax related to items likely to be reclassified	6(23)	146	-	( 264)	-
8300	<b>Other net consolidated incomes</b>		<u>\$ 591</u>	<u>-</u>	<u>\$ 4,890</u>	<u>1</u>
8500	<b>Current total comprehensive income</b>		<u>\$ 73,572</u>	<u>6</u>	<u>\$ 60,531</u>	<u>5</u>
	Net profit attributable to:					
8610	Parent company shareholders		<u>\$ 74,163</u>	<u>6</u>	<u>\$ 55,641</u>	<u>4</u>
	Total comprehensive income attributable to:					
8710	the owner of parent company		<u>\$ 73,572</u>	<u>6</u>	<u>\$ 60,531</u>	<u>5</u>
	Earnings per share	6(24)				
9750	Basic earnings per share		<u>\$ 2.71</u>		<u>\$ 2.04</u>	
9850	Diluted earnings per share		<u>\$ 2.70</u>		<u>\$ 2.02</u>	

The accompanying notes are an integral part of these consolidated financial statements.

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Notes	Equity attributable to owners of the parent company					Exchange differences on translation of financial statements of foreign operations	Total
		Common shares	Capital surplus- additional paid-in capital	Legal reserve	Special reserves	Undistributed Earnings		
<u>2022</u>								
Balance on January 1, 2022		\$ 273,234	\$ 158,042	\$ 41,087	\$ 4,279	\$ 76,536	(\$ 5,484 )	\$ 547,694
Current net income		-	-	-	-	55,641	-	55,641
Current other comprehensive income	6(16)	-	-	-	-	448	4,442	4,890
Current total comprehensive income		-	-	-	-	56,089	4,442	60,531
2021 earnings allocation and appropriation	6(15)							
Appropriation for legal reserve		-	-	7,253	-	( 7,253 )	-	-
Appropriation for special reserve		-	-	-	1,205	( 1,205 )	-	-
Distribution of cash dividends		-	-	-	-	( 54,647 )	-	( 54,647 )
Balance on December 31, 2022		\$ 273,234	\$ 158,042	\$ 48,340	\$ 5,484	\$ 69,520	(\$ 1,042 )	\$ 553,578
<u>2023</u>								
Balance on January 1, 2023		\$ 273,234	\$ 158,042	\$ 48,340	\$ 5,484	\$ 69,520	(\$ 1,042 )	\$ 553,578
Current net income		-	-	-	-	74,163	-	74,163
Current other comprehensive income	6(16)	-	-	-	-	( 5 )	( 586 )	( 591 )
Current total comprehensive income		-	-	-	-	74,158	( 586 )	73,572
2022 earnings allocation and appropriation	6(15)							
Appropriation for legal reserve		-	-	5,609	-	( 5,609 )	-	-
Appropriation for special reserve		-	-	-	( 4,442 )	4,442	-	-
Distribution of cash dividends		-	-	-	-	( 43,717 )	-	( 43,717 )
Balance on December 31, 2023		\$ 273,234	\$ 158,042	\$ 53,949	\$ 1,042	\$ 98,794	(\$ 1,628 )	\$ 583,433

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Note	Year ended December 31	
		2023	2022
<u>Cash flow of operating activities</u>			
Net profit before tax this term		\$ 89,356	\$ 65,932
Adjustments			
Income, expense, and loss			
Depreciation expenses	6(7) and (8)	13,500	15,298
Amortization expenses		1,303	1,203
Expected credit impairment losses	12(3)	-	22,050
Interest expenses	6(20)	239	543
Interest revenue	6(17)	( 1,672 )	( 470 )
Dividend revenue	6(18)	( 2,635 )	( 2,431 )
Share of profit on associates and joint ventures accounted for the using equity method	6(19)	( 8,263 )	( 9,933 )
Gains on disposal of property, plant, and equipment		-	( 2 )
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Contract assets – current		( 54,207 )	16,771
Notes receivable, net		( 4,705 )	( 1,223 )
Notes receivable – related parties, net		441	4,717
Accounts receivable		22,292	( 43,231 )
Accounts receivable - related parties, net		( 3,543 )	( 9,262 )
Other receivables		698	1,269
Other receivables – related parties		61	( 61 )
Inventories		5,278	574
Prepayments		7,768	( 6,274 )
Other current assets – others		27	142
Net changes in liabilities related to operating activities			
Contract liabilities – current		9,950	( 2,643 )
Notes payable		( 171 )	( 459 )
Accounts payable		100,046	28,480
Accounts payable – related parties		296	( 1,001 )
Other payables		1,203	( 4,125 )
Other payables – related parties		( 597 )	1,351
Other current liabilities – others		( 8,436 )	8,555
Cash inflow from operations		167,869	85,770
Interest received		1,672	470
Dividends received	6(6)	12,044	2,781
Interest paid		( 239 )	( 543 )
Income tax paid		( 13,071 )	( 16,254 )
Net cash inflow from operating activities		168,275	72,224

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INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Note	Year ended December 31	
		2023	2022
<u>Cash flow of Investment activities</u>			
Cash paid for purchase of property, plant, and equipment	6(25)	(\$ 3,827)	(\$ 10,021)
Proceeds from disposal of property, plant, and equipment		-	203
Cash paid for acquisition of intangible assets		( 1,000)	( 999)
Financial assets measured at amortized cost – increase/decrease		( 260)	360
Decrease in long-term notes and accounts receivable		31,732	31,791
Other non-current assets – others		( 7,949)	-
Increase in refundable deposit		( 983)	( 2,840)
Net cash inflow (outflow) from investing activities		<u>17,713</u>	<u>18,494</u>
<u>Cash flow of fund-raising activities</u>			
Increase (Decrease) in guarantee received	6(26)	( 346)	93
Repayment of lease principal	6(26)	( 6,127)	( 6,447)
Distribution of cash dividends	6(15)	( 43,717)	( 54,647)
Net cash outflow from financing activities	(26)	( 50,190)	( 61,001)
Exchange rate effect		( 536)	1,495
Increase in cash and cash equivalents in the current period		135,262	31,212
Balance of cash and cash equivalents at beginning of period	6(1)	<u>171,492</u>	<u>140,280</u>
Balance of cash and cash equivalents at ending of period	6(1)	<u>\$ 306,754</u>	<u>\$ 171,492</u>

The accompanying notes are an integral part of these consolidated financial statements.

Information Technology Total Services Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand  
(Unless otherwise specified)

I. Company History

Information Technology Total Services Co., Ltd. (the “Company”) was incorporated in December 1990. The main business items of the Company and its subsidiaries (collectively, the “Group”) are information technology outsourcing (ITO), business process outsourcing (BPO), and innovative applications and services of the Internet of Things (IoT). TECO Electric and Machinery Co., Ltd. holds 41.97% of the Company’s equity, and TECO Electric and Machinery Co., Ltd. is the ultimate parent company of the Group.

II. Date and Procedures for Approval of the Financial Report

The consolidated financial report was released after being approved by the board of directors on February 21, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) The effect of adopting new or amended IFRSs endorsed and promulgated by the Financial Supervisory Commission (FSC)

The table below lists the new, revised and amended standards and interpretations of the IFRSs, which apply to the reporting period of 2023, as endorsed and promulgated by the FSC:

New, Amended, or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	May 23, 2023

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

(II) Effect of not adopting the newly promulgated or amended IFRS endorsed by the FSC

The table below lists the new, revised, and amended standards and interpretations of the IFRSs, which apply to the reporting period beginning on January 1, 2024, as endorsed by the FSC:

New, Amended, or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and	January 1, 2024

Leaseback”	
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Classification of liabilities with covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”	January 1, 2024

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

(III) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

New, amended and revised standards and interpretations of the IFRSs issued by IASB but not yet approved by FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IAS
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 9 “Lack of Exchangeability”	January 1, 2025

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

IV. Summary of significant accounting policies

The main accounting policies used in the preparation of this consolidated financial report are described below. Unless otherwise stated, said policies apply consistently throughout all reporting periods.

(I) Compliance Statement

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed and promulgated by the FSC.

(II) Basis of preparation

- Except for the following important items, the consolidated financial statements have been prepared at historical cost:  
Financial assets at fair value through other comprehensive income.
- The preparation of financial statements in compliance with the IFRSs requires the use

of some critical accounting estimates. In the process of applying the Group's accounting policies, the management also needed to exercise its judgment. For items requiring meticulous judgment or involving complexity, or involving critical assumptions and estimates in the consolidated financial statements, please refer to Note 5 for details.

(III) Basis of consolidation

1. Principles for preparing consolidated financial statements

- (1) The Group includes all subsidiaries as entities in the preparation of the consolidated financial statements. A subsidiary refers to an entity under the control of the Group. When the Group is exposed to variable returns from the participation in the entity or has rights to said variable returns, and has the ability to affect such returns through its power over the entity, the Group controls the entity. Subsidiaries are included in the consolidated financial statements from the day when the Group obtains control over them, and the consolidation is terminated on the day when the control is lost.
- (2) Transactions, balances, and unrealized gains and losses between companies within the Group have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Group.
- (3) The various components of profit or loss and other comprehensive income are attributable to the owners of the parent company and non-controlling interests; the total comprehensive income is also attributable to the owners of the parent company and non-controlling interests, even if the resulting loss of non-controlling interests occurs.
- (4) If the change in the ownership of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, as a transaction with owners. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
- (5) When the Group loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and used as the fair value of the financial asset initially recognized or as the cost of the investment in an associate or joint venture initially recognized; the difference between the fair value and the carrying amount is recognized as the current profit or loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the

relevant assets or liabilities are disposed of, so when the control over the subsidiary is lost, the gains or losses will be reclassified from equity in profit or loss.

2. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of the Subsidiary	Nature of Business	Percentage of ownership		Description
			December 31, 2023	December 31, 2022	
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Customer relationship management services and consulting services for customer service center establishment	100%	100%	
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Postal information integration and bill printing outsourcing services	100%	100%	
Information Technology Total Services Co., Ltd.	Information Technology Total Services (BVI) CO., LTD.	Investment holding company	100%	100%	
Information Technology Total Services (BVI) CO., LTD.	Information Technology (Wuxi) Co., Ltd.	ERP establishment, system maintenance, and information equipment procurement	100%	100%	

3. The subsidiaries not included in the consolidated financial statements: N/A.

4. Different adjustments and treatment methods of subsidiaries in the accounting period: N/A.

5. Major restrictions: Cash and short-term deposits of \$23,727 are deposited in China, subject to local foreign exchange controls. These foreign exchange controls restrict the repatriation of funds outside of China (except through the channel of normal dividends).

6. Subsidiaries with non-controlling interests that are material to the Group: N/A.

(IV) Foreign currency exchange

The items listed in the financial statements of each entity in the Group are measured in the currency of the main economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

1. Foreign currency transactions and balances

- (1) In foreign currency transactions, the spot exchange rate on the transaction or measurement date is used for translation to the functional currency. The exchange difference from the translation is recognized in profit or loss of the period.
- (2) The monetary assets and balance of liabilities in foreign currency are adjusted based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in profit or loss of the period.
- (3) The non-monetary assets and balance of liabilities in foreign currency measured at fair value through profit or loss are adjusted based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in profit or loss of the period; for those measured at fair value through other comprehensive income, the adjustment is made based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in other comprehensive income; those that are not measured at fair value are measured based on the historical exchange rate on the initial transaction date.
- (4) All the translation profits or losses are stated under the "other profits and losses" in the income statement.

2. Translation of foreign operations

For all entities of the Group and associates whose functional currencies are different from the presentation currency, their business results and financial position shall be translated into the presentation currency using the following method:

- (1) The assets and liabilities presented at each balance sheet are translated at the closing exchange rate at the balance sheet date;
- (2) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period; and
- (3) All exchange differences arising from translation are recognized in other comprehensive income.

(V) Criteria for classification of current and non-current assets and liabilities

1. Financial assets that meet any of the following conditions shall be classified as current assets:

- (1) The assets are expected to be realized, sold or consumed in a normal operating cycle.
- (2) The liabilities are held mainly for the purpose of trading.
- (3) The assets are expected to be realized within 12 months after the balance sheet date.
- (4) The cash or cash equivalents, excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) The liabilities are expected to be settled in a normal operating cycle.
- (2) The liabilities are held mainly for the purpose of trading.
- (3) The liabilities expected to be due and settled within 12 months after the balance sheet date.
- (4) Liabilities whose due date cannot be unconditionally extended by at least 12 months after the balance sheet date. The terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuing equity instruments do not affect the classification of liabilities.

The Group classifies all liabilities that do not meet the conditions above as non-current.

#### (VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits in alignment with the above definition that are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

#### (VII) Financial assets at fair value through other comprehensive income

1. The Group may, upon initial recognition, make an irrevocable choice to recognize the fair value changes of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
  - (1) The financial asset is held under an operating model for the purpose of collecting contractual cash flows and selling.
  - (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.
2. The Group adopts trade date accounting for financial assets at fair value through other comprehensive income in compliance with transaction practices.
3. The Group measures said assets at fair value plus transaction costs upon initial

recognition, which are subsequently measured at fair value:

- (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not be subsequently reclassified to profit or loss and shall be transferred to retained earnings instead. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.
- (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and impairment losses, interest revenue, and foreign currency exchange gains and losses before derecognition are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(VIII) Financial assets measured at amortized cost

1. Financial assets meeting all of the following criteria:
  - (1) Financial assets held under a business model where the purpose is to collect contractual cash flows.
  - (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.
2. The Group adopts trade date accounting for financial assets at amortized cost in compliance with transaction practices.
3. The Group measures the fair value of such assets plus transaction cost upon initial recognition and subsequently uses the effective interest method to recognize them in interest income or impairment losses during the outstanding period as per the amortization procedure. Upon derecognition, such gain or loss is recognized in profit or loss.
4. The Group holds time deposits that do not constitute cash equivalents for only a short period. Therefore, the deposits are measured at the amounts of investment since the effect of their discounting is not immaterial.

(IX) Accounts and notes receivable

1. These are the accounts and notes with which the right to receive the amount of the consideration for transfer of commodities or services is acquired unconditionally.
2. The non-interest-bearing short-term accounts and notes receivable are barely affected by discounting, so the Group measures them based on the original invoice amount.

(X) Impairment of financial assets

The Group, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking information) based on the debt instrument investments at fair value through other comprehensive income, financial assets at amortized cost, and accounts receivable or contract assets that contain significant financial components, lease receivables, loan commitments, and financial guarantee contracts. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable or contract assets that do not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(XI) Derecognition of Financial Assets

When the Group's contractual right to receive cash flows from financial assets has expired, said financial assets will be derecognized.

(XII) Inventories

Inventory is evaluated on the basis of the cost and net realizable value, whichever is lower; the cost is defined using the weighted average method. When cost and net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost required for completion and the estimated cost necessary to complete the sale.

(XIII) Investment using equity method

1. Associates refer to all entities that the Group has a significant influence on without control. Generally, the Group holds at least 20% of their voting shares directly or indirectly. The Group adopts the equity method to treat the investment in associates, which is recognized at cost of acquisition.
2. The Group recognizes the share of profit or loss on associates after acquisition in current profit or loss, and recognizes the share of other comprehensive income on associates after acquisition as other comprehensive income. If the Group's share of losses on an associate equals or exceeds its equity in the associate (including any other unsecured receivables), the Group will not recognize further losses unless the Group has incurred legal obligations or constructive obligations to said associate, or made payments on behalf of said associate.
3. When equity changes which are not related to profit or loss and other comprehensive income occur to an associate, and said changes do not affect the shareholding percentage

of the associate, the Group recognizes all equity changes in “capital surplus” based on the shareholding percentage.

4. Unrealized gains or losses arising from transactions between the Group and associates have been eliminated based on the proportion of its equity of the associates; unless evidence shows that the assets transferred have been impaired, the unrealized losses are also eliminated. The accounting policies of the associates have been adjusted as necessary and are consistent with the policies adopted by the Group.
5. Where the Group disposes of an associate and if it loses significant influence on the associate, for all amounts previously recognized in other comprehensive income related to the associate, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, and when the significant influence on the associate is lost, the gains or losses will be reclassified from equity to profit or loss. If the Company still has significant influence on the associate, only the amount previously recognized in other comprehensive income is transferred out in the manner above on a pro-rata basis.

(XIV) Property, plant, and equipment

1. The acquisition cost is the account entry basis for property, plant, and equipment. The interest accruing during the purchase and construction period is capitalized.
2. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset only when the future economic benefits related to an item are likely to flow into the Group and the cost of the item can be reliably measured. The carrying amount of the part replaced shall be derecognized. All other repair and maintenance expenses are recognized in profit or loss of the period when incurred.
3. The cost model is used for subsequent measurement of property, plant, and equipment. Except for the land, others are depreciated on the straight-line basis within the useful life. Each and every major part of the property, plant, and equipment are depreciated individually.
4. The Group conducts at least one annual review at the end of each year to assess the estimated useful lives, residual value, and depreciation methods. If the expected residual value and useful lives are different from the previous estimates, or the expected consumption pattern of future economic benefits contained in an asset has changed significantly, the Group shall adjust it in accordance with the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding changes in accounting estimates from the date the changes occur. The useful life of each asset is

as follows:

Machinery and equipment	2–12 years
Office equipment	1–5 years
Leasehold improvements	1–10 years
Other equipment	3–5 years

(XV) Lessee's lease transactions – right-of-use assets/lease liabilities

1. Leased assets are recognized in right-of-use assets and lease liabilities on the date they are available for use by the Group. When a lease contract is a short-term lease or lease of a low-value asset, the lease payment is recognized as an expense during the lease term using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the commencement date of a lease at the discounted interest rate of the Group's incremental borrowings. The lease payments include:  
Fixed payments, less any rental incentives that can be collected;  
Subsequently, the interest approach is adopted to measure said payments at amortized cost, and interest expenses are recognized during the lease term. Where the lease period of payment is changed due to the factor other than modification of the contract, the right-of-use assets will be adjusted based on the remeasurement.
3. The right-of-use asset is recognized at cost at the commencement date of a lease, and the cost includes:
  - (1) The original measured amount of the lease liability;
  - (2) Any lease payments paid on or before the commencement date;
  - (3) Any original direct costs incurred; andSubsequently, the measurement is based on the cost model, and the depreciation expense is recognized when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.
4. For lease modifications with the scope of a lease reduced, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between said carrying amount and the remeasured amount of the lease liability is recognized in profit or loss.

(XVI) Intangible assets – computer software

Computer software is recognized at acquisition cost and amortized based on the estimated useful lives of 1 to 5 years using the straight-line method.

(XVII) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. If impairment of assets was not recognized in the previous year or was reduced, an impairment loss will be reversed. However, the increased carrying amount of the assets due to reversal of the impairment loss shall not exceed the carrying amount after deduction of the depreciation or amortization if the impairment loss of the assets is not recognized.

(XVIII) Accounts and notes payable

Accounts and notes payable are the obligation of payment against acquisition of goods or services from suppliers during normal operating processes. These payables are measured at fair value when initial recognition is conducted and subsequently at amortized cost under the effective interest method. However, as the non-interest-bearing short-term accounts payable are barely affected by discounting, they will subsequently be measured using the original invoice amount.

(XIX) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in a contract are fulfilled, cancelled, or expired.

(XX) Offsetting of financial assets and liabilities

The financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid and recognized in expense when related services are provided.

2. Pension

(1) Defined appropriation plan

The amount of the pension fund to be appropriated under the defined pension appropriation plan is recognized in pension cost of the period on the accrual basis. Prepayment of contribution is recognized in assets within the scope of the refundable cash or future deductible contribution.

(2) Defined benefit plan

- A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employees from provision of current or previous services. The par value of the plan assets is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and period consistent with those of the defined benefit plan at the balance sheet date.
- B. The remeasurement generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
- C. The expenses related to the previous service cost is directly recognized in profit or loss.

3. Post-employment benefits

Post-employment benefits are benefits provided when an employee's employment is terminated before the normal retirement date or when the employee decides to accept the benefits offered by the Company in exchange for termination of employment. The Group recognizes expenses when it is no longer able to withdraw the offer of post-employment benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

4. Employee compensation and directors' remuneration

Remuneration to employees and directors is recognized in expenses and liabilities when the Company has a present statutory or presumed obligation and the obligation can be estimated reliably. If subsequently the finally determined distribution amount is different from the estimated amount, the difference will be dealt with according to the principle of changes in accounting estimates. In case stocks are distributed as remuneration to employees, the number of stocks is calculated based on the closing price one day before the resolution date of the Board of Directors

(XXII) Income tax

- 1. The tax expenses include current and deferred income taxes. The income tax is recognized in the profit or loss except the income taxes relevant to the items which are recognized in other comprehensive income or directly counted into the equity, which are recognized in other comprehensive income or directly counted into equity respectively.

2. The Group calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. The additional income tax imposed on the undistributed earnings according to the Income Tax Act is recognized in tax expenses of undistributed earnings based on the actual distribution of earnings after the earnings distribution proposal is approved at the shareholders' meeting held in the year next to the year when the earnings are generated.
3. The deferred income tax is recognized based on the temporary difference between the tax base of assets and liabilities and their carrying amount in the consolidated balance sheet under the balance sheet method. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of the asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (tax losses) is not affected at the time of the transaction, then the liabilities will not be recognized. For temporary differences caused by the investment in a subsidiary or an associate, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. The deferred income tax assets are recognized when the temporary difference is likely to be used for the offset of taxable income in the future. Unrecognized and recognized deferred income tax assets are reassessed on every balance sheet date.

(XXIII) Share capital

Ordinary shares are classified as equity, and the incremental cost directly attributable to the issue of new shares is listed in equity as a deduction, net of tax, from the proceeds.

(XXIV) Dividend allocation

Dividends are recognized in the Company's financial statements in the period in which they are approved to be distributed as resolved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be allocated and reclassified to ordinary shares on the record date of the issue of new shares.

## (XXV) Recognition of revenue

### 1. Sales revenue

The Group sells various products related to information equipment. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the Group has no outstanding performance obligations that may affect the buyer's acceptance of the products.

### 2. Service revenue

- (1) The Group provides information software, data processing, electronic information supply, and other relevant services. When the result of a transaction for the provision of services can be reliably estimated, it shall be recognized in revenue according to the percentage of completion method. The percentage of completion is estimated based on the proportion of the cost incurred to the estimated total transaction cost and the value of the service transferred to a customer as of the balance sheet date (and as for the value of the contract performance completed to the customer so far, the amount, for which receipts can be issued, is recognized in revenue based on practical expediency). When the result of the transaction cannot be estimated reliably, revenue is recognized within the range where the cost recognized is likely to be recovered. Where a customer makes a payment according to the contract price in line with the agreed payment schedule, when the service provided by the Group exceeds the customer's payable, it is recognized as a contract asset, and if the customer pays more than the service provided by the Group, it is recognized as a contract liability.

The Group also provides services for information software and its license maintenance. Because it is still part of the information service, it is recognized in service revenue after the performance obligations are fulfilled.

- (2) The Group's estimates of revenue, cost, and percentage of completion are revised as circumstances change. Any increase or decrease in the estimated revenue or cost due to changes in estimates will be reflected in profit or loss during the period in which the circumstances resulting in the correction become known to the management.

## (XXVI) Operating segments

The Group's information on operating segments is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The board of directors has been identified as the Group's chief operating decision-maker.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

During the preparation of the consolidated financial statements, the management has exercised its judgments to adopt the accounting policies to be used, and made accounting estimates and assumptions based on reasonable expectations of future events with reference to the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumptions made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical experience and other factors. The aforementioned estimates and assumptions have the risk that may cause major adjustments to the carrying amount of assets and liabilities in the coming financial year. Please refer to the uncertainties to significant account judgments, estimates, and assumptions as stated below:

(I) Significant judgments used in the accounting policies

N/A.

(II) Critical accounting estimates and assumptions

1. Recognition of revenue

The service revenue is the revenue recognized according to the percentage of completion method, which is calculated according to the degree of service provided during the service contract period, and the relevant service costs are recognized as expenses during the period in which they are incurred. The degree of service provided is calculated by referring to the cost incurred by each service contract as of the end of the financial reporting period as a percentage of the estimated total cost of the service contract. The estimated total cost of service contracts is assessed by the management as per the nature of different cases, estimated manpower requirements, and contract duration and based on the Company's subjective judgment. The actual results may differ from the estimates, so there may be significant changes.

2. Assessment of impairment of accounts receivable

The Group must adopt historical experience to assess the possibility of future cash flow recovery. When there is objective evidence showing signs of impairment, the amount of the impairment loss is measured based on the differences between the present value of the asset's carrying amount and the estimated future cash flows at the original effective discount interest rate of the financial asset. If the actual cash flow in the future is less than estimated, significant impairment losses may occur. After considering all reasonable and corroborative information (including forward-looking information), if the credit risk has not increased significantly since the initial recognition, the loss allowance is measured based on the 12-month expected credit loss. In the case of a significant increase in the credit risk since the initial recognition, the loss allowance is

measured based on the lifetime expected credit loss; for accounts receivable that do not contain a significant financial component, the loss allowance is measured based on the lifetime expected credit loss. The assessment of the allowance is based on a reasonable expectation of future events according to the situation at the balance sheet date, but the actual results may differ from the estimates, so there may be significant changes.

On December 31, 2022, the Group’s accounts receivable and allowance for bad debts were \$317,926 and \$24,038, respectively.

## VI. Description of Significant Accounting Titles

### (I) Cash and cash equivalent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 257	\$ 263
Checking deposit and demand deposit	171,235	140,017
Total	<u>\$ 171,492</u>	<u>\$ 140,280</u>

1. The financial institutions the Group deals with have high credit ratings. The Group also deals with multiple financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.
2. As of December 31, 2022 and 2021, the Group provided restricted cash and cash equivalents as performance bonds, amounting to \$1,112 and \$1,472, respectively (recognized in “1136 Financial assets measured at amortized cost – current” and “1535 Financial assets measured at amortized cost – non-current”).

### (II) Financial assets at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Unlisted stocks	<u>\$ 32,530</u>	<u>\$ 29,324</u>

1. The Group has elected to classify unlisted stocks with stable dividends as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of December 31, 2022 and 2021, were \$32,530 and \$29,324, respectively.
2. The amount of financial assets at fair value through other comprehensive income recognized in dividend revenue under profit or loss in 2022 and 2021 was \$2,431 and \$2,980, respectively.
3. As of December 31, 2022 and 2021, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group’s financial assets at fair value through other comprehensive income was in the amount of \$32,530 and \$29,324, respectively.

4. For information on the price risk and the fair value of financial assets at fair value through other comprehensive income, please refer to Notes 12(3) and (4).

(III) Financial assets measured at amortized cost

Item	December 31, 2022	December 31, 2021
Current item:		
Time deposits	\$ 605	\$ 605
Performance bond	150	145
Total	\$ 755	\$ 750
Non-current items:		
Time deposits	\$ -	\$ 215
Performance bond	357	507
Total	\$ 357	\$ 722

1. Financial assets measured at amortized cost which are recognized in profit or loss are detailed as follows:

	2022	2021
Interest revenue	\$ 47	\$ 2

2. As of December 31, 2022 and 2021, regardless of the collateral held or other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets measured at amortized cost was in the amount of \$1,112 and \$1,472, respectively.
3. For the financial assets measured at amortized cost which have been pledged by the Group as collateral, see Note 8.
4. For information on the credit risk of financial assets measured at amortized cost, see Note 12(3). The counterparties for the Group's investment in certificates of deposit are financial institutions with high credit ratings. Therefore, the expected risk of default is rather low.

(IV) Notes and Accounts Receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 1,657	\$ 434
Accounts receivable	\$ 317,926	\$ 274,695
Less: Allowance loss	( 24,038)	( 1,988)
	\$ 293,888	\$ 272,707

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2022	December 31, 2021
Not past due	\$ 293,022	\$ 265,262
Within 30 days	15,166	5,174

31–90 days	11,386	4,134
91–180 days	9	6
181 and above	-	553
	\$ 319,583	\$ 275,129

The aging analysis stated above is based on the number of overdue days.

- The balances of accounts receivable and notes receivable as of December 31, 2022 and 2021 were all generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2021, was \$424,360.
- As of December 31, 2022 and 2021, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's notes receivable was in the amount of \$1,657 and \$434, respectively; the maximum amount of the exposure to the credit risk arising from the Group's accounts receivable was in the amount of \$293,888 and \$272,707, respectively
- Please refer to Note 12(3) for detailed information on the credit risk of accounts and notes receivable.

(V) Inventories

	December 31, 2022		
	Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory	\$ 1,131	\$ -	\$ 1,131
Software and hardware costs and consumables for projects	9,573	( 2,765)	6,808
	\$ 10,704	(\$ 2,765)	\$ 7,939

  

	December 31, 2021		
	Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory	\$ 3,668	\$ -	\$ 3,668
Software and hardware costs and consumables for projects	7,610	( 2,765)	4,845
	\$ 11,278	(\$ 2,765)	\$ 8,513

The cost of inventories and consumables sold by the Group in 2022 and 2021 were \$402,719 and \$290,040, respectively.

(VI) Investment using equity method

	December 31, 2022	December 31, 2021
Tension Envelope Taiwan Corporation	\$ 42,625	\$ 32,521
An-Hui Information Technology Co., Ltd.	3,664	3,626
	\$ 46,289	\$ 36,147

- The Group holds 50% of the voting rights of Tension Envelope Taiwan Corporation

(hereinafter referred to as “Tension Envelope”). However, the Group does not have substantive control over Tension Envelope. Tension Envelope’s operating decisions and personnel appointments by its board of directors are guided by another parent company that holds 50% of its voting rights, so the Group’s investment in Tension Envelope is handled using the equity method.

2. The Group’s investment in the investee Tension Envelope using the equity method was based on the evaluation of the financial statements audited by other CPAs appointed by the company. Tension Envelope issued cash dividends of \$350 and \$2,953 in 2022 and 2021, respectively.
3. The Group holds 15% of the voting rights of An-Hui Information Technology Co., Ltd. (hereinafter referred to as “An-Hui Information”), obtaining a seat on the board. With significant influence on An-Hui Information, the Group adopts the equity method for investment in An-Hui Information.
4. Associates

(1) The basic information of the Group’s associates is as follows:

Company name	Principal place of business	Shareholding percentage		Relationship	Measurement method
		December 31, 2022	December 31, 2021		
Tension Envelope Taiwan Corporation	Taiwan	50%	50%	Suppliers of the Group	Equity method
An-Hui Information Technology Co., Ltd.	Taiwan	15%	15%	Strategic collaboration	Equity method

(2) The carrying amounts of the Group’s associates that are individually immaterial and their share of operating results are aggregated below:

As of December 31, 2022 and 2021, the carrying amounts of the Group’s associates that are individually immaterial were \$46,289 and \$36,147, respectively.

	2022	2021
Net profit (loss) from continuing operations in the current period	\$ 20,045	\$ 5,042
Other comprehensive income (net of tax)	1,120	112
Current total comprehensive income	<u>\$ 21,165</u>	<u>\$ 5,154</u>

(VII) Property, plant, and equipment

Machinery and equipment	Office equipment	Leasehold improvements	Others	Total
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January 1, 2022					
Costs	\$ 44,865	\$ 10,386	\$ 11,535	\$ 1,092	\$ 67,878
Accumulated depreciation and impairment	(24,301)	(7,081)	( 4,883)	( 929)	(37,194)
	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>
January 1, 2022	\$ 20,564	\$ 3,305	\$ 6,652	\$ 163	\$ 30,684
Additions	6,291	2,124	2,251	72	10,738
Disposal	( 175)	( 8)	-	( 18)	( 201)
Depreciation expenses	(4,087)	(1,798)	(1,984)	( 93)	( 7,962)
Net exchange difference	-	3	-	3	6
December 31, 2022	<u>\$ 22,593</u>	<u>\$ 3,626</u>	<u>\$ 6,919</u>	<u>\$ 127</u>	<u>\$ 33,265</u>
December 31, 2022					
Costs	\$ 55,355	\$ 12,085	\$ 11,867	\$ 917	\$ 80,224
Accumulated depreciation and impairment	(32,762)	( 8,459)	( 4,948)	( 790)	(46,959)
	<u>\$ 22,593</u>	<u>\$ 3,626</u>	<u>\$ 6,919</u>	<u>\$ 127</u>	<u>\$ 33,265</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
January 1, 2021					
Costs	\$ 42,945	\$ 9,197	\$ 5,520	\$ 1,056	\$ 58,718
Accumulated depreciation and impairment	(32,307)	(5,417)	( 3,433)	( 810)	(41,967)
	<u>\$ 10,638</u>	<u>\$ 3,780</u>	<u>\$ 2,087</u>	<u>\$ 246</u>	<u>\$ 16,751</u>
January 1, 2021	\$ 10,638	\$ 3,780	\$ 2,087	\$ 246	\$ 16,751
Additions	13,856	1,198	6,026	43	21,123
Depreciation expenses	( 3,930)	(1,671)	(1,460)	( 125)	(7,186)
Net exchange difference	-	( 2)	( 1)	( 1)	( 4)
December 31, 2021	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>
December 31, 2021					
Costs	\$ 44,865	\$ 10,386	\$ 11,535	\$ 1,092	\$ 67,878
Accumulated depreciation and impairment	(24,301)	(7,081)	( 4,883)	( 929)	(37,194)
	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>

The Group did not pledge property, plant, and equipment as collateral.

(VIII) Lease transaction – lessee

1. The assets leased by the Group include buildings as well as machinery and equipment. The lease terms usually range from 2 to 5 years. The lease contracts are negotiated separately and contain various terms and conditions. Except that the leased asset cannot be used as collateral for loans, no other restrictions are imposed.
2. The carrying amount of the right-of-use assets and the recognized depreciation expenses are described below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 10,779	\$ 13,555
Machinery and equipment	3,813	1,829
	<u>\$ 14,592</u>	<u>\$ 15,384</u>

  

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	\$ 6,023	\$ 4,327
Machinery and equipment	1,313	4,848
	<u>\$ 7,336</u>	<u>\$ 9,175</u>

3. The additions of the Group's right-of-use assets in 2022 and 2021 were \$6,544 and \$17,882, respectively.
4. Information on the profit or loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting the current profit or loss</u>		
Interest expense on lease liabilities	\$ 289	\$ 595
Expenses of short-term lease contracts and leases of low-value assets	10,831	12,226
Gain on lease modification	-	188

5. The Group's total cash outflows from leases in 2022 and 2021 were \$17,567 and \$21,932, respectively.

(IX) Long-term notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term accounts receivable	\$ 133,962	\$ 166,206
Less: Unrealized interest revenue	( 3,867)	( 4,320)
Total	<u>\$ 130,095</u>	<u>\$ 161,886</u>

1. The expected recovery is as follows:

<u>December 31, 2022</u>	<u>December 31, 2021</u>
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2–5 years	<u>\$</u> 133,962	<u>\$</u> 166,206
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- The amounts of notes and payments due within one year as of December 31, 2022 and 2021, were \$11,305 and \$11,698, respectively, which have all been reclassified to “1150 Notes receivable” and “1170 Accounts receivable.”

(X) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary payable	\$ 49,254	\$ 53,880
Employee compensation and directors’ and supervisors’ remuneration payable	8,036	9,725
Labor and health insurance premium and pension payable	3,095	6,310
Service fee payable	1,325	-
Payables for equipment	1,098	381
Social insurance fund payable	1,047	1,687
Expenses payable – others	8,437	3,717
	<u>\$</u> 72,292	<u>\$</u> 75,700

(XI) Pension

- Before the settlement of the Labor Retirement Reserve Fund (the old fund) on February 3, 2017, the Company established the defined benefit pension regulations in accordance with the provisions of the Labor Standards Act, which were applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005, and to the formal employees who still chose the old fund mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units granted and the average monthly salary of the last six months prior to retirement. The Company contributes 2% of the employee’s total wage as the pension fund on a monthly basis and deposits it in the specific account with the Bank of Taiwan in the name of Labor Pension Reserve Committee.
- Since July 1, 2005, the Company and its domestic subsidiaries have established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with Taiwanese nationality. For the pension plan under the Labor Pension Act chosen by employees, the Company and its domestic subsidiaries make monthly contributions to employees’ individual pension accounts at 6% of the monthly salaries. Based on employee’s individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum.

3. Some subsidiaries of the Group make monthly contributions according to a certain percentage of local employees' salaries in accordance with the pension system stipulated by the government of the People's Republic of China, and the contribution percentages ranged by 16% in both 2022 and 2021. The pension for each employee is managed by the government; thus, the Group does not have further obligations except for making monthly contributions.
4. The cost of pensions recognized based on the methods above for 2022 and 2021 were \$14,191 and \$14,145, respectively.

(XII) Share capital

1. As of December 31, 2022, the Company's registered capital was \$400,000, divided into 40,000 thousand shares, and the paid-in capital was \$273,234, with a par value of \$10 per share. The payment for the issued shares of the Company has been received.

The adjustment to the number of the Company's ordinary shares outstanding at the beginning and end of the period is as follows: (Unit: Thousand shares)

	2022		
	Common stock via private placement	Unrestricted shares	Total
January 1	5,084	22,239	27,323
Application for public offering of privately placed shares	( 5,084)	5,084	-
December 31	-	27,323	27,323
	2021		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or December 31)	5,084	22,239	27,323

2. On April 23, 2019, the Company's shareholders' meeting approved a proposal to increase capital in cash by private placement. The record date of the private placement was May 15, 2019. The purpose of the capital increase in cash was to repay bank loans and replenish working capital. In this private placement, the total number of shares was 5,084 thousand, and the subscription price per share was \$29. Through this capital increase, \$147,444 has been raised, and the registration of the change has been completed. On August 11, 2022, the board of directors adopted a resolution approving the application by the Company for a public offering of privately placed shares. On October 26, 2022, the application was approved by the Taipei Exchange and came into effect, with public offering of such shares taking place on November 9, 2022.

(XIII) Capital surplus

According to the Company Act, the Company may distribute the capital surplus gained from the income derived from the issuance of new shares at a premium or from endowments received by the Company by issuing new shares or allocating cash to its original shareholders in proportion to the number of shares being held except for the part of the capital surplus needed for makeup of loss and if the Company incurs no accumulated loss. The Company shall not use the capital surplus to compensate the capital losses, unless the surplus reserve is insufficient to compensate such losses.

(XIV) Retained earnings

1. According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, aside from paying all taxes, the Company shall first compensate the accumulated losses, and then appropriate 10% of the balance for legal reserve. If there are still earnings, the shareholders' meeting shall resolve to retain or distribute them.
2. The legal reserve shall not be used except for compensation for the Company's losses and the issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of the issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside a special reserve from the debit balance on other equity items on the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.  
(2) Upon the first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed. If the aforementioned assets are investment property, it shall be reversed at the time of disposal or reclassification in the case of land, while for property other than the land, it shall be reversed phase by phase during the period of use.
4. On June 27, 2022, and July 30, 2021, the Company's shareholders' meetings passed the earnings distribution proposal for the year 2021 and 2020 as follows:

	2021		2020	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 7,253		\$ 6,560	
Special reserves	1,205		1,414	
Cash dividend	54,647	\$ 2.0	54,647	\$ 2.0
Total	\$ 63,105		\$ 62,621	

5. On March 9, 2023, the board of directors proposed to distribute a dividend of \$1.6 per ordinary share from the earnings for 2022, and the total dividend was \$43,717.

(XV) Other equity items

	2022	2021
January 1	(\$ 5,484)	(\$ 4,279)
Foreign currency exchange difference	4,442	(1,205)
December 31	(\$ 1,042)	(\$ 5,484)

(XVI) Operating revenue

	2022	2021
Income from customer contracts		
Service revenue	\$ 1,137,839	\$ 1,201,173
Sales revenue	192,435	124,453
Total	\$ 1,330,274	\$ 1,325,626

1. Details of revenue from customer contracts

The Group's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be broken down into the following main product lines:

2022	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 764,160	\$ 566,114	\$ 1,330,274
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 350,803	\$ 68,976	\$ 419,779
Revenue recognized gradually over time	413,357	497,138	910,495
	\$ 764,160	\$ 566,114	\$ 1,330,274
2021	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 874,696	\$ 450,930	\$ 1,325,626
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 375,798	\$ 40,803	\$ 416,601
Revenue recognized gradually over time	498,898	410,127	909,025

\$	874,696	\$	450,930	\$	1,325,626
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2. Contract assets and contract liabilities

Contract assets and contract liabilities related to revenue from customer contracts recognized by the Group are as follows:

(1) Contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets:			
Information systems Consulting agreements	\$ 35,235	\$ 52,006	\$ 31,660
Contract liabilities:			
Advance receipts	\$ 14,633	\$ 17,276	\$ 17,021

(2) Contract liabilities at beginning of period recognized in revenue in current period:

	2022	2021
Advance receipts	\$ 16,338	\$ 14,970

(3) Unfulfilled long-term consultancy contract

As of December 31, 2022 and 2021, the contract prices allocated to the unfulfilled (or not yet fully fulfilled) portions of the long-term consultancy contracts signed by the Group and its customers were \$43,062 and \$84,211, respectively. The management expects that the transaction prices allocated to the unfulfilled contractual obligations as of December 31, 2022 and 2021, that will be recognized in revenue for the years 2023 and 2022 are \$43,062 and \$84,211, respectively. The aforementioned amounts do not include the amount of consideration for restricted changes.

In addition to the above-mentioned contracts, all other information system consultancy contracts of the Group are contracts that are shorter than one year or are billed based on actual service hours. According to IFRS 15, there is no need to disclose the transaction prices allocated to the unfulfilled contractual obligations of these contracts.

3. The notes and accounts receivable with payment periods exceeding one year are recognized in “1930 Long-term notes and accounts receivable.”

(XVII) Interest revenue

	2022	2021
Bank deposit interest	\$ 411	\$ 257
Interest income measured at amortized	47	2

cost		
Other interest revenue	12	8
	\$ 470	\$ 267

(XVIII) Other revenue

	2022	2021
Dividend revenue	\$ 2,431	\$ 3,889
Rental revenue	194	449
Non-operating income	903	1,220
	\$ 3,528	\$ 5,558

(XIX) Other gains and losses

	2022	2021
Gain on foreign exchange	\$ 1,060	\$ 7
Gains on disposal of property, plant, and equipment	2	-
Loss from disposal of investment	-	( 693)
Gain on lease modification	-	188
Miscellaneous expenditures	( 17)	( 29)
	\$ 1,045	(\$ 527)

(XX) Financial costs

	2022	2021
Interest on leases	\$ 289	\$ 595
Bank borrowings	254	179
Other financial expenses	-	67
	\$ 543	\$ 841

(XXI) Additional information on the nature of expenses

	2022	2021
Outsourcing and hardware and software costs	\$ 597,180	\$ 559,732
Employee benefit expenses	306,074	311,304
Materials consumed	225,922	168,256
	\$ 1,129,176	\$ 1,039,292

(XXII) Employee benefit expenses

	2022	2021
Salary expenses	\$ 254,263	\$ 260,278
Expenses for labor and health insurance	24,115	24,438
Pension expenses	14,191	14,145
Other employment expenses	13,505	12,443
	\$ 306,074	\$ 311,304

1. According to the Company's Articles of Incorporation, after deducting accumulated losses from the Company's profit for the year, if there are earnings, the Company shall appropriate 1–10% of the balance for employee compensation and no more than 5% for the remuneration of directors.
2. The Company's estimated amounts of employee compensation for 2022 and 2021 were \$4,950 and \$6,820, respectively; the estimated amounts for directors' remuneration were \$3,530 and \$4,860, respectively, and the foregoing amounts were accounted for under salary expenses.

According to the profit situation as of the end of 2022, said estimates were made at 1%–10% and no greater than 5%, respectively.

The amounts of employee compensation and directors' remuneration for the year 2021 as resolved by the board of directors were \$6,820 and \$4,860, respectively, which were consistent with the amounts recognized in the financial statements for 2021. The employee compensation for 2021 was paid in cash.

Information on employee compensation and directors' remuneration approved by the board of directors of the Company is available on the Market Observation Post System.

(XXIII) Income tax

1. income tax expense

(1) Component of income tax expense:

	2022	2021
Current income tax:		
Income tax current income	\$ 13,624	\$ 13,535
Additional tax levied on undistributed earnings	624	149
Income tax overestimates for prior years	( 1,431)	( 342)
Total current income tax	12,817	13,342
Deferred tax:		
Initial generation and reversal of temporary differences	( 2,526)	817
Total deferred income tax	( 2,526)	817
Income tax expense	\$ 10,291	\$ 14,159

(2) The amount of income tax related to other comprehensive income:

	2022	2021
Translation differences on foreign operations	\$ 264	\$ -
Remeasurement of defined benefit obligations – investment using equity method	112	11

\$	376	\$	11
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2. Reconciliation between income tax expense and accounting profit

	2022		2021	
Income tax calculated based on net profit before tax at the statutory tax rate (Note)	\$	11,944	\$	16,402
Effect of items that may not be recognized according to laws	(	753)	(	1,049)
Income tax overestimates for prior years	(	1,431)	(	342)
Additional tax levied on undistributed earnings		624		149
Use of tax loss carryforwards not recognized in prior years	(	93)	(	1,001)
Income tax expense	\$	10,291	\$	14,159

Note: The tax rate applicable is based on the tax rates applicable to income in relevant countries.

3. The amount of each deferred income tax asset or liability arising from temporary differences and tax losses is as follows:

	2022			
	January 1	Recognized in profit or loss	Recognition in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets:				
Loss on allowance for bad debts	\$ -	\$ 4,410	\$ -	\$ 4,410
Allowance for inventory valuation losses	516	-	-	516
Compensation for unused annual leave	147	-	-	147
Interest revenue on long-term receivables	865	( 91)	-	774
Unrealized gains between associates	57	( 57)	-	-
Subtotal	1,585	4,262	-	5,847

	January 1	Recognized in profit or loss	Recognition in other comprehensive income	December 31
– Deferred income tax				

liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(4,328)	( 1,736)	-	(6,064)
Exchange difference on translation of financial statements of foreign operations	-	-	( 264)	( 264)
Remeasurement of defined benefit plan – investment using equity method	( 87)		( 112)	( 199)
Subtotal	(4,464)	( 1,736)	( 376)	(6,576)
Total	(\$ 2,879)	\$ 2,526	(\$ 376)	(\$ 729)

	2021			
	January 1	Recognized in profit or loss	Recognition in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets:				
Allowance for inventory valuation losses	\$ 516	\$ -	\$ -	\$ 516
Compensation for unused annual leave	147	-	-	147
Interest revenue on long-term receivables	554	311	-	865
Unrealized gains between associates	181	( 124)	-	57
Subtotal	1,398	187	-	1,585
– Deferred income tax liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(3,324)	( 1,004)	-	(4,328)
Remeasurement of defined benefit plan – investment using the equity method	( 76)		( 11)	( 87)
Subtotal	(3,449)	( 1,004)	( 11)	(4,464)
Total	(\$ 2,051)	(\$ 817)	(\$ 11)	(\$ 2,879)

4. The effective period of the Company's unused tax loss carryforwards and the relevant amounts of unrecognized deferred tax assets are as follows:

December 31, 2021

Year	Amount approved	Balance to be credited	Amount unrecognized as deferred tax assets	Last year of credit
2012	9,268,706	467,372	467,372	2022
2018	370,438	370,438	370,438	2023
2019	360,939	360,939	360,939	2024
2020	849,574	849,574	849,574	2025

5. The Company's profit-seeking business income tax has been approved by the tax authority up until 2020.

(XXIV) Earnings per share

	2022		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 55,641	27,323	\$ 2.04
<u>Diluted earnings per share</u>			
Employee compensation	-	169	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 55,641	27,492	\$ 2.02
	2021		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 72,481	27,323	\$ 2.65
<u>Diluted earnings per share</u>			
Employee compensation	-	210	
Current net profit attributable to ordinary shareholders of the parent company plus the effect of potential ordinary shares	\$ 72,481	27,533	\$ 2.63

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(XXV) Additional information on cash flows

Investing activities with only partial cash payment:

	2022		2021	
Purchase of property, plant, and equipment	\$	10,738	\$	21,123
Add: Payables for equipment, beginning of period		381		445
Less: Payables for equipment, end of period	(	1,098)	(	381)
Cash paid in the current period	\$	<u>10,021</u>	\$	<u>21,187</u>
	2022		2021	
Acquisition of intangible assets	\$	999	\$	-
Add: Payables, beginning of period		-		1,746
Less: Payables, end of period		-		-
Cash paid in the current period	\$	<u>999</u>	\$	<u>1,746</u>

(XXVI) Changes in liabilities from financing activities

	January 1, 2022	Changes in cash flows	No effect on changes in cash flows	December 31, 2022
Lease liabilities	\$ 14,785	(\$ 6,447)	\$ 6,478	\$ 14,816
Deposit received	650	93	-	743
Dividend payable	-	( 54,647)	54,647	-
Total liabilities from financing activities	<u>\$ 15,435</u>	<u>(\$ 61,001)</u>	<u>\$ 61,125</u>	<u>\$ 15,559</u>
	January 1, 2021	Changes in cash flows	No effect on changes in cash flows	December 31, 2021
Lease liabilities	\$ 16,222	(\$ 9,111)	\$ 7,674	\$ 14,785
Deposit received	650	-	-	650
Dividend payable	-	( 54,647)	54,647	-
Total liabilities from financing activities	<u>\$ 16,872</u>	<u>(\$ 63,758)</u>	<u>\$ 62,321</u>	<u>\$ 15,435</u>

## VII. Related Party Transactions

### (I) Names of related parties and relationships

Name of the related party	Relationship with the Group
TECO Electric and Machinery Co., Ltd.	Ultimate parent company
An-Hui Information Technology Co., Ltd. (An-Hui Information)	Associates
Tension Envelope	Associates
Teco Industrial (Malaysia) Sdn., Bhd.	Other related parties
Teco (Vietnam) Electronic & Machinery Co., Ltd.	Other related parties
Teco Australia Pty., Ltd.	Other related parties
TECO Electric & Machinery Sdn. Bhd.	Other related parties
Teco Electric & Machinery (Pte) Ltd.	Other related parties
Teco Middle East Electrical & Machinery Co., Ltd.	Other related parties
TECO Technology (Vietnam) Co., Ltd.	Other related parties
Teco Westinghouse Motor Company (TWMC)	Other related parties
Temico Motor India Private Limited	Other related parties
Shanghai TECO Electric and Machinery Co., Ltd. (Shanghai TECO)	Other related parties
Nidec Corporation	Other related parties
Century Development Corporation	Other related parties
Taian Technology (Wuxi) Co., Ltd.	Other related parties
Taiwan Pelican Express Co., Ltd. (Taiwan Pelican Express)	Other related parties
An-Shin Food Services Co., Ltd. (An-Shin Food)	Other related parties
A-Ok Technical Service Co., Ltd.	Other related parties
E-Joy Electronics International Co., Ltd.	Other related parties
TECO Tour Travel Service Co., Ltd.	Other related parties
Yatec Engineering Corporation	Other related parties
Taian-Ecobar Technology Co., Ltd.	Other related parties
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Other related parties
Jiangxi TECO Electric and Machinery Co., Ltd.	Other related parties
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Other related parties
TECO Sun Energy Company Limited	Other related parties
TECO International Investment Co., Ltd.	Other related parties
TECO Electro Devices Co., Ltd.	Other related parties
TECO Image Systems Co., Ltd.	Other related parties
Tong-An Assets Management & Development Co., Ltd.	Other related parties
Zimtech Co., Ltd.	Other related parties
Tecom Co., Ltd.	Other related parties
Tung Pei Industrial Co., Ltd. (Tung Pei Industrial)	Other related parties
Tecnos International Consultant Co., Ltd. (Tecnos International)	Other related parties
Qingdao TECO Precision Mechatronics Co., Ltd.	Other related parties
Nanchang TECO Electric and Machinery Co., Ltd.	Other related parties
Advantech Co., Ltd. (Advantech)	Other related parties
Advantech Investment Co., Ltd. (Advantech Investment)	Other related parties
Fujio Food System Taiwan Co., Ltd.	Other related parties
Jie Zheng Property Service & Management Co., Ltd.	Other related parties
Wuxi TECO Electric & Machinery Co. Ltd. (Wuxi TECO)	Other related parties

Name of the related party	Relationship with the Group
Wuxi TECO Precision Industry Co., Ltd.	Other related parties
Wuxi TECO Electro Devices Co., Ltd. (Wuxi TECO Electro Devices)	Other related parties
Creative Sensor Technology Co., Ltd.	Other related parties
Xiamen Moss Catering Management Co., Ltd.	Other related parties
Royal Co., Ltd. (Royal)	Other related parties
Royal Host Taiwan Co., Ltd.	Other related parties
TECO Smart Technologies Co., Ltd. (TECO Smart)	Note

Note: On August 12, 2022, the board of directors of TECO Electric and Machinery Co., Ltd. approved its short-form merger with TECO Smart Technologies Co., Ltd., with the former continuing to exist and the latter being defunct. The record date for the merger was October 1, 2022.

(II) Significant transactions with related parties

1. Operating revenue

	2022	2021
Sale of goods:		
Parent company	\$ 20,369	\$ 12,288
Other related parties		
– An-Hui Information Technology Co., Ltd.	6,676	4,427
– WUXI TECO	4,511	-
– Tung Pei Industrial	3,155	-
– Teco Smart	161	8,775
– Others	8,424	7,762
Sale of services:		
Parent company	208,488	151,847
Other related parties		
– Taiwan Pelican Express	40,088	36,991
– WUXI TECO	14,900	14,194
– Teco Smart	4,845	20,421
– Others	68,610	72,881
Total	\$ 380,227	\$ 329,586

- (1) There are no significant differences in the transaction prices and payment terms of sales revenue in the transactions with non-associates, and the payment period is 60 to 90 days.
- (2) Service transactions include software business contracts, including enterprise resource planning and logistics outsourcing systems. Most of them are individual projects. Therefore, the contract price is determined by negotiation between both parties. The payment period is usually 30 to 120 days, and there are no significant

differences in transactions with non-associates.

2. Purchase

	<u>2022</u>	<u>2021</u>
Purchase of materials:		
Advantech	\$ 5,955	\$ 3,266
Tension Envelope	3,681	3,990
Purchase of services:		
Parent company	4,579	5,337
Other related parties		
- Technical Information International	8,072	4,071
- Taiwan Pelican Express	2,610	4,016
- Tecnos International	2,284	4,373
- Teco Smart	1,936	1,011
- Others	2,384	1,950
Total	<u>\$ 31,501</u>	<u>\$ 28,014</u>

- (1) No other transactions of the same types are available for comparison in terms of the purchase price and payment terms with associates, so such price and terms are decided in accordance with the contracts between both parties.
- (2) The purchase of services from the parent company is mainly personnel support for operational needs, and there are no similar types of transactions for comparison. The payment period is an open account with net 30 to 60 days.
- (3) The purchase of services from other related parties is personnel support, consulting fees, and freight for operational needs. The price conditions are roughly the same as those with general suppliers. The payment period is open account with net 30 to 60 days.

3. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable:		
Other related parties		
- WUXI TECO	\$ 441	\$ 1,368
- Tung Pei Industrial	-	3,790
Subtotal	<u>441</u>	<u>5,158</u>
Accounts receivable:		
Parent company	40,038	29,639
Other related parties		
- Taiwan Pelican Express	7,010	6,526
- WUXI TECO	5,645	4,304
- An-Hui Information Technology Co., Ltd.	4,866	2,096

– TECO Smart	-	7,668
– Taian Technology	-	2,425
WUXI		
– Others	13,658	9,297
Subtotal	<u>71,217</u>	<u>61,955</u>
Other receivables – others:		
Other related parties		
Others	61	-
Subtotal	<u>61</u>	<u>-</u>
Total	<u>\$ 71,719</u>	<u>\$ 67,113</u>

- (1) Receivables from related parties mainly come from the provision of relevant services, including information software, data processing, and electronic information supply.
- (2) The amounts of notes and payments due within one year as of December 31, 2022 and 2021, were \$0 and \$3,790, respectively, which have all been reclassified to “1160 Notes receivable – related parties” and “1180 Accounts receivable – related parties”.
- (3) Other receivables mainly include prepaid postage and other payments receivable.

#### 4. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Parent company	\$ 1,024	\$ 3,000
Other related parties		
– Advantech	2,000	1,580
– Technical Information International	2,794	870
– Taiwan Pelican Express	556	741
– Tecnos International	641	855
– Others	138	184
Associates		
– Tension Envelope	1,188	2,112
Subtotal	<u>8,341</u>	<u>9,342</u>
Other payables – others:		
Parent company	2,799	1,502
Other related parties		
– Royal	140	-
– Others	39	125
Subtotal	<u>2,978</u>	<u>1,627</u>
Total	<u>\$ 11,319</u>	<u>\$ 10,969</u>

#### 5. Lease transaction – lessee

- (1) The Group has leased buildings from the parent company. The lease terms are

2022 and 2021, with monthly payments.

(2) Rental expenses

	2022	2021
Parent company	\$ 6,179	\$ 6,742

(III) Information on remuneration to key management personnel

	2022	2021
Short-term employee benefits	\$ 24,516	\$ 25,756
Benefits after severance/retirement	848	1,046
Total	\$ 25,364	\$ 26,802

VIII. Pledged assets

The details of the assets pledged by the Group as collateral are as follows:

Assets	Carrying amount		Purpose of collateral
	December 31, 2022	December 31, 2021	
Financial assets measured at amortized cost - current	\$ 755	\$ 749	Business performance bond
Financial assets measured at amortized cost - non-current	357	722	Commercial paper payable
Right-of-use assets			Collateral for lease payable
Total	\$ 1,112	\$ 2,211	

IX. Material contingent liabilities and unrecognized contractual commitments

(I) Contingency

N/A.

(II) Commitments

For the operating lease agreements, please refer to Note 7(2)5.

X. Major disaster loss

N/A.

XI. Material events after the balance sheet date

N/A.

## XII. Others

### (I) Presentation of financial reporting

Some accounts under the 2021 financial statements of the Group have been reclassified to ensure consistency with the presentation of the 2022 financial statements for the purpose of comparison.

### (II) Capital management

The Group's capital management objectives are to ensure that the Group can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders. Therefore, the Group's capital management aims to ensure that it has the necessary financial resources and operating plans to maintain or adjust the capital structure to respond to the operating capital, capital expenditures, research and development expenses, debt repayment, and dividend payments required in the following year.

### (III) Financial instruments

#### 1. Type of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments selected	\$ 32,530	\$ 29,324
Financial assets measured at amortized cost		
Cash and cash equivalent	171,492	140,280
Financial assets measured at amortized cost	1,112	1,471
Notes receivable	2,098	5,592
Accounts receivable	365,105	334,662
Other receivables	6,091	7,299
Refundable deposits	7,907	5,067
Long-term accounts receivable	130,095	161,886
	<u>\$ 716,430</u>	<u>\$ 685,581</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Notes payable	\$ 891	\$ 1,350
Accounts payable	195,951	170,099
Other accounts payable	75,270	77,327
Deposit received	743	650
	<u>\$ 272,855</u>	<u>\$ 249,426</u>

Lease liabilities	\$	14,816	\$	14,785
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2. Risk management policy

- (1) The daily operations of the Group are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The overall risk management policy of the Group focuses on unpredictable events in the financial market and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is carried out by the Group's finance department in accordance with the policy approved by the board of directors. The Group's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Group's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment using remaining liquidity.

3. Nature and level of material financial risks

(1) Market risk

Exchange rate risk

- A. The Group operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company and its subsidiaries. Exchange rate risk arises from future business transactions and assets and liabilities recognized.
- B. The Group's business involves a number of non-functional currencies. Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

		<u>December 31, 2022</u>		
		Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	\$ 5,448	30.71	\$ 167,308
<u>Non-monetary items</u>				
	USD:NTD	1,058	30.71	32,483
		<u>December 31, 2021</u>		
		Foreign currencies	Exchange rate	Carrying amount (NTD)

	(thousand)			
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	361	27.68	\$ 9,992
AUD:NTD		11	20.08	221
<u>Non-monetary items</u>				
USD:NTD		1,058	27.68	29,277

- C. Exchange rate fluctuations have a significant influence on the Group's monetary items. The aggregate amounts of all exchange gains (losses) (including realized and unrealized) recognized for 2022 and 2021 were \$1,060 and \$7.
- D. The Group's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

	2022		
	Sensitivity analysis		
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,673	\$ -
		2021	
	Sensitivity analysis		
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 100	\$ -
AUD:NTD	1%	2	-

#### Price risk

- A. The Group's equity instruments exposed to price risk are financial assets held at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Group has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Group.
- B. The Group mainly invests in equity instruments issued by domestic and foreign companies, and the prices of these equity instruments are affected by the uncertainty of the future values of said instruments. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the other comprehensive income would have increased or decreased by \$325 and \$293 for 2022 and 2021, respectively, because of the gains or losses on the equity instrument investment at fair value through other

comprehensive income.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle accounts receivable in accordance with the payment terms, and the contractual cash flow of debt instrument investment classified as measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit and loss.
- B. The Group has established credit risk management from the Group's perspective. For banks and financial institutions with whom it deals, only those with an independent credit rating of at least good can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. The credit facilities with respect to individual risks are determined by the Board of Directors pursuant to internal and external rating. Use of the credit facilities is monitored on a regular basis.
- C. The Group in accordance with the credit risk management procedures, deems contract payments that are overdue for more than 181 days according to the agreed payment terms or show signs that the debt cannot be repaid to be in default.
- D. The Company adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:

When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
- E. The indicators used by the Group to determine investment in debt instruments as credit impairment are as follows:
  - (A) The issuer has encountered major financial difficulties, or has an increased possibility of going into bankruptcy or other financial restructuring;
  - (B) The active market of financial assets disappears due to financial difficulties of the issuer;
  - (C) The issuer's delay or non-payment of interest or principal;

- (D) Any adverse changes in national or regional economic situations that lead to breach of contract on the side of the issuer.
- F. The Group groups customers' accounts receivable according to the characteristics of trade credit risk, and adopts a simplified approach to estimate expected credit losses based on the loss rate method.
- G. After the recourse procedures, the Group provides loss allowance and recognizes overdue receivables for the amount of the financial asset that cannot be reasonably expected to be recovered. However, the Group will continue to carry out the legal recourse procedures to preserve the creditor's rights. The Group's claims for which loss allowance has been provided with recourse activities still underway was \$0 on both December 31, 2022 and 2021.
- H. The Group has included forward-looking considerations for the future and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for notes receivable (including related parties), accounts receivable (including related parties), and long-term notes and accounts receivable (including related parties). The loss rate method as of December 31, 2022 and 2021, is as follows:

	Not past due	Within 30 days	31-90 days	Over 91 days	Individual assessment	Total
<u>December 31, 2022</u>						
Expected loss rate	0% ~ 1%	0% ~ 1%	0% ~ 4%	0% ~ 30%	100%	
Total carrying amount	\$ 493,148	\$ 5,501	\$ 628	\$ 9	\$ 22,050	\$ 521,336
Loss allowance	\$ 1,964	\$ 18	\$ 4	\$ 2	\$ 22,050	\$ 24,038
	Not past due	Within 30 days	31-90 days	Over 91 days	Individual assessment	Total
<u>December 31, 2021</u>						
Expected loss rate	0% ~ 1%	0% ~ 1%	0% ~ 4%	0% ~ 30%	100%	
Total carrying amount	\$ 491,466	\$ 7,926	\$ 4,176	\$ 440	\$ 120	\$ 504,128
Loss allowance	\$ 1,851	\$ 13	\$ 3	\$ 1	\$ 120	\$ 1,988

- I. The table of the changes in the Group's simplified loss allowance for accounts receivable is as follows:

	2022	2021
	Accounts receivable	Accounts receivable
January 1	\$ 1,988	\$ 1,988
Impairment loss recognized	22,050	-
December 31	\$ 24,038	\$ 1,988

(3) Liquidity risk

- A. The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operational needs, and maintains sufficient available credit limits at all times so that the Group does not violate the relevant borrowing limits or terms. The forecast considers the Group's debt financing plan, compliance with debt terms, compliance with the financial ratio targets of the internal balance sheet, and the requirements of external regulatory laws.
- B. As of December 31, 2022 and 2021, the Group's available credit limit was \$643,232 and \$725,023, respectively.
- C. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

	Within 1	Within 1–5	Over 5	Total
December 31, 2022	year	years	years	
<u>Non-derivative</u>				
<u>financial liabilities:</u>				
Notes payable	\$ 891	\$ -	\$ -	\$ 891
Accounts payable	195,951	-	-	195,951
Other payables	75,270	-	-	75,270
Lease liabilities	6,035	9,853	-	15,888
Deposit received	743	-	-	743
December 31, 2021	Within 1	Within 1–5	Over 5	Total
	year	years	years	
<u>Non-derivative</u>				
<u>financial liabilities:</u>				
Notes payable	\$ 1,350	\$ -	\$ -	\$ 1,350
Accounts payable	168,472	-	-	168,472
Other payables	77,327	-	-	77,327
Lease liabilities	5,816	10,141	-	15,957
Deposit received	650	-	-	650

(IV) Fair value information

1. The fair value levels of the financial instruments and non-financial instruments

measured using the valuation technique are defined as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the stocks listed on an exchange or over-the-counter market, invested in by the Group, belongs to this level.
- Level 2: Inputs, other than quoted market prices within Level 1 that are observable, either directly or indirectly, for assets or liabilities.
- Level 3: Unobservable inputs for assets or liabilities. The Group's equity instrument investments without active markets belong to this level.

2. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, and other payables are reasonable approximations of the fair values.

3. Financial and non-financial instruments measured at fair value are classified by the Group based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

(1) The Group's classification is based on the nature of assets and liabilities. The relevant information is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 32,530	\$ 32,530
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 29,324	\$ 29,324

(2) The methods and assumptions used by the Group to measure fair value are as follows:

- A. The Group has used quoted market prices as fair value inputs (i.e., Level 1), listed below by the characteristics of instruments:

TWSE/TPEX listed

- |                     |                                |
|---------------------|--------------------------------|
| Quoted market price | <u>stocks</u><br>Closing price |
|---------------------|--------------------------------|
- B. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Group refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the consolidated balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).
- C. When evaluating non-standard and less complex financial instruments, such as debt instruments, interest rate swap contracts, foreign exchange swap contracts, and options, all without active markets, the Group adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually information observable in the market.
- D. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and relevant control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted according to current market conditions.
- E. The Group incorporates credit risk valuation adjustments into the calculation of the fair value of financial instruments and non-financial instruments to reflect a counterparty's credit risk and the credit quality of the Group.
4. There were no transfers between Level 1 and Level 2 fair value in 2022 and 2021.
5. The table below shows the changes in Level 3 fair value in 2022 and 2021:

	2022	2021
	Equity instruments	Equity instruments
January 1	\$ 29,324	\$ 30,170

Exchange rate effect	3,206	( 846)
December 31	<u>\$ 32,530</u>	<u>\$ 29,324</u>

6. In the Group's valuation process for fair value classified as Level 3, the investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, conducting back-testing, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.
7. The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	December 31, 2022	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments: Unlisted stock	\$ 32,530	Comparable public company approach	Market multiples	23.45%	The higher the multiple, the higher the fair value.
			Liquidity discount	35.00%	The higher the discount, the lower the fair value.
	December 31, 2021	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments: Unlisted stock	\$ 29,324	Comparable public company approach	Market multiples	23.45%	The higher the multiple, the higher the fair value.
			Liquidity discount	35.00%	The higher the discount, the lower the fair value.

8. The Group has selected the valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters. For financial assets and financial liabilities classified as Level 3, if the valuation parameters change, the effect on the current profit and loss or other comprehensive income is as follows:

	Input	Change	December 31, 2022			
			Recognized in profit or loss		Recognition in other comprehensive income	
			Favorable change	Adverse change	Favorable change	Adverse change
Financial assets Equity	Discounts and	±1%	\$ -	\$ -	\$ 325	(\$ 325)

	instruments	market multiples for lack of market liquidity	December 31, 2021						
			Input	Change	Recognized in profit or loss		Recognition in other comprehensive income		
					Favorable change	Adverse change	Favorable change	Adverse change	
Financial assets									
	Equity instruments	Discounts and market multiples for lack of market liquidity	±1%	\$	-	\$	-	\$	293 (\$ 293)

### XIII. Additional Disclosures

#### (I) Information on material transactions

1. Funds lent to others: N/A.
2. Endorsements/guarantees provided to others: N/A.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 1.
4. Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: N/A.
9. Trading in derivative instruments: N/A.
10. Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Table 3.

#### (II) Information related to reinvested enterprises

Information on names and locations of investees (excluding investees in China): Please refer to Table 4.

(III) Information on Investment in China

1. Basic information: Please refer to Table 5.
2. Significant transactions with investees in China, either directly or indirectly, through a business in a third region: N/A.

(IV) Information on major shareholders

Information on major shareholders: Please refer to Table 6.

XIV. Segment Information

(I) General information

The management of the Group has identified the segments to be reported based on the information to be reported used by the board of directors in making decisions. The Group's board of directors adopts the overall financial information and financial ratios of the Group as indicators for performance evaluation. Therefore, the Group has been identified as a single segment to be reported.

(II) Measurement of segment information

The accounting policies for the business segment of the Group are the same as the summary of significant accounting policies described in Note 4. The chief operating decision-maker of the Group evaluates the performance of the business segment based on the business segment's revenue achievement rate and net operating income achievement rate.

(III) Information on profit or loss, assets and liabilities of the segment and reconciliation information

As the Group's information on profit or loss, assets, and liabilities of the segment is consistent with that in the main financial report, and it is a single segment to be reported, no reconciliation is required.

Information Technology Total Services Co., Ltd.  
The Situation of Holding Marketable Securities at the End Period (Excluding Investments in Subsidiaries, Associated Companies, and Jointly Controlled  
Entities)  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 1

Company	Category and Name (Note 1)	The Relationship with the Issuer of the Marketable Securities	Accounting Item	End of Period				Note
				Number of Shares	Carrying Amount (Note 3)	Ownership Percentage	Fair Value	
Information Technology Total Services Co., Ltd.	Dynacomware Corporation	N/A	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-Current	31	\$ 47	1.43%	\$ 47	Note 4
Information Technology Total Service (BVI) Co.,Ltd	Live ABC Interactive Corporation	N/A	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-Current	3,238	32,477	14.58%	32,477	Note 4

Note 1: The term "marketable securities" referred to in this table includes stocks, bonds, certificates of beneficial interest, and marketable securities derived from the above items, all falling within the scope of International Financial Reporting Standard 9 "Financial Instruments."

Note 2: If the issuer of marketable securities is not a related party, this column is not required to be filled.

Note 3: For items measured at fair value, please fill in the carrying amount column with the fair value after adjustment for fair value measurement and deduction of accumulated impairment losses. For items not measured at fair value, please fill in the carrying amount column with the original acquisition cost or amortized cost after deduction of accumulated impairment losses.

Note 4: None of the above marketable securities have been pledged as collateral.

Information Technology Total Services Co., Ltd.  
Amount of Purchases or Sales with Related Parties Reaching NT\$100 Million or Exceeding 20% of The Paid-In Capital  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 2

The Purchaser (Seller)	Counterparty	Relationship	Purchase (Sale)	The Situation of Transaction			Special Conditions and Reasons Different from Normal Transactions		Notes and Accounts Receivable (Payable)		
				Amount	Percentage of total purchases (sales)	Credit period	Unit Amount	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	Note
Information Technology Total Services Co., Ltd.	TECO Electric and Machinery Co., Ltd.	Investee companies accounted for using the equity method for the Company	Service Revenue	\$(209,361)	15.59%	Sales Revenue: Within 60-90 days of month-end. Service Revenue: Within 30-60 days of month-end.	Normal	Note 2	\$ 43,974	12.47%	

Note 1: Expressed as a percentage of net sales/costs.

Note 2: The transaction terms and prices are based on mutual agreement, with payment terms the same as those for regular customers.

Information Technology Total Services Co., Ltd.

Business Relationships and Significant Transactions and Amount Between The Parent Company, its Subsidiaries, and Among the Subsidiaries  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 3

Number (Note 1)	Name Of The Transacting Parties			Counterparty	Relationship	The Situation of Transaction			Percentage of total consolidated revenue or total assets (Note 3)
						Account	Amount	Trade Terms	
0	Information Services Co., Ltd.	Technology Total		Unison Service Corporation	Parent company to subsidiary	Service Cost	\$ 97,336	Note 4	7.25%
0	Information Services Co., Ltd.	Technology Total		Universal Mail Service Ltd.	Parent company to subsidiary	Service Cost	\$ 41,017	Note 4	3.05%

Note 1: Business transactions between the parent company and its subsidiaries should be separately identified in the numbering column. The numbering method is as follows:

- (1) For the parent company, fill in "0".
- (2) For subsidiaries, start numbering sequentially with Arabic numeral "1" according to company type.

Note 2: There are three types of relationships with the transacting parties. Simply indicate the type. If it's a transaction between the parent company and a subsidiary, or between subsidiaries, it doesn't need to be disclosed separately. For example: if a transaction between the parent company and a subsidiary is already disclosed, there's no need to repeat it for the subsidiary; similarly, if one subsidiary has already disclosed a transaction with another subsidiary, the other subsidiary doesn't need to repeat the disclosure.

- (1) Parent company to subsidiary
- (2) Subsidiary to Parent company
- (3) Subsidiary to subsidiary

Note 3: When calculating the ratio of transaction amounts to total consolidated revenue or total assets, if the transactions involve balance sheet items, they are calculated based on the year-end balance as a percentage of total consolidated assets. If the transactions involve income statement items, they are calculated based on the cumulative amount for the period as a percentage of total consolidated revenue.

Note 4: In the absence of comparable transactions, prices are determined based on mutual agreement. Payment terms are typically within 90 days of month-end. Service costs include labor support, packaging and printing, telecommunication expenses, freight, etc., which are necessary for operations and are negotiated between both parties.

Information Technology Total Services Co., Ltd.  
Information Related to The Name and Location of The Invested Company (Excluding Mainland Chinese Invested Companies)  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 4

Name of the investment company	Name of the invested company	Location	Main Business operations	Original investment amount		End-of-period holdings			Profit or loss of the invested company for the current period	Recognized investment gains or losses for the current period	Note
				End of the current period	End of last year	Number of shares	Ratio	Carrying Amount			
Information Technology Total Services Co., Ltd.	Tension Envelope Taiwan Corporation	Taiwan	Engaged in the production of envelopes and the trading of paper products.	\$25,000	\$25,000	2,500	50.00%	\$41,768	\$17,116	\$8,558	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Taiwan	Outsourced services for mail data integration and bill printing	15,600	13,000	1,560	100.00%	24,418	3,400	3,523	Note 1、 Note 4
Information Technology Services Co., Ltd.	Unison Service Corporation	Taiwan	Consultancy services for customer relationship management and customer service center establishment	17,000	17,000	1,700	100.00%	26,745	8,995	8,995	Note 1
Information Technology Services Co., Ltd.	Information Technology Total Service (BVI) Co.,Ltd	British Virgin Islands	Investment holding company	48,424	48,424	1,541	100.00%	81,605	2,273	2,273	Note1, Note 2, Note 3
Information Technology Services Co., Ltd.	An-Hui Information Technology Co., Ltd.	Taiwan	Manufacturing and retail of computers and peripherals, and other consulting services.	3,000	3,000	300	15.00%	3,369	( 1,968)	( 295)	Note 1

Note 1: Invested companies recognized using the equity method.

Note 2: The original investment amount for Information Technology Total Service (BVI) Co., Ltd. is USD \$1,541 thousand.

Note 3: As of the current period, Information Technology Total Service (BVI) Co., Ltd. has repatriated investment gains of USD \$800 thousand.

Note 4: The recognized investment gains or losses for the current period include realized sales profit from subsidiaries of \$184 and unrealized sales profit of \$61.

Information Technology Total Services Co., Ltd.  
Mainland China Investment Information - Basic Data  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 5

Name of the Mainland China invested company	Main Business operations	Paid-in capital	Investment method	Accumulated investment amount exported from Taiwan at the beginning of the current period	Amount of investment repatriated or withdrawn during the current period		Accumulated investment amount withdrawn from Taiwan at the end of the current period	Profit or loss of the invested company for the current period	Percentage of shares held directly or indirectly by the company	Recognized investment gains or losses for the current period	End-of-period investment carrying amount	Repatriated investment gains as of the end of the current period	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Information Technology (Wuxi) Co., Ltd.	ERP implementation, system maintenance, and procurement of information equipment	\$10,167	(2)	(USD \$300)	\$ -	\$ -	(USD \$300)	(437)	100.00%	(\$437)	\$34,032	\$ -	

Note 1: Investment methods are divided into the following three types, indicate the categories.

(1) Direct investment in mainland China.

(2) Investing in mainland China through a third-party company (Information Technology Total Service (BVI) Co., Ltd).

(3) Reinvestment by a mainland China company (Information Technology (Wuxi) Co., Ltd).

Note 2: Financial statements audited by certified public accountants under the Taiwan parent company are recognized for profit and loss.

Note 3: The figures in this table should be presented in New Taiwan Dollars.

Company Name	Accumulated amount of remittance from Taiwan to Mainland China at the end of the current period	Amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Information Technology Total Services Co., Ltd.	\$10,167 (USD \$300)	\$10,167 (USD \$300)	\$ 350.060

Note 4: The figures in this table should be presented in New Taiwan Dollars. For assets and liabilities: Chinese Renminbi (RMB) should be converted at a rate of RMB\$1:NTD\$4.327; US Dollars (USD) should be converted at a rate of

USD\$1:NTD\$30.7050. For profit and loss items: Chinese Renminbi (RMB) should be converted at a rate of RMB\$1:NTD\$4.3828; US Dollars (USD) should be converted at a rate of USD\$1:NTD\$31.1275.

Note 5: According to the Ministry of Economic Affairs Investment Review Committee's August 29, 2008 decree, the cumulative investment limit for investments in mainland China shall be the higher of 60% of net worth or consolidated net worth.

Information Technology Total Services Co., Ltd.  
Major Shareholders Information  
January 1 to December 31, 2023

Unit: NTD thousand  
(Unless otherwise specified)

Table 6

Name of major shareholders	Number of shares held (Unit :share)	Shares	Ownership (%)
TECO ELECTRIC AND MACHINERY CO., LTD.	11,467,248		41.97%
ADVANTECH Co., Ltd.	4,276,273		15.65%
TECO CAPITAL INVESTMENT CO. LTD	1,841,250		6.73%