



東捷資訊服務股份有限公司
Information Technology Total Services Corp.

www.itts.com.tw

Stock Code : 6697

2023 Annual Report

Printed on 1 April, 2024

I. The name, title, contact number, and email of the Company's spokesperson and acting spokesperson:

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Name: Lung-Chu Hung

Title: CFO

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Acting spokesperson

Name: CHEN,CHUN-HSU

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II. Address and contact number of the head office, branch, and factory

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III. Name, address, website, and contact number of the stock transfer agency:

Name: Taishin Securities Co., Ltd.

Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City

Tel.: (02) 2504-8125

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IV. Name of CPAs and name of CPA firm, address, website and contact number for the latest financial statements:

Name of CPA: Ping-Chun Chih/Tsung-Hsi Lai

Name of CPA firm: PricewaterhouseCoopers Taiwan

Address: 27F, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City

Tel.: (02) 2729-6666

Website: <https://www.pwc.com.tw>

V. Name of the overseas trading center where the securities are listed for trading and the method of querying the information of the overseas securities: None.

VI. Company website:

<http://www.itts.com.tw>

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Information Technology Total Services Co., Ltd.

Business Report

Dear Shareholders,

2023 was a pivotal year for ITTS to consolidate strength and demonstrate resilience. In the post-pandemic era, despite facing global economic fluctuations, environmental challenges, and complex geopolitical situations, we managed to maintain our core business and achieve profitable growth. Despite the impacts of high interest rates, high inflation, and a post-pandemic economic performance in China that was below expectations, we faced these challenges head-on. We not only succeeded in maintaining stable business growth but also continued to innovate and make strategic investments. Our developments in carbon accounting management solutions, AI applications for smart factories, zero trust cybersecurity, and innovative financial applications in ERP have all shown significant growth, laying a solid foundation for the company's future development.

According to IDC market intelligence, driven by demands in sustainable operations, artificial intelligence applications, hybrid cloud applications, and next-generation security protections, Taiwan's IT services market is projected to grow at a steady compound annual growth rate (CAGR) of 5% from 2023 to 2027. Leveraging this positive market outlook, we are committed to innovating and working diligently to further cultivate the market. We aim to seize opportunities brought by digital transformation and sustainable development to achieve steady revenue and profit growth. Our goal is to outperform in a competitive market and create long-term, sustainable value for our shareholders.

I. Review of 2023 Business Performance

Our company's strategic direction is focused on developing intelligent digital service applications. In addition to providing SAP ERP consulting, implementation, and after-sales services, we are also expanding into digital intelligent value-added applications. We are actively pursuing market and technological trends in cybersecurity, ESG, generative artificial intelligence (AI), and financial transformation. Our developments include smart manufacturing, zero trust cybersecurity, enterprise cloud solutions, and 'Carbon Track,' a one-stop intelligent carbon management integration service. We are collaborating with the global tech giant SAP to promote the 'SAP Multi-Bank Connectivity (MBC)' solution, introducing innovative approaches to the financial sector. These efforts not only serve as a strong and stable driver of our operational growth but have also garnered substantial recognition and support from our extensive customer base. In terms of market expansion, we have not only solidified our traditional customer base in manufacturing, government

agencies, and the service industry but have also created new opportunities in financial cybersecurity and green finance.

(I) Business Plan and Implementation

For the fiscal year 2023, our net revenue was NT\$1,343,318 thousand, a slight increase from the previous year, with a gross margin of 14%. The net profit after tax was NT\$74,163 thousand, resulting in earnings per share of NT\$2.71, marking a growth in profitability. Moreover, the days sales outstanding (DSO) improved from 142 days in 2022 to 132 days, effectively achieving our financial control objectives.

(II) Status of budget implementation

The Company did not publish its annual public financial forecast, so there is no information to compare the actual data and forecast.

(III) Revenue, expense, and profitability analysis

Item		Year	
		2023	2022
Financial structure	Debt to assets ratio	42.32	37.49
	Long-term capital to property, plant and equipment ratio (%)	1,866.47	1,713.92
Solvency	Current ratio	186.27	194.40
	Quick ratio	181.60	184.10
	Interest coverage ratio	374.87	122.42
Operating ability	Accounts receivable turnover days	132	142
	Inventory turnover days	2	3
Profitability	Return on assets (%)	7.84	6.46
	Return on shareholders' equity (%)	13.05	10.10
	Operating income to paid-in capital ratio (%)	27.84	18.85
	Pre-tax profit to paid-in capital ratio (%)	32.70	24.13
	Net income after tax (%)	5.52	4.18
	Earnings per share (NTD)	2.71	2.04

(IV) Performance in research and development

1. Development of data governance management platform

By constructing a unified data sharing platform that consolidates diverse data from various systems, we not only enhance data access efficiency and optimize processing workflows but also ensure data consistency and availability. This supports businesses in gaining insights from data analytics and making informed decisions, furthering innovation and achieving digital transformation goals.

2. AI Data Asset Analysis and Forecasting Module

Utilizing AI and machine learning technologies, the company empowers businesses with data-driven insights for predicting future trends and outcomes. This tool serves as an aid for identifying business opportunities and optimizing decision-making and efficiency.

3. Development of User Help Desk (UHD) platform

Customers can submit their inquiries online at the UHD platform. The system automates the routing of these inquiries to the appropriate service agents, allowing customers to track the status of their issues in real time. All issues and feedback are digitally recorded, enhancing service efficiency and boosting customer trust and satisfaction.

4. AI applications for proprietary products (supplier inquiry and procurement EPM, manufacturing execution system (MES), warehouse management system (WMS))

Integrating AI not only enhances the competitiveness of these products but also creates greater value for our customers. The Supplier Inquiry and Procurement EPM system, enhanced with AI, automates and optimizes the supplier inquiry and procurement process, significantly improving efficiency and cost-effectiveness. Smart manufacturing integrates AI and data analytics to optimize production processes and improve product quality, while smart warehousing introduces AI to enhance the efficiency of warehouse management.

II. Overview of the business plan for 2024

Despite ongoing risks and challenges in the international market, the recovery trend in foreign trade is expected to positively impact Taiwan. According to estimates from the Directorate General of Budget, Accounting and Statistics, Taiwan's economy is expected to stabilize gradually, with a projected economic growth of 3.35% for the year 2024. Additionally, as per the 2023 Information Software and Service Industry Yearbook report by the Market Intelligence & Consulting Institute (MIC), businesses will continue to increase IT investments to enhance efficiency and strengthen digital resilience, focusing on areas such as ERP upgrades, cloud services, and supply chain management. Furthermore, the promotion of ESG and green finance will drive investments in sustainable solutions, carbon accounting management, and applications for the EU's Carbon Border Adjustment Mechanism (CBAM) certificates. Moreover, AI-driven SaaS growth is poised to transform the industry structure, with generative AI accelerating industry transformation and innovation. Our company is keenly attuned to market trends and dynamics, deepening cooperation with strategic partners while closely monitoring and aligning with domestic and international industry, academic, and governmental trends and policies to continue exploring market opportunities.

(I) Business strategies and growth plans in FY2024:

The main product and service development strategies and plans are as follows:

- Data Governance and AI Applications: We are integrating system data to provide

a unified data management platform and data application solutions. By leveraging AI technology, we continue to develop applications for smart factories, cloud-based intelligent customer service, and financial cybersecurity, offering our clients digital optimization and value-added services.

- Enterprise Cloud and Subscription-based Service Applications: To address the cloud migration needs of enterprise clients, we are promoting the SAP ERP cloud subscription upgrade and offsite backup solutions, SAP Multi-Bank Connectivity (MBC), and cloud-based intelligent customer service, among other cloud subscription-based solutions.
- Zero Trust Cybersecurity Solutions: Targeting financial sector clients, we are acting as an agent for and promoting financial payment security solutions, including database encryption security solutions and password-less identity authentication integration services. We are also promoting Zero Trust cybersecurity across manufacturing, government, and service industries.
- Intelligent Carbon Management Solutions: We have developed and are promoting the CarbonTracker intelligent carbon management platform solution to help businesses effectively manage organizational carbon emissions and product carbon footprints. This includes quickly producing carbon accounting reports, CBAM certificate filings, and customized carbon footprint compliance reports. Through digitalization and real-time visual management, we assist enterprises in achieving their energy-saving, carbon reduction, and sustainable management goals.

(II) Outlook for the future

Looking ahead, we will proactively respond to global trends in generative AI and the 2050 net zero carbon emissions plan, as well as related regulatory developments, bringing new business opportunities. Our future strategies will continue to focus on “Digital Transformation” and “ESG Sustainability” as core pillars, concentrating on developing data governance and AI smart applications, enterprise cloud subscription services, Zero Trust cybersecurity, and integrated intelligent carbon management services. We will continue to innovate and improve our products and services to lead the company on its path of digital transformation, achieving stable growth and creating greater value for our clients.

Externally, we will deepen relationships with clients and partners, utilizing generative AI and digital marketing tools for precise marketing, and integrating cross-departmental marketing resources to explore more business opportunities. Internally, we will continue to optimize information processes to enhance operational efficiency and strengthen performance reward systems to encourage cross-departmental

collaboration. Additionally, we will continue to launch initiatives for the cultivation of talent in cloud computing, cybersecurity, and smart technologies, while enhancing the efficiency and satisfaction of our professional consulting services through our digital customer service platform. These business strategies will keep us at the forefront of digital transformation and the application of innovative technologies, providing outstanding service to our clients and creating long-term value for our shareholders. Our team will work tirelessly to ensure that our business strategies evolve in sync with market demands, laying a solid foundation for the future growth of the company.

Chairman:

President:

Accounting Manager:

Two. Company Profile

I. Date of Incorporation: December 1, 1990.

II. Company History:

Year	Important Milestones
1990	Approved to be incorporated with a registered capital of NT\$40.5 million
2000	Established subsidiary Information Technology Total Services (BVI) Co., Ltd. Invested in subsidiary Universal Mail Service Ltd.
2001	Established subsidiary Unison Service Corporation Passed ISO 9001:2000 quality certification
2002	Became a BPO provider in Greater China Established the first subsidiary Information Technology (Hangzhou) Co., Ltd. in China
2003	Passed the SAP Customer Competence Center (SAP CCC) certification as the first company in Taiwan
2004	Established subsidiary Technology (Wuxi) Co., Ltd. in China
2006	Won the Best SAP Partner award Won the Best Product Award in the Call Center category of the 10th MIS Best Choice
2007	Passed ISO 27001:2005 information security certification (customer service centers) Established subsidiary Information Technology Total Service (Xiamen) in China
2008	Obtained registration for five service capabilities from the Industrial Development Bureau, Ministry of Economic Affairs
2010	Obtained ISO 27001:2005 information security certification
2011	Obtained SAP Partner Certification of Expertise (PCoE) certification Named SAP gold partner
2012	Worked with Yonyou Network Technology Co. Ltd. (Yonyou) and National Taipei University of Business to build a business intelligence research center
2013	Launched the PaaS service model for Microsoft Azure
2014	Obtained Yonyou's Taiwan Diamond-grade Distributor status
2015	Established a complete food traceability system from farm to table

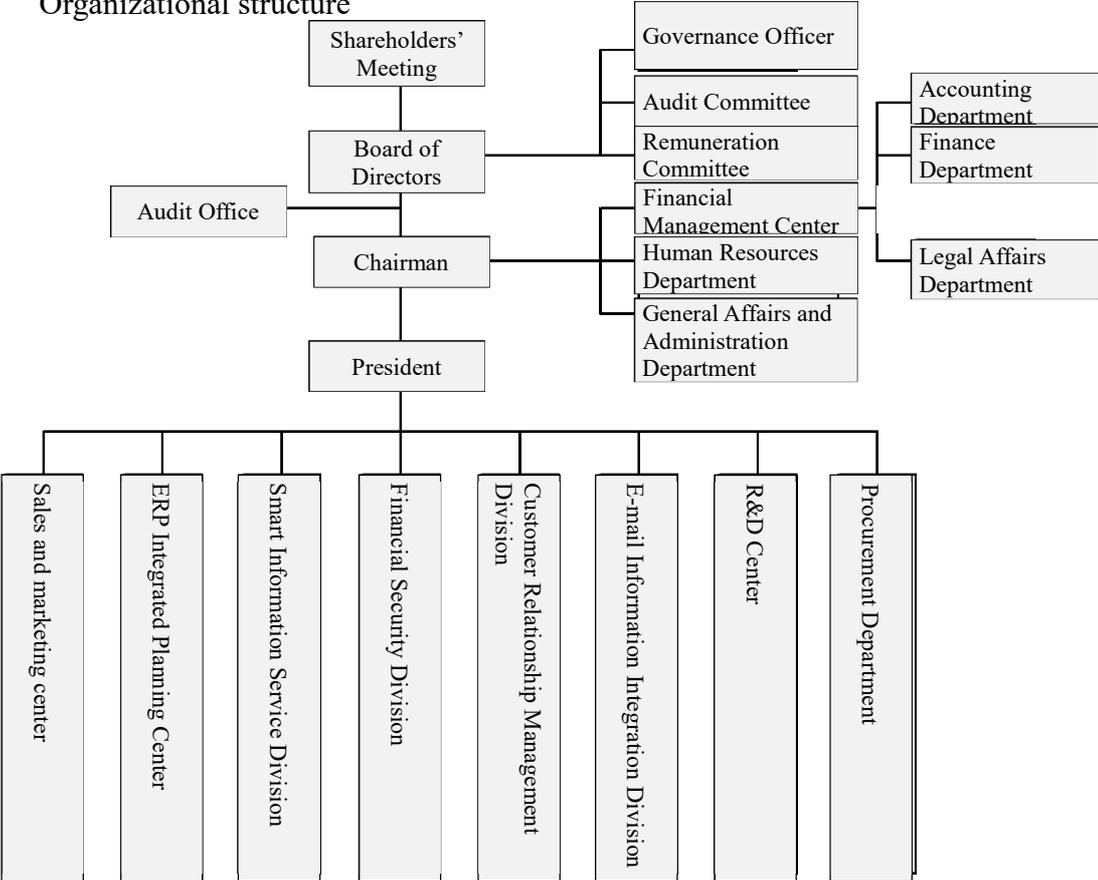
Year	Important Milestones
2016	<p>Obtained SAP Partner Certification of Expertise (PCoE) certification</p> <p>2016 SAP Taiwan Partner of the Year Award MVP</p> <p>2016 Greater China Best Success Factors Partner of the Year</p>
2017	<p>Won the 4th Mittelstand Award of the Ministry of Economic Affairs</p>
2018	<p>Stock listed on the emerging stock market for trading on September 26 (6697)</p> <p>Entered the new field of automotive components by means of new technology of ERP HANA</p> <p>Assisted business group clients in introducing CRM globally to improve customer business opportunities and service management</p> <p>Provided one-stop smart integrated services from smart factories to smart logistics</p> <p>based on professional experience in the electromechanical industry</p>
2019	<p>Stock listed on the Taipei Exchange for trading on December 26 (6697)</p> <p>Conducted private placement of ordinary shares for NT\$147,444 thousand, with the paid-in capital amounting to NT\$273,233 thousand after the capital increase</p> <p>Worked with Advantech to provide end-to-end smart factory services (from OT to IT) in the manufacturing industry</p> <p>Ranked among the top 5000 large enterprises in Taiwan</p> <p>Ranked 25th in the computer system integration service industry</p>
2020	<p>Officially launched the Kaohsiung Branch</p> <p>Introduced industry-leading smart logistics solutions, and officially unveiled the first AIoT communication and command center</p> <p>Won the SAP Innovation Awards for the smart equipment management platform</p> <p>Entered the construction industry by means of new FSM technology</p>
2021	<p>Became a GCP Partner in April</p> <p>Obtained the AI Application Capability Service Certificate from the Ministry of Economic Affairs</p> <p>Obtained the Information Security Service Certificate from the Ministry of Economic Affairs</p> <p>Obtained the Google Workspace (GWS) Authorized Reseller Qualification</p> <p>Won the 6th Taiwan Mittelstand Awards</p>

Year	Important Milestones
2022	<p>Received four certified items for Energy Registration as a Technological Service Organization of the Ministry of Economic Affairs</p> <p>Passed the SAP new-level partner rating</p> <p>Obtained SAP certification for the “S/4HANA Cloud automobile parts industry solution package”</p> <p>Won the “2022 CIO IT Manager Elite Vendor” award</p> <p>The Company was continuously ranked in the service industry in the “2000 Great Enterprise Survey” by CommonWealth Magazine</p>
2023	<p>At the beginning of 2023, he was awarded the “2022 SAP Solution Partner of the Year” from Dell Technologies.</p> <p>Awarded the Ministry of Digital Affairs’ Digital Service Agency Energy Registration Certification.</p> <p>The Company was continuously ranked in the service industry in the “2000 Great Enterprise Survey” by CommonWealth Magazine</p>

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Functions of Major Divisions

Major Divisions	Main Functions
ERP Integrated Planning Center	<ol style="list-style-type: none"> 1. Provide consulting services for ERP system introduction and relevant customized development. 2. Responsible for ERP system maintenance services. 3. Responsible for ERP system management, historical data archiving, remote backup, and version upgrade services. 4. On-site service management solutions.
Information Outsourcing Service Department	<p>Provide overall information outsourcing services as the main business, including</p> <ol style="list-style-type: none"> 1. Customized system planning and development services. 2. Enterprise network planning, construction, and maintenance services. 3. Information security product planning and introduction. 4. Software and hardware maintenance and consulting services for end-use equipment. 5. Cloud demand diagnosis, planning and establishment, cloud service management, offsite backup, cloud migration, and cloud platform system subscription services.
Customer Relationship Management Department	<ol style="list-style-type: none"> 1. Provide consulting services for the establishment of customer service centers. 2. Provide call center outbound call and answering services. 3. Provide telemarketing services.
Mail Data Integration Department	<ol style="list-style-type: none"> 1. Provide mail receipt and distribution management services. 2. Provide printing and sealing services for bills, invoices, and stock affairs documents. 3. Provide various graphic advertisement output services.
Financial Security Department	<ol style="list-style-type: none"> 1. Information security testing and information security compliance services are provided. 2. Professional consulting services such as diversified information security assessment, planning, and protection covering prevention, monitoring, reinforcement, response, and investigation.
R&D Center	<ol style="list-style-type: none"> 1. Integrate company technologies and conduct product development. 2. Develop innovative service platforms.
Marketing Planning Department	<ol style="list-style-type: none"> 1. Responsible for company-wide business development and execution. 2. Responsible for inter-departmental communication and coordination to facilitate the progress of business. 3. Maintain customer relations and keep abreast of customer needs. 4. Organize or participate in exchange activities or exhibitions to expand the customer base. 5. Implement relevant marketing plans, increase media exposure, and enhance the Company's reputation.

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(I) Information on Directors

- Names of directors (including independent directors) and supervisors, their major (academic) experience, and current positions held at the Company and other companies concurrently, term of office, and shareholdings

April 1, 2024/Unit: Share; %

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent position in the Company and in other companies	Spouse or relatives of the second degree or closer acting as department heads, directors, or supervisors			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Graduate Institute of Management, National Taiwan University of Science and Technology	Chairman, Unison Service Corporation, Chairman, Universal Mail Service Ltd., etc.	-	-	-	Note 1
	Republic of China	Representative: Shang-Wei Kao	Male 61-70	2021.7.30	3 years	2006.3.14	417,591	1.53	455,000	1.67	40,000	0.15	-	-						
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Master of Business Administration, West Coast University, USA	Chairman, TECO Electric & Machinery Co., Ltd., Chairman, Taiwan Pelican Express Co., Ltd., etc.	-	-	-	
	Republic of China	Representative: Chwen-Jy Chiu	Female 61-70	2021.7.30	3 years	2005.6.30	32,000	0.12	32,000	0.12	-	-	-	-						
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Graduate Institute of Industrial Management, National Taiwan University of Science and Technology	Head of the Operation Management Team, Business Performance Planning Office of TECO Electric & Machinery Co., Ltd., concurrently as the Head of the Management Accounting Department	-	-	-	
	Republic of China	Representative: An-Ping Liu	Male 61-70	2021.7.30	3 years	2021.7.30	3,000	0.01	3,000	0.01	-	-	-	-						
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Master of Telecommunications Engineering, University of Pittsburgh, USA	President of Air and Intelligent Life Business Group,	-	-	-	

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent position in the Company and in other companies	Spouse or relatives of the second degree or closer acting as department heads, directors, or supervisors			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
	Republic of China	Representative: Chi-Tseng Peng	Male 51-60	2023.08.09	3 years	2023.8.9	-	-	-	-	-	-	-	-	Master of Business Administration (MBA), National Chengchi University	TECO Electric & Machinery Co., Ltd. Chairman, Tesen Electronic Co., Ltd. Taiwan Pelican Express Co., LTD., Director and President, etc.				Note 2
Director	Republic of China	Advantech Investment Co., Ltd.	-	2021.7.30	3 years	2021.7.30	5,084,273	18.61	4,009,273	14.67	-	-	-	-	Executive Master of Business Administration, National Chengchi University	Assistant Vice President, Advantech Co., Ltd.	-	-	-	
	Republic of China	Representative: Shih-Chang Lin	Male 41-50	2021.7.30	3 years	2021.7.30	-	-	-	-	-	-	-	-						
Director	Republic of China	Wen-Nan Chan	Male 61-70	2021.7.30	3 years	2021.7.30	-	-	-	-	-	-	-	-	Ph.D., Department of Information Management, National Central University	Independent Director, CTCI Advanced Systems Inc., Independent Director, Asolid Technology Co., Ltd., etc.	-	-	-	
Independent Director	Republic of China	Yi-Bing Lin	Male 61-70	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Computer Science and Engineering, University of Washington (Seattle)	Tenured Chair Professor, Department of Information Engineering, National Yang Ming Chiao Tung University	-	-	-	
Independent Director	Republic of China	Cheng-Kang Chen	Male 51-60	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Industrial Engineering, Iowa State University	Professor, Department of Information Management, National Taiwan University of Science and Technology; Director of Groundhog Technologies Inc.	-	-	-	
Independent Director	Republic of China	Jui-Tang Chang	Male 61-70	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Accounting, Southern Illinois University	Professor, Department of Accounting, National Chung Hsing University and Independent Director, Power Master Energy Co., Ltd.	-	-	-	

Note 1: If the chairman of the board of the company is the general manager or equivalent (the highest manager), the reason, rationality, necessity and response measures should be explained: The Chairman of the Company also serves as the President, mainly to strengthen the ability of decision-making and execution. The Chairman also closely communicates with the directors on operating performance, plans and guidelines, and plans for the internal successor. The Company has adopted the following measures to enhance the functions of the Board of Directors and

strengthen its supervisory functions:

- (1) The three current independent directors have extensive experience and professionalism in the fields of finance, commerce, and management, and can effectively exert their supervisory functions.
 - (2) Each year, directors are arranged to participate in professional director courses organized by external institutions to enhance the operation of the Board of Directors.
 - (3) Independent directors may fully discuss in each functional committee and make suggestions for the board of directors' reference to implement corporate governance.
- Meanwhile, the Company's Board meeting on December 28, 2023 approved the change of the President (effective on January 1, 2024).

Note 2: The representative of TECO Electric & Machinery Co., Ltd. was originally Mr. Kuo-Min Chen, who was replaced by Mr. Chi-Tseng Peng on August 9, 2023.

2. Major shareholders of corporate shareholders

April 1, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.81%), Chia Yuan Investment Limited (5.29%), Investment Account of Capital Tip Customized Taiwan Select High Dividend Exchange Traded Fund(2.69%), Heyuan International Investment Co., Ltd. (2.36%), Creative Sensor Inc. (2.20%), Dongguang Investment Co., Ltd. (1.50%), Guangyuan Industrial Co., Ltd. (1.25%), Yinge Int. Inv. Co.,Ltd(1.05%), Yuban International Investment Co., Ltd. (0.98%)
Advantech Investment Co., Ltd.	Advantech Co., Ltd. (100%)

3. Major shareholders of corporate shareholders

April 1, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
PJ Assets Management Co., Ltd.	Heyang Management Consulting Co., Ltd. (100%)
Walsin Lihwa Corporation	Jinxin Investment Co., Ltd. (6.15%), Winbond Electronics Corp. (6.14%), TECO Electric & Machinery Co., Ltd. (5.22%), Liguoyan Royal Bank (Singapore) Co., Ltd. Investment Account under the custody of the Department of Business of Standard Chartered Bank (4.54%), Rong Chiang International Ltd. (4.92%), Investment account of Yuanta Taiwan Value High Dividend ETF(3.31%), Yu-Hui Chiao (2.71%), Hualin Investment Co., Ltd. (2.65%), Chunghwa Post Co., Ltd.(1.89%), Yu-Heng Chiao (1.62%)
Chia Yuan Investment Co., Ltd.	Heyuan International Investment Co., Ltd. (99.89%), Changwei Management Consulting Co., Ltd. (0.11%)
Heyuan International Investment Co., Ltd.	Shu-Chiung Tseng (98%), Shu-Chen Pei (2%)
Creative Sensor Technology Co., Ltd.	Dongyo Technology Co., Ltd. (19.39%); Global Cement Corporation (8.83%); Tian-Da Investment Co., Ltd. (8.26%); Yu Rui Co., Ltd. (6.05%); HCC Investment Co., Ltd. (6.04%); TECO Capital Investment Co., Ltd. (5.31%); Creative Sensor Inc. (4.08% treasury stock); Koryo Corporation (3.82%); TECO International Investment Co., Ltd. (3.56%), TECO Electric & Machinery Co., Ltd. (1.43%)
Dongguang Investment Co., Ltd.	Guangyuan Industrial Co., Ltd. (39.27%), He-Hui Huang-Lin (35.01%), Hong Kong Shangmingye Investment Co., Ltd. (12.73%), Donghe International Investment Co., Ltd. (6.00%), others (6.99%)
Guangyuan Industrial Co., Ltd.	Dongguang Investment Co., Ltd. (34.46%), He-Hui Huang-Lin (51.58%), Hong Kong Shangmingye Investment Co., Ltd. (10.0%), Donghe International Investment Co., Ltd. (0.74%), others (3.22%)

Name of corporate shareholder	Major shareholders of corporate shareholders
Yinge Int. Inv. Co.,Ltd	Huang Bozhi(99.28%), Xu Fengmei(0.72%)
Yuban International Investment Co., Ltd.	Guangyuan Industrial Co., Ltd.(39.40%), Dongguang Investment Co., Ltd.(30.41%), Forward Electric Company Limited(8.5%), Others(21.69%)
Advantech Co., Ltd.	Asustek Computer Incorporation (13.19%), Kechen Investment Co., Ltd. (11.68%), Yanben Investment Co., Ltd. (11.54%), Ke-Chen Liu (3.25%), Advantech Foundation (2.85%), Chuanfei Investment Co., Ltd. (2.28%), Yung-Shun Chuang (2.25%), Yuan-Wang Partner Fund Limited Partnership Investment Account under the custody of HSBC Bank (Taiwan) Limited (2.02%), First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund under the custody of HSBC Bank (Taiwan) Limited (1.92%), and Chunghwa Post Co., Ltd. (1.09%)

4. Disclosure of information on the professional qualifications of directors and the independence of independent directors

April 1, 2024

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status	Number of public companies in which the director concurrently serves as an independent director
TECO Electric & Machinery Co., Ltd. Representative: Shang-Wei Kao	Mr. Shang-Wei Kao has served as the chairman of our company for over twenty years and has more than thirty years of experience in the information industry.	Our company sets up more than five appropriate director seats in accordance with the "Company Articles of Association" and the "Securities Exchange Act," and there are no circumstances under Article 26-3, Paragraph 3 of the Securities Exchange Act.	0
TECO Electric & Machinery Co., Ltd. Representative: Chwen-Jy Chiu	Ms. Chwen-Jy Chiu serves as the chairperson of TECO Electric & Machinery Co., Ltd., with experience in operations, business management, finance, accounting, and industry-related work.		0
TECO Electric & Machinery Co., Ltd. Representative: An-Ping Liu	Mr. An-Ping Liu is the head of the Operation Management Team, Business Performance Planning Office of TECO Electric & Machinery Co., Ltd., and concurrently the head of the Management Accounting Department; he has relevant work experience in business, finance, and accounting.		0
TECO Electric & Machinery Co., Ltd. Representative: Chi-Tseng Peng (Note 2)	Mr. Chi-Tseng Peng serves as the President of the Air and Intelligent Life Business Group of TECO Electric & Machinery Co., Ltd., and also as the President of Taiwan Pelican Express Co., Ltd., with experience in operations, business management, and industry-related work.		0
Advantech Investment Co., Ltd. Representative: Shih-Chang Lin	Mr. Shih-Chang Lin is the assistant vice president of Advantech Co., Ltd., used to be the COO of ThroughTek Co., Ltd., and has relevant work experience required to carry out the Company's business.		0

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status	Number of public companies in which the director concurrently serves as an independent director
Wen-Nan Chan	<p>Mr. Wen-Nan Chan used to be the Chairman of Elitegroup Computer Systems Co., Ltd., head of the Market Intelligence & Consulting Institute, Institute for Information Industry, and the Chairman of the Asia Pacific Industrial Analysis Association; he has the relevant work experience required to carry out the Company's business.</p> <p>Currently, he serves as an independent director at Asolid Technology Co., Ltd., CTCI Advanced Systems Inc., and Partner Tech Corp.</p>		3
Yi-Bing Lin	<p>Mr. Yi-Bing Lin is a professor at the College of AI, National Yang Ming Chiao Tung University, and used to be Deputy Minister of the Ministry of Science and Technology, and Vice Chairman of the National Science Council; he has the relevant work experience required to carry out the Company's business. Currently, he is also an Independent Director of Groundhog Technologies Inc. He is currently the convener of the Audit Committee and a member of the Remuneration Committee.</p>	<ol style="list-style-type: none"> 1. The Company shall appoint three or more independent directors in accordance with the "Articles of Incorporation". 2. The independent directors of our company issued a declaration of independence at the time of election. 3. During their tenure, the qualifications of the independent directors of our company all meet the requirements of Articles 2, 3, and 4 of the "Regulations on the Appointment and Compliance of Independent Directors of Publicly Listed Companies," including: 	1
Cheng-Kang Chen	<p>Mr. Cheng-Kang Chen is a professor at the Department of Information Management, National Taiwan University of Science and Technology, and has worked at said department for more than 20 years; he has the relevant work experience required to carry out the Company's business. He is currently the convener of the Remuneration Committee and a member of the Audit Committee.</p>	<ol style="list-style-type: none"> (1) Neither The Applicant, The Applicant's spouse, nor any first- or second-degree relatives have served as a director, supervisor, or employee of the company or its affiliates; (2) Neither The Applicant, The Applicant's spouse, nor any first- or second-degree relatives (or using another person's name) hold any shares in the company. (3) Have not served as a director, supervisor, or employee of a company 	0

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status	Number of public companies in which the director concurrently serves as an independent director
Jui-Tang Chang	Mr. Jui-Tang Chang is a professor at the Department of Accounting, National Chung Hsing University, a former member of the Taipei Exchange Review committee as a financial accounting expert, and has extensive experience in financial accounting. Currently, he is also an independent director at Tamagawa Holdings Co., Ltd. He is currently a member of both the Audit Committee and Remuneration Committee	that has a specific relationship with our company; (4) In the past two years, provided business, legal, financial, accounting, and other services to the company or its affiliated enterprises.	1

Note 1: None of the nine directors of our company are involved in any of the circumstances described in Article 30 of the Company Act.

Note 2: The representative of TECO Electric & Machinery Co., Ltd. was originally Mr. Kuo-Min Chen, who was replaced by Mr. Chi-Tseng Peng on August 9, 2023.

5. Board diversity and independence:

(1) Board diversity:

To strengthen corporate governance and improve the structure of the board of directors, the nomination and selection of board members are conducted in accordance with the provisions of the company's articles of association, using a candidate nomination system. In addition to evaluating the educational qualifications of each candidate, we also adhere to the "Director Election Method" and the "Corporate Governance Practice Code" to ensure diversity of board members. Other than directors conjunctively serving as Company managers that shall not exceed 1/3 of the total director seats, appropriate diversification policies shall be formulated based on the board operations, operational types, and development needs, including but not limited to the following standards in two aspects:

- I. Basic conditions and values: Gender, age, nationality, culture, etc.
- II. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The Board of Directors is currently composed of 10 directors. The specific management goals and achievements of the Board of Directors' diversity policy are as follows:

Specific management goals for diversification	Status of Implementation
It is advisable that the number of directors who also serve as the Company's managerial officers shall not exceed one-third of the total number of directors	Achieved
Board members include at least one female director	Achieved
The number of independent directors may not be less than one-third of the number of directors.	Achieved

Independent directors should not serve more than three consecutive terms	Achieved
--	----------

The implementation of the board member diversity policy in our company is as follows:

Core elements of diversity	Basic composition							Professional skills		Industry experience			
	Name of director	Nationality	Gender	Age			Length of tenure		Accounting & finance	Industrial marketing technology	Professional skills	Industry experience	
				41-50	51-60	61-70	Within 3	3-9 years					Over 9 years
TECO Electric & Machinery Co., Ltd. Representative: Shang-Wei Kao	Republic of China	Male			✓			✓	✓	Management	Business administration		
TECO Electric & Machinery Co., Ltd. Representative: Chwen-Jy Chiu	Republic of China	Female			✓			✓	✓	Accounting	Business administration		
TECO Electric & Machinery Co., Ltd. Representative: An-Ping Liu	Republic of China	Male			✓		✓	✓	✓	Industrial management	Business administration		
TECO Electric & Machinery Co., Ltd. Representative: Chi-Tseng Peng	Republic of China	Male		✓		✓		✓	✓	Telecommunications Construction.	Technology		
Advantech Investment Co., Ltd. Representative: Shih-Chang Lin	Republic of China	Male	✓			✓			✓	Management administration	Business administration		
Wen-Nan Chan	Republic of China	Male			✓	✓			✓	Information management	Technology		
Yi-Bing Lin (Independent Director)	Republic of China	Male			✓		✓		✓	Computer engineering	Technology		
Cheng-Kang Chen (Independent Director)	Republic of China	Male		✓			✓		✓	Information management	Technology		
Jui-Tang Chang (Independent Director)	Republic of China	Male			✓		✓	✓	✓	Accounting	Finance		

Note 1: The current board consists of nine directors (including three independent directors), all of whom are distinguished individuals with rich professional practical experience. They all possess leadership decision-making, business management, operational judgment, crisis management, industry knowledge, and international market perspective capabilities. The three independent directors have expertise in information technology and accounting finance, while the six directors have backgrounds in finance, technology, and industrial marketing. Implementing a diversified board member policy helps enhance the governance efficiency and management performance of the company.

Note 2: Tenure of independent directors: The three independent directors took office in September 2018 with a tenure of six years, and none of them served consecutive terms for more than three terms. All directors of

the company are nationals. The composition of the board is three independent directors and one female director (33% and 11% of all directors). As of the end of 2023, one director was aged between 41 and 50, one director was aged between 51 and 60, and six directors were aged between 61 and 70. Among them, the independent directors are all in compliance with the requirements of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors, and for information on education, gender, professional qualifications and work experience of directors, please refer to Two. Information of Directors under Corporate Governance Report II (I).

(2) Independence of the board:

The Company currently has nine directors on the board of directors, including four independent directors, accounting for 33% of all directors. The tenure of all independent directors of the Company is less than nine years; all directors are not spouses or relatives within the second degree of kinship, in compliance with Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

April 1, 2024

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent positions in other companies	Spouse or relatives of the second degree or closer acting as managers			Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	Republic of China	Chun-Hsu Chen	Male	January 1, 2024							Master's Degree, Saint John's University	Chairman, An-Hui Information Technology Co., Ltd. Director, Universal Mail Service Ltd. Director, Tension Envelope Taiwan Corporation	N/A	N/A	N/A	Note 1
Vice President	Republic of China	Hsin-Ying Chen	Female	2022.12.01	-	-	-	-	-	-	Bachelor's Degree, National Yunlin University of Science and Technology	-	N/A	N/A	N/A	
Vice President	Republic of China	Lung-Chu Hung	Female	2022.12.01	-	-	-	-	-	-	Master's Degree, National Chiao Tung University	Chief Financial Officer, TECO Electric & Machinery (Pte) Ltd. Singapore Supervisor, Tension Envelope Taiwan Corporation Director, Unison Service Corporation Chairman, Universal Mail Service Ltd.	N/A	N/A	N/A	

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent positions in other companies	Spouse or relatives of the second degree or closer acting as managers			Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Vice President	Republic of China	Chih-Chun Wang	Male	2024.03.11							Master of Business Administration (MBA), National Chengchi University		N/A	N/A	N/A	Note 2
Assistant Vice President	Republic of China	Shih-Yang Lin	Male	2018.08.01	-	-	-	-	-	-	Bachelor's Degree, Chinese Culture University	Director, Tension Envelope Taiwan Corporation	N/A	N/A	N/A	
Assistant Vice President	Republic of China	Chen-Ju Chen	Female	2023.04.01	-	-	-	-	-	-	Master's Degree, National Taiwan University of Science and Technology	Director, Unison Service Corporation	N/A	N/A	N/A	
Assistant Vice President	Republic of China	Tsung-Yu Chiang	Male	2023.09.01	-	-	-	-	-	-	China University of Science and Technology	Vice President, Universal Mail Service Ltd.	N/A	N/A	N/A	Note 2
Assistant Vice President	Republic of China	Sheng-Yang Chang	Male	2023.01.01							Bachelor, National Taichung University of Science and Technology	-	N/A	N/A	N/A	Note 2

Note 1: If the chairman of the board of the company is the general manager or equivalent (the highest manager), the reason, rationality, necessity and response measures should be explained:

The Company's Board meeting on December 28, 2023 approved the change of the President (effective on January 1, 2024).

Range of remuneration

Range of remuneration paid to directors	Name of director			
	Sum of A, B, C, and D		Sum of A, B, C, D, E, F, and G	
	The Company(Note 1)	All companies included in the financial statements H(Note 1)	The Company(Note 1)	All companies included in the financial statements I(Note 1)
Below NT\$1,000,000	1,5,6,7,8,9	1,5,6,7,8,9	5,6,7,8,9	5,6,7,8,9
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)				
NT\$2,000,000 (inclusive) – NT\$3,500,000 (non-inclusive)	2,3,4	2,3,4	2,3,4	2,3,4
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)				
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)			1	1
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)				
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)				
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)				
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	9	9	9	9

Note 1: Shown by code of Executives in the previous table

Note 2: The legal representative is disclosed through consolidated reporting.

2. Remuneration to the President and Vice Presidents

December 31, 2023/Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses and special allowances (C)		Employees remuneration amount (D)				Sum of A, B, C, and D and as a percentage of net income (%)		Remuneration from investees other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Shang-Wei Kao	Total 4,183	Total 4,183	-	-	Total: 509	Total: 509	Total: 840	-	Total: 840	-	5,532 7.46%	5,532 7.46%	-
Vice President	Chun-Hsu Chen													
Vice President	Hsin-Ying Chen													
Vice President	Lung-Chu Hung													

Range of remuneration

Breakdown of remuneration to President and Vice President	Name of the President and Vice Presidents	
	The Company	All companies included in the financial statements
Below NT\$1,000,000	Shang-Wei Kao, Lung-Chu Hung	Shang-Wei Kao, Lung-Chu Hung
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)		
NT\$2,000,000 (inclusive) – NT\$3,500,000 (non-inclusive)	Chun-Hsu Chen, Hsin-Ying Chen	Chun-Hsu Chen, Hsin-Ying Chen
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)		
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)		
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	4	4

3. Name of managers who received employee compensation and the distribution situation in the most recent year

December 31, 2023/Unit: NTD thousand

Title	Name	Stock amount	Cash amount	Total	The sum as percentage of net income of 2023 (%)
President	Shang-Wei Kao	-	Total 1,000	Total 1,000	1.35%
Vice President	Chun-Hsu Chen				
Vice President	Hsin-Ying Chen				
Vice President	Lung-Chu Hung				
Assistant Vice President	Shih-Yang Lin				

4. Analysis of the proportion of the total remuneration paid to directors, supervisors, the president, and vice presidents to the net income, as in the parent only or individual financial statements, in the most recent two years, as well as the remuneration policies, standards, and packages, the procedures for determining the remuneration, and their correlation with business performance and future risks:

- (1) Proportion of the total remuneration paid to directors, supervisors, the president, and vice presidents to the net income in the most recent two years:

Unit: NTD thousand

Item Year	2022				2023			
	The Company		All companies included in the consolidated financial statements		The Company		All companies included in the consolidated financial statements	
	Total Amount	% to after-tax net profit	Total Amount	% to after-tax net profit	Total Amount	% to after-tax net profit	Total Amount	% to after-tax net profit
Remuneration to directors	111,00	19.95%	11,165	20.06%	12,662	17.07%	12,701	17.13%
Remuneration to the President and Vice Presidents	3,584	6.44%	3,584	6.44%	5,532	7.46%	5,532	7.46%

- (2) Remuneration policies, standards, and packages; procedures for determining remuneration; their correlation with business performance and future risks:

A. Remuneration policies, standards, and packages; procedures for determining remuneration

- a. Directors and supervisors: The remuneration of the Company's directors and supervisors is determined in accordance with the Company's Articles of Incorporation.
- b. President and Vice Presidents: The remuneration of the President and Vice Presidents includes salary, bonuses and employee compensation, and is determined based on their positions held, responsibilities assumed, and contribution to the Company while with reference to the usual

payment level in the industry; the procedures for determining the remuneration are conducted according to the Company's Articles of Incorporation and the hierarchy of approval.

B. The correlation with business performance and future risks

The remuneration of the Company's directors, supervisors, president and vice presidents is based on the consideration of the Company's operating performance, the risks of future fluctuations in the industry, as well as the operational risks, transaction risks, and financial risks that the Company may face in future operations.

III. Status of Corporate Governance

(I) Information on the operations of the board of directors

The Board of Directors convened five meetings in 2023. The attendance of directors is summarized as follows:

Title	Name	Actual attendance (times)	Attendance by proxy	Actual attendance (%)	Notes
Chairman	TECO Electric & Machinery Co., Ltd. Representative: Shang-Wei Kao	5	0	100%	-
Director	TECO Electric & Machinery Co., Ltd. Representative: Chwen-Jy Chiu	5	0	100%	-
Director	TECO Electric & Machinery Co., Ltd. Representative: An-Ping Liu	5	0	100%	-
Director	TECO Electric & Machinery Co., Ltd. Representative: Kuo-Min Chen	2	0	100%	Note 1
Director	TECO Electric & Machinery Co., Ltd. Representative: Chi-Tseng Peng	3	0	100%	Note 1
Director	Advantech Investment Co., Ltd. Representative: Shih-Chang Lin	4	0	80%	-
Director	Wen-Nan Chan	5	0	100%	-
Independent Director	Yi-Bing Lin	5	0	100%	-
Independent Director	Cheng-Kang Chen	5	0	100%	-
Independent Director	Jui-Tang Chang	5	0	100%	-

Note 1: The representative of TECO Electric & Machinery Co., Ltd. was originally Mr. Kuo-Min Chen, who was replaced by Mr. Chi-Tseng Peng on August 9, 2023.

Additional disclosure:

I. For board of directors meetings that meet any of the following circumstances, specify the date, session, the content of the proposal, independent directors' opinions and the Company's response to such opinions:

- (I) Matters listed in Article 14-3 of the Securities and Exchange Act: Please refer to this annual report for the operations of the Audit Committee. All proposals were approved by all independent directors without objection.
- (II) Items in board resolutions regarding which independent directors have dissenting opinions or qualified opinions on the record or in writing: Independent directors did not have objections or reserved opinions this year.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None this year.

III. The implementation status of the performance evaluation of the board of directors:

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annual internal Board performance evaluation	January 1, 2023 – December 31, 2023	The entire Board of Directors	Internal Self-Evaluation Questionnaire of the Board	The performance evaluation of the Board of Directors covers the following five major aspects and a total of 45 indicators are evaluated. A. Participation in the operation of the Company. B. Improvement of the quality of the Board of Directors' decision-making. C. Composition and structure of the Board of Directors. D. Election and continuing education of the Directors. E. Internal control.
		Individual board members	Board Member Performance Self-Evaluation Questionnaire	The self-evaluation of directors' performance includes six major aspects and a total of 23 indicators. A. Understanding of the goals and mission of the Company. B. Awareness of the duties of a director. C. Participation in the operation of the Company. D. Management of internal relationships and communication. E. The director's professionalism and continuing education. F. Internal control.
		Functional committees (Audit Committee, Remuneration Committee)	Functional Committees Performance Self-Evaluation Questionnaire	The performance evaluation of functional committees covers the following five aspects. The evaluation items of the Audit Committee and the Remuneration Committee include 22 indicators and 18 indicators, respectively. A. Participation in the operation of the Company. B. Awareness of functional committees' responsibilities. C. Functional committees' decision-making quality. D. Composition of functional committees and selection of members. E. Internal control.

IV. Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and most recent years:

1. The Company has established an Audit Committee and a Remuneration Committee to assist the

Board of Directors in carrying out their duties. The aforementioned functional commission

The Board of Directors is composed of three independent directors, and may commission external experts to provide opinions as necessary.

2. The Company has established the Regulations Governing the Performance Evaluation of the Board of Directors. The Board of Directors conducts internal self-evaluation on a regular basis every year, and every three years an

external performance evaluation is conducted, and a corporate governance officer is in charge of corporate governance-related affairs to strengthen the effectiveness of the board of directors and provide directors with the support needed to perform their duties.

3. At the annual general shareholders' meeting on July 30, 2021, our company elected a board of nine directors with diverse professional backgrounds,

including three independent directors, one of whom is a female director. Every year, our company arranges various continued education courses for the directors to enhance their decision-making quality.

4. On May 10, 2023, the board of directors appointed Mr. Lung-Chu Hung, the Executive Vice President of our company, as the Corporate

in accordance with the law, preparing minutes for these meetings, assisting directors in their induction and continuous learning,

providing information needed for directors to perform their duties, and assisting directors in compliance with laws to

protect shareholders' rights and strengthen the function of the board.

(II) Information on the operations of the Audit Committee

1. Major tasks of the year:

Our company's "Audit Committee" was established on September 18, 2018, replacing the previous supervisor system. The committee members are independent directors (three seats) from the board of directors, with one independent director nominated by all members to serve as the convener and chairperson of the meetings. The operation is in accordance with our company's "Audit Committee Charter," and its main responsibilities include the following:

- I. Adoption or amendment to the internal control system.
- II. Assessment of the validity of internal control.
- III. Procedures for significant financial and business actions.
- IV. A matter bearing on the personal interest of a director.
- V. A material asset or derivatives transaction.
- VI. A material monetary loan, endorsement, or provision of guarantee.
- VII. The offering, issuance, or private placement of equity-type securities.
- VIII. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- IX. The appointment or discharge of a financial, accounting, or internal audit officer.
- X. Financial reports that require board approval as per the regulatory authority's regulations.
- XI. Other significant matters as defined by the company or regulatory authorities.

2. Operations of the Audit Committee

The Audit Committee held five (A) meetings during 2023; the attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (%) (B/A)	Notes
Independent Director	Yi-Bing Lin	5	0	100%	Reelected on July 30, 2021
Independent Director	Cheng-Kang Chen	5	0	100%	Reelected on July 30, 2021
Independent Director	Jui-Tang Chang	5	0	100%	Reelected on July 30, 2021

Additional disclosure:

I. Where the operations of the Audit Committee meet any of the following circumstances, the minutes in question shall clearly state the meeting date, term, content of the proposal, independent directors' objections, reservations, or major suggestions, resolutions adopted by the Audit Committee, and the Company's response to the Audit Committee's opinions.

(I) Matters specified in Article 14-5, Securities and Exchange Act:

Board of Directors	Content of proposal and subsequent response	Audit Committee	Audit Committee
The 10th meeting of the 12th board of directors (2023.3.9)	2022 Statement on the Internal Control System	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
	2022 Business Report and Financial Statements		
	Distribution of earnings for 2022		
	Proposal for distribution of 2022 employee compensation and remuneration of the directors		
	New and renewal of borrowing facilities from financial institutions		
	Proposal for partial amendments to the Company's Articles of Incorporation		
	Proposal for partial amendments to the Corporate Governance Best-Practice Principles		
	Proposal for partial amendments to the "Sustainable Development Best-Practice Principles."		
	Proposal for matters related to convening of the Company's 2023 general shareholders' meeting		
The 11th meeting of the 12th board of directors (May 10, 2023)	Consolidated financial statements for the first quarter of 2023	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
	Appointment of Corporate Governance Officer of the Company		

The 12th meeting of the 12th board of directors (August 10, 2023)	Consolidated financial statements for the second quarter of 2023	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
	Proposal for partial amendments to the “Regulations Governing the Preparation of Financial Statements”		
The 13th meeting of the 12th board of directors (November 6, 2023)	Consolidated financial statements for the third quarter of 2023	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
The 14th meeting of the 12th board of directors (December 28, 2023)	Approval of the 2023 audit plan	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
	The finalization of the Company’s “Implementation Rules for Internal Audits”		
	Amendments to the Company’s “Procedures for the Protection of Personal Information”		
	Independence and competence of the Company’s CPAs		
	Proposal for appointment and remuneration of CPAs for 2023		

(II) Except for the aforementioned matters, other resolutions not passed by the Audit Committee but approved by two-thirds of all directors: None, independent directors did not have any objections or reserved opinions this year.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the independent director’s name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None.

III. Communication between independent directors and the internal audit officer and CPAs:

(I) Communication methods between independent directors and the internal audit officer and CPAs: The Company’s independent directors have direct communication channels with the internal audit officer and CPAs; in accordance with the regulations of the competent authority, the independent directors regularly check the Company’s financial and business conditions and communicate with the management and the governance units directly.

1. The Company’s internal audit officer regularly reports on the internal audit at the quarterly Audit Committee meeting, and has fully communicated the execution status of the audit business, the deficiencies identified in the audit, improvement measures, the tracking status, and the effectiveness.

2. The Company’s CPAs report on the results of the audit or review of the financial statements of the Company and its subsidiaries, and other matters required to be communicated as stipulated by relevant laws and regulations in the Audit Committee meeting after the completion of the semi-annual and annual audit and review of the financial statements.

(II) Summary of the communication between independent directors and CPAs:

Audit Committee	Matters communicated	Communication results
The 9th meeting of the 2nd term (2023.3.9)	2022 Business Report and Financial Statements	The annual financial report is approved by the Audit Committee and submitted to the Board of Directors after being approved by the Board of Directors, and then announced and reported to the competent authorities.
The 10th meeting of the 2nd term (2023.5.4)	Financial statements for the first quarter of 2023	The semi-annual financial report is approved by the Audit Committee and submitted to the Board of Directors after being approved by the Board of Directors, and then announced and reported to the competent authorities.
The 11th meeting of the 2nd term (2023.8.4)	Financial statements for the second quarter of 2023	
The 11th meeting of the 2nd term (2023.11.3)	Financial statements for the third quarter of 2023	

(III) Summary of the communication between independent directors and the internal audit officer:

Audit Committee	Matters communicated	Communication results
The 9th meeting of the 2nd term (2023.3.9)	Internal audit report for the fourth quarter of 2022	Independent directors had no objection to the matters communicated on the left.
	2022 Statement on the Internal Control System	
The 10th meeting of the 2nd term (2023.5.4)	Internal audit report for the first quarter of 2023	
The 11th meeting of the 2nd term (2023.8.4)	Internal audit report for the second quarter of 2023	
The 11th meeting of the 2nd term (2023.11.3)	Internal audit report for the third quarter of 2023	
The 13th meeting of the	Review of the 2024 audit plan	

2nd term (2023.12.21)			
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(III) Corporate governance implementation and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the Company formulated and disclosed Corporate Governance Best-Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		Our company has established the “Corporate Governance Practices” in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies,” which are disclosed on our website and the “Corporate Governance” section of the Market Observation Post System. (http://mops.twse.com.tw/)	In compliance with the regulations of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. The Company’s shareholding structure and shareholders’ equity				
(I) Has the Company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes and litigations?	V		(I) In addition to entrusting a dedicated stock affairs agency to handle shareholder-related affairs, the Company has set up an investor service section on its official website and disclosed detailed information on points of contact (contact information of the spokesperson, acting spokesperson, and the dedicated personnel in charge of stock affairs), to handle shareholders’ suggestions or disputes.	No major deviations.
(II) Does the Company keep abreast of the list of major shareholders and the ultimate controlling parties of such shareholders?	V		(II) We regularly monitor the main shareholders and ultimate controllers of the company based on the shareholder register provided by the stock affairs agent on the date when share transfers are suspended.	No major deviations.
(III) Has the Company established and implemented risk management and firewalls for companies it is affiliated with?	V		(III) Our internal controls encompass risk management at the corporate level and operational activities at the operational level, including a “Subsidiary Supervision Procedure” to ensure risk control mechanisms for subsidiaries are implemented effectively. We have established the “Related Party Financial and Business Transactions Procedures” to regulate transactions such as procurement and sales, asset acquisition and disposition, endorsements, guarantees, and loans among related entities.	No major deviations.
(IV) Has the Company established internal rules against insiders trading with undisclosed information?	V		(IV) Additionally, our “Insider Trading Prevention Measures” strictly prohibit any insider trading activities and include regular training for insiders and employees to prevent such occurrences. We have also developed the “Internal Material Information Handling Procedures” and the “Corporate Governance Practices” to prohibit insiders from	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			trading securities based on undisclosed material information available in the market.	
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Has the board of directors formulated a diversity policy, set specific management goals and implemented them accordingly?</p> <p>(II) In addition to the Remuneration Committee and the Audit Committee set up in accordance with the law, has the Company voluntarily set up other functional committees?</p> <p>(III) Has the Company established a standard to measure the performance of the board of directors and implement it annually? Does the Company submit the results of the performance evaluation to the board of directors as reference in determining the remuneration of individual directors and nomination for re-election?</p>	V	V	<p>(I) For detailed information on the board diversity policy, specific management objectives, and implementation, please refer to the annual report section “II. Information on Directors, General Manager, Deputy General Managers, Assistant General Managers, Heads of Departments and Branches (1) Directors 5. Board Diversity and Independence.”</p> <p>(II) The Company has set up two functional committees, the Remuneration Committee and the Audit Committee. In the future, the Company will evaluate the establishment of other functional committees based on actual operational needs to continuously improve the quality of corporate governance.</p> <p>(III) The Board of Directors of the Company established the “Regulations Governing the Performance Evaluation of the Board of Directors” in December 2019. According to the Regulations, the performance of the Board of Directors, Board members, and functional committees will be evaluated once a year. The evaluation results will be reported to the Board of Directors. The performance evaluation shall be conducted by an external professional independent institution at least once every three years. In 2023, Taiwan Corporate Management Institute was commissioned to execute the performance evaluation of the external board of directors. The Company reported the aforementioned execution results to the board of directors in February 2024 and disclosed it on the Company website.</p> <p>A questionnaire self-evaluation method is adopted for the annual evaluation. The evaluation is executed by the parliamentary unit. The evaluation period is from January 1, 2023 to December 31,</p>	<p>No major deviations.</p> <p>The Company’s Remuneration Committee and the Audit Committee exercise their powers and responsibilities in accordance with the law independently.</p> <p>No major deviations.</p>

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(IV) Does the Company regularly assess the independence of CPAs?	V		<p>2023. For the implementation of the evaluation of the Board of Directors, members of the Board of Directors and functional committees, please see 4. Implementation of Corporate Governance/Implementation of the Evaluation of the Board of Directors of the Company.</p> <p>The internal performance self-assessment results of the Board of Directors and Board members in 2023 were excellent, and the internal performance self-assessment results of each functional committee were also excellent, which is sufficient to demonstrate the results of the Company's strengthening the effectiveness of functional committees.</p> <p>The Company should report the results of performance evaluation of 2023 to the Board of Directors and use it as a reference for individual directors' remuneration and nomination for reappointment.</p> <p>(IV) The Company has established the "Regulations Governing Evaluation of the Independence and Performance of CPAs" to evaluate the independence, suitability and performance of the CPAs annually. In addition to obtaining the statement of independence from the accountants, starting from 2022, Audit Quality Indicators (AQIs) have been included for reference in the evaluation, and the evaluation results are submitted to the Audit Committee and the Board of Directors for approval. The results of the most recent annual evaluation were approved by the Board of Directors on December 21, 2023. No violation of independence has been found, and the rotation of CPAs has also complied with relevant regulations.</p>	No major deviations.
IV. Does the Company have an appropriate number of qualified governance personnel and designate one chief corporate governance officer to oversee corporate governance affairs (including but not limited to providing the directors and supervisors with information needed to perform their duties, assisting the directors and supervisors with legal compliance, handling matters related	V		In May 2023, the Company's Board of Directors appointed the Chief Financial Officer as the Corporate Governance Officer. She has over three years of experience in finance, stock affairs, and meeting management of public companies. The Finance Department is jointly responsible for corporate governance-related matters, mainly responsible for handling matters related to the Board of Directors and	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
to board meetings and shareholders' meetings according to laws, and preparing minutes of board and shareholders' meetings)?			Shareholders' Meetings in accordance with the law. They provide directors with information needed to carry out their business, assist directors in complying with laws and regulations, assist directors in taking office and continuing their education, handle matters related to Board of Directors, committees, and shareholders' meetings, and prepare meeting minutes, etc., to assist directors in compliance, inauguration, and continuing education. Please refer to (IX) Continuing Education of Corporate Governance Officer for the year 2023 for the Corporate Governance Officer.	
V. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers), set up a dedicated area for stakeholders on the Company's website, and respond to important corporate social responsibility issues that stakeholders are concerned about appropriately?	V		The Company has an employee mailbox, employee service hotline, spokesperson mailbox and hotline for communication with customers, suppliers and the general public. Stakeholders may contact the Company's designated unit at any time if they need to. In addition, the Company has set up a Stakeholders Section on the Company's website, and actively maintains smooth communication channels with stakeholders through various communication mechanisms.	No major deviations.
VI. Does the Company appoint a professional stock affairs agency to handle the affairs of shareholders' meetings?	V		The Company has appointed Shareholders Service Dept. of Hua Nan Securities to handle the shareholders service affairs on behalf of the Company.	No major deviations.
VII. Public Disclosure of Information				
(I) Has the Company set up a website to disclose financial business and corporate governance information?	V		(I) The Company has established a corporate website to disclose relevant information (www.itts.com.tw); the Company can also access the Company's financial, business and corporate governance-related information through the Market Observation Post System.	No major deviations.
(II) Does the Company adopt other means for disclosure (such as setting up an English website, appointing personnel to collect and disclose relevant information, properly implementing a spokesperson system, and placing the process of investor conferences on the website)?	V		(II) The Company has set up a special section on its website to provide information to shareholders and stakeholders. It has also appointed a spokesperson to maintain communication with the media and legal persons. This ensures that material information that may affect shareholders and stakeholders can be disclosed immediately and properly. The information provided by the Company in the investor conference are available on the Company's website. The Company has an English-language website that	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Does the Company publicly announce and file the annual financial statements within two months after the end of each fiscal year and announce and file the financial statements for the first, second, and third quarters and the monthly operation status prior to the specified deadline?	V		discloses financial, business, and corporate governance-related information. (III) The Company has announced and filed the annual financial report on February 26, 2024, and announced and filed the financial report for the first, second, and third quarters (within 45 days) and the operating status (before the tenth of each month).	There are some slight differences from the regulations of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and it still complies with the requirements of the Securities and Exchange Act.
VIII. Does the Company have other important information to facilitate better understanding of its corporate governance operations (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?	V		(I) Employee equity and employee care: The Company's rights and interests of employees are treated in accordance with the Labor Standards Act and related laws and regulations, and an employee welfare committee is established to provide various subsidies and activities. Please refer to "V. Operation overview and V. Labor-management relations" of this annual report. (II) Investor Relations: The Company is committed to protecting the rights and interests of its shareholders and treats all shareholders fairly, and announces material information about finance, business, corporate governance, etc., on the "Market Observation Post System" in a timely manner in accordance with relevant regulations. The Company has the rights to know, participate and make decisions, set up the duties of spokesperson and acting spokesperson, and designate personnel to handle shareholders' suggestions, questions and disputes, and provide shareholders with ample opportunities to ask questions or make proposals. (III) Supplier relations: The Company conducts supplier audits and management on the basis of integrity to ensure that suppliers comply with the Company's regulations on ethical management, social responsibility, environmental protection, occupational safety and health, or labor rights.	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			(IV) Stakeholders' rights: The Company has a Stakeholders Section on the Company's website and provides communication channels to protect the rights of stakeholders. (V) The situation of continuing education for the Board of Directors: The Company actively encourages directors to participate in relevant courses organized by the competent authorities. Please refer to the following table for directors' and managers' continuing education and training related to corporate governance.	
IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: (I) Improvements Made: 1. Implemented. 2. Strengthening of insider trading prevention measures, specifying that insiders shall not trade the Company's stock during the closing period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report. (II) Improvements and priorities and measures: 1. According to the "Roadmap for the Sustainable Development of Listed Companies," the Company plans to prepare the sustainability report				

The situation of continuing education for the Board of Directors						
Title	Name	Date of class		Organizer	Title of class	Duration of Continued Education
		from	Ended			
Chairman	Representative of TECO Electric & Machinery Co., Ltd.: Shang-Wei Kao	2023/3/30	2023/3/30	Greater China Financial and Economic Development Association	Executive Director Chou, Rong-Yu: “Corporate Strategic Alliance Trends”	3
		2023/4/10	2023/4/10	Greater China Financial and Economic Development Association	Professor Wen-Hua Chen: “Technological Innovation and Digital Transformation”	3
Director	Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu	2023/2/19	2023/2/19	Taiwan Institute for Sustainable Energy	The 31st CEO Lecture and Keynote Speech	2
		2023/4/20	2023/4/20	Taiwan Institute for Sustainable Energy	The 32nd CEO Lecture and Keynote Speech	2
		2023/7/13	2023/7/13	Taiwan Institute for Sustainable Energy	The 33rd CEO Lecture and Keynote Speech	2
Director	Representative of TECO Electric & Machinery Co., Ltd.: An-Ping Liu	2023/8/11	2023/8/11	Business Development Foundation of the Chinese Straits	Controlled Foreign Corporation (CFC) & Global Anti-tax Avoidance	3
		2023/12/22	2023/12/22	Taiwan Corporate Governance Association	What practical measures has TECO taken in the face of climate change?	3
Director	Representative of TECO Electric & Machinery Co., Ltd.: Cheng-Tseng Peng	2023/8/11	2023/8/11	Business Development Foundation of the Chinese Straits	Controlled Foreign Corporation (CFC) & Global Anti-tax Avoidance	3
		2023/12/22	2023/12/22	Taiwan Corporate Governance Association	What practical measures has TECO taken in the face of climate change?	3
Director	Representative of Advantech Investment Co., Ltd.: Shih-Chang Lin	2023/4/28	2023/4/28	Taiwan Corporate Governance Association	Board Members’ Response Practices to the IT Wave	3
		2023/5/12	2023/5/12	Taiwan Corporate Governance Association	ESG Trends and Epidemic Environment: Discussion of Global and Taiwanese Tax System Reform and Corporate Tax Governance	3
Director	Wen-Nan Chan	2023/3/21	2023/3/21	Greater China Financial and Economic Development Association	Executive Vice President Lin, Chuan-Hsing: “New Challenges of Industrial ESG – Toward a Net Zero Carbon World”	3
		2023/4/26	2023/4/26	Securities and Futures Institute	Advanced Seminar for Directors and Supervisors (Including Independents) on Mergers and Acquisitions Strategy Thinking and Evaluation Practices hosted by Precision Testing Technology Co., Ltd.	3

Independent Director	Yi-Bing Lin	2023/3/15	2023/3/15	Securities and Futures Institute	Advanced Seminar for Directors and Supervisors (including Independent Directors) and Corporate Governance Officer Practices – Introduction to Corporate Management Dispute and the Commercial Case Adjudication Act	3
		2023/4/20	2023/4/20	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	Cheng-Kang Chen	2023/8/18	2023/8/18	Taiwan Corporate Governance Association	Big Data Analytics and Fraud Prevention	3
		2023/9/8	2023/9/8	Taiwan Corporate Governance Association	Succession Planning Initiative – Employee Compensation Plans and Equity Succession	3
Independent Director	Jui-Tang Chang	2023/3/10	2023/3/10	The Chinese National Association of Industry and Commerce	“Sustainable Transformation” Course – Part 1 of 4: Challenges and Opportunities of Global Net Zero Transformation	3
		2023/7/18	2023/7/18	Taiwan Corporate Governance Association	Practical Analysis of Corporate Governance 3.0 “Sustainability Report”	3
Corporate Governance Officer	Lung-Chu Hung	2023/5/11	2023/5/11	Greater China Financial and Economic Development Association	Data-driven smart transformation	3
		2023/5/29	2023/5/29	Greater China Financial and Economic Development Association	Circular Economy and Sustainable Development for Enterprises	3
		2023/6/8	2023/6/8	Greater China Financial and Economic Development Association	Web3 Virtual Era – Development and Business Opportunities in Metaverse and Cryptofinance	3
		2023/6/16	2023/6/16	Greater China Financial and Economic Development Association	Media Communication and Crisis Management Strategies	3
		2023/6/26	2023/6/26	Greater China Financial and Economic Development Association	Global economic outlook for the second half of 2023	3

Note 2: Audit Accountant Evaluation Form:

Evaluation Criteria		Evaluation Result	Compliance with Independence
I. Independence Requirement Review			
1	Does the accountant himself, his spouse, or minor children have any investment or share financial interests with the company?	None	After consulting with the accountant and reviewing the status of the company's investments, none of the following circumstances were found.
2	Is the accountant himself, his spouse, or minor children involved in any financial borrowing or lending activities with the company? However, if the lender is a financial institution and the transaction is part of normal business operations, it is exempt from this requirement.	None	After consulting with the accountant and reviewing the company's accounting records, none of the following situations were found.
3	Has the accountant or members of the audit service team served as directors, executives, or in positions significantly affecting audit matters of the company currently or within the past two years?	None	The company's directors, key executives, or employees with significant influence on audit matters such as the general manager, chief operating officer, and chief financial officer (also serving as the accounting supervisor) have never worked at Pwc.
4	Has the accountant or members of the audit service team promoted or brokered the stocks or other securities issued by the company?	None	The company is listed on the over-the-counter market, and its stocks are traded on the Gre Tai Securities Market. There are no such occurrences
5	Other than business permitted by law, has the accountant or members of the audit service team represented the company in legal cases or other disputes with third parties?	None	None of the following circumstances were found.
6	Is there any spouse, direct blood relative, direct relative by marriage, or second-degree blood relative relationship between the accountant or members of the audit service team and individuals holding significant positions such as directors, executives, or those with significant influence on audit matters within the company?	None	After consulting with the lead manager of the audit service team, the accountant or members of the audit service team have not had the following situations.
7	Has any co-practicing accountant who resigned within the past year served as a director, executive, or in a position significantly influencing audit matters within the company?	None	The company's directors, key executives, or employees with significant influence on audit matters such as the general manager, chief operating officer, and chief financial officer (also serving as the accounting supervisor) have never worked at Pwc.
8	Have the accountant or members of the audit service team received significant gifts, donations, or special	None	None of the following circumstances were found.

	privileges of substantial value from the company, directors, executives, or major shareholders?		
9	Is the accountant currently employed by the client or the entity under audit as a regular employee, receiving a fixed salary, or serving as a director or supervisor?	None	After reviewing the list of directors, members of the audit committee, and key executives of the company, none of the following circumstances were found.
II. Independence Operation Review			
1	Has the accountant refrained from accepting engagements where there is a direct or significant indirect conflict of interest that may affect their objectivity and independence?	Yes	The accountant appointed as the signing accountant for the audited report.
2	When providing auditing, review, compilation, or special examination services for financial statements and issuing opinion reports, does the accountant maintain both substantive and formal independence?	Yes	
3	Are members of the audit service team, other co-practicing accountants or shareholders of the firm, firm-related entities, and affiliated firms also maintaining independence with respect to the company?	Yes	Pwc submits an independence statement to the audit committee of the company's governance unit in accordance with the Audit Standards Bulletin for each audit period.
4	Is the accountant performing professional services with integrity and diligence?	Yes	
5	Is the accountant maintaining an impartial and objective stance while performing professional services, and has the accountant avoided bias, conflicts of interest, or undue influence that may affect professional judgment?	Yes	Pwc submits an independence statement to the audit committee of the company's governance unit in accordance with the Audit Standards Bulletin for each audit period.

(IV) Information on the Remuneration Committee members

Qualifications		Professional qualifications and experience	Independence status	Number of other public companies where a concurrent position as Remuneration Committee member is served
Identity Name				
Independent Director	Yi-Bing Lin	(1)For detailed disclosures on directors' qualifications and the independence of independent directors, please refer to the Annual Report, Section II, "Information on Directors, General Manager, Deputy General Managers, Assistant General Managers, Department Heads, and Branch Managers / 4. Directors' Professional Qualifications and Independence of Independent Directors". (2)Compliance with the "Regulations Governing the Appointment of Independent Directors of Public Companies" Article 3 during the two years prior to their appointment and during their tenure (3)3 members of the Company	1	
Independent Director (Convener)	Cheng-Kang Chen		0	
Independent Director	Jui-Tang Chang		1	

1. Information on the Remuneration Committee members

2. Responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for evaluating the remuneration policy and system of the Company's directors and managers in a professional and objective manner while performing the duty of care as a good manager. It convenes at least two meetings a year and may hold meetings at any time as needed, to make suggestions to the board of directors as a reference during its decision-making process.

(1) Responsibilities of the Company's Remuneration Committee

- A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managers.
- B. Periodically evaluate and prescribe the remuneration of directors and managers.

(2) When the Remuneration Committee performs its duties and exercises its powers, it shall proceed as per the standards below:

- A. With respect to the performance assessment and remuneration of directors and managers of the Company, it shall refer to the typical pay levels adopted in the industry, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risks.
- B. Directors and managers shall not engage in behavior beyond the risk tolerance level of the Company for the purpose of pursuing remuneration.
- C. With respect to the time to distribute bonus in proportion to the short-term performance of directors and senior managers, or remuneration that is partially variable, the Company shall consider the characteristics of the industry and the nature of its business to decide the proper time to pay.

3. Information on the operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of three members.
- (2) The term of office of the current members: From July 30, 2021, to July 29, 2024. The Remuneration Committee convened 2 (A) meetings in 2023, and the qualifications and attendance of the members are summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Notes
Convener and chair	Cheng-Kang Chen	2	0	100%	Reelected on July 30, 2021
Committee member	Jui-Tang Chang	2	0	100%	Reelected on July 30, 2021
Committee member	Yi-Bing Lin	2	0	100%	Reelected on July 30, 2021

Additional disclosure:

- I. If the board of directors did not adopt or amended the Remuneration Committee's suggestions, please specify the meeting date, term, content of the proposal, resolution of the board of directors, and the Company's response to the Remuneration Committee's opinions: None.
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions: None.
- III. The major matters communicated and the summary of the resolutions in 2023 are as follows:

Date	Major matters communicated	Resolutions of the Remuneration Committee	Dealing with the opinion from the Remuneration Committee
The 4th meeting of the 3rd term (2023.3.9)	Results of the 2022 year-end bonuses and performance bonuses to be distributed to managers	Approved by all independent directors unanimously	Submitted to the Board meeting and approved by all directors present at the meeting.
	Proposal for distribution of 2022 employee compensation and remuneration of the directors		
The 5th meeting of the 3rd term (2023.12.21)	Report on distribution of 2022 employee compensation to managers.		
	Proposal for distribution of the 2023 year-end bonuses		
	Proposal on the remuneration for managerial officers of the Company through assignments and promotions.		

- (IX) Implementation of the internal control system:
 1. Statement on the Internal Control System
 2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report shall be disclosed: None.
- (X) In the most recent year and as of the date of the publication of the annual report, where the Company and its insiders have been punished in accordance with the law, or the Company has imposed penalties on its internal personnel for violations of the internal control system, and the results of the penalties may have a significant impact on shareholders' rights or securities prices, the content of the penalties, main deficiencies, and improvements shall be specified: None.
- (XI) Important resolutions of the shareholders' meeting and board meetings in the most recent

year and as of the date of the publication of the annual report:

Shareholders' meeting/board meeting	Date	Important resolutions
Board of Directors	2023/05/10	<ol style="list-style-type: none"> 1. Consolidated financial statements for the first quarter of 2023 2. Appointment of Corporate Governance Officer of the Company
Shareholders' Meeting	2023/05/29	<p>Management Presentation:</p> <ol style="list-style-type: none"> 1. 2022 Business Report 2. 2022 Audit Committee's Review Report. 3. Report on the distribution of employee compensation and the remuneration of directors for 2022. 4. Report on 2022 earnings distribution of cash dividends. 5. Proposal for partial amendments to the Corporate Governance Best-Practice Principles 6. Proposal for partial amendments to the "Sustainable Development Best-Practice Principles." <p>Proposals:</p> <ol style="list-style-type: none"> 1. 2022 Business Report and Financial Statements. 2. Distribution of Earnings for 2022. <p>Issues in Election: None</p> <p>Issue to be discussed:</p> <ol style="list-style-type: none"> 1. Proposal for partial amendments to the Company's Articles of Incorporation 2. Proposal to lift the non-competition restrictions upon the current directors
Board of Directors	2023/08/10	<ol style="list-style-type: none"> 1. Consolidated financial statements for the second quarter of 2023 2. Proposal for partial amendments to the "Regulations Governing the Preparation of Financial Statements"
Board of Directors	2023/11/06	Consolidated financial statements for the third quarter of 2023
Board of Directors	2023/12/28	<ol style="list-style-type: none"> 1. Approval of the 2023 budget plan 2. Approval of the 2023 audit plan 3. The finalization of the Company's "Implementation Rules for Internal Audits" 4. Amendments to the Company's "Procedures for the Protection of Personal Information" 5. Approval of proposal for evaluation of independence and competence of the Company's CPAs and appointment thereof 6. Proposal for appointment and remuneration of CPAs for 2023
Board of Directors	February 21, 2024	<ol style="list-style-type: none"> 1. 2023 Statement on the Internal Control System 2. Proposal for distribution of 2023 employee compensation

Shareholders' meeting/board meeting	Date	Important resolutions
		<p>and remuneration of the directors</p> <ol style="list-style-type: none"> 3. 2023 Business Report and Financial Statements 4. Distribution of earnings for 2023 5. Proposal for Election of the 13th Term of Directors and Nomination of Candidates for Directors 6. Proposal to lift the non-competition restrictions upon the newly elected directors and representatives 7. Credit Facility Increase and Renewal Case for Financial Institutions 8. Revision of the Company's 'Job Responsibility and Decision-Making Authority Chart' Case 9. Proposal for partial amendments to the Company's Articles of Incorporation 10. Proposal for partial amendment to the "Rules of Procedure for Board of Directors' Meetings." 11. Proposal for matters related to convening of the Company's 2024 general shareholders' meeting

2. Implementation of the resolutions by the 2023 general shareholders' meeting (May 29, 2023):

Number	Resolution	Implementation status
1	Ratification of the 2022 Business Report and Financial Statements.	* The number of votes in favor of this proposal accounted for 99.95% of the total voting rights of shareholders present, and this proposal was passed as proposed.
2	Ratification of the 2022 earnings distribution statement, with a cash dividend of NT\$1.6 per share to be paid out.	<ol style="list-style-type: none"> 1. The number of votes in favor of this proposal accounted for 99.95% of the total voting rights of shareholders present, and this proposal was passed as proposed. 2. The ex-dividend record date was April 4, 2023, and the cash dividends were paid out on April 25, 2023.
3	Approval of the amendments to the Articles of Incorporation	<ol style="list-style-type: none"> 1. * The number of votes in favor of this proposal accounted for 99.91% of the total voting rights of shareholders present, and this proposal was passed as proposed. 2. The amendments to the Articles of Incorporation were registered per Approval Letter Fu-Chan-Ye-Shang-Zi No. 11249944300 dated June 12, 2023, from the Department of Commerce, Ministry of Economic Affairs.
4	Proposal to lift the non-competition restrictions upon the current directors	* The number of votes in favor of this proposal accounted for 99.88% of the total voting rights of shareholders present, and this proposal was passed as proposed.

- (XII) Directors or supervisors who had different opinions on important resolutions passed by the board of directors in the most recent year and as of the date of publication of the annual report for which there is a record or declaration in writing: N/A.
- (XIII) Summary of the resignation and dismissal of the Company's Chairman, President, accounting manager, financial manager, internal audit officer, corporate governance officer, and R&D manager in the most recent year and as of the publication date of the annual report:

Title	Name	Date of appointment	Date dismissed	Reasons for resignation or dismissal
Internal Audit Officer	Min-Chien Yu	2018/8/8	2022/11/10	Job adjustment
COO	Hsin-Cheng Liu	2020/3/16	2022/12/30	Job adjustment
Internal Audit Officer	Tsung-Fu Tsai	2022/11/10	2023/09/30	Resignation

- (V) Promotion of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the Company established a governance framework for the promotion of sustainable development and a dedicated (or concurrent) unit to promote sustainable development, and has the board of directors authorized the senior management to handle matters, and does the board of directors supervise the implementation?		V	Although the Company has not set up a dedicated unit to promote sustainable development, it is still committed to the implementation of corporate social responsibility.	We will proceed in accordance with relevant laws and regulations when there are legal requirement or practical needs.
II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operations and establish relevant risk management policies or strategies based on the principle of materiality?	V		The Company formulates annual business strategies and management guidelines at regular internal management meetings based on the characteristics of the Company's industry, social conditions, sustainable development trends, and domestic and international competitors' actions, and we supervise each operating unit through regular internal management meetings and the annual self-evaluation work to reduce the impact of risks on the Company.	No major deviations.
III. Environmental issues (I) Does the Company establish an appropriate environmental management system based on its industrial characteristics?	V		(I) The Company's environmental management is handled in accordance with relevant laws and regulations as well as the policies launched by government agencies.	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(II) Does the Company endeavor to upgrade the efficiency of energy use and use environmentally friendly materials?	V		(II) We actively implement various energy reduction measures and select equipment with high energy efficiency and energy-efficient designs to reduce the energy consumption of our business operations and products. The Company has adopted an electronic approval process for some forms. Through paperless management, the amount of paper used is reduced so as to achieve the purpose of energy conservation, carbon reduction, and greenhouse gas reduction.	No major deviations.
(III) Has the Company evaluated the potential risks and opportunities arising from climate change now and in the future and taken relevant countermeasures?	V		(III) The Company has adopted LED lights for the lighting in all offices, set up waste battery recycling bins, and conducts waste sorting to recycle resources, so as to save energy and reduce carbon emissions while alleviating the impact of operating activities on climate change.	No major deviations.
(IV) Has the Company made statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulated policies for greenhouse gas reduction, water reduction, or other waste management?		V	(IV) The Company is not in the manufacturing industry, so it does not have statistics on relevant data, but it reviews water and electricity consumption regularly, while adopting electronic forms to reduce paper consumption, implementing waste sorting to recycle resources, and continuing to promote environmental protection and energy conservation and carbon reduction.	In the future, the Company will formulate relevant policies according to the needs.
IV. Social issues				
(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and the International Bill of Human Rights?	V		(I) To fulfill our corporate social responsibility and protect the basic human rights of all our employees and stakeholders, we, following the United Nations Universal Declaration of Human Rights and other international conventions, implement human rights protection work in alignment with the spirit and principles of these conventions. We prohibit any form of sexual harassment, discrimination, and threats of violence. We ensure that our employment policy is non-discriminatory and prohibits child labor. We offer a fair and reasonable salary system. We provide a safe and healthy work environment, implement human rights protection, and comply with the local labor laws and regulations where the Company is located.	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(II) Has the Company established and implemented proper employee benefit measures (including salary, leave, and other benefits) and does it reflect the corporate business performance or achievements in the employee remuneration?	V		(II) The Company has set up a welfare committee, and has set out policies for benefits, including reasonable salary and remuneration and employee leave, and a well-defined and effective reward and punishment system. Performance management is implemented through a performance evaluation system, and the evaluation results are used as the basis for salary adjustment or the distribution of bonuses.	No major deviations.
(III) Does the Company provide employees with a safe and healthy work environment, and provide employees with regular safety and health education?	V		(III) The Company provides a spacious, bright, excellent and safe working environment, and regularly organizes employee health examinations and monthly on-site nursing staff to provide related health consulting services.	No major deviations.
(IV) Has the Company established an effective career development and training program for employees?	V		(IV) The Company has planned complete competence training for managers and employees at all levels, including new employee training, professional advanced training, supervisor training, and external training courses required for work, to help our employees continue to learn and grow through diverse learning methods. In regular performance interviews, supervisors and employees discuss and set out individual annual work development plans and goals and regularly review the plans and provide feedback, to help them formulate the most suitable development plans.	No major deviations.
(V) Does the Company comply with relevant laws and international standards with regard to customers' health, safety and privacy, marketing, and labeling for its products and services and has it established relevant policies and complaint procedures to protect customers' rights?	V		(V) The Company has set up a dedicated section for stakeholders and a channel for complaints and messages from the general public on its website. Any opinions or needs can be sent to the head of the human resources unit through a service hotline, website, or e-mail, and personnel of relevant units will actively understand the issues and respond appropriately.	No major deviations.
(VI) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations on issues of environmental protection, occupational safety and health, or labor rights. What		V	(VI) The Company has not yet formulated relevant provisions for supplier management but will assess whether a supplier has a record of impacting the environment and society before doing business with it as appropriate, and will avoid doing business with any parties who are in conflict with the Company's	No major deviations.

Assessment criteria	Implementation status		Summary	Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No		
is the status of its implementation?			corporate social responsibility policy in accordance with the Company's Sustainable Development Best-Practice Principles.	
V. Has the Company stipulated standards or guidelines for the preparation of reports according to internationally accepted reports, and does it prepare sustainability reports and other reports for disclosing non-financial information of the Company? Are the aforesaid reports assured or certified by a third-party verification agency?		V	The Company does not prepare a sustainability report but has established a corporate social responsibility section on its website to disclose relevant information.	We will proceed in accordance with relevant laws and regulations when there are legal requirement or practical needs.
VI. Where a company has established its own Sustainable Development Best-Practice Principles in accordance with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operations and the principles formulated: The Company has established its own Sustainable Development Best-Practice Principles, and there are no significant differences between the internal operations and what is stipulated in the principles.				
VII. Other important information that aids in understanding the implementation of sustainable development: Our company operations adhere strictly to legal regulations and disclose relevant information on our corporate website https://www.itts.com.tw/zh-tw/csr/csr-implementation .				

(VI) Implementation of ethical management and deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and the reasons thereof

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
I. Establishment of the ethical management policy and program				
(I) Has the Company formulated an ethical management policy approved by the board of directors and clearly indicated the ethical management policy and practice in rules and external documents? Are the board of directors and the senior management committed to implementing said policy actively?	V		(I) The Company adheres to the concept of sustainable development, and the board of director has formulated the Ethical Corporate Management Best-Practice Principles and the Code of Ethical Conduct, both of which have been disclosed on the Company's website. The board of directors approved the formulation the Ethical Corporate Management Best-Practice Principles and the Code of Ethical Conduct on August 8, 2018, and the amendments to the Ethical Corporate Management Best-Practice Principles on August 13, 2019, for board members, the management, and employees to follow. The regulations are announced and promoted inside the Company, and the board of directors and the management are committed to putting them into practice actively.	No major deviations.
(II) Has the company established a risk assessment mechanism against unethical conduct? Does it analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct? Has it established a prevention program accordingly with the inclusion of the preventive measures against each behavior specified in Article 7, paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?	V		(II) The board of directors, on August 13, 2019, passed a resolution to amend the Ethical Corporate Management Best-Practice Principles, which clearly set out a business activity evaluation mechanism for the risk of unethical conduct, covering the preventive measures for the conduct under Article 7, paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies (1. Offering and accepting bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorships. 4. Offering or accepting unreasonable presents, hospitality, or other improper benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.) and prevention. In addition, the Company	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Has the Company specified the operating procedures, behavior guidelines, disciplinary actions for violation, and complaint system in the prevention program for unethical conduct, and implemented the program accordingly? Does the Company review and modify the program mentioned above regularly?	V		<p>has formulated the Procedures for Ethical Management and Guidelines for Conduct to strengthen relevant preventive measures, while encouraging internal and external personnel to report unethical conduct or improper behavior to implement ethical management and ensure whistleblowers' and counterparties' legitimate rights and interests.</p> <p>(III) On the Procedures for Ethical Management and Guidelines for Conduct of the Company, its establishment was approved by board resolution on August 8, 2018, its first amendment was approved by the board meeting on June 27, 2022. The Procedures clearly stipulate that employees may not directly or indirectly offer, promise, request, or accept any illegitimate benefits, nor commit other unethical acts, such as breach of good faith, illegality, or breach of fiduciary duty, to obtain or maintain interests. We also offer education and training to enable our directors, managers, and employees to understand the details and duly comply with the rules. For violations of the Company's ethics and integrity policy, regardless of job titles, the Company will take disciplinary actions in accordance with the Employee Reward and Punishment Measures, and employees are provided with channels for complaints to deal with opinions of unfair and unreasonable treatment.</p>	No major deviations.
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company assess counterparties' records of ethical conduct and specify ethical conduct clauses in the contracts it signs with counterparties?</p>	V		<p>(I) The Company's Ethical Corporate Management Best-Practice Principles clearly state that it shall avoid engaging in business transactions with agents, suppliers, customers, or other counterparties who do not operate in good faith. If any business counterparty or partner is found to have unethical conduct, the Company's employees shall stop doing business with them immediately and blacklist them in order to implement the Company's ethical corporate management policy.</p>	No major deviations.
(II) Has the Company established a dedicated unit under the board of directors to promote ethical corporate management and to	V		<p>(II) The Company's Human Resource Department is a concurrent unit in charge of ethical corporate management and works to raise the board of directors' and internal personnels' awareness of this policy from time to time, and the audit</p>	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
<p>report on the ethical management policy, prevention program of unethical conduct, and status of supervision to the board of directors regularly (at least once a year)?</p> <p>(III) Has the Company formulated policies to prevent conflicts of interest, and does it provide appropriate channels for opinions and implement them accordingly?</p>	V		<p>unit regularly reports on the status of supervision of the implementation to the board of directors.</p> <p>(III) The Ethical Corporate Management Best-Practice Principles and the Code of Ethical Conduct clearly define the conflict of interest policies and the circumstances/criteria for conflicts. Relevant personnel are required to recuse themselves when a conflict of interest occurs. They are also requested to proactively and fully inform their supervisors and the top-level manager in human resources, or the board of directors when they are aware of or face similar circumstances.</p>	No major deviations.
<p>(IV) Has the Company established an effective accounting system and internal control system to implement ethical management and drafted relevant audit plans based on the risk assessment results of unethical conduct by the internal audit unit? Is the compliance of the prevention program for unethical conduct audited accordingly by the internal audit unit or CPAs appointed?</p>	V		<p>(IV) To ensure the implementation of ethical management and ensure the correctness of accounting and financial processes and the effectiveness of internal control, the Company has established the Audit Committee to supervise the Financial and Management Center during the management of financial risks in real time. The Audit Office considers five elements of compliance and internal control and proposes an audit plan for the following year after assessing the Company's risks at all levels under the existing organizational structure based on the Company's strategic goals and its past audit experience. It reports on the quarterly audits in the quarterly Audit Committee and board meetings. We conduct self-assessments of the internal control system of each business division and important affiliates in the fourth quarter of each year, and compile the results of the self-assessments of the internal control system in the first quarter of the following year and then report them to the Audit Committee and the board of directors, to examine the management team's control over the internal and external environmental risks, business divisions' control over the operational risk, as well as the effectiveness of the design and implementation of the internal control system.</p>	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(V) Does the Company regularly organize internal and external education and training on ethical corporate management?	V		(V) The Company regularly organizes internal education and training courses, such as training for new employees and new supervisors every year, while keeping them informed of the important contents of the Ethical Corporate Management Best-Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct and regularly holding meetings to raise employees' awareness to allow them to better understand our ethical management policy and relevant regulations.	No major deviations.
III. III. Implementation status of the whistleblowing system (I) Has the Company formulated a specific whistleblowing and reward system, and established an accessible whistleblowing channel, while designating personnel to be responsible for investigating accused parties?	V		(I) For our whistleblowing system, we have established the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct, to stipulate the principles of integrity in the conduct of business and the codes of conduct. If an employee discovers suspected unethical behavior, they have the responsibility to raise a warning immediately. We also have a reporting e-mail (integrity@itts.com.tw) and a hotline in place for employees, outsiders, or suppliers to directly report any illegitimate practices in finance, law, or ethics. The Audit Office is responsible for accepting and handling such reports. (II)	No major deviations.
(II) Has the Company formulated standard operating procedures for the investigation of the matters reported, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?	V		(III) Articles 3 and 4 of the Company's Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct set out the reporting channels and handling procedures, the standard operating procedures for the investigation of reports, and the subsequent measures to be taken after an investigation is completed, and Article 4, paragraph 5 of the procedures specify a confidentiality mechanism that the Company shall handle whistleblowers or the persons involved in the investigation and the contents thereof in a confidential and prudent manner.	No major deviations.
(III) Does the Company take measures to protect whistleblowers from being improperly handled due to whistleblowing?	V		(IV) Article 4, paragraph 5 of the Company's Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct specifies a whistleblower protection mechanism, under which the Company shall protect whistleblowers or the persons involved in the investigation and the contents thereof, and strictly prohibit any form of unfair treatment or retaliation against those who make reports in good	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
			faith or assist with the investigation.	
IV. Enhancing information disclosure Does the Company disclose on its website and the MOPS the content and effectiveness of implementation of its Ethical Corporate Management Best-Practice Principles?	V		The Company has explicitly disclosed its ethical management philosophy on its website. Regarding the Company's investor relations and stakeholders' rights and interests, the Company maintains open communication channels at all times, leverages the spokesperson mechanism, and immediately publishes public information on the MOPS in line with the principle of integrity to maintain investor relations and to safeguard stakeholders' rights and interests while disclosing the Company's implementation of ethical management and the measures adopted in the annual report.	No major deviations.
V. Where a company has established its own Ethical Corporate Management Best-Practice Principles in accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, please specify the difference between its operations and the principles formulated: The Company has established its own Ethical Corporate Management Best-Practice Principles, and there are no significant differences between the internal operations and what is stipulated in the principles.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: The Company complies with the Company Act, the Securities and Exchange Act, the regulations of the Taiwan Stock Exchange and Taipei Exchange, and relevant laws and regulations as the basis for duly implementing ethical management. It is forbidden to commit unethical acts with transaction counterparties in the ordinary course of business. The Company has amended the Ethical Corporate Management Best-Practice Principles on August 13, 2019, and amended the Procedures for Ethical Management and Guidelines for Conduct on June 27, 2022.				

(VII) Where a company has formulated the Ethical Corporate Management Best-Practice Principles and relevant regulations, it shall make disclosure and the inquiry method:

We have placed our corporate governance regulations under the "Corporate Governance" section of the Market Observation Post System, and on our website under the "Investor Relations" section, also labeled "Corporate Governance," to ensure full disclosure and accessibility of information.

(VIII) Other important information to facilitate better understanding of the status of corporate governance shall be disclosed together:

1. The Company's important information is announced on the MOPS in accordance with the regulations of the competent authority.

IV. Information on CPA Fees

(I) Information on CPA Fees

Unit: NTD thousand

Accounting firm name	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Notes
PricewaterhouseCoopers Taiwan	Ping-Chun Chih	2023	1,590		1,865	The non-audit fees

	Tsung-Hsi Lai					are for transfer pricing services.
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- (II) If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurred are less than the audit fees paid in the previous year, the amount of the audit fees before and after the replacement and the reason thereof shall be disclosed:
N/A.
- (III) If the audit fees paid decreased by at least 10% compared with those in the previous year, the amount, proportion, and reason for the decrease of the audit fees shall be disclosed:
N/A.

V. Information on the replacement of CPAs: N/A.

VI. Information on CPA Firms or Their Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Were Employees in the Most Recent Year: N/A.

VII. Transfers and Pledges of Stock Equity by Directors, Managers, and Shareholders Holding over 10% of the Company's Shares in the Most Recent Year and as of the Date of Publication of the Annual Report:

(I) Changes in the equity of directors, managers, and major shareholders

Title	Name	2023		Current year up to March 31	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Shares pledged Increase (decrease)
Chairman	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Shang-Wei Kao	-	-	-	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Chwen-Jy Chiu	-	-	-	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: An-Ping Liu	-	-	-	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Chi-Tseng Peng	-	-	-	-
Director	Advantech Investment Co., Ltd.	-	-	-	-
	Representative: Shih-Chang Lin	-	-	-	-
Director	Wen-Nan Chan	-	-	-	-
Independent Director	Yi-Bing Lin	-	-	-	-
Independent Director	Cheng-Kang Chen	-	-	-	-
Independent Director	Jui-Tang Chang	-	-	-	-
President	Chun-Hsu Chen	-	-	-	-
Manager	Hsin-Ying Chen	-	-	-	-
Manager	Shih-Yang Lin	-	-	-	-
Chief Financial Officer	Lung-Chu Hung	-	-	-	-

Note: The position of General Manager Chun-Hsu Chen was adjusted on January 1, 2024.

(II) Information on share transfers: N/A.

(III) Information on equity pledges: N/A.

VIII. Information on the Relationships Among Top Ten Shareholders

April 1, 2024 Unit: shares; %

Name	Own shareholding		Shareholdings of spouse and underage children		Total shareholding in names of others		Relationship characterized as spouse or relative within the second degree of kinship or closer among the top ten shareholders		Notes
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
TECO Electric & Machinery Co., Ltd. Representative: Chwen-Jy Chiu	11,467,248	41.97%	-	-	-	-	Tong-An Investment Co., Ltd.	Shareholder with a shareholding of 99.6%	
Advantech Investment Co., Ltd. Representative: Ke-Chen Liu	4,009,273	14.67%	-	-	-	-	-	-	
Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	1,841,250	6.74%	-	-	-	-	TECO Electric & Machinery Co., Ltd.	Company with 99.6% of its shares held by other entities	
Shang-Wei Kao	455,000	1.67%	40,000	0.15%	-	-	-	-	
Dong He International Investment Co., Ltd. Representative: Hsin-Yi Lin	450,000	1.65%	-	-	-	-	-	-	
Li-Yu Sung	360,000	1.32%	-	-	-	-	-	-	
Su-Chin Wang	178,000	0.65%	-	-	-	-	-	-	
Taishin Bank entrust of ITTSs' Employee Stock Ownership Trust (ESOT) Account	105,991	0.39%							
China Television Company, Ltd. Representative: Hu Xuezhu	101,250	0.37%							
Zhou Lianchun	100,001	0.37%							

IX. The Number of Shares Held by the Company, Directors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Consolidated Shareholding Percentage:

December 31, 2023/Unit: Thousand shares; %

Investee (Note)	Invested by the Company		Held by directors, supervisors, managers, and businesses directly or indirectly controlled		Consolidated investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Tension Envelope Taiwan Corporation	2,500	50%	-	-	2,500	50%
Unison Service Corporation	1,700	100%	-	-	1,700	100%
Universal Mail Service Ltd.	1,560	100%	-	-	1,560	100%
ITTS (BVI)	1,541	100%	-	-	1,541	100%
Information Technology (Wuxi) Co., Ltd.	-	100%	-	-	-	100%

Four. Implementation of the Capital Utilization Plan and status of Fundraising

I. Capital and Shares

(I) Source of share capital

1. Formation process of share capital

Unit: NTD thousand; Thousand shares

Month/ Year	Issue price	Authorized share capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Offset by any property other than cash	Othe rs
1990.12	10	8,100	81,000	4,050	40,500	Founding capital	N/A	Note 1
1997.08	10	8,100	81,000	7,350	73,500	Capital increase in cash by NT\$33,000 thousand	N/A	Note 1
1997.08	10	8,100	81,000	1,470	14,700	Capital reduction by NT\$58,800 thousand	N/A	Note 1
1999.09	10	20,000	200,000	18,057	180,570	Capital increase in cash by NT\$165,870 thousand	N/A	Note 1
2000.04	10	20,000	200,000	19,999	199,990	Capital increase in cash by NT\$19,420 thousand	N/A	Note 2
2018.07	13.31	40,000	400,000	20,337	203,371	Capital increase from employee remuneration by NT\$4,500 thousand	N/A	Note 3
2019.05	29	40,000	400,000	25,421	254,213	Capital increase in cash from ordinary shares via private placement by NT\$ 50,842 thousand	N/A	Note 4
2020.02	42.6	40,000	400,000	27,323	273,233	Capital increase in cash for first-time listing on the Taipei Exchange by NT\$ 19,020 thousand	N/A	Note 5

Note 1: It is not a change in the share capital over the last five years, so the effective date and document number of the capital increase or reduction are not indicated.

Note 2: Approved per Letter Jing-(2000)-Shang No. 113713 on May 4, 2000.

Note 3: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10751350700 dated July 20, 2018.

Note 4: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10849950600 dated May 21, 2019.

Note 5: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10945051720 dated February 17, 2020.

2. Total number of shares

April 1, 2024/Unit: Share

Type of share	Authorized share capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	27,323,364	12,676,636	40,000,000	Stock listed on the Taipei Exchange

Note: The Company's board of directors resolved to arrange private placement of 5,084,273 shares over-the-counter on

August 11, 2022.

The Taipei Exchange approved the application and it went into effect on October 26, 2022. The shares have been publicly traded since November 9, 2022.

(II) Composition of shareholders

April 1, 2024

Composition of shareholders	Government agencies	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and individuals	Total
Quantity						
Number of people	0	1	16	2,394	6	2,417
Number of shares held	0	105,991	18,095,146	9,038,227	84,000	27,323,364
Shareholding percentage	-	0.39%	66.23%	33.08%	0.31%	100.00%

(III) Distribution of equity

April 1, 2024/Unit: Share

Range of shares	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	449	48,926	0.18%
1,000 to 5,000	1,633	3,074,582	11.25%
5,001 to 10,000	181	1,450,629	5.31%
10,001 to 15,000	50	631,752	2.31%
15,001 to 20,000	29	536,875	1.96%
20,001 to 30,000	26	642,501	2.35%
30,001 to 40,000	20	702,750	2.57%
40,001 to 50,000	8	388,000	1.42%
50,001 to 100,000	11	779,336	2.85%
100,001 to 200,000	4	485,242	1.78%
200,001 to 400,000	1	360,000	1.32%
400,001 to 600,000	2	905,000	3.31%
600,001 to 800,000	0	0	0.0%
800,001 to 1,000,000	0	0	0.0%
1,000,001 or more	3	17,317,771	63.38%
Total	1,384	27,323,364	100.00%

(IV) Major shareholders

April 1, 2024/Unit: Share

Name of major shareholder	Number of shares held	Shareholding percentage
TECO Electric and Machinery Co., Ltd.	11,467,248	41.97%

Advantech Co., Ltd.	4,009,273	14.67%
Tong-An Investment Co., Ltd.	1,841,250	6.74%
Shang-Wei Kao	455,000	1.67%
Dong He International Investment Co., Ltd. Representative: Hsin-Yi Lin	450,000	1.65%
Li-Yu Sung	360,000	1.32%
Su-Chin Wang	178,000	0.65%
Taishin Bank entrust of ITTSs' Employee Stock Ownership Trust (ESOT) Account	105,991	0.39%
China Television Company, Ltd. Representative: Hu Xuezhu	101,250	0.37%
Zhou Lianchun	100,001	0.37%

(V) Information on Market Price, Net Value, Earnings, and Dividends per Share

Unit: NTD; Thousand shares

Item		Year		
		2022	2023	For the current year ending April 1, 2024 (Note 5)
Market price per share (Note 1)	Highest	38.80	78.50	60.90
	Lowest	34.85	36.20	48.80
	Average	37.26	50.67	52.28
Net worth per share	Before distribution	20.26	21.35	-
	After distribution	18.66	19.15	-
Earnings per share	Weighted average shares	27,323	27,323	-
	Earnings per share	2.04	2.71	-
Dividend per share	Cash dividend	1.60	2.2	-
	Stock dividends	-	-	-
		-	-	-
	Accumulated unpaid dividends	-	-	-
Return on investment analysis	P/E ratio (Note 2)	18.26	18.70	-
	P/D ratio (Note 3)	23.29	23.03	-
	Cash dividend yield (Note 4)	4.29%	4.34%	-

Note 1: The highest and lowest market prices of the ordinary shares every year are indicated, and the average market prices are calculated for each year based on the market value and volume of each year.

Note 2: P/E ratio = average closing price per share for the year / earnings per share.

Note 3: P/D ratio = average closing price per share for the year / cash dividend per share.

Note 4: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 5: As of the publication date of the annual report, the Company had no financial figures for 2024 that have been audited or reviewed by CPAs.

(VI) The Company's Dividend Policy and Implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

According to the Company's profitability of the current year, 1% to 10% of the earnings shall be appropriated as employee compensation. The remuneration to directors

shall not exceed the maximum limit of 5%. The remuneration to employees may be granted to employees of subordinate firms who satisfy specific conditions. Where the Company has accumulated losses, however, said losses shall be compensated first.

Decisions regarding the ratios of remuneration to employees, remuneration to directors, and regarding payment of employee compensation either in cash or in shares shall be duly resolved and approved with a majority vote at the board of directors meeting attended by directors who make up more than two-thirds of all directors and such a decision so resolved shall be reported to the shareholders' meeting.

The term "profitability of the current year" as set forth in the first paragraph denotes the profit before tax of the year before deduction of remuneration to employees and remuneration to directors.

If the Company has earnings upon the annual account settlement, an amount shall be first allocated for tax payments and for making up accumulated losses in accordance with law. Then, 10% shall be set aside as legal reserve, provided that the legal reserve shall no longer be appropriated if the legal reserve reaches the total amount of the Company's paid-in capital. In addition, a special surplus reserve shall be set aside or reversed in accordance with the regulations of the competent authority. If there is any remaining balance, the undistributed surplus of the previous year shall be added up, and the Board of Directors shall formulate a surplus distribution proposal. The stock dividend proposal shall be submitted to the shareholders' meeting for resolution and distribution. For the cash dividend distribution proposal, the Board of Directors is authorized to make the distribution with the attendance of more than two-thirds of the directors and the resolution of more than half of the directors present. The distribution shall be reported to the shareholders' meeting.

The Company shall duly conform to the overall environment, the characteristics of industrial development, and the long-term financial plan of the Company to ensure sustainable development and stable business management. The Company's dividend policy is based on the Company's capital budget to measure annual capital needs. The Company shall retain the working capital required for financing before allocating the balance of the earnings for cash dividends and stock dividends. The allocation process is set forth below:

- I. Determine the optimal budget for capital.
 - II. Determine the amount of working capital required for said budget.
 - III. Determine the amount of retained earnings for the working capital.
 - IV. After determining an appropriate sum to be reserved to meet the needs for business operations, the balance of the earnings may be distributed to shareholders by means of dividends. The balance to be distributed shall not be less than 10% of the cumulative amount of distributable earnings in that year. The amount of cash dividend shall, nevertheless, not be less than 10% of the dividend to be distributed.
2. The situation of the distribution of shareholders' dividends for this year:

The Company's Board of Directors has on February 21, 2024, approved the allocation of cash dividends to shareholders from the 2023 distributable earnings at NT\$60,111,401, for NT\$2.20 per share. The Chairman is authorized to set the ex-dividend record date and the date of distribution.

- (VII) The impact of the stock dividends proposed by the shareholders' meeting on the Company's operating performance and earnings per share: N/A.
- (VIII) Employee compensation and directors' remuneration
1. The percentage or scope of employee compensation and directors' remuneration as

stated in the Company's Articles of Incorporation:

According to the Company's profitability of the current year, 1% to 10% of the earnings shall be appropriated as employee compensation. The remuneration to directors shall not exceed the maximum limit of 5%.

2. The basis of estimating the amount of employee compensation and directors' remuneration for the current period, the basis for calculating the quantity of stock dividends to be allocated, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure thereof:

After the end of the year, if there is a significant change in the amount to be distributed as resolved by the board of directors before the release of the consolidated financial statements, the change shall be adjusted to the original annual amount. If there is any change to the amount after the release of the consolidated financial statements, it will be handled as changes in accounting estimates, and adjusted and accounted for in the following year.

3. Information on distribution of bonuses resolved by the board of directors:

- (1) Employee compensation and directors' remuneration distributed in cash or stock:

The Company's proposal for 2023 employee compensation and directors' remuneration was passed by the board of directors on February 21, 2024. The director's remuneration is in the amount of NT\$4,918 thousand while the employee compensation is in the amount of NT6,889 thousand, which do not differ from the estimated figures in the financial statements.

- (2) The ratio of the amount of employee compensation distributed in shares to the total net income after tax and employee compensation for the current period: N/A.

- (3) Imputed earnings per share for the proposed employee compensation and directors' remuneration: N/A.

4. The actual distribution of employee compensation and directors' remuneration in the prior year (including the number of shares distributed, amount, and share price), the difference between the actual distribution and the estimated figures, if any, as well as reason and treatment thereof:

- (1) The actual distribution of employee compensation and directors' remuneration in the prior year:

Unit: NTD thousand

	The amount approved by the board of directors	The amount approved by the shareholders' meeting	Number of shares	Share price
Employee compensation – cash	4,950	4,950	-	-
Directors' remuneration – cash	3,530	3,530	-	-
Total	8,480	8,480		

- (2) There is no difference between the actual distribution and the amounts recognized in the statements.

(IX) Repurchase of the Company's shares by the Company: N/A.

II. Issuance of Corporate Bonds: N/A.

III. Issuance of Preferred Shares: N/A.

IV. Issuance of Global Depository Receipts: N/A.

V. Issuance of Employee Stock Options and New Employee Restricted Shares: N/A.

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: N/A.

VII. Implementation of Capital Utilization Plan:

(I) Private placement of securities

The first private placement of new shares in 2019: Please refer to page 103 of this handbook.

(II) Capital increase in cash

The first capital increase in cash in 2019 through issuance of new shares

1. Competent authority's approval date and document number: Taipei Exchange Letter Zheng-Gui-Shen-Zi No. 1080012084 dated November 11, 2019.
2. The total amount of the funds required for this plan: NT\$77,031 thousand.
3. Source of the funds: Issuance of 1,902 thousand ordinary shares for cash capital increase, with a par value of NT\$10 per share and an issue price of NT\$42.6 per share. The total amount raised was NT\$82,342 thousand.
4. Progress of the plan and capital utilization: The capital increase in cash aimed to replenish the working capital, which was implemented in the fourth quarter of 2019 and announced as required.
5. Expected benefits: The funds raised through the capital increase in cash will be used to replenish the working capital in order to meet the needs for operating working capital for the growth of the operating scale in the future and increase long-term stable funds, strengthen the financial structure, and reduce operating risks, which will help improve the Company's operating competitiveness and mid- and long-term development in the future.
6. The revision of the plan, the sources and use of funds, the reason for the revision, the benefits before and after the revision, and the date when the revised plan is submitted to the shareholders' meeting: N/A.
7. Evaluation of actual benefits: The funds raised from the issue of new shares in this capital increase in cash are used to replenish the working capital. After the completion of this plan, the debt ratio in terms of financial structure has decreased from 53.44% in the third quarter of 2019 to 44.94% in the fourth quarter of 2019. In terms of solvency, the current ratio and quick ratio have increased from 171.34% and 150.15% in the third quarter of 2019 to 276.59% and 253.79% in the fourth quarter of 2019, respectively. The above-mentioned financing has improved the Company's financial structure and solvency compared to before the fundraising, which will be positively helpful to the Company's future expansion of the scale of operations and business development. This will also enhance the Company's market competitiveness and flexibility of fund movement. Therefore, the anticipated effect of this fundraising plan for replenishing the working capital has been demonstrated.

Five. Overview of Operations

I. Description of the Business

(I) Scope of business

1. Main businesses of the Company include:

The company provides two major services: IT Outsourcing (ITO) and Business Process Outsourcing (BPO). ITTS's information service sales area ranges from Greater China to the Asia-Pacific region, and the industries involved range from government and public sector, finance, manufacturing, high-tech, telecommunications, logistics to retail. Looking ahead, ITTS continues to innovate and develop smart service solutions in partnership with excellent strategic allies, providing applications including AI smart Internet of Things (IoT) value-added applications, financial cybersecurity solutions, and cloud services. These offerings help businesses jointly realize digital sustainability and innovative technology applications, creating a competitive edge for our clients.

2. Weight of business of current main products:

Unit: NTD thousand

Year	2022		2023	
	Net operating revenue	Weight (%)	Net operating revenue	Weight (%)
Information technology outsourcing	764,160	57.44%	865,097	64.40%
BPO services	566,114	42.56%	478,221	35.60%
Total	1,330,274	100.00%	1,343,318	100.00%

3. Current products (services) and functions:

- ERP services

ITTS is the largest local gold partner of SAP Taiwan, providing ERP life cycle management services, including business process planning, application software introduction, post-launch maintenance services (application software and systems), and SAP system management services, as well as establishment and planning services for future system upgrades or cloud migration.

The company has worked with more than 250 well-known customers in the Greater China region in industries from manufacturing and high-tech to retail, hundreds of which are well-known publicly listed companies.

ERP's customers have a high degree of loyalty, mainly because ITTS is an expert in the unique business processes of the manufacturing industry and very proficient in the operation of SAP, an international software tool, to help customers adjust their business processes to comply with the best practice in line with the international

standards. ITTS also provides complete ERP life cycle management. By integrating AI and big data cloud platforms, it has established first-line structured and unstructured data collection capabilities and integrated ERP business data to create the sources of value of business intelligent analyses for enterprises, thus enhancing customers' competitiveness in the industry. Customers' competitive advantages are strengthened because of the services provided by ITTS. Furthermore, after the ERP system is introduced and put into operation, customers can hand over the subsequent maintenance to ITTS with peace of mind, and confirm ITTS's service quality through the service level agreement (SLA) and key performance indicators (KPIs) on a regular basis.

- Enterprise e-services

We offer a range of services including infra network design and maintenance, application software development and maintenance (such as HR management, office automation (OA), and WMS), and cloud platform planning and implementation services (such as Google Cloud Platform, Microsoft Azure SaaS services, SAP cloud platform services), assisting clients with cloud migration. Additionally, we provide professional information security planning and consulting services and distribute cybersecurity solutions, such as zero trust identity and financial payment security solutions, targeting the financial cybersecurity industry.

The Company's enterprise e-services can assist the server rooms of multinational corporations across the Taiwan Strait in taking care of the maintenance and operations of human resources, machinery, and equipment, and confirm ITTS's service quality through the SLA and KPIs on a regular basis.

- AIoT services

In response to the growing demand for IoT applications, ITTS not only collaborates with strategic partners but also invests in R&D to develop proprietary smart application software. Our applications in smart factories, smart logistics, and smart dining have successfully acquired several benchmark clients. The smart application services introduced include smart situation rooms, AI applications, and business intelligence and predictive analytics services. In addition, leveraging years of expertise in smart IoT, cloud, and AI, our company has assisted clients in solving operational pain points by launching a series of smart factory solutions integrated with AI applications. These include a "Supplier Inquiry and Procurement System" that predicts the cost of bulk raw materials, an "Advanced Scheduling Management System" that plans timely delivery processes based on people, machines, materials, and orders, a "Transport Management Container System" that accurately loads products based on container volume, and a "WMS Transportation and Logistics Scheduling System" that combines AI for vehicle dispatch decision-making and resource analysis. These one-stop smart application solutions offer smart factory solutions that integrate cloud and AI computing, enabling enterprises to build resilient and flexible supply chain management strategies from

procurement to sales delivery, addressing issues such as labor shortages and supply chain volatility.

Our proprietary intelligent service applications include:

➤ Smart manufacturing application services

With experience in establishing smart factories for the TECO Group and a deep understanding of the unique business processes of the manufacturing industry, we have developed our own brand of manufacturing execution system (MES). We offer these systems at reasonable and competitive prices to industries such as medical electronics assembly and global fastener suppliers in metal processing, helping clients optimize digital operations in smart factories, significantly improving production efficiency and quality.

As the pandemic reshapes the global supply chain, ITTS's proprietary supply chain management solution provides a complete supply chain solution from business inquiries and quotes to procurement, production, warehousing, and transportation. This helps enterprises improve delivery accuracy, reduce inventory and costs, and enhance management effectiveness and customer satisfaction. Additionally, in response to the global net zero carbon trend, we have developed a carbon asset management system that integrates OT equipment data, supply chain management systems, and ERP system data. This system provides equipment energy monitoring, organizational carbon emissions, and product carbon footprint management. It assists enterprises in energy saving and emission reduction to achieve digital transformation and sustainable management goals.

We work with Advantech to jointly develop an overall equipment effectiveness (OEE) management solution, from which we have identified and improved the key factors affecting production efficiency to improve equipment performance through regular repair and maintenance. In addition, systems developed such as the MES have been deployed on the Advantech IoT Suite platform and are being rapidly promoted through package offerings to accelerate industrial upgrading. Through the alliance with Advantech, we can further expand our market through Advantech's team.

➤ Smart logistics application services

ITTS has years of experience providing home delivery logistics services. We integrate all information on people, vehicles, objects, and routes and build AI operation control centers. We also help businesses build AI warehousing and logistics centers by combining AI image recognition for storage locations, cloud computing, and wireless positioning. This allows us to provide functions such as automatic route planning, real-time vehicle dispatch, and visualization of remaining storage space. With our automated, real-time, and visualized logistics solutions, we help companies improve warehouse flow management efficiency and achieve energy efficiency and sustainability goals. After adopting our solution, the average time of in and out of

warehouses will be reduced by 12%, and plants will reduce carbon emissions by more than 6,000 kilograms per year.

- Customer relationship management service

As one of the top three customer service centers, our company provides a comprehensive one-stop customer service including cloud-based smart customer service subscriptions, AI-powered customer service bots, and big data analytics applications. These services comply with ISO international quality and information security certifications. Leveraging our rich IT development and heterogeneous system integration capabilities, along with diverse pricing models, customers can avoid extensive budget and time expenditures required for setting up customer service systems. They can also flexibly adjust customer service manpower, rapidly deploy, and integrate heterogeneous system resources, thereby enhancing customer satisfaction and market opportunity insights. Our services include: inbound call and telemarketing customer service, sales order and membership services, customer service center setup consulting, customer service center labor contracting (including recruitment, training, attendance, backup manpower), cloud CTI system rental services, cloud CRM system implementation and maintenance, and text-based intelligent customer service solutions. We provide flexible pricing for customer service seat rentals and heterogeneous system integration services as part of our outsourced customer service center offerings.

The company provides fully trained customer service personnel with knowledge of each industry, customer service information equipment, and customer service venues to corporate clients, so that they can completely outsource the services of the customer service center to ITTS without any concerns, and confirm ITTS's service quality through the SLA and KPIs on a regular basis.

One of our success stories involves a large multinational corporation providing 3C products and services. ITTS provided the client with event consultation and shopping mall customer service outsourcing, complemented by cloud-based AI smart customer service, significantly reducing the cost of customer service manpower. For event consultation, we offer a range of services including detailed event consultations, handling of inquiries and issues, gift-related operations, and the execution of satisfaction outbound calling efforts. This helps clients establish a year-round customer relationship maintenance center, with specialized staff managing marketing events, enabling efficient scheduling of customer service resources to save costs and enhance service effectiveness.

- Postal information integration services

ITTS provides mail room process outsourcing services, from the management and control of the mail-in and -out processes to the postage accounting management; successful examples include collaboration with an international bank (for more than 10

years with continuous trust in ITTS's service quality) and with high-quality domestic banks.

In addition, ITTS provides bill printing outsourcing services, which allows monitoring and managing of the entire process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients).

The industries in which major corporate clients operate are as follows:

- Telecom and financial industries
Mainly providing billing, stock affairs, insurance policy printing and delivery services.
- Information and communication service industry
Payment notice and receipt printing and delivery services.
- Government agencies
Mainly providing payment (tax) bill printing and delivery services, successful examples include the Taipei City Health Insurance Bureau, Northern Taiwan Health Insurance Bureau, Southern Taiwan Health Insurance Bureau, Eastern Taiwan Health Insurance Bureau, Kaohsiung and Pingtung Health Insurance Bureau, Taipei Motor Vehicles Office, Northern Taiwan Motor Vehicles Office, Hsinchu Motor Vehicles Office, Kaohsiung City Motor Vehicles Office, and Kaohsiung Motor Vehicles Office, etc.
- Service industry
Mainly providing printing and delivery services for direct mail (DM), marketing, and publicity.

(II) Industry Overview

1. Industry status and development:

According to an IDC report, in 2023, due to a slowdown in global economic growth and ongoing inflationary pressures, Taiwanese enterprises will focus more on the overall return on investment in information services. They are inclined to invest in services that can demonstrate short-term benefits, leading to more cautious evaluations of medium to long-term service contracts and technological investments, which in turn has led to a noticeable slowdown in the growth of Taiwan's IT services market. Despite a weakened growth rate in Taiwan's IT services market in 2023, driven by demands for sustainable operations, applications of AI, hybrid cloud applications, and next-generation security protections, the market is still expected to grow at a stable compound annual growth rate (CAGR) of 5% from 2023 to 2027.

According to a MIC report, the development of information technology in 2023 will become a global focus, particularly concentrated on 5G infrastructure and business strategies, innovations in edge computing for IoT, and advancements and widespread application of AI technology. The value of Taiwan's information software and services

industry is projected to rise from NT\$462.3 billion in 2023 to NT\$562 billion in 2025, with an estimated CAGR of 8%. System integration and data processing are expected to account for nearly 70% of this value. This robust growth is primarily driven by the expansion of cloud services, AI, financial technology, information security, and the application of cloud services, along with the widespread adoption and maturation of technological solutions. It is estimated that the value of system integration in Taiwan will grow from NT\$216.4 billion in 2023 to NT\$265 billion in 2025. Key drivers of growth include projects related to system planning, analysis, design, and construction, as well as the demand for information security, disaster recovery, equipment management, and technical consulting. The pandemic has accelerated the pace of digital transformation for businesses, and technologies such as 5G, cloud, and AI further boost the value of system integration.

Positioned on its extensive experience and customer base in ERP consulting and IT outsourcing services, ITTS plans to continue strengthening relationships with existing clients and expanding to meet their needs, while also offering emerging technologies and services. Targeting corporate transformation, zero trust information security, and ESG carbon accounting demands, ITTS leverages over 20 years of experience in IT and business process outsourcing services. It aims to expand its customer base within existing fields and strengthen strategic alliances with industry partners, helping businesses collectively achieve digital sustainability and innovative technology applications.

2. Industry Structure:

Observing the overall structure and current state of Taiwan's information services and software industry reveals a competitive and cooperative environment composed of both local and foreign entities. The various levels of the industry are described as follows:

(1) Upstream of the industrial value chain

Local software product suppliers, although not as dominant as foreign companies, have become favored and trusted choices among many small and medium-sized enterprises due to years of deep cultivation in the Taiwanese market.

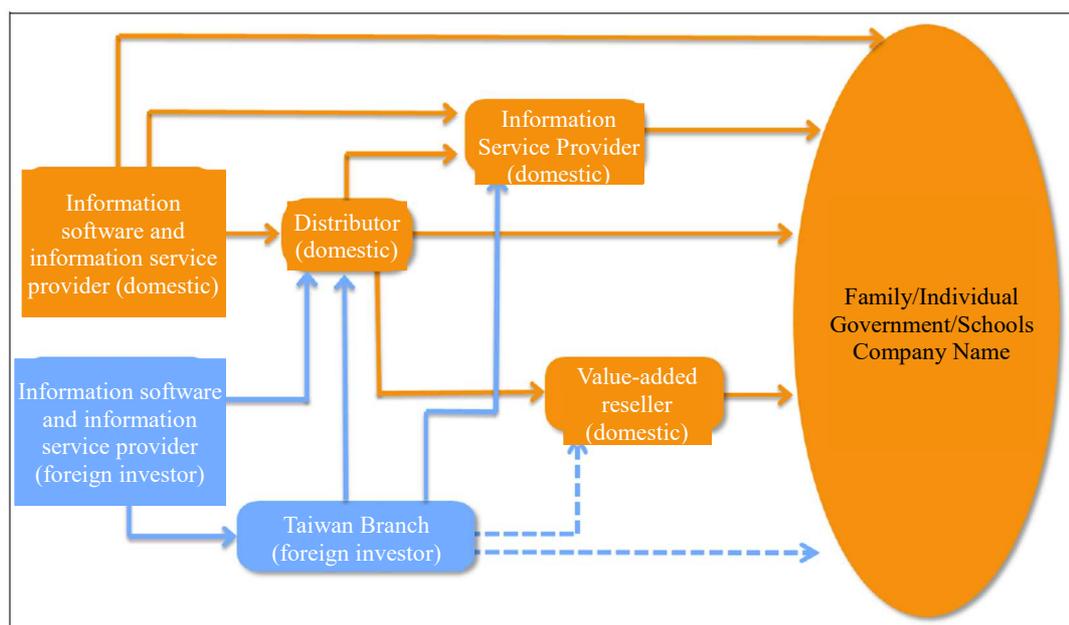
(2) Midstream of the industrial value chain

Local agents have channel advantages, allowing them to represent and sell both domestic and foreign software products and information services. This model has successfully generated profit and value.

(3) Downstream of the software industry value chain

Primarily composed of information service providers and value-added resellers (VARs), this is the common business model for most software operators in Taiwan. These companies, typically system integrators, cater to specific customer needs by providing hardware, information and communications technology, and integrated solutions. Their offerings often include a range of system planning and construction aimed at achieving optimization, customization, and ongoing support and maintenance. This industry structure demonstrates how local Taiwanese players compete and collaborate with foreign companies across different value chain levels, showcasing their capabilities in meeting domestic demands, leveraging channel advantages, and providing integrated solutions. This also reflects the diversity and flexibility of

Taiwan's information services and software industry, as well as its deep understanding of and service to the local market.



Source: Market Intelligence & Consulting Institute (MIC) of the Ministry of Economic Affairs ITIS Research Team. September 2023.

As ITTS is involved in application/system software design and development, system integration services, and data processing services, it spans the upstream and midstream parts of the industry.

3. Development Trends in Taiwan's IT Outsourcing Market:

The domestic IT outsourcing market is evolving toward more consultative and specialized services in response to local enterprises facing labor shortages and the need for operational efficiency improvements. The outsourcing market is introducing subscription-based services tailored to enterprise needs, offering businesses more flexible pricing options. From business process design and system implementation to post-implementation maintenance and support, these services provide enterprises with one-stop solutions. This allows businesses to outsource parts of their operations, reducing the cost and complexity of system operations and enabling them to focus resources on their core business activities.

(1) Deregulations on cloud services to enhance the outsourcing market for financial information

With the loosening of cloud control regulations by the Financial Supervisory Commission in the financial industry, businesses are moving some of their information processes toward cloud and automation. This includes payment processes across financial institutions, internal system integrations with external systems, and international payment workflows. Information outsourcing providers are now required not only to offer system implementation and maintenance services but also to deepen their expertise in specific verticals. This involves optimizing processes to address operational pain points and enhancing information management and operational

efficiency in the financial sector. Additionally, there is a need to provide planning in information security, encrypt and integrate data, and manage financial flows through centralized monitoring to enhance capabilities in payment processing and report management.

(2) Outsourcing Customer Service Processes Toward Precision:

Outsourcing business processes helps automate operations, increasing efficiency and reducing corporate spending on customer service manpower. With the rapid increase in generative AI applications, outsourcing customer service processes is evolving from automated workflows to more precise conversational models. Generative AI helps understand customer emotions and intentions, continually improving customer service and further reducing the cost of outsourced voice and text-based customer support.

(3) Emphasis on Diverse Services in Software Development Outsourcing:

Software development outsourcing primarily assists businesses with software development, testing, deployment, and lifecycle management services. Generative AI significantly enhances the efficiency of software development, accelerating and simplifying operations. Thus, the software development outsourcing market is moving toward a more diverse and comprehensive service offering. Outsourcing providers are increasingly providing complete services to meet enterprise needs, including requirement analysis, product design, software testing, deployment, and maintenance. Therefore, the software development market will develop toward more diverse and complete services, and the market will develop toward more diverse and complete services provided by outsourced software developers, and the application development outsourced to provide more complete services Complete services to meet enterprise needs, such as requirements analysis and product design, life cycle management, such as requirements analysis and product design, life cycle management, software testing, deployment management, software testing, deployment, and maintenance. maintenance, etc.

ITTS's main product currently lies in ERP integration planning services, and through the existing customer stickiness to the ERP services, it will assist corporate clients in developing the following services:

(4) Competition

The status quo of Taiwan's information service and software industry shows a trend of competition and collaboration between local players and foreign companies. On the whole, this industry has laid a certain foundation. Companies in this regard have accumulated extensive experience and expertise in their own fields, and can accurately grasp and provide solutions that meet users' needs. However, the barriers to entry are not high, and companies are concentrated in a few niche markets, resulting in fierce competition.

Due to the impact of the pandemic, the acceleration of digital transformation has brought about new development opportunities for the information service industry. The ICT vertical industry chain is competitive while cooperative. The upstream and downstream suppliers are close technological and business partners with each other. Only through strategic alliances will the partnerships create maximum benefits.

(III) Technology and R&D overview

1. ITTS plans to develop the following solutions in the future:

(1) Development of data governance management platform

By constructing a data sharing platform, the diverse data of each system can be aggregated into a unified data center. In addition to improving data access efficiency and optimizing processing procedures, it can also ensure data consistency and availability, assisting enterprises with data analysis and insight and decision-making, thereby achieving innovation and realize the goal of digital transformation.

(2) AI Data Asset Analysis and Forecasting Module

Utilizing AI and machine learning technologies, the company empowers businesses with data-driven insights for predicting future trends and outcomes. This tool serves as an aid for identifying business opportunities and optimizing decision-making and efficiency.

(3) Development of User Help Desk (UHD) platform

Customers can submit their inquiries online at the UHD platform. The system automates the routing of these inquiries to the appropriate service agents, allowing customers to track the status of their issues in real time. All issues and feedback are digitally recorded, enhancing service efficiency and boosting customer trust and satisfaction.

(4) AI applications for proprietary products (supplier inquiry and procurement EPM, MES, warehouse management system WMS)

Integrating AI value-added applications into proprietary products not only improves product competitiveness, but also creates greater value for customers and helps companies gain advantages in the fierce market competition. The applications include automating and optimizing vendor inquiry and procurement processes to enhance purchasing efficiency and cost-effectiveness; applying smart manufacturing AI to use data analysis for optimizing production processes and improving product quality; and implementing smart warehouse AI to enhance warehouse management efficiency.

2. R&D personnel and their education and experience

Unit: person

Year		2022		2023		April 1, 2023	
		Number of people	%	Number of people	%	Number of people	%
Academic degree	Doctoral Degree	-	-	-	-	-	-
	Master's Degree	3	30%	1	12.5%	-	-

distribution	Bachelor's Degree	6	60%	6	75%	5	100%
	Below Bachelor's Degree	1	10%	1	12.5%	-	-
	Total	10	100%	8	100%	5	100%
Average service length (years)		6.4		4.8		4.9	

3. R&D expenses invested each year in the past five years

Unit: NTD thousand

Item/Year	2019	2020	2021	2022	2023
R&D expenses	6,815	6,525	8,832	9,499	9,809
Net operating revenue	1,227,636	1,230,637	1,325,626	1,330,274	1,343,318
Ratio of R&D expenses to net operating revenue (%)	0.56	0.53	0.67	0.71	0.73

Note: The Company has split up a dedicated R&D department since 2018

4. Technologies or products successfully developed in the last five years

Year	R&D outcomes	Description of main benefits
2019	Smart cloud maintenance and repair services	<ul style="list-style-type: none"> ➤ Health prediction and preventive maintenance and repair warnings are activated through IoT and AI technology ➤ Smart dispatching cloud with the matching function triggered automatically allows maintenance and repair personnel to receive orders at once ➤ Maintenance and repair history data analysis can provide immediate feedback to rectify predictive analysis models ➤ Proactive preventive maintenance and repair to effectively enhance customer experience
2019	Smart warehouse management system	<ul style="list-style-type: none"> ➤ Through a highly flexible system architecture, storage location planning, work-in-process control, mobile management, and other functions, transparent, real-time, and information-based smart warehouse management is realized. ➤ Reduced inventory obsolescence rate ➤ Increased warehouse turnover rate ➤ Synchronize data in real time (synchronized with SAP) ➤ Improved utilization of storage space

Year	R&D outcomes	Description of main benefits
2019	Smart manufacturing and execution system for the electromechanical industry	<ul style="list-style-type: none"> ➤ Various management modules can be purchased flexibly according to enterprises' needs ➤ From the operational technology (OT) layer to the IT layer, production machine information is quickly retrieved, compiled, and sent to systems ➤ Provide the analytical capabilities required for real-time manufacturing, perfectly linking equipment, people, operations, and supply chains ➤ Solve the production management problems of people, machines, materials, methods, environment, and measurement in a single instance
2020	Supply chain management platform (SCM) – supplier delivery management system (DMS)	<ul style="list-style-type: none"> ➤ Provide a collaborative platform, allow the central plants and suppliers to work on purchase orders in this management platform ➤ Information is more transparent, communication is smoother, and delivery is more accurate ➤ Through the integration of purchase orders on the SAP system, suppliers can begin operations on this platform according to the workflow
2021	Supply chain management platform (SCM) – supplier e-procurement management (ePM) system	<ul style="list-style-type: none"> ➤ AI predictive analysis of price trends in the raw material market ➤ Supplier evaluation management ➤ Traceability of historical records of invitations to bid ➤ Purchase requisition without Part No. in cooperation with the design unit ➤ Automatic price setting and inquiry of a system for materials with large price fluctuations
2022	Advanced scheduling management solution	Provide the overall supply and demand planning of the enterprise and different levels of production planning and scheduling solutions. Combine real-time on-site production data, synchronize production management and production information, and automate scheduling to reduce labor time and labor costs, reduce error rates, and improve efficiency and fast processing. Control the delivery time and on-site production to facilitate smooth production-sales collaboration, satisfy customer orders, and make full use of limited corporate resources.

Year	R&D outcomes	Description of main benefits
2023	Jet Flow smart carbon management platform	<ul style="list-style-type: none"> ➤ Collection, management, and monitoring of organizational greenhouse gas inventories and product carbon footprints: ➤ Carbon inventory reports and CBAM (Carbon Border Adjustment Mechanism) reporting ➤ Carbon inventory data insights dashboard

(IV) Long- and short-term business development plans

1. Short-term business development plan

Digital transformation and sustainable development will dominate corporate development trends, with 2023 marking a significant year for the proliferation of generative AI, which focuses on deep integration with machine learning across various sectors. As ITTS services moved into 2020, increasing revenue and net profit remained the top priority. Therefore, ITTS not only continued to develop new clients but also actively transitioned to new business models, shifting from project-based to platform-based service offerings to generate stable and sustained revenue.

In addition to continuing its original service areas and striving to grow, ITTS will expand into the innovative IoT-related fields of smart factories, AI, smart logistics, smart customer service, and smart catering, while developing cloud applications and providing professional information security solutions and consulting services.

(1) New operational model: Offering cloud platform solutions through subscription services, driving system sales, including:

- promoting ESG/Carbon Tracker/CBAM platforms, zero trust cybersecurity, and AI-powered customer service, offering cloud-based subscription services.

(2) New products or services: Promoting ESG/Carbon Tracker/CBAM platforms, zero trust cybersecurity, and AI-powered customer service, offering cloud-based subscription services, including

- promoting value-added services for existing products, offering solutions and services like MBC, Carbon Tracker/CBAM, BPM, zero trust security, AI-powered logistics, and precision membership marketing.

- Sales of cloud service solutions such as GCP DR backup and SD-WAN

- Proxy FIDO system to provide zero trust integration service (government, bank)

(3) New markets: ESG/Jetflow/CBAM platforms, zero trust in information security, AI smart customer service, and cloud-based subscription services, including:

- To replicate the successful experience of information security and expand the data encryption integration solution to the medical and financial holding markets
- Development of customer service in the health food industry

- Expand the market for outsourced customer service in central and southern Taiwan and overseas

2. Long-term business development plan

With the rise of IoT, artificial intelligence, and generative AI technologies, ITTS services are developing smart manufacturing, smart logistics, smart customer service, and AI value-added solutions, already gaining successful client implementations and reputation.

In terms of services, ITTS already possesses interdisciplinary experience in technological services and integration capacity, and currently continues to enhance professional service capacity for emerging technology applications. It also forms alliances with outstanding global partners to expand sales from Greater China and the Asia-Pacific region to the world, to increase the reach of its leading technological services and in turn create competitive advantages for customers. The industries ITTS's customers are from range from the government and public sector, finance, manufacturing, high-tech, telecommunications, and logistics to retail.

Looking forward to the next 5 to 10 years, ITTS services will continue to innovate in smart IoT, AI, zero trust cybersecurity, and ESG cloud carbon management from perspectives of new operational models, new products or services, new markets, and research and development, to create competitive advantages for clients and investment value for shareholders.

II. Market and sales overview

(I) Market analysis

1. Sales regions for the main products

Unit: NTD thousand; %

Region of sale \ Year		2022		2023	
		Amount	Percentage (%)	Amount	Percentage (%)
Domestic sale		1,235,525	92.88	1,250,988	93.13
Export	Asia	61,597	4.63	60,674	4.51
	Europe	10,276	0.77	10,733	0.80
	Americas	12,352	0.93	11,553	0.86
	Other regions	10,524	0.79	9,370	0.70
	Subtotal	94,749	7.12	92,330	6.87

Total	1,330,274	100.00	1,343,318	100.00
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Note: Other regions include Africa and Oceania.

2. Market share

The Company is a professional information service provider. It mainly provides IT process and business process services. It has developed the market for many years and its turnover has grown year by year. In terms of market share, as there are many service providers in the market, the scope of business is different. There are currently no effective statistics, so there is no fair and objective market share data. The industries in which ITTS's successful examples of customers operate are as follows:



3. Demand and supply conditions for the market in the future

According to the MIC information service market outlook analysis report, AI transformation, ESG, and information security issues drive the development of Taiwan's information communication hardware industry and information service industry, which are expected to inject new vitality into the information service industry under the unfavorable industrial and economic environment. The output value is expected to grow by 5%.

System Integration Services: The development opportunities for system integrators include: generative AI will bring more industrialization project opportunities for AI transformation; ESG climate technology, green finance, and super automation will bring more software and cloud services, software and hardware, process and system integration opportunities, generate more business opportunities, and further strengthen the vertical field of technology and cooperate with more information software, finance, government, equipment industries, etc., in the ecosystem.

Information security: Digital resilience brings the business concept of enterprise resilience to enterprise IT architecture, information security policy, and disaster recovery strategy. prevention, IoT equipment information security, and disaster recovery.

Cloud computing: With ESG and climate technology moving toward more real-time and comprehensive monitoring of energy, supply chain carbon emissions, generative AI, and AI transformation, cloud computing will continue to grow. Cloud computing operators or related telecommunication service providers will actively cooperate with system integrators, green finance companies, and AI start-up service providers to improve the chances of corporate customers accessing cloud services. In addition, ESG, generative AI, and super automation all have potential platform ecosystem opportunities. Cloud computing service providers can cooperate with relevant consulting service providers, system integrators, financial services, or start-up service providers to construct ecosystem platform services.

ITO: Under the issue of manpower shortage and the continuous development of emerging technologies such as AI, enterprises or other information service industries are lacking related technical talents is a long-term trend. IT outsourcing companies can actively grasp business opportunities such as talent training and external assignments. In addition, new technologies such as ESG, generative AI, and super automation bring automated processing and smart customer service interaction. It is also possible to introduce outsourcing of process information to improve customer satisfaction and efficiency, or cooperate with property owners and new entrepreneurs to introduce new outsourced services to help enterprises face new challenges, such as a generative AI customer service center, outsourced services for automated insurance claims operations, and corporate ESG performance evaluation services.

4. Competitive niche

At present, information service companies engaging in business similar to ITTS include Systex Corporation, Wistron ITS, ARES International Corp., and Sysage Technology Co., Ltd. Each of these companies has different operating outcomes based on its own technology, business philosophy, and product characteristics. ITTS focuses on product quality, product certification, technological services, and product innovation, with a competitive advantage over its competitors.

(1) Key technology or service model

● ERP services

- ERP is an enterprise resource planning system that uploads and integrates a company's accounting, manufacturing, purchase, sales, and inventory data to achieve better operational planning for the company. ITTS is well versed in the business processes in the manufacturing industry and is familiar with SAP series software. It assists customers in adjusting to international best practices and provides complete ERP life cycle management. Indicative customers include Delta, TECO, Chimei Corporation, TSRC Corporation, and Innolux Corporation.

- Compared with NTT, SAP, and other large agencies, ITTS is the only provider that can provide remote data backup and historical data archiving services at the same time
- Enterprise e-services
 - Provide Infra network design and maintenance services, application software (such as human resource management, OA and WMS) development and maintenance services, and cloud platform planning and implementation services (such as Google Cloud Platform, Microsoft Azure SaaS services, and SAP cloud platform services).
 - Software application development and customization services: ITTS plans and provides storage space allocation planning, work-in-process control, and mobile management, and other functions to realize transparent, real-time, and information-based smart warehouse management for customers in the manufacturing industry. An indicative customer is TECO-Westinghouse Motor Company in the USA.
 - Information technology infrastructure library (ITIL) information security and network certification training outsourcing services: ITTS has created some achievements in the operating process of national defense systems, and one U.S. contractor has outsourced its client's internal ITIL operating process to ITTS for ten consecutive years. Meanwhile, we were commissioned by another U.S. contractor for information security and cyber training in 2020.
- Customer service center outsourcing services
 - Telephone customer service outsourcing: Provide professional telephone customer service personnel and equipment to assist in handling consumer services related to corporate clients' products. Indicative customers include Samsung Electronics, 3M Enterprise Ltd., and the Ministry of Health and Welfare.
 - Physical customer service outsourcing: Provide professional service personnel consulting and physical customer service outsourcing services, which are deeply favored and trusted by shopping malls. Indicative well-known customers include E-DA Theme Park, Mitsui Outlet Park, and Dream Mall for the establishment and training of shopping mall customer service teams. Among them, Dream Mall has outsourced its customer service for 11 years.
 - Promote a customer service cloud system and provide subscription-based services With years of experience in cloud services, Cont Info provides customers with one-stop cloud-based smart customer service solutions. Compliant with ISO international quality and information security certification, with rich IT development and heterogeneous system integration capabilities, and diverse pricing models, customers do not have to spend a lot of money. Budget

the cost and time to build a customer service system, and have the flexibility to adjust customer service manpower, and quickly deploy and integrate heterogeneous system resources to improve customer satisfaction and gain insight into market opportunities.

- Representative awards

- Ranked first in the reception service of shopping malls in Taiwan by Global Views Monthly
- Rated “very satisfied” with the Department Store Customer Service in the Dream Mall Mystery Shopper Evaluation

- Postal information integration services

- Mail room process outsourcing services: From the management and control of the mail-in and -out process, postage accounting management, to bill printing outsourcing service, ITTS has developed an exclusive mail sending and receipt network technology application system to assist in managing postage, the delivery process of physical mail, etc., using the system. ITTS is the only provider in Taiwan that can provide both manpower and systems for postal outsourcing. Indicative customers include a foreign bank (for more than 10 years) and high-quality domestic banks.
- Bill printing outsourcing services: ITTS can monitor and manage the entire outsourcing process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients). Indicative customers are from various industries, such as the telecommunications and financial industry, information and communications service industry, government agencies (local motor vehicle offices across Taiwan).

- Applications and services for IoT innovation and development

- Smart logistics application services:
 - ◆ ITTS has launched the first AIoT communication and command center to introduce AI image recognition technology to Taiwan Pelican Express’s home delivery communication control center. Through the architecture of the Internet of Vehicles, the status of vehicles on the road of the logistics team can be identified in real time, to help the company complete the integration of people, vehicles, goods, and routes. Based on AI analysis, a cost reduction of more than NT\$5 million per year has been achieved. ITTS has pioneered the application of AI technology in the logistics industry.
 - ◆ By adopting AI image recognition, wireless positioning technology, map information system, and cloud platform technology, we have developed a smart warehousing flow management system to help clients improve the efficiency of the operations into and out of

warehouses and personnel management, thereby achieving the goal of smart logistics.

- Smart factory application services: ITTS works with Advantech to create perfect smart factories. With Advantech’s WISE-PaaS architecture, we have developed production schedule management, quality management, equipment management, and other I.Apps in response to market needs for modularization. We also use modular, lightweight, and plug-and-play smart MES to seamlessly and quickly retrieve production machine information and to analyze the information on monitoring personnel, equipment, and processes in real time from the OT layer to the IT layer, to completely keep abreast of the production status and provide manufacturers with visualized reference for real time decision-making.

(2) Market positioning

- Provide a full range of IT outsourcing services and business process outsourcing services, use innovative smart technologies to assist customers in sustainable operations and create a win-win situation
- ITTS is the only information service provider that focuses on the electromechanical, automotive components, and manufacturing industries.
- ITTS’s corporate mission is to “use leading technology to create customer value and pursue sustainable growth.” With the vision of “assisting enterprises in digital transformation with smart, platform and IoT services,” ITTS will continue to develop applications and services related to IoT and AI from the perspectives of new business models, new products or services, new markets, and R&D while extending the sales to Greater China, the Asia-Pacific region, and the world through innovative technologies and services. Brand distribution channel development

(3) Brand distribution channel development

- The Company’s corporate vision is “become a leading provider of intelligent digital service solutions,” adheres to the mission of “using innovative and smart technology to assist customers in sustainable operations and create a win-win situation,” and adheres to the principles of “professionalism, quality, empathy” In order to manage the core values, the brand development strategy will be based on the marketing promotion and channel development, accumulating word-of-mouth communication from clients, and building the image of an expert consultant in the manufacturing industry. In addition to continuing to strengthen the relationship with target customers through service, we make good use of generative AI Execute precision marketing with digital marketing tools and integrate cross-departmental marketing resources to explore more business opportunities.
- Execute digital marketing to explore markets with potential business opportunities such as information security, cloud, AI intelligence, and ESG

- Make good use of external resources such as original factories and associations to exert brand competitiveness
- Manage and maintain relationship between new and existing customers, strengthen brand service value
- Assist in market research and intelligence collection to improve product niche

5. Favorable, unfavorable factors for the development vision and countermeasures:

Favorable conditions

- AI transformation and ESG topics drive the development of Taiwan's information communication hardware industry and information service industry. The Company has the energy to independently develop application systems and services, and can provide AI and carbon management value-added services.
- The ERP market in Taiwan is growing steadily, and the demand for old system upgrades and ERP cloud versions is increasing.
- Industry 4.0 smart manufacturing drives the demand for MES and IoT.
- Affected by the pandemic, companies' production capacity decreased due to the suspension of work, which has facilitated a gradual increase in the demand for IoT.
- Governments around the world continue to pay attention to the issue of ESG net zero carbon emissions and sustainability, and the demand for ESG energy saving and carbon reduction and smart factory solutions is increasing.
- Government agencies around the world have upgraded information security to a national security issue. In addition to regulatory requirements, enterprises have increased their investment in information security.

Unfavorable conditions

- Increase in basic wages leads to an increase in personnel expenses
 - Countermeasures: Review the technical structure of personnel to strengthen the use of manpower and carry out cost control
- Difficulties in recruiting talent
 - Countermeasures: Improve the Company's brand image and visibility through industry-academia collaboration with domestic universities or through social platforms and media to attract talent.
- Insufficient visibility in the international market
 - Countermeasures: Engage in mergers and acquisitions or add new operating bases overseas, to increase collaboration with international companies so as to increase visibility.

(II) Important uses and production processes of main products

1. Important uses of main products:

Product category	Main use and function
ERP services	Provide ERP life cycle management services, including business process planning, application software introduction, post-launch maintenance services (application software and systems), and SAP system management services.
Innovative enterprise e-services	ITTS provides Infra network design and maintenance services, application software (such as human resource management, OA and WMS) development and maintenance services, information security and cloud platform services, etc.
Smart application services	Provide smart factories, smart logistics, AI applications, carbon management integrated services, etc. Provide business intelligence, smart communication room, and predictive analysis services at the same time for said smart services.
Customer relationship management service	Provide one-stop smart customer service solutions, including cloud customer service platform subscription service, AI smart customer service robot, and big data analysis applications. The service content includes outsourced customer service services such as telephone contact and telephone marketing customer service, sales order, and membership services. Provide flexible pricing of customer service seat rental service, cloud customer service system subscription service (CTI/CRM/PBX/IVR), and heterogeneous system integration service.
Postal information integration services	<ul style="list-style-type: none"> ● Mail room process outsourcing services: From the management and control of the mail-in and -out process to postage accounting management ● Bill printing outsourcing services: Monitor and manage the entire process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients).

2. Production process: Classification is conducted according to different products, and the production process is briefly described as follows.

The outsourcing services provided by ITTS are mainly divided into the following three production processes:



From the perspective of business operations, ITTS provides professional ITO or BPO consulting services.



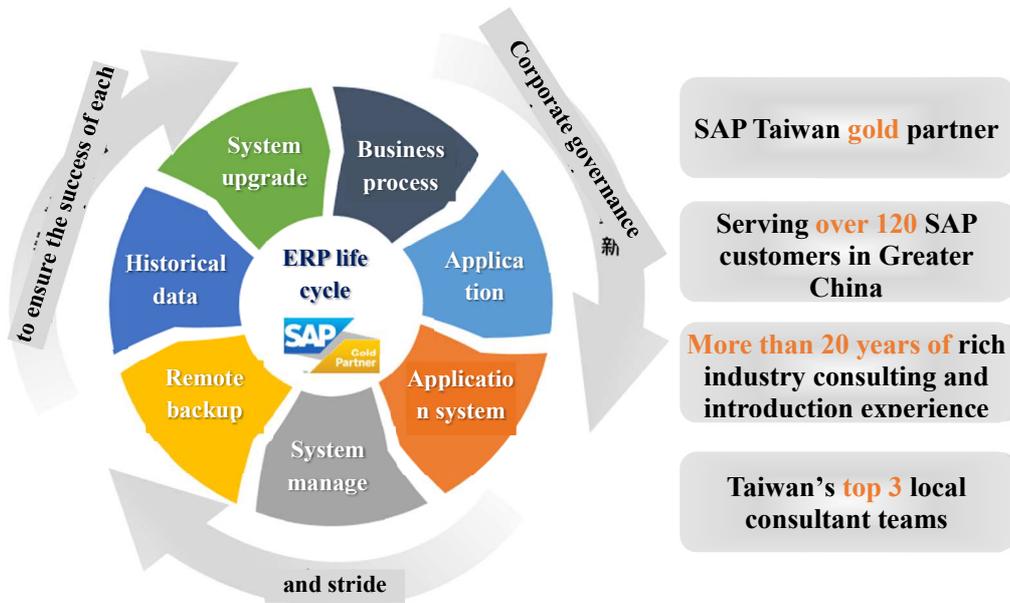
Through the introduction of international standards, ITTS customizes professional introduction services for



In addition to assisting companies to effectively introduce and launch projects, ITTS provides professional and

The following is a description of each product line:

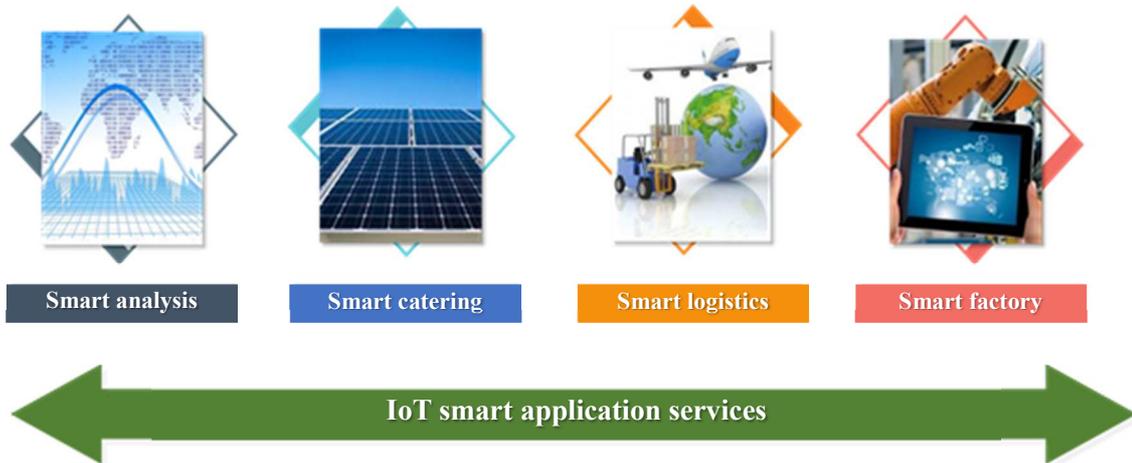
● ERP services



● Enterprise e-services



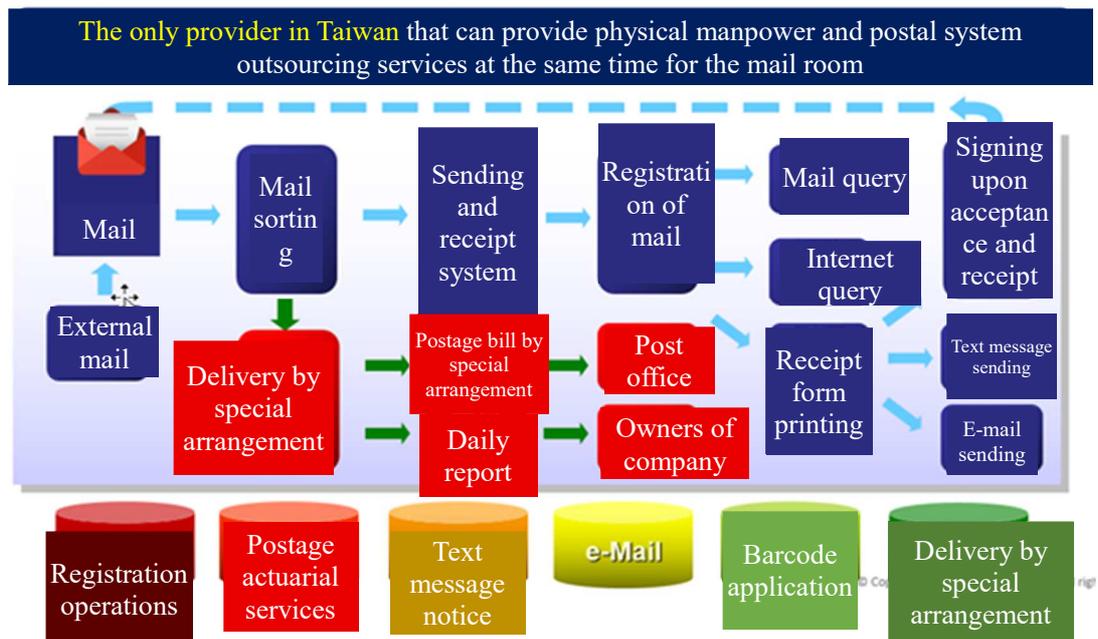
● AIoT services



● Customer relationship management service



- Postal information integration services – mail room process outsourcing services



- Postal information integration services – bill printing outsourcing services



Safeguard the security of customers' documents

3. The supply of main raw materials: The Company has stable long-term relations with raw material suppliers, and the supply and demand are secure.
4. The name of each customer that has accounted for more than 10% of the total purchases (sales) in any of the last two years, the purchase (sale) amount and percentage, and the reasons for increase or decrease:
 - (1) The name of each customer that has accounted for more than 10% of the total purchases (sales) in any of the last two years, the purchase amount and percentage, and the reasons for increase or decrease:

Reasons for increase or decrease: The Company's changes in the amount of purchases from the above-mentioned suppliers are mainly due to changes in customers' products and the market demand, and the changes are reasonable.

Unit: NTD thousand

Item	2022				2023			
	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer
1	Supplier A	170,274	19.53%	Non-related party	Supplier A	237,664	26.66%	Non-related party
	Others	701,414	80.47%		Others	653,659	73.34%	
	Net purchase amount	871,688	100.00%		Net purchase amount	891,323	100%	

Note 1: List the names of suppliers accounting for more than 10% of the total purchases in the last two years, and the amount and proportion of purchases. However, if the contract stipulates that the names of the suppliers or the transaction parties, who are individuals and not related parties, cannot be disclosed, they may be represented by code.

(2) The name of each vendor that has accounted for more than 10% of the total purchases (sales) in any of the last two years, the sale amount and percentage, and the reasons for increase or decrease:

Reasons for increase or decrease: The changes in the sales to the Group's customers are mainly based on the increase or decrease due to different projects undertaken, and the changes are still reasonable.

Unit: NTD thousand

Item	2022				2023			
	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer
1	TECO Electric & Machinery Co., Ltd.	228,857	17.20%	Parent company	TECO Electric & Machinery Co., Ltd.	209,361	15.59%	Parent company
	Others	1,101,417	82.80%		Others	1,133,957	84.41%	
	Net sales	1,330,274	100.00%		Net sales	1,343,318	100.00%	

5. Production value table for the last two years

Unit: Page/Piece; NTD thousand

Production value	Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products (or segments)	Information technology outsourcing	Not applicable for non-manufacturing industry		609,926	Not applicable for non-manufacturing industry		723,177
	Customer relationship management	Not applicable for non-manufacturing industry		239,497	Not applicable for non-manufacturing industry		141,545
	Postal information integration	149,200	73,700	297,503	149,200	68,300	292,813
	Total	149,200	73,700	1,146,926	149,200	68,300	1,157,535

Note: Due to the nature of the business, quantity cannot be used as the unit for calculation.

6. Sales value table for the last two years

Unit: Page/Piece; NTD thousand

Sales value Main products (or segments)	Year	2022				2023			
		Domestic sale		Export		Domestic sale		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Information technology outsourcing	Note	669,372	Note	94,749	Note	786,510	Note	92,330	
Customer relationship management	Note	261,635	Note	-	Note	161,453	Note	-	
Postal information integration	73,700	304,518	-	-	68,300	303,025	-	-	
Total	73,700	1,235,525	-	94,749	68,300	1,250,988	-	92,330	

Note: Due to the nature of the business, quantity cannot be used as the unit for calculation.

Six. Financial Status

I. Condensed Balance Sheet and Statement of Consolidated Income for the Last Five Years

(I) Balance Sheet

1. Condensed Parent Company Only Balance Sheet in Compliance with IFRSs

Unit: NTD thousand

Item		Year	Financial information for the last five years(Note 1)				
			2019	2020	2021	2022	2023
Current assets			583,610	625,982	516,923	548,473	705,183
Property, plant, and equipment			6,651	6,374	6,141	6,177	7,966
Intangible assets			2,184	1,278	611	971	888
Other assets			284,509	272,884	302,176	316,555	294,031
Total assets			876,954	906,518	825,851	872,176	1,008,068
Current liabilities	Before distribution		174,750	371,399	273,043	310,984	417,331
	After distribution		229,397	426,046	327,690	354,701	477,442
Non-current liabilities			180,720	4,099	5,114	7,614	7,304
Total liabilities	Before distribution		355,470	375,498	278,157	318,598	424,635
	After distribution		410,117	430,145	332,804	362,315	484,746 (Note)
Equity attributable to owners of parent				-	-	-	-
Share capital			273,234	273,234	273,234	273,234	273,234
Capital surplus			158,042	158,042	158,042	158,042	158,042
Retained earnings	Before distribution		93,074	104,023	121,902	123,344	153,785
	After distribution		38,427	49,376	67,255	79,627	93,674 (Note1)
Other equity			(2,866)	(4,279)	(5,484)	(1,042)	(1,628)
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		521,484	531,020	547,694	553,578	583,433
	After distribution		466,837	476,373	493,047	509,861	523,322

Note1: The individual financial data for the past five fiscal years has been audited by certified accountants.

Note2: The amounts are based on the resolution of the Board of Directors on February 21, 2024.

2. Condensed Consolidated Balance Sheet in Compliance with IFRSs

Unit: NTD thousand

Item		Year	Financial information for the last five years(Note 1)				
			2019	2020	2021	2022	2023
Current assets			635,761	680,547	567,611	613,290	774,813
Property, plant, and equipment			20,611	16,751	30,684	33,265	31,910
Intangible assets			10,340	6,506	1,395	1,191	888
Other assets			280,413	239,938	250,363	237,865	203,934
Total assets			947,125	943,742	850,053	885,611	1,011,545
Current liabilities	Before distribution		229,859	399,604	287,813	315,475	415,954
	After distribution		284,506	454,251	342,460	359,192	476,065
Non-current liabilities			195,782	13,118	14,546	16,558	12,158
Total liabilities	Before distribution		425,641	412,722	302,359	332,033	428,112
	After distribution		480,288	467,369	357,006	375,753	488,223 (Note)
Equity attributable to owners of parent			521,484	531,020	547,694	553,578	583,433
Share capital			273,234	273,234	273,234	273,234	273,234
Capital surplus			158,042	158,042	158,042	158,042	158,042
Retained earnings	Before distribution		93,074	104,023	121,902	123,344	153,785
	After distribution		38,427	49,376	67,255	79,627	93,674 (Note)
Other equity			(2,866)	(4,279)	(5,484)	(1,042)	(1,628)
Treasury stock			-	-	-	-	-
Non-controlling Equity	Before distribution		-	-	-	-	-
	After distribution		-	-	-	-	-
Total equity	Before distribution		521,484	531,020	547,694	553,578	583,433
	After distribution		466,837	476,373	493,047	509,861	523,322

Note 1: The consolidated financial data for the past five fiscal years has been audited by certified accountants.

Note 2: The amounts are based on the resolution of the Board of Directors on February 21, 2024.

(II) Condensed Statement of Comprehensive Income

1. Condensed Parent Company Only Statement of Comprehensive Income in Compliance with IFRSs

Unit: NTD thousand

Item \ Year	Financial information for the last five years				
	2019	2020	2021	2022	2023
Operating revenue	1,173,872	1,184,758	1,259,780	1,277,637	1,298,163
Gross profit	129,556	124,935	160,311	144,760	154,600
Operating income	47,624	44,070	67,996	28,398	60,656
Non-operating income and expense	23,285	29,771	17,699	34,060	25,913
Profit before tax	70,909	73,841	85,695	62,458	86,569
Net income from continuing operations in the current period	60,398	65,780	72,481	55,641	74,163
Income from discontinued operations	-	-	-	-	-
Net income (loss) in the current period	60,398	65,780	72,481	55,641	74,163
Other comprehensive income (loss) in the current period (net of tax)	(1,608)	(1,597)	(1,160)	4,890	(591)
Total comprehensive income in the current period	58,790	64,183	71,321	60,531	73,572
Earnings per share	2.57	2.41	2.65	2.04	2.71

2. Condensed Consolidated Statement of Comprehensive Income in Compliance with IFRSs

Unit: NTD thousand

Item \ Year	Financial information for the last five years				
	2019	2020	2021	2022	2023
Operating revenue	1,227,636	1,230,637	1,325,626	1,330,274	1,343,318
Gross profit	162,900	164,467	192,300	183,348	185,783
Operating income	62,872	65,853	81,261	51,499	76,074
Non-operating income and expense	7,843	9,203	5,379	14,433	13,282
Profit before tax	70,715	75,056	86,640	65,932	89,356
Net income from continuing operations in the current period	60,398	65,780	72,481	55,641	74,163
Loss of discontinued operations	-	-	-	-	-
Net income (loss) in the current period	60,398	65,780	72,481	55,641	74,163
Other comprehensive income (loss) in the current period (net of tax)	(1,608)	(1,597)	(1,160)	4,890	(591)

Total comprehensive income in the current period	58,790	64,183	71,321	60,531	73,572
Net profit attributable to owners of parent company	60,398	65,780	72,481	55,641	74,163
Net profit attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of parent company	58,790	64,183	71,321	60,531	73,572
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	2.57	2.41	2.65	2.04	2.71

(III) Name of CPAs over the last five years and their audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2019	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu/Chao-Hsien Chiu	Unqualified opinion plus Other Matters section
2020	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu/Chao-Hsien Chiu	Unqualified opinion plus Other Matters section
2021	PricewaterhouseCoopers Taiwan	Ping-Chun Chih/Tsung-Hsi Lai	Unqualified opinion plus Other Matters section
2022	PricewaterhouseCoopers Taiwan	Ping-Chun Chih/Tsung-Hsi Lai	Unqualified opinion plus Other Matters section
2023	PricewaterhouseCoopers Taiwan	Ping-Chun Chih/Tsung-Hsi Lai	Unqualified opinion plus Other Matters section

II. Financial Analysis for the Last Five Years

(I) Parent company only financial analysis for the last five years in compliance with IFRSs

Unit: NTD thousand

Analysis item		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	40.53	41.42	33.68	36.53	42.12
	Long-term capital to property, plant and equipment ratio (%)	10,557.87	8,395.34	9,001.92	9,085.19	7,415.73
Solvency (%)	Current ratio	333.97	168.55	189.32	176.37	168.97
	Quick ratio	305.15	154.06	180.97	169.00	165.49
	Interest coverage ratio	32.49	96.03	479.74	228.95	1,420.16
Operating ability	Accounts receivable turnover ratio (times)	1.99	1.87	2.54	2.59	2.77
	Average accounts receivable days	184	195	144	141	132
	Inventory turnover ratio (times)	19.09	27.77	90.87	146.15	236.57
	Accounts payable turnover ratio (times)	7.79	5.20	5.90	5.49	4.13
	Average inventory turnover days	19	13	4	2	2
	Property, plant and equipment turnover ratio (times)	151.85	181.92	210.51	207.44	183.58
	Total asset turnover ratio (times)	1.32	1.33	1.54	1.50	1.38
Profitability	Return on assets (%)	6.97	7.45	8.89	6.59	7.89
	Return on equity (%)	15.13	12.50	13.38	10.10	13.05
	Net income before tax to paid-in capital ratio (%)	25.95	27.02	31.36	22.86	22.20
	Net profit margin (%)	5.15	5.55	5.75	4.35	31.68
	Earnings per share (NTD)	2.57	2.41	2.65	2.04	5.71
Cash flow	Cash flow ratio (%)	(37.62)	56.36	48.14	17.13	36.22
	Cash flow adequacy ratio (%)	16.21	89.64	164.60	175.50	175.45
	Cash reinvestment ratio (%)	(20.56)	39.70	19.42	(0.32)	21.58
Leverage	Operating leverage	1.17	1.08	1.04	1.14	1.08
	Financial leverage	1.05	1.02	1.00	1.02	1.00

Reason for changes in financial ratios for the most recent two years:

- Interest coverage ratio increased by 520%: Mainly due to the combined effect of increased pre-tax net profit and decreased interest expense.
- Inventory turnover ratio increased by 62%: Mainly due to a decrease in average inventory.
- Return on assets increased by 20%, return on equity increased by 29%, operating income to paid-in capital ratio increased by 114%, pre-tax net income to paid-in capital ratio increased by 39%, net profit margin increased by 31%, and earnings per share increased by 33%: Mainly due to an increase in pre-tax net profit.
- Cash flow ratio increased by 111%, cash reinvestment ratio increased by 68%: Mainly because the net cash flow from operating activities in 2023 was higher than the previous year.

(II) (II) Consolidated financial analysis for the last five years in compliance with IFRSs

Unit: NTD thousand

Analysis item		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	44.94	43.73	35.57	37.49	42.32
	Long-term capital to property, plant and equipment ratio (%)	3,480.02	3,248.39	1,832.36	1,713.92	1,866.47
Solvency (%)	Current ratio	276.59	170.31	197.22	194.40	186.27
	Quick ratio	252.60	156.03	187.57	184.10	181.33
	Interest coverage ratio	18.69	44.28	104.02	122.42	374.87
Operating ability	Accounts receivable turnover ratio (times)	2.04	1.90	2.30	2.58	2.74
	Average accounts receivable days	179	192	159	142	133
	Inventory turnover ratio (times)	19.19	27.52	45.85	139.43	218.40
	Accounts payable turnover ratio (times)	8.53	5.39	4.92	6.23	4.69
	Average inventory turnover days	19.00	13.00	8.00	3.00	2.00
	Property, plant and equipment turnover ratio (times)	53.36	65.88	55.89	41.6	41.22
	Total asset turnover ratio (times)	1.30	1.30	1.48	1.53	1.42
Profitability	Return on assets (%)	6.73	7.10	8.16	6.46	7.84
	Return on equity (%)	15.13	12.50	13.44	10.10	13.05
	Net income before tax to paid-in capital ratio (%)	25.88	27.47	31.71	24.13	32.70
	Net profit margin (%)	4.92	5.35	5.47	4.18	5.52
	Earnings per share (NTD)	2.57	2.41	2.65	2.04	2.71
Cash flow	Cash flow ratio (%)	(10.36)	61.27	54.28	22.89	40.46
	Cash flow adequacy ratio (%)	32.36	110.92	182.44	192.41	201.60

	Cash reinvestment ratio (%)	(12.20)	46.55	24.53	3.85	23.46
Leverage	Operating leverage	1.42	1.30	1.26	1.32	1.19
	Financial leverage	1.07	1.03	1.01	1.01	1.00

Reason for changes in financial ratios for the most recent two years:

1. Inventory turnover ratio increased by 57%: Mainly due to a decrease in average inventory.
2. A 25% decrease in account payable turnover: Mainly due to an increase in average accounts payable.
3. Return on assets increased by 21%, return on equity increased by 29%, operating income to paid-in capital ratio increased by 48%, pre-tax net income to paid-in capital ratio increased by 36%, net profit margin increased by 32%, and earnings per share increased by 33%: Mainly due to an increase in pre-tax net profit.
4. Cash flow ratio increased by 77%, cash reinvestment ratio increased by 510%: Mainly because the net cash flow from operating activities in 2023 increased compared to the previous year.

1. Financial structure
 - (1) Debt to assets ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net worth of property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = net income before income tax and interest expenses / interest expense in the current period.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable from operations) turnover ratio = net sales / average accounts receivable in each period (including accounts receivable and notes receivable from operations) balance.
 - (2) Average accounts receivable days = 365 / accounts receivable turnover ratio.
 - (3) Inventory turnover ratio = cost of goods sold / average of inventory.
 - (4) Accounts payable (including accounts payable and notes payable from operations) turnover = cost of goods sold / average accounts payable in each period (including accounts payable and notes payable from operations) balance.
 - (5) Average inventory turnover days = 365 / inventory turnover ratio.
 - (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after-tax income + interest expenses × (1 - tax rate)] / average total assets.
 - (2) Return on equity = after-tax income / average total equity.
 - (3) Net profit margin = after-tax income / net sales.
 - (4) EPS = (income attributable to owners of the parent company - dividend from preferred shares) / weighted average number of outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities over the last five years / (capital expenditure + increase in inventories + cash dividends) over the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit Committee's Review Report for the Financial Report for the Latest Year

Audit Committee's Review Report

The board of directors of the Company prepared and submitted the 2023 financial statements (including the consolidated financial statements), which have been audited by PricewaterhouseCoopers Taiwan, together with the business report and the proposal for distribution of earnings to us for review. We agreed to the audit opinion issued by the CPA firm, and reviewed and approved said business report and the proposal for distribution of earnings. Therefore, we hereby present them for your review in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Information Technology Total Services Co., Ltd.

Convener of the Audit Committee: Yi-Bing Lin

A handwritten signature in blue ink, consisting of stylized Chinese characters, likely representing Yi-Bing Lin.

February 21, 2024

IV. The financial statements for the most recent year

- (I) 2023 Parent Company Only Financial Statements: Please refer to pages _ of this annual report for details.
- (II) 2023 Parent Company Only Financial Statements: Please refer to pages _ of this annual report for details.

V. The Company and its associates had no financial difficulties in the most recent year and as of the publication date of the annual report.

Seven. Review and Analysis of the Financial Position and Operating Results

I. Financial Position

(I) Financial position comparative analysis table

Unit: NTD thousand

Item	Year	2023	2022	Difference	
				Amount	%
Current assets		774,813	613,290	161,523	26.34%
Property, plant and equipment		31,910	33,265	(1,355)	(4.07%)
Intangible assets		888	1,191	(303)	(25.44%)
Other assets		203,934	237,865	(33,931)	(14.26%)
Total assets		1,011,545	885,611	125,934	14.22%
Current liabilities		415,954	315,475	100,479	31.85%
Non-current liabilities		12,158	16,558	(4,400)	(26.57%)
Total liabilities		428,112	332,033	96,079	28.94%
Equity attributable to owners of the parent company		583,433	553,578	29,855	5.39%
Share capital		273,234	273,234	0	0.00%
Capital surplus		158,042	158,042	0	0.00%
Retained earnings		153,785	123,344	30,441	24.68%
Other equity items		(1,628)	(1,042)	(586)	56.24%
Total shareholders' equity		583,433	553,578	29,855	5.39%

1. Where the change in the last two years has reached 20% or more, and the amount of change has reached NT\$10 million, the main reasons are: no significant changes within the two most recent periods.
2. The impact and future response plan: The above-mentioned changes are caused by operating activities, there are no major abnormalities, so there is no need to formulate a response plan.

II. Financial Performance

(I) Financial performance comparative analysis table

Unit: NTD thousand

Item	2023	2022	Increase (decrease) amount	%
Net operating revenue	1,343,318	1,330,274	13,044	0.98%
Operating costs	1,157,535	1,146,926	10,609	0.92%
Gross profit	185,783	183,348	2,435	1.33%
Operating expenses	109,709	131,849	(22,140)	(16.79%)
Net operating income	76,074	51,499	24,575	47.72%
Operating income and expenses	13,282	14,433	(1,151)	(7.97%)
Net profit before tax of continuing operations	89,356	65,932	23,424	35.53%
Income tax expense	(15,193)	(10,291)	(4,902)	47.63%
Current net income	74,163	55,641	18,522	33.29%
Other comprehensive income	(591)	4,890	(5,481)	(112.09%)
Total comprehensive income in the current period	73,572	60,531	13,041	21.54%
<p>1. Where the change in the last two years has reached 20% or more, and the amount of change has reached NT\$10 million, the main reasons are specified as follows: (1) The decrease in operating expenses and the increase in the net operating profit, net profit before tax, and net profit: It is mainly due to the provision of expected credit losses of NT\$22,050 thousand according to the Company's policy in 2022.</p> <p>2. Expected sales volume and basis, the possible impact on the Company's future financial business, and response plans: As the Company did not prepare and publish its financial forecast, the expected sales volume and basis are not applicable. There are no major abnormalities in the Company's operations, so there is no need to formulate a response plan.</p>				

III. Cash flow

(I) Analysis of cash flow changes in the most recent year (2023)

Unit: NTD thousand

Cash balance, beginning of the period (1)	Net cash flow from operating activities for the year(2)	Annual net cashflow from operating activities(3)	Remaining cash(Insufficient) balance (1)+(2)-(3)	Remedial measures for cash deficit	
				Investment plans	Wealth management plans
171,492	168,275	(33,013)	306,754	-	-
<p>Analysis of cash flow changes:</p> <p>1. Analysis of cash flow changes for 2023: Operating activities: This is mainly due to net cash inflow from operating activities at NT\$168,275 thousand. Investment activities: It is mainly due to net cash inflow from acquisition of real properties and increase in long-term receivables.</p>					

Financing activities: It is mainly due to distribution of 2022 cash dividends, resulting in net cash outflow.

2. Remedial measures for estimated cash deficit and the liquidity analysis: N/A.

(II) Improvement plan for lack of liquidity: N/A.

IV. Impact of major capital expenditures in the most recent year on financial operations

(I) The utilization of major capital expenditures and sources of funds: None.

(II) Expected benefits generated: N/A.

V. The investment strategy in the most recent year, main causes for gains or losses, improvement plans, and investment plans for the coming year

(I) Investment policy for the most recent year:

The Company's current investment policy focuses on the targets related to the development of the core business. The Company will not engage in investment in other industries, and the relevant executive departments will comply with the internal control system regarding circular investment, supervision and management of subsidiaries, and the procedures for the acquisition and disposal of assets. Said policies or procedures have been discussed and approved by the board of directors or the shareholders' meeting.

(II) The main reasons for gains (losses) on investment and improvement plan:

The Company's 2023 gains on investment using the equity method recognized were NT\$8,263 thousand, a decrease of NT\$1,670 thousand from the NT\$9,933 thousand in 2022, which was mainly due to a decrease in the gains on the investment in Tension Envelop.

(III) Investment plans for the coming year: None.

VI. Analysis and Assessment of Risk Matters

(I) Impact of interest and exchange rate changes and inflation on the Company's profit and loss in the most recent year and future countermeasures:

Unit: NTD thousand

Item	2023	2022
Net operating revenue	1,343,318	1,330,274
Interest expenses	239	543
Interest expense/net revenue	0.02%	0.04%
Net gains (losses) on foreign exchange	117	1,060
Foreign exchange gain (loss)/Net revenue	0.01%	0.08%

1. Impact of interest rate changes on the Company's profit and loss and future countermeasures

For the fiscal year 2023, our company recorded interest expenses totaling NT\$239 thousand, primarily associated with financial costs from bank loans. Given the minimal

impact of interest rate fluctuations on our operations due to our conservative cash management policy, the impact on our profit and loss is limited. Our policy prioritizes security and stability, focusing on placing idle funds in bank deposits and making time deposits based on available capital. In response to our operational cash needs, we have secured competitively low interest rates for our borrowings and have made appropriate adjustments to our financial management. Moving forward, we will continue to monitor interest rate trends to improve our financial structure and reduce exposure to interest rate risk, ensuring we choose financing options that offer the best rates to mitigate operational risks.

2. Impact of exchange rate changes on the Company's profit and loss and future countermeasures

The Company's purchases and sales are mainly conducted in NTD, USD, and CNY. The net exchange gains (losses) for 2022 and 2023 were NT\$(1,060 thousand) and NT\$117 thousand, respectively. The changes in exchange gains and losses were mainly caused by changes in the foreign currency assets held by the Company. The positions of foreign currency assets and liabilities held by the Company and the equivalent in the receipt and payment period can offset market risks. In addition, the number of days in the credit and payment periods are relatively short as most of payments and receipts are completed in only 1 to 2 months. Therefore, exchange rate changes do not have a significant impact on the Company.

The Company's financial unit will maintain close contact with various financial institutions according to the situation and ask them to provide professional consulting services for the Company to keep abreast of international exchange rate trends in real time. Meanwhile, the Company will adjust foreign currency positions in a timely manner according to actual capital needs and exchange rates in order to minimize the impact of exchange rate changes on the Company's profit and loss.

3. Impact of inflation on the Company's profit and loss and future countermeasures

The Company's products are not sold to general consumers, so inflation has no direct and immediate impact on the Company. In the past, inflation did not affect the Company's profit and loss. In the future, the Company will pay close attention to market price fluctuations. If the purchase cost increases due to inflation, the Company will adjust the sales price appropriately and keep abreast of the price changes of upstream raw materials to reduce the risk to the Company's profit and loss due to cost changes.

(II) Policy for high-risk, high-leverage investments, loaning of funds, endorsements and guarantees, as well as derivatives transactions in the most recent year, major causes for profits or losses, and future countermeasures:

1. With a robust and pragmatic business philosophy, the Company focuses on operating its core business and does not engage in high-risk and high-leverage investments.
2. The Company has formulated the Procedures for Lending Funds to Others as the basis for the Company to engage in the lending of funds to others. As of the publication date of the annual report, the Company has not lent funds to others.
3. The Company has formulated the Operating Procedures for Endorsements and Guarantees as the basis for the Company to engage in endorsements/guarantees. As of the publication date of the annual report, the Company has not engaged in endorsements/guarantees.
4. The Company's financial hedging strategy is to hedge the risk of exchange rate fluctuations. As of the publication date of the annual report, the Company has not engaged in derivatives trading.

5. In the future, if the Company needs to lend funds to others, provide endorsements/guarantees, or engage in derivatives trading because of business needs, it will proceed in accordance with the relevant operating procedures established by the Company, and announce relevant information in a timely and correct manner according to laws and regulations.

(III) Future R&D projects and estimated expenses:

1. Future R&D projects

The development of the Company's products and technologies has always been in line with the needs of customers and the market, and the Company will pay close attention to future trends and developments in the industry, and research and develop products and technologies with great market growth potential in the future.

2. Estimated R&D expenses

The estimated R&D expenditure will be gradually budgeted according to the development progress of new products and new technologies. With the growth of revenue, the annual R&D expenses will be gradually increased to support future R&D projects, maintain core technologies, and increase the Company's market competitiveness. In the future, the Company will continue to invest in R&D expenses according to the progress and results of R&D.

(IV) Impact of changes in important domestic and foreign policies and laws on the Company's financial operations and countermeasures:

The Company's daily operations are conducted in accordance with relevant domestic and foreign laws and regulations, and it always pays attention to the trends of and changes in domestic and foreign policy development as well as laws and regulations, so as to fully stay up to date with the changes in the market environment and to put forth countermeasures in a proactive and timely manner. As of the publication date of the annual report, the Company's financial operations have not been affected by major changes in important domestic and foreign policies and laws.

(V) The impact of technological transformation (including information and communication security risks) and industrial changes on the Company's financial business and countermeasures:

The Company keeps abreast of technological changes and technological developments in the industry, and stays up to date with market fluctuations and competitors' movements, while adjusting its product mix in a timely manner to meet market needs and maintain its competitiveness. As of the publication date of the annual report, the Company's financial operations have not been affected by major technological and industrial changes.

(VI) Impact of corporate image changes on corporate crisis management and countermeasures:

Since its establishment, the Company has focused on its core business, complied with relevant laws and regulations, actively strengthened internal management, and improved management quality and performance, so as to continue to maintain a good corporate image and increase customers' trust in the Company. As of the date of publication of the annual report, the Company has not had any operational crises due to changes in the corporate image. However, a corporate crisis may cause considerable damage to the Company, so it will continue to implement various corporate governance measures to reduce the chance of occurrence of corporate risks to minimize the impact on the Company.

(VII) The expected benefits and potential risks of mergers or acquisitions and

countermeasures: N/A.

(VIII) The expected benefits and potential risks of plant expansions and countermeasures:
N/A.

(IX) The risks associated with concentrations of sales or purchases on certain customers/suppliers and countermeasures:

1. Purchases:

The main raw materials of the Company's products are software licenses, information hardware equipment, paper, and other raw materials. The raw material procurement strategy is to comprehensively evaluate a supplier's quality, price, delivery, and cooperation. The Company serves as an agent for SAP's systems for the ERP integration and planning services, so the software licenses are concentrated in SAP Taiwan Co., Ltd., SAP's subsidiary in Taiwan. Although the Company's purchases are concentrated in SAP Taiwan Co., Ltd., the Company is also one of SAP's gold partners. In addition to continuing to establish positive partnership with existing suppliers, the Company actively seeks and works with excellent suppliers and has at least two suppliers for each raw material, so the Company should not have the risk of unstable supply sources.

2. Sales:

The Company's sales to the top ten customers accounted for 44% and 48% of the net operating revenue in 2021 and 2022, respectively. The sales were not concentrated in the top ten customers in terms of their proportion to the Company's revenue. In addition, there was no single customer accounting for more than 25% of the Company's revenue, so the Company did not have sales concentrated on single customers.

(X) The impact and risks of massive transfer of shares by directors, supervisors, or major shareholders holding more than 10% of the shares on the Company and countermeasures:

Regarding share transfers, there have been no significant transfers of equity by directors or shareholders owning more than ten percent of the company in the most recent fiscal year up to the date of the annual report publication.

(XI) The impact and risks of changes of the management right on the Company and countermeasures: none

(XII) For any of the Company's directors, supervisors, president, de facto responsible persons, or major shareholders holding more than 10% of the shares involved in any litigation, non-litigious proceeding, or administrative dispute that has been finalized or is pending, with a significant impact on shareholders' equity or the price of securities, the facts in dispute, the amount of the subject matter, the commencement date of the litigation, the main parties involved in the litigation, and the handling situation as of the publication date of the annual report shall be disclosed: N/A.

(XIII) Information security risk assessment analysis and countermeasures:

1. Information security policy:

To ensure the sustainable operation of our business and enhance our information security management system, we have established a robust information security policy. This policy is designed to protect the confidentiality, integrity, and availability of our information assets, thereby enhancing the reliability of our information processing facilities and network systems. It also serves to heighten our employees' awareness of information security, aiming to effectively and reasonably reduce the operational risks associated with our enterprise. Through the joint efforts of all colleagues, we shall achieve the following policy goals:

(1) Ensure that the Company's information security system continues to operate

normally.

- (2) An information security monitoring center is established to ensure that the network and equipment in server rooms will still be available despite incidents or errors.
- (3) Moreover, we include strict security requirements and provisions for the collection and use of personal data in all project contracts. This measure is crucial to ensure that our key information systems are protected against data breaches and service interruptions due to information security incidents, thereby safeguarding sensitive data and ensuring service continuity.

2. Establishment of a risk management system:

In order to maintain information security within the scope of the Company's information security management system, the Company has established risk management procedures through systematic risk assessment methods and procedures to clarify the potential risks for information assets, and to identify various risks so as to implement appropriate control measures, with the aim of reducing the risk to a tolerable level and alleviate the threat of information security incidents. For example, daily file and data backup and remote backup is conducted to ensure uninterrupted service. After backup, the information personnel will check the records.

In order to restore operations as soon as possible when information system damage occurs, and to reduce possible losses and risks, the Company has a disaster recovery plan and a disaster prevention plan, and the tests are carried out every year.

3. Information security and cyber risk assessment:

According to the Company's risk management procedures, the network and computer security protection systems are used to control or maintain the Company's R&D, accounting, and other important corporate operations, with the aim of reducing risks to a tolerable level, but there is no guarantee that the computer systems can completely avoid cyberattacks that will paralyze systems from any third parties.

The Company will review and evaluate the information management control cycle every year to ensure its appropriateness and effectiveness, but it cannot guarantee that the Company will not be affected by new risks and attacks of the ever-changing cyber security threats. Cyber attacks may attempt to steal the Company's business secrets, other intellectual property, and confidential information. Malicious hackers may also try to install computer viruses, destructive software, or ransomware in the Company's network system to interfere with the Company's operations or gain the control of the Company's computers so as to blackmail the Company or snoop on its confidential information.

As of the publication date of the annual report, the Company has not found any major cyber attacks or incidents that have had or might have a significant adverse impact on its business and operations, and has not been involved in any legal cases or regulatory investigations in this regard.

4. Information security implementation measures:

In addition to regular information security education and training for the Company's employees, the Company strictly controls the entry and exit of server rooms, and has established an intrusion prevention system, an anti-spam system, an endpoint anti-virus systems, etc., to improve information security protection, while regularly conducting drills for the continuity of important business activities to ensure employees' safety and the continuity of critical operations or business activities and to reduce losses caused by incidents. The Company also conducts regular drills for data backup systems and disaster recovery mechanisms to reduce the impact of disasters

on the Company's operations and ensure uninterrupted service.

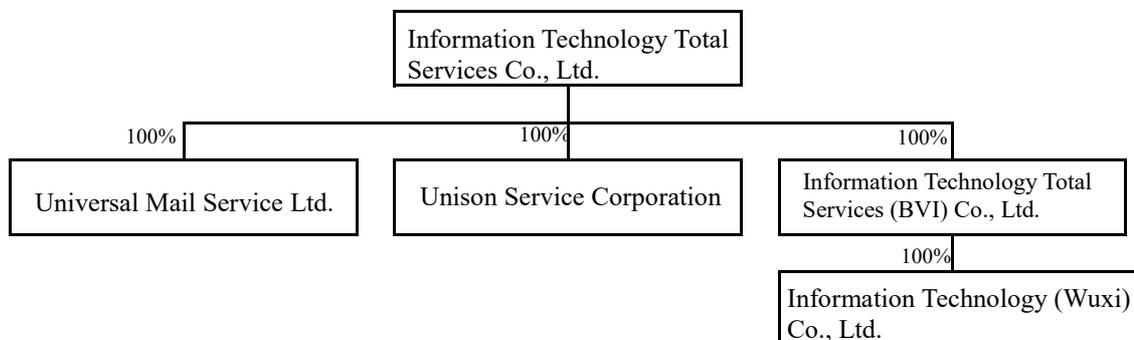
VII. Other Important Matters: None.

Eight. Special Disclosures

I. Information on Affiliates

(I) Consolidated Business Report of Affiliates

1. Organizational chart of affiliates



2. Basic information on affiliates

Unit: NTD thousand

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
Unison Service Corporation	90.08	21F-5, No. 97, Section 1, Xintai 5th Road, Xizhi District, New Taipei City	17,000	Customer relationship management service and Consulting services for the establishment of customer service centers.
Universal Mail Service Ltd.	78.12	2F, No. 51, Wuquan 7th Road, Wugu District, New Taipei City	13,000	Postal information integration and bill printing outsourcing service
Information Technology Total Services (BVI) CO., LTD.	90.03	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	48,424	Investment holding company
Information Technology (Wuxi) Co., Ltd.	93.08	2F, Component Factory, Lot 65-C, Xinwu District, Wuxi City	10,167	ERP establishment, system maintenance, and information equipment procurement ERP establishment, system maintenance, and information equipment procurement

3. Affiliates with a controlling and subordinate relationship as concluded in accordance with Article 369-3 of the Company Act: None

4. In terms of the industries to which all affiliates belong, where the business operations between the affiliates are related to each other, the division of labor shall be specified:

A. Services offered by the Company's affiliates

B. The Company provides information software, data processing, and electronic information supply services to affiliates.

5. Information of Directors, Supervisors and General Managers of each affiliated company

Company Name	Title	Name of individual or representative	Shareholding	
			Number of shares	Shareholding percentage
Unison Service Corporation	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Director	Chen-Ju Chen (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Director	Lung-Chu Hung (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Supervisor	Jui-E Chen (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
Universal Mail Service Ltd.	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,560,000	100.00%
	Director	Tsung-Yu Chiang (Information Technology Total Services Co., Ltd.)	1,560,000	100.00%
	Director	Lung-Chu Hung (Information Technology Total Services Co., Ltd.)	1,560,000	100.00%
	Supervisor	Jui-E Chen (Information Technology Total Services Co., Ltd.)	1,560,000	100.00%
Information Technology Total Services (BVI) CO., LTD.	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,541,000	100.00%
Information Technology (Wuxi) Co., Ltd.	Chairman	Shang-Wei Gao (Information Technology Total Service (BVI) Co., Ltd)	-	100.00%
	Director	Shi-Yang Lin (Information Technology Total Service (BVI) Co., Ltd)	-	100.00%
	Director	Shao-Cheng Huang (Information Technology Total Service (BVI) Co., Ltd)	-	100.00%
	Supervisor	Lung-Chu Hung (Information Technology Total Service (BVI) Co., Ltd)	-	100.00%

(II) Overview of the Operations of Affiliates

The financial position and operating results of each affiliate

December 31, 2023/Unit: NTD thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profits	Net income (after tax)	Earnings per share (ntd) (after tax)
Unison Service Corporation	17,000	43,794	19,414	24,380	104,408	11,381	9,336	5.49
Universal Mail Service Ltd.	15,600	29,176	8,098	21,078	42,754	5,984	4,686	3.61
Information Technology Total Services (BVI) CO., LTD.	48,424	80,147	84	80,063	-	(66)	8,682	5.63
Information Technology (Wuxi) Co., Ltd.	10,167	44,388	9,280	35,108	52,590	4,926	6,180	N/A

(III) Consolidated Financial Report of Affiliates

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

(IV) Business Report of Affiliates: Not Applicable

II. Any private placement of securities in the most recent year and up to the publication of this annual report:

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 thousand has been raised, and the registration of the change has been completed.

The Company's board of directors resolved to arrange private placement of shares over-the-counter on August 11, 2022. The Taipei Exchange approved the application and it went into effect on October 26, 2022. The shares have been publicly traded since November 9, 2022.

III. The company's shares held or disposed of by subsidiaries in the most recent year and up to the publication of this annual report: N/A.

IV. Other important supplementary information: N/A.

V. Any events that occurred in the most recent year and up to the publication date of this annual report which significantly affected shareholders' equity or the price of shares pursuant to article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act: N/A.

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY 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.

INDEPENDENT AUDITORS' REPORT

(2024) Cai-Shen-Bao-Zi No. 23003445

To Information Technology Total Services Co., Ltd.

Audit opinion

We reviewed the accompanying parent company only balance sheets of Information Technology Total Services Co., Ltd. (the "Company") for the years ended December 31, 2023 and 2022, and the relevant parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, based on the audit results of the accountant and other accountant's audit reports (refer to the section of "Other matters"), the above-mentioned individual financial statements are prepared in accordance with the Securities Issuers Financial Reporting Standards and are sufficient to fairly present the financial position of the Company as of December 31, 2023 and 2022, as well as the individual financial performance and individual cash flows for the period from January 1, 2023 to December 31, 2023 and January 1, 2022 to December 31, 2022.

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 Parent Company Only Financial Report section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

The key audit matters refer to the matters that, in the auditor's professional judgment, are of most significance in the audit of the Company's individual financial statements for the year

2023. These matters were addressed in our audit of the parent company only 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 parent company only financial statements of the Company for the year 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 parent company only financial statements for the accounting policies for the revenue recognition of the Company. For critical accounting estimates and assumptions, please refer to Note 5 of the parent company only financial statements.

The main business items of the Company are information software, information processing, and electronic information supply, and the sale of a variety of information equipment. 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 parent company only financial statements, we have listed the correctness of 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(6) of the parent company only financial statements, the financial statements of the Company’s investees using the equity method included in the parent company only financial statements were not audited by ourselves but by other CPAs. Therefore, in the opinion expressed by us regarding aforementioned parent company only financial statements, the amounts listed in the 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 5% and 4% of the total standalone 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 standalone comprehensive income, respectively.

Responsibilities of the management and governance bodies for the parent company only financial statements

The responsibilities of the management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation

of Financial Reports by Securities Issuers, and to maintain the necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

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

Auditor’s responsibilities for the audit of the parent company only financial statements

The CPAs inspect individual financial statements in order to be reasonably convinced over whether or not significant untruthful expressions exist in individual financial statements as a whole due to fraud or errors and issue the inspection report accordingly. Reasonable assurance means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the parent-only financial statements will be discovered during an audit conducted in accordance with the auditing standards of the Republic of China. Misstatements may 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 parent company only 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 individual 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 Company'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 Company'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 parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we must 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

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 parent company only financial statements for the year 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.
PARENT COMPANY ONLY BALANCE SHEET
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Assets	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalent	6(1)	\$ 253,542	25	\$ 129,441	15
1136	Financial assets measured at amortized cost – current	6(3) and (8)	1,126	-	755	-
1140	Contract assets – current	6(16)	89,442	9	35,235	4
1150	Notes receivable, net	6(4)	6,362	1	1,657	-
1170	Accounts receivable, net	6(4)	270,881	27	292,893	33
1180	Accounts receivable - related parties, net	7	65,006	6	60,141	7
1200	Other receivables		5,412	1	6,136	1
1210	Other receivables – related parties	7	-	-	61	-
130X	Inventories	6(5)	1,729	-	7,939	1
1410	Prepayments		11,683	1	14,215	2
11XX	Total current assets		<u>705,183</u>	<u>70</u>	<u>548,473</u>	<u>63</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive profit or loss - non-current	6(2)	47	-	47	-
1535	Financial assets measured at amortized cost – non-current	6(3) and (8)	246	-	357	-
1550	Investment using equity method	6(6)	177,905	17	171,627	20
1600	Property, plant, and equipment	6(7)	7,966	1	6,177	1
1755	Right-of-use assets	6(8)	290	-	1,669	-
1780	Intangible assets		888	-	971	-
1840	Deferred income tax assets	6(22)	1,334	-	5,847	-
1920	Refundable deposits		7,649	1	6,665	1
1930	Long-term notes and accounts receivable	6(9)	98,363	10	130,095	15
1990	Other non-current assets – others	6(11)	8,197	1	248	-
15XX	Total non-current assets		<u>302,885</u>	<u>30</u>	<u>323,703</u>	<u>37</u>
1XXX	Total assets		<u>\$ 1,008,068</u>	<u>100</u>	<u>\$ 872,176</u>	<u>100</u>

(Continued)

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY BALANCE SHEET
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liability and equity	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current liabilities					
2130	Contract liabilities – current	6(16)	\$ 24,223	2	\$ 14,633	2
2150	Notes payable		720	-	891	-
2170	Accounts payable		280,774	28	178,904	21
2180	Accounts payable – related parties	7	48,771	5	43,999	5
2200	Other payables	6(10)	50,465	5	54,311	6
2220	Other payables – related parties	7	2,486	-	3,056	-
2230	Income tax liabilities in the current period	6(22)	5,084	1	6,557	1
2280	Lease liabilities – current	6(8)	272	-	1,382	-
2399	Other current liabilities – others		4,536	-	7,251	1
21XX	Total current liabilities		<u>417,331</u>	<u>41</u>	<u>310,984</u>	<u>36</u>
	Non-current liabilities					
2570	Deferred income tax liabilities	6(22)	6,884	1	6,576	1
2580	Lease liabilities – non-current	6(8)	23	-	295	-
2645	Deposit received		397	-	743	-
25XX	Total non-current liabilities		<u>7,304</u>	<u>1</u>	<u>7,614</u>	<u>1</u>
2XXX	Total liabilities		<u>424,635</u>	<u>42</u>	<u>318,598</u>	<u>37</u>
	Equity					
	Share capital					
3110	Common shares	6(12)	273,234	27	273,234	31
	Capital surplus					
3200	Capital surplus	6(13)	158,042	16	158,042	18
	Retained earnings					
3310	Legal Reserve	6(14)	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					
3400	Other equity	6(15)	(1,628)	-	(1,042)	-
3XXX	Total equity		<u>583,433</u>	<u>58</u>	<u>553,578</u>	<u>63</u>
	Material contingent liabilities and unrecognized contractual commitments	9				
	Material events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 1,008,068</u>	<u>100</u>	<u>\$ 872,176</u>	<u>100</u>

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

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY 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(16) and 7	\$ 1,298,163	100	\$ 1,277,637	100
5000	Operating costs	6(5), (21) and 7	(1,143,563)	(88)	(1,132,877)	(89)
5900	Gross profit		154,600	12	144,760	11
5920	Realized gain from sales		-	-	289	-
5950	Gross profit, net		154,600	12	145,049	11
	Operating expenses	6(21) and 7				
6100	Selling expenses		(19,064)	(1)	(19,588)	(1)
6200	Administrative expenses		(65,071)	(5)	(65,514)	(5)
6300	R&D expense		(9,809)	(1)	(9,499)	(1)
6450	Expected credit impairment losses		-	-	(22,050)	(2)
6000	Total operating expenses		(93,944)	(7)	(116,651)	(9)
6900	Operating profits		60,656	5	28,398	2
	Non-operating income and expense					
7100	Interest revenue	6(17)	1,242	-	354	-
7010	Other revenue	6(18)	1,561	-	367	-
7020	Other gains and losses	6(19)	117	-	1,060	-
7050	Financial costs	6(20)	(61)	-	(274)	-
7070	Share of profit or loss on subsidiaries, associates, and joint ventures accounted for using the equity method	6(6)	23,054	2	32,553	3
7000	Total non-operating income and expenses		25,913	2	34,060	3
7900	Profit before tax		86,569	7	62,458	5
7950	Income tax expense	6(22)	(12,406)	(1)	(6,817)	(1)
8200	Current net income		\$ 74,163	6	\$ 55,641	4
	Other net consolidated incomes					
	Items not recategorized to profits and losses					
8330	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for the using equity method – items not reclassified to profit or loss	6(6)	(\$ 6)	-	\$ 560	-
8349	Income tax related to not recategorized items	6(22)	1	-	(112)	-
	Items possibly recategorized to profits and losses later					
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	6(15)	(732)	-	4,706	1
8399	Income tax related to items likely to be reclassified	6(22)	146	-	(264)	-
8300	Other net consolidated incomes		(\$ 591)	-	\$ 4,890	1
8500	Current total comprehensive income		\$ 73,572	6	\$ 60,531	5
	Earnings per share	6(23)				
9750	Basic earnings per share		\$ 2.71		\$ 2.04	
9850	Diluted earnings per share		\$ 2.70		\$ 2.02	

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

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY 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	Common shares	Capital surplus- additional paid-in capital	Retained earnings			Exchange differences on translation of financial statements of foreign operations	Total
				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(15)	-	-	-	-	448	4,442	4,890
Current total comprehensive income		-	-	-	-	56,089	4,442	60,531
2021 earnings allocation and appropriation	6(14)							
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(15)	-	-	-	-	(5)	(586)	(591)
Current total comprehensive income		-	-	-	-	74,158	(586)	73,572
2022 earnings allocation and appropriation	6(14)							
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.

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY 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		\$ 86,569	\$ 62,458
Adjustments			
Income, expense, and loss			
Depreciation expenses	6(7), (8) and (21)	4,054	3,533
Amortization expenses	6(21)	1,083	639
Expected credit impairment losses		-	22,050
Share of profit on subsidiaries and associates accounted for using the equity method	6(6)	(23,054)	(32,553)
Realized gross margin		-	(289)
Interest expenses	6(20)	61	274
Interest revenue	6(17)	(1,242)	(354)
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable, net		(4,705)	(1,223)
Notes receivable – related parties		-	3,790
Accounts receivable		22,012	(49,610)
Accounts receivable – related parties		(4,865)	(317)
Contract assets – current		(54,207)	16,771
Other receivables		724	1,399
Other receivables – related parties		61	(61)
Inventories		6,210	(375)
Prepayments		2,532	264
Net changes in liabilities related to operating activities			
Notes payable		(171)	(279)
Accounts payable		101,870	25,190
Accounts payable – related parties		4,772	10,110
Contract liabilities – current		9,590	(2,399)
Other payables		(5,171)	2,906
Other payables – related parties		(570)	3,056
Other current liabilities – others		(2,715)	2,950
Cash inflow from operations		142,838	67,930
Interest received		1,242	354
Dividends received	6(6)	16,039	350
Interest paid		(61)	(274)
Income tax paid		(8,912)	(15,099)
Net cash inflow from operating activities		151,146	53,261

(Continued)

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
PARENT COMPANY ONLY 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>			
Financial assets measured at amortized cost – increase/decrease		(260)	359
Cash paid for purchase of property, plant, and equipment	6(24)	(3,139)	(1,987)
Acquisition of intangible asset		(1,000)	(999)
Decrease in long-term notes and accounts receivable		31,732	31,791
Increase in other non-current assets – others		(7,949)	-
Increase in refundable deposit		(984)	(2,849)
Net cash inflow (outflow) from investing activities		<u>18,400</u>	<u>26,315</u>
<u>Cash flow of fund-raising activities</u>			
Increase (Decrease) in guarantee received	6(25)	(346)	93
Repayment of lease principal	6(25)	(1,382)	(793)
Distribution of cash dividends	6(14)	(43,717)	(54,647)
Net cash outflow from financing activities		<u>(45,445)</u>	<u>(55,347)</u>
Increase in cash and cash equivalents in the current period		124,101	24,229
Balance of cash and cash equivalents at beginning of period	6(1)	<u>129,441</u>	<u>105,212</u>
Balance of cash and cash equivalents at ending of period	6(1)	<u>\$ 253,542</u>	<u>\$ 129,441</u>

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

INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

I. Company History

Information Technology Total Services Co., Ltd. (the “Company”) was incorporated in Republic of China. The main business items of the Company 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 Company.

II. Date and Procedures for Approval of the Financial Report

The parent company only 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:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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 Company has assessed that the above standards and interpretations have no material impact on the Company’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:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current 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 21 “Lack of Exchangeability”	January 1, 2025

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

The parent company only 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

1. Except for the following important items, the parent company only financial statements have been prepared at historical cost:

Financial assets at fair value through other comprehensive income.

2. The preparation of financial statements in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed and issued into effect by the FSC requires the use of some critical accounting estimates. In the process of applying the Company’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 parent company only financial statements, please refer to Note 5 for details.

(III) Foreign currency exchange

The currency of the main economic environment in which the Company operates (i.e. functional currency) is measured by the Company. The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

1. Foreign currency transactions and balances

- (1) Each foreign currency transaction is translated into the functional currency at the spot exchange rate on the transaction date or the measurement date, and the exchange difference arising from the translation of the transaction is recognized in current profit or loss.
- (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 Company 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 (if the average exchange rate is not a reasonable approximation of the cumulative effect of the exchange rate on such transaction days, in this case, the income and expense items are translated at the exchange rate on the transaction day); and
- (3) All exchange differences arising from translation are recognized in other comprehensive income.

(IV) 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 assets 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 Company classifies all the assets that do not meet the aforementioned conditions as non-current assets.

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 Company classifies all the liabilities that do not meet the aforementioned conditions as non-current liabilities.

(V) 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.

(VI)Financial assets at fair value through other comprehensive income

1. The Company 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 Company adopts trade date accounting for financial assets at fair value through other comprehensive income in compliance with transaction practices.
3. The Company 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 Company 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.

(VII)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 Company adopts trade date accounting for financial assets at amortized cost in compliance with transaction practices.
3. The Company 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 Company 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.

(VIII)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 Company measures the short-term accounts and notes receivable without interest at original invoice amount because the discount does not have material impact.

(IX) Impairment of financial assets

The Company, 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.

(X) Derecognition of Financial Assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the assets become invalid.

(XI) 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.

(XII) The equity method is adopted for investment in the subsidiaries and associates.

1. A subsidiary refers to an entity under the control of the Company (including structured entities). When the Company is exposed to variable returns from the participation in the entity or is entitled to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity.
2. Unrealized gains and losses between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
3. The Company recognizes the share of profit or loss on subsidiaries after acquisition in current profit or loss, and recognizes the share of other comprehensive income on subsidiaries after acquisition as other comprehensive income. If the Company's share of loss on a subsidiary that is recognized equals or exceeds its equity in the subsidiary, the Company continues to recognize the loss based on its shareholding percentage.
4. Associates refer to all entities that the Company has a significant influence on without control. Generally, the Company holds at least 20% of their voting shares directly or indirectly. The Company adopts the equity method to treat the investment in associates, which is recognized at cost of acquisition.
5. The Company 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 Company's share of losses on an associate equal or exceeds its equity in the associate (including any other unsecured receivables), the Company will not recognize further losses unless the Company has incurred legal obligations or constructive obligations to said associate, or made payments on behalf of said associate.
6. 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 Company recognizes all equity changes in “capital surplus” based on the shareholding percentage.

7. Unrealized gains or losses arising from transactions between the Company 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 Company.
8. Where the Company 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 Company 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.
9. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit or loss and other comprehensive income in the parent company only financial statements shall be the same as those attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. The owners’ equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent company in the financial statements prepared on a consolidated basis.

(XIII) 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. The subsequent cost will be incorporated in the carrying amount of the assets or stated as an independent asset only when the future economic benefit related to the item concerned may have great potential to flow in the Company and the cost of the item can be measured reliably. 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 Company reviews each asset for its residual value, useful life and depreciation method at the end of every fiscal year. If the expected value is different from the estimate, or the expected consumption pattern of the future economic benefit contained in an asset changes substantially, the requirements of changes in accounting estimates specified in IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” shall apply from the date of change. 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

(XIV) 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 Company. 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 Company'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; and

Subsequently, 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.

(XV) 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.

(XVI) Impairment of non-financial assets

The Company assess the recoverable amount of the assets that may have impairment on the balance sheet date. Impairment loss is recognized if the recoverable amount is less than the carrying amount. 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.

(XVII) Loan

A loan is a long-term or short-term borrowing from a bank. The Company measures borrowings at fair value less transaction costs at the time of initial recognition. Any difference between the price less transaction costs and the redemption value is subsequently measured at amortized cost during the borrowing period using the effective interest method.

(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 Company 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 rereasurement 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 Company 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 Company calculates the current income tax based on the tax rate legislated or substantively legislated on the balance sheet date in the countries where business is operated and taxable income is generated. 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.Deferred income taxes are accounted for using the balance sheet method, recognizing temporary differences between the tax bases of assets and liabilities and their carrying amounts in the individual entity's balance sheet. Deferred income tax liabilities arising from goodwill recognized at the time of the original transaction are not recognized. Deferred income taxes arising from the initial recognition of assets or liabilities in a transaction (excluding business combinations) that affects neither accounting profit nor taxable income (tax loss) at the time of the transaction nor in future periods are not recognized. Deferred income tax is accounted for using the tax rates (and laws) that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- 4.Deferred income tax assets are recognized to the extent that it is probable that temporary differences will be utilized to offset future taxable income and are reviewed for recognition and measurement at each 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 Company 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 buyer has discretion over the distribution channels and price of products sold, and the Company has no outstanding performance obligations that may affect the buyer's acceptance of the products.

2.Service revenue

- (1) The Company provides information software, data processing, and electronic information supply services. When the outcome of service transactions can be reliably estimated, revenue is recognized using the percentage-of-completion method. The degree of completion is estimated based on the proportion of costs incurred to date compared to the estimated total transaction costs and the value of services transferred to customers (and based on practical expedients, revenue is recognized based on the value of performance completed for customers eligible for invoicing). When the outcome of transactions cannot be reliably estimated, revenue is recognized within the range of costs already incurred that is likely to be recoverable. Payments by customers are made according to the agreed payment schedule for the contract price. When the services provided by the company exceed the payments due from customers, it is recognized as contract assets; if the payments due from customers exceed the services provided by the company, it is recognized as contract liabilities. The Company also provides sales services for information software and its license maintenance. Because it is still part of the information service, it is recognized in service revenue when the control is transferred to a customer.
- (2) The Company'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.

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

During the preparation of the parent company only 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

Recognition of revenue

Service revenue recognized under the percentage-of-completion method is calculated based on the degree of service provided during the service contract period, with related service costs recognized as expenses when incurred. The degree of service provided is determined by referencing the costs incurred up to the end of the financial reporting period for each service contract, as a percentage of the estimated total costs for that contract. The estimated total costs of service contracts are evaluated by management based on the nature of each case, expected manpower input, contract duration, and other factors, relying on the company's subjective judgment. Actual results may differ from estimates, leading to significant changes.

VI. Description of Significant Accounting Titles

(I)Cash and cash equivalent

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 205	\$ 190

Checking deposit and demand deposit	253,337	129,251
Total	<u>\$ 253,542</u>	<u>\$ 129,441</u>

1. The financial institutions the Company 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, 2023 and 2022, the Company provided restricted cash and cash equivalents as performance bonds, amounting to \$1,372 and \$1,112, 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

Item	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily at fair value through other comprehensive income		
Unlisted stocks	\$ 47	\$ 47
Total	<u>\$ 47</u>	<u>\$ 47</u>

1. The Company has chosen to classify non-listed, over-the-counter, and emerging market stocks held for stable dividend income as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of December 31, 2023 and 2022, were both \$47.
2. Financial assets at fair value through other comprehensive income recognized in profit or loss and comprehensive income in 2023 and 2022 were both in the amount of \$0.
3. As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company’s financial assets at fair value through other comprehensive income was both in the amount of \$47.
4. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note 12(3). The counterparties for the Company’s investment in certificates of deposit are financial institutions with high credit ratings. Therefore, the expected risk of default is rather low.

(III) Financial assets measured at amortized cost

Item	December 31, 2023	December 31, 2022
Current item:		
Time deposits	\$ 605	\$ 605
Performance bond	521	150
Total	<u>\$ 1,126</u>	<u>\$ 755</u>
Non-current items:		
Performance bond	<u>246</u>	<u>357</u>

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

	2023	2022
Interest revenue	<u>\$ 13</u>	<u>\$ 8</u>

2. As of December 31, 2023 and 2022, 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 \$1,372 and \$1,112, 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 6,362	\$ 1,657
Accounts receivable	<u>\$ 272,869</u>	<u>\$ 316,931</u>
Less: Allowance loss	(<u>1,988</u>)	(<u>24,038</u>)
	<u>\$270,881</u>	<u>\$292,893</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 266,277	\$ 292,733
Within 30 days	6,884	14,460
31–90 days	6,065	11,386
91–180 days	5	9
181 and above	-	-
	<u>\$ 279,231</u>	<u>\$ 318,588</u>

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

2. The balances of accounts receivable and notes receivable as of December 31, 2023 and 2022 were all generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2022, was \$267,755.

3. As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's notes receivable was in the amount of \$6,362 and \$1,657, respectively; the maximum amount of the exposure to the credit risk arising from the Company's accounts receivable was in the amount of \$270,881 and \$292,893, respectively

4. The Company did not pledge notes and accounts receivable as collateral.

5. Please refer to Note 12(3) for detailed information on the credit risk of accounts and notes receivable.

(V) Inventories

	<u>December 31, 2023</u>		
	<u>Costs</u>	<u>Allowance for valuation loss</u>	<u>Carrying amount</u>
Merchandise inventory	\$ 163	\$ -	\$ 163
Software and hardware costs and consumables for projects	4,150	(2,584)	1,566
	<u>\$ 4,313</u>	<u>((\$ 2,584))</u>	<u>\$ 1,729</u>
	<u>December 31, 2022</u>		
	<u>Costs</u>	<u>Allowance for valuation loss</u>	<u>Carrying amount</u>
Merchandise inventory	\$ 1,131	\$ -	\$ 1,131

Software and hardware costs and consumables for projects	9,392	(2,584)	6,808
	<u>\$ 10,523</u>	<u>(\$ 2,584)</u>	<u>\$ 7,939</u>

The cost of inventories and consumables sold by the Company in 2023 and 2022 were \$351,227 and \$402,526, respectively.

(VI) Investment using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Information Technology Total Service (BVI) Co., Ltd.	\$ 81,605	\$ 80,063
Tension Envelope Taiwan Corporation	41,768	42,625
Universal Mail Service Ltd.	24,418	20,895
Unison Service Corporation	26,745	24,380
An-Hui Information Technology Co., Ltd.	3,369	3,664
	<u>\$ 177,905</u>	<u>\$ 171,627</u>

1. Subsidiary

- (1) For information on the Company's subsidiaries, please refer to Note 4(3) of the Company's 2023 consolidated financial statements.
- (2) The Company holds more than 50% of the voting shares of Information Technology Total Service (BVI), Unison Service Corporation, and Universal Mail Service Ltd., which have been included as entities in the Company's 2023 consolidated financial report.

2. Associates

- (1) The Company holds 50% of the voting rights of Tension Envelope Taiwan Corporation (hereinafter referred to as "Tension Envelope"). However, the Company 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 Company's investment in Tension Envelope is handled using the equity method.
- (2) The Company's investment in the investee Tension Envelope using the equity method was based on the evaluation of the financial statements audited and certified by other CPAs appointed by the company. Tension Envelope issued cash dividends of \$9,409 and \$350 in 2023 and 2022, respectively.
- (3) The Company 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 Company adopts the equity method for investment in An-Hui Information.
- (4) The basic information of the Company's associates is as follows:

Company name	Principal place of business	Shareholding percentage		Relationship	Measurement method
		December 31, 2023	December 31, 2022		
Tension Envelope Taiwan Corporation	Taiwan	50%	50%	The Company's supplier	Equity method
An-Hui Information Technology Co., Ltd.	Taiwan	15%	15%	Strategic collaboration	Equity method

(5) The carrying amounts of the Company's associates that are individually immaterial and their share of operating results are aggregated below:

As of December 31, 2023 and 2022, the carrying amounts of the Company's associates that are individually immaterial were \$45,137 and \$46,289, respectively.

	<u>2023</u>	<u>2022</u>
Net income from continuing operations in the current period	\$ 15,147	\$ 20,045
Other comprehensive income (net of tax)	(12)	1,120
Current total comprehensive income	<u>\$ 15,135</u>	<u>\$ 21,165</u>

(VII) Property, plant, and equipment

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
January 1, 2023				
Costs	\$ 7,495	\$ 8,326	\$ 3,431	\$ 19,252
Accumulated depreciation and impairment	(6,361)	(5,617)	(1,097)	(13,075)
	<u>\$ 1,134</u>	<u>\$ 2,709</u>	<u>\$ 2,334</u>	<u>\$ 6,177</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>2023</u>				
January 1	\$ 1,134	\$ 2,709	\$ 2,334	\$ 6,177
Additions	3,174	921	370	4,465
Depreciation expenses	(586)	(1,457)	(633)	(2,676)
December 31	<u>\$ 3,722</u>	<u>\$ 2,173</u>	<u>\$ 2,071</u>	<u>\$ 7,966</u>
December 31, 2023				
Costs	\$ 10,669	\$ 9,105	\$ 3,801	\$ 23,575
Accumulated depreciation and impairment	(6,947)	(6,932)	(1,730)	(15,609)
	<u>\$ 3,722</u>	<u>\$ 2,173</u>	<u>\$ 2,071</u>	<u>\$ 7,966</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
January 1, 2022				
Costs	\$ 7,495	\$ 7,256	\$ 2,049	\$ 16,800
Accumulated depreciation and impairment	(5,525)	(4,502)	(632)	(10,659)
	<u>\$ 1,970</u>	<u>\$ 2,754</u>	<u>\$ 1,417</u>	<u>\$ 6,141</u>
<u>2022</u>				
January 1	\$ 1,970	\$ 2,754	\$ 1,417	\$ 6,141
Additions	-	1,386	1,382	2,768
Depreciation expenses	(836)	(1,431)	(465)	(2,732)
December 31	<u>\$ 1,134</u>	<u>\$ 2,709</u>	<u>\$ 2,334</u>	<u>\$ 6,177</u>
December 31, 2022				
Costs	\$ 7,495	\$ 8,326	\$ 3,431	\$ 19,252
Accumulated depreciation and impairment	(6,361)	(5,617)	(1,097)	(13,075)

impairment

	\$ 1,970	\$ 2,709	\$ 2,334	\$ 6,177
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As of December 31, 2023 and 2022, the Company 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:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Buildings	\$ 290	\$ 1,669
	2023	2022
	Depreciation expenses	Depreciation expenses
Buildings	\$ 1,378	\$ 801

3. The additions of the Group’s right-of-use assets in 2023 and 2022 were \$0 and \$2,470, respectively.

4. Information on the profit or loss items related to lease contracts is as follows:

	2023	2022
<u>Items affecting the current profit or loss</u>		
Interest expense on lease liabilities	\$ 16	\$ 20
Expenses of short-term lease contracts and leases of low-value assets	8,553	9,272

5. The Group’s total cash outflows from leases in 2023 and 2022 were \$9,951 and \$10,085, respectively.

(IX) Long-term notes and accounts receivable

	December 31, 2023	December 31, 2022
Long-term accounts receivable	\$ 101,719	\$ 133,962
Less: Unrealized interest revenue	(3,356)	(3,867)
Total	98,363	130,095

1. The expected recovery is as follows:

	December 31, 2023	December 31, 2022
2–5 years	\$ 101,719	\$ 133,962

2. The amounts of notes and payments due within one year as of December 31, 2023 and 2022, were \$47,643 and \$11,305, respectively, which have all been reclassified to “1170 Accounts receivable.”

(X) Other payables

	December 31, 2023	December 31, 2022
Salary payable	\$ 27,337	\$ 32,563
Employee bonuses and directors’ and supervisors’ remuneration payable	11,807	6,680
Labor and health insurance premium and pension payable	4,356	1,735

Payables for equipment	2,425	1,099
Service fee payable	1,770	1,325
Value-added Tax payable	1,166	5,574
Other expenses payable	1,604	5,335
Total	<u>\$ 50,465</u>	<u>\$ 54,311</u>

(XI) Pension

1.(1) On February 3, 2017, the company settled its employees' retirement reserve accounts in accordance with the provisions of the Labor Standards Act. A defined benefit retirement plan was established, applicable to the years of service of all regular employees prior to the implementation of the Labor Pension Act on July 1, 2005, as well as the subsequent years of service for employees who chose to continue to be governed by the Labor Standards Act after the implementation of the Labor Pension Act. Employees who meet the retirement conditions receive retirement benefits based on years of service and the average salary of the six months preceding retirement. For service periods of up to 15 years (inclusive), two units are granted for each completed year of service; for service periods exceeding 15 years, one unit is granted for each completed year of service, with a maximum cumulative limit of 45 units. The Company sets aside 2% of the total salary monthly for the retirement fund, deposited in a special account under the name of the Labor Pension Supervisory Committee at the Bank of Taiwan.

(2) Amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net defined benefit assets (recognized in 1990 Other non-current assets – others”)	\$ 248	\$ 248

There was no change in the net defined benefit assets in 2023 and 2022.

2.(1) The Company established a defined appropriation plan on July 1, 2005 accordance to the “Labor Pension Act.” It is applicable to the employees of R.O.C. nationality. For the employees choosing the labor pension system specified in the “Labor Pension Act,” the company contributes a labor pension based on 6% of the monthly wage to the personal account of the employee with the Bureau of Labor Insurance. Employees may receive the payment of the pension every month or on a lump-sum basis depending on the accumulated earnings of the personal pension account.

(2) The cost of pensions recognized based on the methods above for 2023 and 2022 were \$7,803 and \$7,969, respectively.

(XII) Share capital

1. As of December 31, 2023, 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)

		<u>2023</u>		
		<u>Common stock via private placement</u>	<u>Unrestricted shares</u>	<u>Total</u>
January 1	(same as December 31)	-	27,323	27,323
		<u>2022</u>		
		<u>Common stock via private placement</u>	<u>Unrestricted shares</u>	<u>Total</u>
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

2. On April 23, 2019, the Company's shareholders approved a plan for a private placement cash increase, with the reference date for the private placement being May 15, 2019. The purpose of the cash increase was to repay bank loans and strengthen operational capital. The total number of shares for this private placement was 5,084,000 shares, with a subscription price of \$29 per share. This increase has raised \$147,444 and has completed the registration changes. On August 11, 2022, the company's board of directors approved a plan for a private placement stock issuance to supplement the public offering, which was approved by the Taiwan Stock Exchange Corporation on October 26, 2022, and publicly issued on November 9, 2022.

(XIII) Capital surplus

According to the Company Act, the surplus from the issuance of shares exceeding their par value and the proceeds received from donations constitute capital surplus. This capital surplus, apart from being utilized to offset losses, can be distributed among shareholders in the form of new shares or cash in proportion to their original shareholding when the company has no accumulated losses. However, if the company's retained earnings are insufficient to cover the capital deficit, capital surplus cannot be used to make up for it.

(XIV) Retained earnings

- The profit distribution method stipulated in the company's articles of association is as follows:
 - According to the revised articles of association resolved at the shareholder meeting on June 27, 2022, if the Company has surplus in its annual financial statements, it shall first allocate funds for taxes and offset accumulated losses as required by law. Next, 10% shall be allocated to the statutory surplus reserve, but this requirement does not apply if the statutory surplus reserve has reached the total capital amount. Additionally, according to regulations from the competent authority, a special surplus reserve may be set aside or reversed. After these allocations, if there is still a balance, it shall be added to the undistributed profits from the previous year. The Board of Directors shall then propose a profit distribution plan. Distribution of stock dividends shall be submitted to the shareholder meeting for resolution, while distribution of cash dividends shall be authorized by a resolution of at least two-thirds of the directors present at the meeting, with more than half of the directors in attendance, and reported to the shareholder meeting.
 - According to the articles of association in effect prior to the amendment resolved at the shareholder meeting on June 27, 2022, if the company had surplus in its annual financial statements, it would first allocate funds for taxes and offset accumulated losses as required by law. Next, 10% would be allocated to the statutory surplus reserve, but this requirement did not apply if the statutory surplus reserve had reached the total capital amount. Additionally, according to regulations from the competent authority, a special surplus reserve may be set aside or reversed. After these allocations, if there was still a balance, it would be added to the undistributed profits from the previous year. The Board of Directors would then propose a profit distribution plan, which would be submitted to the shareholder meeting for resolution.
- 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) When adopting IFRSs for the first time, the special surplus reserve provisioned in the letter No. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, should be reversed proportionally by the company upon subsequent use, disposal, or reclassification of related assets. If the related assets are investment properties, the portion related to land is reversed upon disposal or reclassification, while the portion other than land is gradually reversed over the period of use.

4. On May 29, 2023 and June 27, 2022, shareholders' meetings passed the earnings distribution proposal for the year 2022 and 2021 as follows:

	2022		2021	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 5,609		\$ 7,253	
Special reserves	(4,442)		1,205	
Cash dividend	43,717	\$ 2.0	54,647	\$ 2.0
Total	<u>\$ 44,884</u>		<u>\$ 63,105</u>	

5. On February 21, 2024, the board of directors proposed to distribute a dividend of \$2.2 per ordinary share from the earnings for 2023, and the total dividend was \$60,111.

(XV) Other equity items

	2023	2022
January 1	(\$ 1,042)	(\$ 5,484)
Foreign currency exchange difference	(586)	4,442
December 31	<u>(\$ 1,628)</u>	<u>(\$ 1,042)</u>

(XVI) Operating revenue

	2023	2022
Revenue from contracts with customers Service revenue		
Service revenue	\$ 1,293,790	\$ 1,096,838
Sales revenue	\$ 4,373	\$ 180,799
Total	<u>\$ 1,298,163</u>	<u>\$ 1,277,637</u>

1. Details of revenue from customer contracts

The Company'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:

	Information technology outsourcing	Business process outsourcing	Total
2023			
Revenue from contracts with external customers	\$ 829,535	\$ 468,628	\$ 1,298,163
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 264,345	\$ 52,780	\$ 317,125

Revenue recognized gradually over time	565,190	415,848	981,038
	<u>\$ 829,535</u>	<u>\$ 468,628</u>	<u>\$ 1,298,163</u>
2022	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	<u>\$ 711,526</u>	<u>\$ 566,111</u>	<u>\$ 1,277,637</u>
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 399,166	\$ 68,976	\$ 408,142
Revenue recognized gradually over time	372,360	497,135	869,495
	<u>\$ 711,526</u>	<u>\$ 566,111</u>	<u>\$ 1,277,637</u>

2. Contract assets and contract liabilities

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

(1) Contract assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets:			
Contract assets – information system	<u>\$ 89,442</u>	<u>\$ 35,235</u>	<u>\$ 52,006</u>
Consulting agreements			
Contract liabilities:			
Contract liabilities – advance receipts	<u>\$ 24,223</u>	<u>\$ 14,633</u>	<u>\$ 17,032</u>

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

	<u>2023</u>	<u>2022</u>
Contract liabilities – advance receipts	<u>\$ 14,341</u>	<u>\$ 16,094</u>

(3) Unfulfilled long-term consultancy contract

As of December 31, 2023, and December 31, 2022, the portion of the contract transaction price not yet recognized (or partially recognized) for long-term consulting contracts signed with customers amounts to \$47,715 and \$43,062, respectively. Management expects that the portion of the transaction price not yet recognized as revenue for unfulfilled obligations as of December 31, 2023, and December 31, 2022, will be \$47,715 and \$43,062, respectively, to be recognized in the years 2024 and 2023. These amounts do not include amounts subject to variable consideration. Apart from the mentioned contracts, all other information system consulting contracts of the Company are either short-term, lasting less than a year, or billed based on actual service hours. According to IFRS 15, there is no requirement to disclose the transaction price allocated to performance obligations not yet satisfied for such 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

	<u>2023</u>	<u>2022</u>
Bank deposit interest	<u>\$ 1,212</u>	<u>\$ 337</u>
Interest income measured at amortized cost	13	8

Other interest revenue	17	9
Total	<u>\$ 1,242</u>	<u>\$ 354</u>

(XVIII)Other revenue

	2022	2021
Employee and director remuneration	\$ 947	\$ -
Write-off of overdue accounts payable interest	476	-
Rental revenue	-	194
Other Non-operating income	138	173
Total	<u>\$ 1,561</u>	<u>\$ 367</u>

(XIX)Other gains and losses

	2023	2022
Net gains on foreign exchange	\$ 117	\$ 1,060

(XX)Financial costs

	2023	2022
Interest expenses – bank borrowings	\$ 44	\$ 254
Interest expenses – interest on leases	16	20
Other Financial Expenses	1	-
	<u>\$ 61</u>	<u>\$ 274</u>

(XXI)Additional information on the nature of expenses (include Employee Welfare Expense)

	2023	2022
Salary expenses	\$ 156,207	\$ 161,090
Expenses for labor and health insurance	14,081	14,248
Pension expenses	7,803	7,969
Other employment expenses	8,107	7,600
Depreciation expense for property, plant, and equipment	2,676	2,732
Depreciation expense for right-of-use assets	1,378	801
Amortization expense for intangible assets	1,083	639

Note: The above expenses include operational costs.

1. According to the Company's articles of association, after deducting accumulated losses based on the profit situation of the current year, if there is a surplus, the company should allocate 1-10% for employee remuneration and no more than 5% for director remuneration.
2. The estimated amounts for employee remuneration for the years 2023 and 2022 are \$6,889 and \$4,950, respectively, while the estimated amounts for director remuneration are \$4,918 and \$3,530, respectively. These amounts are recognized under the "salaries and wages" account. In 2023, based on the profitability of that year, amounts ranging from 1-10% and not exceeding 5% were estimated. The actual distribution amounts decided by the board of directors were \$6,889 and \$4,918, respectively, with employee remuneration to be disbursed in cash.

For the year 2022, the amounts of employee and director remuneration approved by the board of directors were \$4,950 and \$3,530, respectively, consistent with the amounts recognized in the financial statements for 2022. Employee remuneration for 2022 was disbursed in cash.

Further information regarding employee and director remuneration approved by the board of directors can be found on the Public Information Observation Platform.

(XXII) Income tax

1. income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax current income	\$ 9,327	\$ 10,244
Additional tax levied on undistributed earnings	510	471
Income tax overestimates for prior years	(2,399)	(1,372)
Total current income tax	<u>7,438</u>	<u>9,343</u>
Deferred tax:		
Initial generation and reversal of temporary differences	4,968	2,526
Total deferred income tax	<u>4,968</u>	<u>2,526</u>
Income tax expense	<u>\$ 12,406</u>	<u>\$ 6,817</u>

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

	<u>2023</u>	<u>2022</u>
Translation differences on foreign operations	(\$ 146)	\$ 264
Remeasurement of defined benefit plan – investment using equity method	(1)	112
	<u>(\$ 147)</u>	<u>\$ 376</u>

2. The relationship between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax on net profit before tax calculated at the statutory tax rate	\$ 17,314	\$ 12,491
Income exempt from taxation according to tax law	(3,019)	(4,773)
Income tax overestimates for prior years	(2,399)	(1,372)
Additional tax levied on undistributed earnings	510	471
Income tax expense	<u>\$ 12,406</u>	<u>\$ 6,817</u>

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets:				
Provision for bad debt loss	\$ 4,410	(\$ 4,410)	\$ -	\$ -
Provision for inventory valuation losses	516	-	-	516
Compensation for unused annual leave	147	-	-	147
Interest revenue on long-term receivables	774	(103)	-	671

Subtotal	<u>5,847</u>	<u>4,513</u>	<u>-</u>	<u>1,334</u>
– Deferred income tax liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(6,064)	(455)	-	(6,519)
Exchange difference on translation of financial statements of foreign operations	(264)	-	146	(118)
Remeasurement of defined benefit plan – investment using equity method	(199)	-	1	(198)
Subtotal	(6,576)	(455)	147	(6,884)
Total	(\$ 729)	\$ 4,968	\$ 147	(\$ 5,550)

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognition in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
– Deferred income tax assets:				
Provision for bad debt loss	\$ -	\$ 4,410	\$ -	\$ 4,410
Provision 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	<u>1,585</u>	<u>4,262</u>	<u>-</u>	<u>5,847</u>
– 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)
 4. The Company's profit-seeking business income tax has been approved by the tax authority up until 2021.

(XXIII) Earnings per share

	2023		
	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	\$ 74,163	27,323	\$ 2.71
<u>Diluted earnings per share</u>			
Employee compensation	-	159	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 74,163	27,482	\$ 2.70
	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

(XXIV) Additional information on cash flows

Investing activities with only partial cash payment:

	2023		2022	
	\$		\$	
Purchase of property, plant, and equipment	\$	4,465	\$	2,768
Add: Payables for equipment, beginning of period		1,099		318

Less: Payables for equipment, end of period	(	2,425)	(	1,099)
Cash paid in the current period	\$	3,139	\$	1,987

(XXV) Changes in liabilities from financing activities

	January 1, 2023	Changes in cash flow from financing activities	No effect on changes in cash flows	December 31, 2023
Lease liabilities	\$ 1,677	(\$ 1,382)	\$ -	\$ 295
Deposit received	743	(\$ 346)	-	397
Total liabilities from financing activities	\$ 2,420	(\$ 1,728)	\$ -	\$ 692

	January 1, 2022	Changes in cash flow from financing activities	No effect on changes in cash flows	December 31, 2022
Lease liabilities	\$ -	(\$ 793)	\$ 2,470	\$ 1,677
Deposit received	650	93	-	743
Total liabilities from financing activities	\$ 650	(\$ 700)	\$ 2,470	\$ 2,420

VII. Related Party Transactions

(I) Names of related parties and relationships

Name of the related party	Relationship with the Company
TECO Electric and Machinery Co., Ltd.	Parent company of the Company
Information Technology Total Services (BVI) CO., LTD. (ITTS BVI)	Subsidiary of the Company
Unison Service Corporation (Unison)	Subsidiary of the Company
Universal Mail Service Ltd. (Universal)	Subsidiary of the Company
Information Technology (WUXI) Co., Ltd. (Information Technology WUXI)	Sub-subsidiary of the Company
Tension Envelope Taiwan Corporation (Tension Envelope)	Associate of the Company
An-Hui Information Technology Co., Ltd.	Associate of the Company
Teco Industry (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 (Pte) Ltd. Singapore	Other related parties
TECO Middle East Electrical and Machinery Co. Ltd.	Other related parties
TECO Technology (Vietnam) Co., Ltd.	Other related parties

Name of the related party	Relationship with the Company
TECO-Westinghouse Motor Company	Other related parties
Teco Westinghouse Motor Company S. A. de C. V.	Other related parties
TEMICO Motor India Private Limited	Other related parties
Nidec Sankyo Corporation	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
Hubbell-Taian 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
TECO Technology Foundation	Other related parties
TECO International Investment Co., Ltd.	Other related parties
TECO Smart Technologies Co., Ltd. (TECO Smart)	Other related parties
TECO Electro Devices Co., Ltd.	Other related parties
Tong-An Investment Co., Ltd.	Other related parties
Tong-An Assets Management & Development Co., Ltd.	Other related parties
CellMo Materials Innovation Inc.	Other related parties
Tung Pei Industrial Co., Ltd. (Tung Pei Industrial)	Other related parties
Tecom Co., Ltd.	Other related parties
Tecnos International Consultant Co., Ltd. (Tecnos International)	Other related parties
Fujio Food System Taiwan Co., Ltd.	Other related parties
Jie Zheng Property Service & Management Co., Ltd.	Other related parties
ABC Cooking Studio Taiwan Co., Ltd.	Other related parties
Technical Information International Corporation	Other related parties
Royal Co., Ltd.	Other related parties
Royal Host Taiwan Co., Ltd.	Other related parties
Lien Chang Electronic Enterprise Co., Ltd.	Other related parties
Advantech Co., Ltd. (Advantech)	Other related parties
Teco Image Systems (TIS) Co., Ltd.	Other related parties
NanChang Creative Sensor Technology CO.,LTD.	Other related parties
Century Development Corporation	Other related parties
Century Biotech Development Corporation	Other related parties

(II) Significant transactions with related parties

1. Operating revenue

	2023	2022
Sale of goods:		
Parent company	\$ -	\$ 12,288
Other related parties		
– An-Hui Information Technology Co., Ltd.	-	6,676
– Tung Pei Industrial	-	3,156
– TECO Smart	-	161
– Others	-	1,819
Sale of services:		

Parent company	209,361	208,488
Other related parties		
– Taiwan Pelican Express	34,084	40,087
– An-Shin Food	10,332	8,064
– TECO Smart	-	4,845
– Tung Pei Industrial	4,042	4,255
– Others	62,021	34,384
Sub-subsidiary		
– Information Technology WUXI	8,931	-
Total	<u>\$ 328,771</u>	<u>\$ 332,304</u>

- (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

	2023	2022
Purchase of materials:		
- Parent company	\$ 940	\$ -
- Tension Envelope	2,595	3,681
- Advantech	-	5,955
Purchase of services:		
Parent company	1,933	5,337
Other related parties		
– Technical Information International	8,333	8,032
– Tecnos International	-	921
– Others	3,932	6,352
Subsidiary		
– Unison	97,336	104,537
– Universal	41,017	42,749
Total	<u>\$ 156,086</u>	<u>\$ 176,806</u>

- (1) The purchase price and payment periods with the associates are determined in accordance with the agreement between both parties.
- (2) The purchase of services from the parent company is mainly purchases for the establishment of systems, and there are no similar types of transactions to compare. The payment period is about 30 to 60 days.
- (3) The price and conditions of the purchase of services with other related parties are roughly the same as those with general suppliers, and the payment period is about 30 to 60 days.
- (4) The purchases of services from subsidiaries are related to labor support, packaging and printing, telecommunications costs, and freight, etc., required for operations. There are no similar types of transactions to compare. The price is determined by mutual agreement. The payment period is open account with net 90 days.

3. Receivables from related parties

December 31, 2023 December 31, 2022

Accounts receivable:			
Parent company	\$	43,974	\$ 40,038
Other related parties			
– TECO Smart		3,673	-
– Taiwan Pelican Express		2,866	7,010
– An-Hui Information Technology		265	4,866
– Others		13,286	8,227
Sub-subsidiary			
–Universal		942	-
Subtotal	\$	65,006	\$ 60,141
Other Accounts receivable:			
Other related parties		-	61
Subtotal			61
Total	\$	65,006	\$ 60,202

(1) Accounts receivable from related parties primarily come from providing information software, data processing, and electronic information supply services.

(2) Other accounts receivable mainly consist of postage advances and similar items.

4. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
Parent company	\$ 216	\$ 1,024
Other related parties		
– Technical Information International	6,201	2,794
– Tecnos International	-	138
– Others	756	2,556
Subsidiary		
– Unison	34,260	33,603
– Universal	6,805	2,696
Associates		
– Tension Envelope	533	1,188
Subtotal	48,771	43,999
Other payables:		
Parent company	\$ 2,365	\$ 2,799
Other related parties	16	257
Subsidiary		
– Unison	105	-
Subtotal	2,486	3,056
Total	\$ 51,257	\$ 47,055

5. Lease transaction – lessee

(1) The Group has leased buildings from the parent company. The lease terms are 2023 and 2022, with monthly payments.

(2) Rental expenses

	<u>2023</u>	<u>2022</u>
Parent company	\$ 6,303	\$ 6,179

(III) Information on remuneration to key management personnel

	2023		2022	
Short-term employee benefits	\$	15,346	\$	19,106
Benefits after severance/retirement		304		463
Total	\$	15,650	\$	19,569

VIII. Pledged assets

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

Assets	Carrying amount		Purpose of collateral
	December 31, 2023	December 31, 2022	
Financial assets measured at amortized cost – current	\$ 755	\$ 755	Business performance bond
Financial assets measured at amortized cost – non-current	357	357	Business performance bond
	<u>\$ 1,112</u>	<u>\$ 1,112</u>	

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 2022 financial statements of the Group have been reclassified to ensure consistency with the presentation of the 2023 financial statements for the purpose of comparison.

(II) Capital management

The Company's capital management objectives are to ensure that the Company can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders. Therefore, the Company'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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments selected	\$ 47	\$ 47
Financial assets measured at amortized cost		
Cash and cash equivalent	\$ 253,542	\$ 129,441
Financial assets measured at amortized cost	1,372	1,112
Notes receivable	6,362	1,657
Accounts receivable (including related parties)	335,887	353,034
Other receivables (including related parties)	5,412	6,197
Refundable deposits	7,649	6,665
Long-term notes and accounts receivable	98,363	130,095
	<u>\$ 708,634</u>	<u>\$ 628,248</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Notes payable	\$ 720	\$ 891
Accounts payable (including related parties)	329,545	222,903
Other accounts payable (including related parties)	52,951	57,367
Deposit received	397	743
	<u>\$ 383,613</u>	<u>\$ 281,904</u>
Lease liabilities	<u>\$ 295</u>	<u>\$ 1,677</u>

2. Risk management policy

- (1) The daily operations of the Company are subject to various financial risks, including market risks (such as exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on unforeseeable events in financial markets and seeks to mitigate potential adverse effects on our financial condition and performance.
- (2) Risk management activities are carried out by the finance department of the Company in accordance with policies approved by the board of directors. The finance department works closely with the operational units of the company to identify, assess, and mitigate financial risks. The board of directors has established written principles for overall risk management and also provides 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 the investment of surplus liquidity.

3. Nature and level of material financial risks

- (1) Market risk

Exchange rate risk

- A. The Company 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. Exchange rate risk arises from future business transactions and assets and liabilities recognized.
- B. The Company'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:

	December 31, 2023		
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19.59	30.71	602
<u>Non-monetary items</u>			
<u>(Note)</u>			
USD:NTD	2,658	30.71	81,605

Note: Investment under equity method

	December 31, 2022		
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5.4475	30.71	\$ 174
<u>Non-monetary items</u>			
<u>(Note)</u>			
USD:NTD	2,607	30.71	80,063

Note: Investment under equity method

- C. Exchange rate fluctuations have a significant influence on the Company's monetary items. The aggregate amounts of all exchange gains (including realized and unrealized) recognized for 2023 and 2022 were NT\$117 and NT\$1,060.
- D. The Company's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

	2023		
	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%	\$ 6	\$ -
	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%	\$	2	\$ -

Price risk

- A. The Company'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 Company has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Company.
- B. The Company 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 both \$0 for 2023 and 2022 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 Company is the risk of financial loss suffered by the Company 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 Company has established credit risk management from the Company'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 Company 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 Company 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 Company 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 Company provides loss allowance and recognizes overdue receivables for the amount of the financial asset that cannot be reasonably expected to be recovered. However, the Company will continue to carry out the legal recourse procedures to preserve the creditor's rights. The Company's claims for which loss allowance has been provided with recourse activities still underway was \$0 on both December 31, 2023 and 2022.
- H. The Company 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, 2023 and 2022, is as follows:

	Not past due	Within 30 days	31-90 days	90 and above	Individual assessment	Total
<u>December 31, 2023</u>						
Expected loss rate	0%~1%	0%~10%	0%~20%	0%~40%	100%	
Total carrying amount	\$ 426,657	\$ 9,554	\$ 6,250	\$ 139	\$ -	\$ 442,600
Loss allowance	\$ 246	\$ 682	\$ 1,054	\$ 6	\$ -	\$ 1,988
	Not past due	Within 30 days	31-90 days	90 and above	Individual assessment	Total
<u>December 31, 2022</u>						
Expected loss rate	0%~1%	0%~1%	0%~4%	0%~30%	100%	
Total carrying amount	\$ 481,958	\$ 4,446	\$ 361	\$ 9	\$ 22,050	\$ 508,824
Loss allowance	\$ 1,964	\$ 18	\$ 4	\$ 2	\$ 22,050	\$ 24,038

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

	2023	2022
	Accounts receivable	Accounts receivable
January 1	\$ 24,038	\$ 1,988
Impairment loss recognized	-	22,050
The payment that cannot be refunded and thus written off.	(22,050)	-
December 31	\$ 1,988	\$ 24,038

(3) Liquidity risk

- A. The cash flow forecast is executed by each operating entity in the Company and is compiled by the Company's finance department. The Company's finance department monitors the forecast of the Company'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 Company does not violate the relevant borrowing limits or terms. The forecast considers the Company'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, 2023 and 2022, the Company's available credit limit was \$502,331

and \$643,231, respectively.

- C. The following table shows the Company'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.

	Less than 3 months	Within 3 months– 1 year	Within 1–5 years	Over 5 years	Total
December 31, 2023					
<u>Non-derivative financial liabilities:</u>					
Notes payable	\$ 720	\$ -	\$ -	\$ -	\$ 720
Accounts payable (include the related parties)	270,239	59,306	-	-	329,545
Other payables (include the related parties)	52,951	-	-	-	52,951
Deposit received	397	-	-	-	397
December 31, 2022					
<u>Non-derivative financial liabilities:</u>					
Notes payable	\$ 891	\$ -	\$ -	\$ -	\$ 891
Accounts payable (include the related parties)	161,657	61,246	-	-	222,903
Other payables (include the related parties)	57,367	-	-	-	57,367
Deposit received	743	-	-	-	743

(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.
- 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 Company'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 Company based

on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

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

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 47	\$ 47
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 at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 47	\$ 47

- (2) The methods and assumptions used by the Company to measure fair value are as follows:
- A. The Company does not use market quoted prices as fair value inputs (i.e. Level 1).
 - 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 Company 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 parent company only 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 Company 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 model is an approximate estimate and the valuation technique may not reflect all the factors related to the financial and non-financial instruments that the Company holds. 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 Company'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 parent company only 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 Company 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 Company.

4. There were no transfers between Level 1 and Level 2 fair value in 2023 and 2022.

5. The table below shows the changes in Level 3 fair value in 2023 and 2022:

<u>2023</u>	<u>2022</u>
-------------	-------------

January 1 (or December 31)

Equity instruments		Equity instruments	
\$	47	\$	47

6. In the Company'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, 2023 Fair value	Valuation technique	Significant unobservable input	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments:					
Unlisted stock	\$ 47	Discounted cash flow method	Long-term income growth rate	1.70%	The higher the long-term income growth rate, the higher the fair value.
	December 31, 2022 Fair value	Valuation technique	Significant unobservable input	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments:					
Unlisted stock	\$ 47	Discounted cash flow method	Long-term income growth rate	1.70%	The higher the long-term income growth rate, the higher the fair value.

8. The Company 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:

		December 31, 2023			
		Recognized in profit or loss		Recognition in other comprehensive income	
Input	Change	Favorable change	Adverse change	Favorable change	Adverse change
Financial assets					
Equity instruments	Discounts for lack of market liquidity	±1%	\$ -	\$ -	\$ -

	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 instruments	Discounts for lack of market liquidity	±1%	\$ -	\$ -	\$ -	\$ -

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

Not applicable.

Information Technology Total Services Co., Ltd.
Statement of Cash
December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Petty Cash		\$ 205	
Checking deposit and demand deposit		252,729	
Foreign currency deposit	US\$19.59 thousand @ 30.71	608	
Total		<u>\$ 253,542</u>	

Information Technology Total Services Co., Ltd.
Statement of Accounts Receivable
December 31, 2023

Unit: NTD thousand

Customer	Name	Summary	Amount	Remarks
Company 1			\$ 44,680	
Company 2			22,313	
Company 3			18,507	
Company 4			16,563	
Company 5			14,120	
Others			156,686	Note
			<u>272,869</u>	
Less: Allowance loss			(1,988)	
			<u>\$ 270,881</u>	

Note: The balance of each customer did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Changes in Long-term Equity Investment Using the Equity Method
January 1 to December 31, 2023

Unit: NTD thousand

Name	Opening Balance		Increase in the current period (Note 1)		Decrease in the current period (Note 2)		Closing Balance		Market price or net worth of equity	Guarantee or Pledge
	Number of shares		Number of shares		Number of shares		Number of shares			
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount		
Information Technology Total Services (BVI) Co., Ltd.	1,541	\$ 80,063	-	\$ 1,542	-		1,541	\$ 81,605	\$ 81,605	N/A
Tension Envelope Taiwan Corporation	2,500	42,625	-	8,552	-	(9,409)	2,500	41,768	41,768	“
Universal Mail Service Ltd.	1,300	20,895	260	3,523	-	-	1,300	24,418	24,479	“
Unison Service Corporation	1,700	24,380	-	8,995	-	(6,630)	1,700	26,745	26,745	“
An-Hui Information Technology Co., Ltd.	300	3,664	-	(295)	-	-	300	3,369	3,369	“
		<u>\$ 171,627</u>		<u>\$ 22,317</u>		<u>(\$ 16,039)</u>		<u>\$ 177,905</u>	<u>\$ 177,966</u>	

Note 1: New investments, investment gains or losses recognized using the equity method, shares of other comprehensive income on associates and joint ventures, and foreign currency exchange adjustments, etc.

Note 2: Based on receipt of cash dividends distributed by the investees.

Information Technology Total Services Co., Ltd.
 Statements of Changes in Fixed Assets
 January 1 to December 31, 2023

Unit: NTD thousand

Item	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Reclassification in the current period	Closing Balance	Restricted or Not
Costs						
Machinery and equipment	\$ 7,495	\$ 3,174	\$ -	\$ -	\$ 10,669	N/A
Office equipment	8,326	921	(142)	-	9,105	“
Leasehold improvements	3,431	370	-	-	3,801	“
	<u>\$ 19,252</u>	<u>\$ 4,465</u>	<u>(\$ 142)</u>	<u>\$ -</u>	<u>\$ 23,575</u>	
Accumulated Depreciation						
Machinery and equipment	(\$ 6,361)	(\$ 586)	\$ -	\$ -	(\$ 6,947)	
Office equipment	(5,617)	(1,457)	142	-	(6,932)	
Leasehold improvements	(1,097)	(633)	-	-	(1,730)	
	<u>(\$ 13,075)</u>	<u>(\$ 2,676)</u>	<u>\$ 142</u>	<u>\$ -</u>	<u>(\$ 15,609)</u>	
Carrying amount	<u>\$ 6,177</u>				<u>\$ 7,966</u>	

Information Technology Total Services Co., Ltd.
Long-term Notes and Accounts Receivable
December 31, 2023

Unit: NTD thousand

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Company 1		\$ 101,719	
Less: Unrealized interest revenue		(3,356)	
		<u>\$ 98,363</u>	

Information Technology Total Services Co., Ltd.
Statement of Accounts Payable
December 31, 2023

Unit: NTD thousand

Company Name	Summary	Amount	Remarks
Company A		\$ 26,659	
Company B		19,110	
Company C		18,582	
Company D		16,336	
Company E		16,087	
Company F		14,595	
Others		166,405	Note
Total		\$ 280,774	

Note: The balance of each customer did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Operating Income
January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Sales revenue		\$ 4,373	Note
Service revenue	Corporate electronic services, enterprise resource planning (ERP) and integration, etc.	1,293,790	“
Total		<u>\$ 1,298,163</u>	

Note: Because of the variety and complexity of the products sold and the services provided by the Company, they are classified in this category.

Information Technology Total Services Co., Ltd.
Statement of Operating Costs
January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Merchandise inventory, beginning of period		\$ 1,131	
Add: Purchase in current period (net)		127,207	
Inventory, end of period		(163)	
Cost of sales for the current period		128,175	
Service costs		1,015,388	Note
Operating costs		<u>\$ 1,143,563</u>	

Note: The cost of project hardware and software under inventory items, as well as consumables, are considered necessary investments for service provision. Therefore, their annual consumption is expressed under the "consumption of materials" and "outsourcing costs" under the service cost category.

Information Technology Total Services Co., Ltd.
Statement of Service Costs
January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Outsourcing costs		\$ 612,485	
Materials consumed		223,052	
Salary expenses		104,415	
Other costs		75,436	Note
Total		<u>\$ 1,015,388</u>	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Selling Expenses
January 1 to December 31, 2023

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Salary expenses		\$ 12,306	
Other expenses		6,758	
Total		<u>\$ 19,064</u>	Note

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Administrative and General Affairs Expenses
January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Salary expenses		\$ 31,657	
Rent expenses		7,852	
Service fees		3,341	
Other expenses		22,221	Note
Total		\$ 65,071	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Research and Development Expenses
January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Amount	Remarks
Salary expenses		\$ 7,829	
Insurance premium		658	
Other expenses		1,322	Note
Total		\$ 9,809	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses of the Year by Function
January 1 to December 31, 2023

Unit: NTD thousand

By nature \ By function	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 99,497	\$ 51,692	\$ 151,189	\$ 105,013	\$ 52,382	\$ 157,395
Expenses for labor and health insurance	9,878	4,203	14,081	10,100	4,148	14,248
Pension expenses	5,636	2,167	7,803	5,756	2,213	7,969
Remuneration to directors	4,918	100	5,018	2,392	1,303	3,695
Other employee benefit expenses	4,032	4,075	8,107	3,819	3,781	7,600
Depreciation expenses	2,497	1,557	4,054	1,808	1,725	3,533
Amortization expenses	-	1,083	1,083	-	639	639

Notes:

1. The number of employees for this year and the previous year was 188 and 192, respectively, of which the number of directors who did not serve as employees concurrently was both 8.
2. (1) The average employee benefit expenses in the current year are \$1,007 thousand. The average employee benefit expenses in the previous year were NT\$1,023 thousand.
(2) The average salary expenses in the current year are \$840 thousand. The average salary expense in the previous year were NT\$860 thousand.
(3) The adjustment to the average employee salary expense is 2%.
(4) Supervisor's remuneration for this year and the previous year is \$0. (The Company does not engage supervisors)

Information Technology Total Services Co., Ltd.
Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses of the Year by Function (Continued)
January 1 to December 31, 2023

Unit: NTD thousand

(5) The Company's salary and remuneration policy.

A. The principle of director's remuneration

The remuneration of the directors of the Company is stipulated in the company's articles of association. The Board of Directors is authorized to determine such remuneration based on their level of participation and contribution to the Company's operations, taking into account industry standards, and subject to approval by the Compensation Committee. Directors of the Company may purchase liability insurance within their term of office for the responsibilities they should bear within their scope of duties. Profit distribution is made in accordance with Article 28 of the Company's Articles of Association when the Company's annual financial statements show a profit.

B. Salary and remuneration of managers

The remuneration of the Company's managers includes salary, bonuses, performance bonus, and employee compensation. The remuneration is determined based on their education and experience and in reference to the general salary level in the industry, while the duties and responsibilities of their job positions at the Company, target achievement, contribution, and the Company's operating results for the year are evaluated, so as to provide reasonable remuneration, which shall subsequently be reviewed and approved by the Remuneration Committee.

C. Salary and remuneration of employees

The remuneration of the Company's employees includes salary, bonuses, and employee compensation. The remuneration is determined based on their education and experience and in reference to the general salary level in the industry, while the duties and responsibilities of their job positions at the Company, annual evaluation results, target achievement, contribution, and the Company's operating results for the year are evaluated, so as to provide reasonable remuneration.

Note: The bonuses, performance bonus, and earnings distribution in the remuneration structure are based on the Company's annual operating performance and in reference to the general levels adopted in the industry and based on the changes in the overall business environment to provide reasonable remuneration.

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 Total 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 Total Services Co., Ltd.	Information Service Total (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 Total 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%

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	%	
Current assets						
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	Total current assets		<u>774,813</u>	<u>77</u>	<u>613,290</u>	<u>69</u>
Non-current assets						
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	Total non-current assets		<u>236,732</u>	<u>23</u>	<u>272,321</u>	<u>31</u>
1XXX	Total assets		<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	%	
Current liabilities						
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	Total current liabilities		<u>415,954</u>	<u>41</u>	<u>315,475</u>	<u>35</u>
Non-current liabilities						
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	Total non-current liabilities		<u>12,158</u>	<u>1</u>	<u>16,558</u>	<u>2</u>
2XXX	Total liabilities		<u>428,112</u>	<u>42</u>	<u>332,033</u>	<u>37</u>
Equity						
Equity attributable to owners of the parent company						
	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	Total equity attributable to owners of the parent company		<u>583,433</u>	<u>58</u>	<u>553,578</u>	<u>63</u>
3XXX	Total equity		<u>583,433</u>	<u>58</u>	<u>553,578</u>	<u>63</u>
	Material contingent liabilities and 9 unrecognized contractual commitments					
3X2X	Total liabilities and equity		<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	Profit before tax		<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	Current net income		<u>\$ 74,163</u>	<u>6</u>	<u>\$ 55,641</u>	<u>4</u>
	Other net consolidated incomes					
	Items not reclassified to profits and losses					
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 reclassified items	6(23)	1	-	(112)	-
	Items possibly reclassified to profits and losses later					
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	Other net consolidated incomes		<u>\$ 591</u>	<u>-</u>	<u>\$ 4,890</u>	<u>1</u>
8500	Current total comprehensive income		<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

(Continued)

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

1. 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.
2. 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
	<u>\$ 470</u>	<u>\$ 267</u>

(XVIII) Other revenue

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

(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)
	<u>\$ 1,045</u>	<u>(\$ 527)</u>

(XX) Financial costs

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

(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
	<u>\$ 1,129,176</u>	<u>\$ 1,039,292</u>

(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
	<u>\$ 306,074</u>	<u>\$ 311,304</u>

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

(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>
	December 31, 2022	December 31, 2021
<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:

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

	<u>2022</u>	<u>2021</u>
	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.



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