

INTERACTIVE DIGITAL TECHNOLOGIES INC.  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Interactive Digital Technologies Inc. as of and for the year ended December 31, 2022, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliation Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 "Consolidated Financial Statements". The relevant information required to be disclosed in the combined financial statements is disclosed in the consolidated financial statements. Interactive Digital Technologies Inc. and subsidiaries, do not prepare a combined financial statements.

Yen-Wei Cheng

Chairman

INTERACTIVE DIGITAL TECHNOLOGIES INC.

February 22, 2023

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Interactive Digital Technologies Inc.

### Opinion

We have audited the accompanying consolidated balance sheets of Interactive Digital Technologies Inc. and subsidiaries as of December 31, 2022 and 2021, and the related 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 Interactive Digital Technologies Inc. and subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

### Revenue recognition

Please refer to Note 4.18 to the consolidated financial statements about accounting policy of revenue recognition, Note 5.1 about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Interactive Digital Technologies Inc. and subsidiaries mainly engaged in cable television network and broadband transmission, wireless network, media, IT & cloud services, geographical information system related software and hardware sales and maintenance. Management performance will be impacted by the ability to fulfill separate and aggregate performance obligations due to the rapid change of customer needs and the complexity of contract terms. It often requires management to use appropriate judgements in determining revenue recognition. Therefore, revenue recognition has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Understood and tested the design and operating effectiveness of key controls over revenue recognition.
2. Sampled and inspected major sales contracts and determined whether the committed goods or services had been transferred to customers to satisfy the performance obligations, and obtained relevant documents including test reports or installation acceptance to confirm the correctness of revenue recognition.
3. Performed cut-off test to verify the correct recognition period of significant revenue.

### Inventory Valuation

Please refer to Note 4.10 to the consolidated financial statements about accounting policy of inventory, Note 5.2 about key sources of estimation and uncertainty for inventory valuation.

Interactive Digital Technologies Inc. and subsidiaries mainly engaged in professional system integration business. Due to rapid environment changes, complex system intergration requirements, customer required service adjustments, or the considerations of efficient product technical specifications, it may be necessary to adjust the hardware, software and services to be provided during the system integration process. It may affect the net realizable value of the inventory due to the contract performance and the efficiency of the inventory management. Therefore, inventory valuation has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Analyzed the execution of major projects, compared the expected profit margin set by management with the actual margin performed, selected cases with abnormal project margin and interviewed project managers to evaluate the rationality of abnormal execution performance.

2. Sampled actual costs of the main contracts including the costs of procurement in advance or outsourcing contracts. Reviewed the executed contract budgets and the performance of expected costs of project-in-process.
3. Evaluated the appropriateness of procedures used and data applied in assessing inventory impairment.

#### Provisions

Please refer to Note 4.15 to the consolidated financial statements about accounting policy of provisions, Note 5.3 about key sources of estimation and uncertainty for provisions.

Interactive Digital Technologies Inc. and subsidiaries estimates the possible maintenance costs and accrues provisions based on past technical experience and contractual conditions. Considering the uncertainty in estimation, the accrual of warranty provisions has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Understood the evaluation process of provision performed by the management.
2. Evaluate the appropriateness of procedures used and the rationality of estimates in assessing provisions.
3. Sampled warranties not expired, and evaluated if there were significant unexpected liabilities.
4. Reviewed the settlements of expired warranties and the relevant authorization and supporting documents.

#### Other Matter

We have audited the parent company only financial statements of Interactive Digital Technologies Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Interactive Digital Technologies Inc. and subsidiaries.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kun-His Hsu Shu-Chen Chang.



BDO TAIWAN

February 22, 2023

**Notice to Readers**

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 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.*



INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2022	%	December 31, 2021	%	Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current assets						Current liabilities					
Cash and cash equivalents	6.1	\$328,208	12.47	\$912,367	31.72	Short-term borrowings	6.9	\$150,000	5.70	\$-	-
Financial assets at fair value through profit or loss - current	6.2	21,991	0.84	26,462	0.92	Contract liabilities - current	6.17	425,717	16.17	425,004	14.78
Notes receivable, net	6.3	36,008	1.37	134,278	4.67	Accounts payable		340,731	12.94	343,378	11.94
Accounts receivable, net	6.4	616,880	23.43	483,560	16.81	Accounts payable - related parties	7	135	0.01	1,997	0.07
Accounts receivable - related parties	7	6,929	0.26	7,168	0.25	Other payables	6.10	185,793	7.06	184,236	6.41
Other receivables		174	0.01	126	-	Current income tax liabilities		58,019	2.20	54,870	1.91
Inventories	6.5	647,333	24.59	633,084	22.01	Provisions - current	6.12	81,056	3.08	70,245	2.44
Prepayments	6.6	78,043	2.96	63,088	2.19	Lease liabilities - current	6.8	4,421	0.17	2,433	0.08
Other current assets		967	0.04	1,507	0.06	Other current liabilities	6.13	1,108	0.04	462,400	16.07
Sub-total		<u>1,736,533</u>	<u>65.97</u>	<u>2,261,640</u>	<u>78.63</u>	Sub-total		<u>1,246,980</u>	<u>47.37</u>	<u>1,544,563</u>	<u>53.70</u>
						Non-current liabilities					
						Provisions - non-current	6.12	66,069	2.51	73,853	2.57
						Deferred tax liabilities	6.21	203	0.01	206	0.01
						Lease liabilities - non-current	6.8	3,126	0.12	819	0.03
						Other non-current liabilities		222	-	84	(0.01)
						Sub-total		<u>69,620</u>	<u>2.64</u>	<u>74,962</u>	<u>2.60</u>
						Total Liabilities		<u>1,316,600</u>	<u>50.01</u>	<u>1,619,525</u>	<u>56.30</u>
						Equity					
Non-current assets						Equity attributable to owners of the parent					
Property, plant and equipment	6.7	761,463	28.93	489,531	17.02	Share Capital					
Right-of-use assets	6.8	7,523	0.29	3,221	0.11	Common stock	6.14	402,499	15.29	387,509	13.47
Deferred tax assets	6.21	35,186	1.34	33,471	1.16	Capital collected in advance	6.14	33	-	45	-
Other non-current assets		91,716	3.47	88,527	3.08	Capital surplus	6.15	486,890	18.50	425,571	14.80
Sub-total		<u>895,888</u>	<u>34.03</u>	<u>614,750</u>	<u>21.37</u>	Retained earnings	6.16				
						Legal reserve		203,846	7.74	177,781	6.18
						Special reserve		674	0.03	752	0.03
						Unappropriated earnings		222,368	8.45	265,881	9.24
						(Accumulated deficit)					
						Other equity		(489)	(0.02)	(674)	(0.02)
						Total equity attributable to owners of the parent		<u>1,315,821</u>	<u>49.99</u>	<u>1,256,865</u>	<u>43.70</u>
						Total Equity		<u>1,315,821</u>	<u>49.99</u>	<u>1,256,865</u>	<u>43.70</u>
Total assets		<u>\$2,632,421</u>	<u>100.00</u>	<u>\$2,876,390</u>	<u>100.00</u>	Total Liabilities and Equity		<u>\$2,632,421</u>	<u>100.00</u>	<u>\$2,876,390</u>	<u>100.00</u>

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue	6.17	\$2,048,203	100.00	\$1,865,334	100.00
Operating costs	6.5	(1,197,358)	(58.46)	(1,017,299)	(54.54)
Gross profit (loss)		850,845	41.54	848,035	45.46
Net gross profit (loss)		850,845	41.54	848,035	45.46
Operating expenses					
Selling expenses		(397,011)	(19.38)	(385,209)	(20.65)
General and administrative expenses		(172,021)	(8.40)	(163,108)	(8.74)
Expected credit impairment gain (loss)		(2,150)	(0.11)	(658)	(0.04)
Total operating expenses		(571,182)	(27.89)	(548,975)	(29.43)
Operating profit (loss)		279,663	13.65	299,060	16.03
Non-operating income and expenses					
Interest income		2,034	0.10	2,097	0.11
Other income		6,214	0.30	27,600	1.48
Other gains and losses	6.18	(8,180)	(0.40)	3,254	0.17
Financial costs		(7,425)	(0.36)	(8,305)	(0.44)
Sub-total		(7,357)	(0.36)	24,646	1.32
Profit (loss) before income tax		272,306	13.29	323,706	17.35
Income tax (expenses) benefit	6.21	(57,299)	(2.79)	(63,052)	(3.38)
Net profit (loss) from continuing operations		\$215,007	10.50	\$260,654	13.97
Net profit (loss)		\$215,007	10.50	\$260,654	13.97
Other comprehensive income (loss)					
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		\$185	0.01	\$78	-
Other comprehensive income (loss), net of income tax		\$185	0.01	\$78	-
Total comprehensive income (loss)		\$215,192	10.51	\$260,732	13.97
Profit (loss) attributable to:					
Shareholders of the parent		215,007	10.50	260,654	13.97
Total		215,007	10.50	260,654	13.97
Comprehensive income (loss) attributable to:					
Shareholders of the parent		215,192	10.51	260,732	13.97
Total		\$215,192	10.51	\$260,732	13.97
Earnings per share	6.22				
Basic earnings (loss) per share (in dollars)		\$5.43		\$6.73	
Diluted earnings per share (in dollars)		\$5.39		\$5.76	

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent								Non-Controlling Interest	Total
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences Arising on Translation of Foreign Operations	SubTotal		
	Common Stock	Share capital collected in advance		Legal Reserve	Special Reserve	Unappropriated Earnings				
Balance on January 1, 2021	\$369,440	\$7,738	\$382,405	\$154,357	\$770	\$241,763	\$(752)	\$1,155,721	\$0	\$1,155,721
Appropriation of earnings 2020										
Legal reserve	-	-	-	23,424	-	(23,424)	-	-	-	-
Special reserve	-	-	-	-	(18)	18	-	-	-	-
Cash dividends	-	-	-	-	-	(213,130)	-	(213,130)	-	(213,130)
Stock options from issuing convertible bonds	-	-	(2,998)	-	-	-	-	(2,998)	-	(2,998)
Cash dividends distributed from capital surplus	-	-	(19,375)	-	-	-	-	(19,375)	-	(19,375)
Net profit (loss)	-	-	-	-	-	260,654	-	260,654	-	260,654
Other comprehensive income (loss)	-	-	-	-	-	-	78	78	-	78
Advance receipts for common stock transferred to common stock	7,738	(7,738)	-	-	-	-	-	-	-	-
Conversion of convertible bonds	10,331	45	65,539	-	-	-	-	75,915	-	75,915
Balance on January 1, 2022	\$387,509	\$45	\$425,571	\$177,781	\$752	\$265,881	\$(674)	\$1,256,865	\$0	\$1,256,865
Appropriation of earnings 2021										
Legal reserve	-	-	-	26,065	-	(26,065)	-	-	-	-
Special reserve	-	-	-	-	(78)	78	-	-	-	-
Cash dividends	-	-	-	-	-	(232,532)	-	(232,532)	-	(232,532)
Stock options from issuing convertible bonds	-	-	(3,843)	-	-	-	-	(3,843)	-	(3,843)
Cash dividends distributed from capital surplus	-	-	(19,378)	-	-	-	-	(19,378)	-	(19,378)
Net profit (loss)	-	-	-	-	-	215,007	-	215,007	-	215,007
Other comprehensive income (loss)	-	-	-	-	-	-	185	185	-	185
Advance receipts for common stock transferred to common stock	45	(45)	-	-	-	-	-	-	-	-
Conversion of convertible bonds	14,945	33	84,540	-	-	-	-	99,518	-	99,518
Rounding	-	-	-	-	-	(1)	-	(1)	-	(1)
Balance on December 31, 2022	\$402,499	\$33	\$486,890	\$203,846	\$674	\$222,368	\$(489)	\$1,315,821	\$0	\$1,315,821

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Items	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$272,306	\$323,706
Consolidated profit (loss) before tax	272,306	323,706
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	17,786	16,603
Expected credit impairment loss (gain)	2,149	658
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	2,570	(2,373)
Interest expense	7,426	8,305
Interest income	(2,034)	(2,097)
Dividend income	(2,172)	(1,104)
Loss (gain) on disposal and scrap of property, plant and equipment	(45)	(486)
Loss (gain) on disposal of investments	152	-
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	98,270	20,675
(Increase) decrease in accounts receivable	(135,469)	(116,497)
(Increase) decrease in accounts receivable - related parties	239	(405)
(Increase) decrease in other receivables	(37)	2,321
(Increase) decrease in inventories	(14,249)	(93,001)
(Increase) decrease in prepaid expenses	21	(1,058)
(Increase) decrease in prepayments	(14,976)	964
(Increase) decrease in other current assets	541	400
Increase (decrease) in contract liabilities	713	(3,903)
Increase (decrease) in accounts payable	(2,647)	(68,985)
Increase (decrease) in accounts payable - related parties	(1,862)	1,420
Increase (decrease) in other payables	1,384	(374)
Increase (decrease) in provisions	3,026	(42,929)
Increase (decrease) in other current liabilities	180	(9,823)
Interest received	2,023	2,075
Dividends received	2,172	1,104
Interest paid	(696)	(369)
Income taxes refund (paid)	(55,869)	(51,247)
Net cash flows generated from (used in) operating activities	<u>180,902</u>	<u>(16,420)</u>
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	1,748	-
Acquisition of property, plant and equipment	(285,752)	(3,103)
Proceeds from disposal of property, plant and equipment	48	1,526
Increase in guarantee deposits	(77,372)	(8,383)
Decrease in guarantee deposits	75,788	-
Increase in prepayments for equipment	(1,604)	(7,141)
Net cash flows generated from (used in) investing activities	<u>(287,144)</u>	<u>(17,101)</u>
Cash flows from financing activities		
Increase in short-term borrowings	680,000	640,000
Decrease in short-term borrowings	(530,000)	(640,000)
Repayment of bonds	(372,300)	-
Increase in guarantee deposits received	169	-
Decrease in guarantee deposits received	(30)	-
Repayment of lease principle	(4,028)	(6,907)
Cash dividends paid	(251,910)	(232,505)
Net cash generated from (used in) financing activities	<u>(478,099)</u>	<u>(239,412)</u>
Effects of changes in exchange rate on cash and cash equivalents	182	77
Net increase (decrease) in cash and cash equivalents	(584,159)	(272,856)
Cash and cash equivalents at beginning of period	912,367	1,185,223
Cash and cash equivalents at end of period	<u>\$328,208</u>	<u>\$912,367</u>

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Interactive Digital Technologies Inc. (IDT) was incorporated in the Republic of China (R.O.C.) on May 14, 2003 under the Company Act., and listed on the Taiwan Over-The-Counter Securities Exchange from September 2016. Interactive Digital Technologies Inc. and subsidiaries (the “Company”) are mainly engaged in cable television network and broadband transmission, wireless network, media, IT & cloud services, geographical information system related software and hardware sales and maintenance. Qisda Corporation is the ultimate parent company of IDT.

2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 22, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”) :

New standards, interpretations and amendments as endorsed by FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 ‘Reference to the Conceptual Framework’	January 1, 2022
Amendments to IAS 16 ‘Property, Plant and Equipment—Proceeds before Intended Use’	January 1, 2022
Amendments to IAS 37 ‘Onerous Contracts-Cost of Fulfilling a Contract’	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company :

New standards, interpretations and amendments as endorsed by the FSC effective from 2023 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 'Disclosure of Accounting Policies'	January 1, 2023
Amendments to IAS 8 'Definition of Accounting Estimates'	January 1, 2023
Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	January 1, 2023

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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 IASB
Amendments to IFRS 16, 'Lease Liabilities of Sale and Leaseback'	January 1, 2024
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 1 'Classification of Liabilities as Current or Non-current'	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with Covenants"	January 1, 2024

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### 4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (the 'IFRSs').

##### 4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets and financial liabilities at fair value through other comprehensive income.

4.2.2. The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

##### 4.3. Basis of consolidation

4.3.1. Basis for preparation of consolidated financial statements

- (1) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by IDT. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of subsidiaries have been adjusted to align with those used by the Company.

- (3) Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

4.3.2. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)		Remark
			2022.12.31	2021.12.31	
IDT	Hwa Chi Technologies Shanghai Inc. (HWA CHI)	Technical consulting, and after service of electronic and telecom products	100.00	100.00	-

4.3.3. Subsidiaries not included in the consolidated financial statements: None

4.3.4. Adjustments for subsidiaries with different reporting period: None

4.3.5. Significant restrictions: None

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company: None

4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the IDT and presentation currency of the consolidated financial statements both are New Taiwan Dollars (NT\$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT\$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.



For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.

#### 4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the end of the reporting period;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.5.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the end of the reporting period;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### 4.6. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

#### 4.7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting. At initial recognition, the Company measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss. Dividend income is recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

#### 4.8. Accounts and notes Receivable

4.8.1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

4.8.2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

#### 4.9. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized at cost (including accounts receivable that have a significant financing component or contract assets), at each end of the financial reporting period, the Company recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognize the impairment provision for lifetime ECLs.

#### 4.10. Inventories

Inventories are recorded at actual cost and cost is determined using the weighted-average method. Inventories are stated at the lower of cost or net realizable value and the individual item approach is used in the comparison of cost and net realizable value. When comparing costs and net realizable value, not only base on the each contact but individual item. Net realizable value represents the estimated selling price less estimated costs of completion and costs necessary to make the sale.

#### 4.11. Property, Plant and Equipment

4.11.1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.11.2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.11.3. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4.11.4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 11 to 56 years, useful lives for other PP&E are 2 to 11 years.

#### 4.12. Leasing

4.12.1. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.12.2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (1) Fixed payments, less any lease incentives receivable;
- (2) Variable lease payments that depend on an index or a rate;
- (3) Amounts expected to be payable by the lessee under residual value guarantees;
- (4) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

4.12.3. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (1) The amount of the initial measurement of lease liability;
- (2) Any lease payments made at or before the commencement date; and
- (3) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

#### 4.13. Impairment of non-financial assets

The Company assesses at the end of the reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

#### 4.14. Bonds Payable

The convertible bonds that the Company issued are embedded with a put option and a call option in addition to the option to convert the bonds to common stocks. At issuance, the issue price is split between financial assets and financial liabilities based on the issue term and the related accounting treatments are as follows:

- 4.14.1 The option to convert the bonds to common stocks, put option and call option are measured at net fair value at initial recognition and are recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the carrying amount and the fair value at each reporting date is recognized as gains or losses on financial assets (liabilities) at fair value through profit or loss.
- 4.14.2 The bonds payable at initial recognition is measured at issue price less the amounts recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the fair value at initial recognition and the redemption value is recognized as premiums or discounts, an addition to or reduction from bonds payable, and is amortized using the effective interest rate. The amortization is recognized as an adjustment to financial cost in profit or loss during the outstanding period of the bonds.
- 4.14.3 Transaction costs that directly attribute to the issue of convertible bonds are allocated to each liability component of the bonds in proportion to the initial carrying amounts.
- 4.14.4 When the bonds are converted to common stocks by bondholders, the liability components, including bonds payable and financial liabilities at fair value through profit or loss, shall be re-measured according to their respective subsequent treatment aforementioned. The issue cost of the common stocks then equals to the total of the carrying amounts of the liability components.

#### 4.15. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

#### 4.16. Employee benefits

##### 4.16.1. Pensions

###### (1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, IDT adopted the "Labor Pension Act" (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the "Labor Standards Act" IDT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee's monthly wages. The contributions are accounted for as current pension expense.

(2) Subsidiaries in the People's Republic of China participate in the pension benefit plan operated by the local governments. The benefit plan is a defined contribution plan. After making contribution to the plan, the subsidiaries are not liable to pay any pension benefits, but the local governments in PRC assume the obligations to pay instead.

##### 4.16.2. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

#### 4.17. Income Tax

4.17.1. The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.

- 4.17.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
- 4.17.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- 4.18. Revenue recognition
- 4.18.1. The Company mainly engaged in professional system integration business. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contract price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.
- 4.18.2. For certain contracts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

#### 4.19. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

#### 4.20. Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

#### 5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

#### 5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.



### 5.3 Provision

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive obligation) that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. In accordance with the contracts terms or commitments to customers, the Company estimates the maintenance obligations based on past technical experience. In addition, the Company periodically reviews the reasonableness of the estimates.

## 6 DETAILS OF SIGNIFICANT ACCOUNTS

### 6.1 Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$470	\$470
Deposits in bank	281,558	611,897
Time deposit	46,180	300,000
Total	\$328,208	\$912,367

The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

### 6.2 Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Listed stocks	\$21,991	\$26,462

### 6.3 Notes receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$36,008	\$134,278

### 6.4 Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$619,856	\$484,387
Less: allowance for doubtful account	(2,976)	(827)
Total	\$616,880	\$483,560

The Company applies the simplified approach to provide for its expected credit loss, i.e. the use of lifetime expected credit loss. Based on the historical experience of the Company, there is no significantly different loss patterns for different customer segments. The provision matrix does not divide different customer segments, and only accounts receivable to determine credit loss rate.

(1) Aging analysis of accounts receivables:

	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Total
Dec. 31, 2022					
Expected credit loss	0%	0%	0%	19.21%	
Book value	\$568,150	\$32,117	\$4,096	\$15,493	\$619,856
Loss allowance	-	-	-	(2,976)	(2,976)
Amortized cost	\$568,150	\$32,117	\$4,096	\$12,517	\$616,880
	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Total
Dec. 31, 2021					
Expected Credit Loss	0%	0%	24.15%	0%	
Book value	\$448,106	\$32,856	\$3,425	\$-	\$484,387
Loss allowance	-	-	(827)	-	(827)
Amortized cost	\$448,106	\$32,856	\$2,598	\$-	\$483,560

(2) Movements of the allowance for expected credit loss:

	2022	2021
Balance on Jan. 1	\$827	\$169
Reversal of impairment loss	2,149	658
Balance on Dec. 31	\$2,976	\$827

(3) The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

## 6.5 Inventories

	December 31, 2022	December 31, 2021
Merchandise inventories	\$82,175	\$98,049
Consigned merchandise	236,702	134,214
Project inventories	353,627	423,705
Subtotal	672,504	655,968
Allowance for inventory valuation losses	(25,171)	(22,884)
Total	\$647,333	\$633,084

### Inventory related cost and expense

	2022	2021
Cost of goods sold	\$1,054,328	\$889,900
Loss on (gain on reversal of) decline in market value	2,288	3,183
Total cost of goods sold	1,056,616	893,083
Costs of service revenue and others	140,742	124,216
Total	\$1,197,358	\$1,017,299

Project inventories mainly consist of labor costs and related expenses that have been invested but not yet recognized as revenue.

## 6.6 Prepayments

	December 31, 2022	December 31, 2021
Prepayment for purchases	\$75,831	\$60,854
Other prepaid expenses	2,212	2,234
Total	\$78,043	\$63,088

## 6.7 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
<u>2022.1.1</u>					
Cost	\$412,696	\$105,849	\$11,634	\$17,768	\$547,947
Accumulated depreciation and impairment	(8,984)	(34,180)	(4,103)	(11,149)	(58,416)
Total	<u>\$403,712</u>	<u>\$71,669</u>	<u>\$7,531</u>	<u>\$6,619</u>	<u>\$489,531</u>
<u>2022</u>					
As at 1.1	\$403,712	\$71,669	\$7,531	\$6,619	\$489,531
Additions	228,330	39,329	4,272	13,821	285,752
disposals	-	-	-	(3)	(3)
Depreciation charge	-	(6,105)	(2,939)	(4,775)	(13,819)
Exchange rate impact	-	-	2	-	2
As at 12.31	<u>\$632,042</u>	<u>\$104,893</u>	<u>\$8,866</u>	<u>\$15,662</u>	<u>\$761,463</u>
<u>2022.12.31</u>					
Cost	\$641,026	\$143,253	\$13,461	\$29,296	\$827,036
Accumulated depreciation and impairment	(8,984)	(38,360)	(4,595)	(13,634)	(65,573)
Total	<u>\$632,042</u>	<u>\$104,893</u>	<u>\$8,866</u>	<u>\$15,662</u>	<u>\$761,463</u>
	Land	Buildings	Machinery and equipment	Others	Total
<u>2021.1.1</u>					
Cost	\$412,696	\$103,103	\$6,131	\$21,268	\$543,198
Accumulated depreciation and impairment	(8,984)	(30,362)	(2,095)	(12,653)	(54,094)
Total	<u>\$403,712</u>	<u>\$72,741</u>	<u>\$4,036</u>	<u>\$8,615</u>	<u>\$489,104</u>
<u>2021</u>					
As at 1.1	\$403,712	\$72,741	\$4,036	\$8,615	\$489,104
Additions	-	1,013	1,099	991	3,103
disposals	-	-	-	(1,040)	(1,040)
Reclassifications	-	1,733	4,400	2008	8,141
Depreciation charge	-	(3,818)	(2,005)	(3,955)	(9,778)
Exchange rate impact	-	-	1	-	1
As at 12.31	<u>\$403,712</u>	<u>\$71,669</u>	<u>\$7,531</u>	<u>\$6,619</u>	<u>\$489,531</u>
<u>2021.12.31</u>					
Cost	\$412,696	\$105,849	\$11,634	\$17,768	\$547,947
Accumulated depreciation and impairment	(8,984)	(34,180)	(4,103)	(11,149)	(58,416)
Total	<u>\$403,712</u>	<u>\$71,669</u>	<u>\$7,531</u>	<u>\$6,619</u>	<u>\$489,531</u>

## 6.8 Lease arrangements

(1) The Company leases various assets including building, transportation equipments and office equipment. Rental contracts are typically made for periods 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(2) The carrying amount of right-of-use assets and the depreciation charge are as follow:

### The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Buildings	\$4,364	\$879
Transportation Equipment	2,864	2,092
Office Equipment	295	250
Total	<u>\$7,523</u>	<u>\$3,221</u>

### The depreciation charge of right-of-use assets

	2022	2021
Buildings	\$1,558	\$4,855
Transportation Equipment	2,230	1,795
Office Equipment	179	175
Total	<u>\$3,967</u>	<u>\$6,825</u>

(3) For the twelve-months periods ended December 31, 2022 and 2021, the additions to right-of-use assets was \$8,269 and \$1,516.

(4) Lease liabilities

	December 31, 2022		
	Future minimum lease payments	Interest expense	Minimum rent pay present value
Current	\$4,470	\$49	\$4,421
Non-current	3,141	15	3,126
Total	<u>\$7,611</u>	<u>\$64</u>	<u>\$7,547</u>

  

	December 31, 2021		
	Future minimum lease payments	Interest expense	Minimum rent pay present value
Current	\$2,455	\$22	\$2,433
Non-current	823	4	819
Total	<u>\$3,278</u>	<u>\$26</u>	<u>\$3,252</u>

For the twelve-months periods ended December 31, 2022 and 2021, the Group's total cash outflow for lease was \$4,028 and \$6,907.

## 6.9 Short-term borrowings

Nature of Loans	December 31, 2022	December 31, 2021
Bank Borrowings		
Unsecured bank borrowings	\$150,000	\$-
Interest rate range	1.50%~1.60%	

## 6.10 Other payable

	December 31, 2022	December 31, 2021
Accrued salaries	\$110,691	\$105,464
Others	75,102	78,772
Total	\$185,793	\$184,236

## 6.11 Pensions

### (1) Defined Contribution plans

Effective July 1, 2005, the Company has defined contribution pension plans set up according to the Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of \$16,466 and \$15,984 are recognized for the year 2022 and 2021, respectively.

(2) Subsidiaries in China have defined contribution plans. Contributions to an independent fund administrated by the government in accordance with the pension regulations in China are required. Other than the contributions, the subsidiaries have no further obligations.

## 6.12 Provisions

	December 31, 2022	December 31, 2021
Beginning provisions	\$144,098	\$187,027
New provision for the current period	61,773	82,370
Provision used in the current period	(58,746)	(125,299)
Ending provisions	\$147,125	\$144,098

  

	December 31, 2022	December 31, 2021
Warranties - current	\$81,056	\$70,245
Warranties - non current	66,069	73,853
Total	\$147,125	\$144,098

### 6.13 Bonds payable

(1) Outstanding convertible bonds issued by IDT are as follows:

	December 31, 2022	December 31, 2021
Total of issuance of convertible bonds	\$600,000	\$600,000
Less: discount on bonds payable	-	(7,229)
Less: accumulated converted amount	(227,700)	(131,300)
Less: repayment of bonds	(372,300)	-
Less: current portion of bonds payable	-	(461,471)
Total	\$-	\$-

(2) The first convertible bonds payable have been converted into a total of 3,309 thousand shares, and the capital accumulation due to the conversion is \$198,827.

(3) With the aim of operational requirements, purchase of office buildings and warehouses, the first issuance of convertible bonds in 2019 was approved by Financial Supervisory Commission on 6 November 2019. Terms and conditions of the issuance are as follows:

Total issuance	\$600,000
Issue date	November 22, 2019
The coupon rate	0%
Issue period	November 22, 2019 ~ November 22, 2022
Repayment	Except for early call and cancellation by the Company or early put and conversion by bondholders in accordance with the terms and conditions set by the Company, the bondholders will receive in cash at maturity of the convertible bonds.
Redemption at the option of the Company	1. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than \$60,000 of the total issuance, if the outstanding balance of the bonds is less than \$60,000 the Company may repurchase the outstanding bonds at par in cash.
Redemption at the option of the bondholders	Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the Company to redeem the bonds at redemption price of par value plus interest compensation in cash. The interest compensation for the 2 years from the date of issuance is 0.5%.
Conversion period	Bondholders may convert bonds into the Company's common shares at any time starting three months from the issue date to the maturity date.
Conversion price	The conversion price was \$78.5 (in dollars) per share at issuing. The conversion price was adjusted to \$72.5 (in dollars) from \$78.5 (in dollars) since July 27, 2020. The conversion price was adjusted to \$67 (in dollars) from \$72.5 (in dollars) since August 30, 2021. The conversion price was adjusted to \$61.2 (in dollars) from \$67 (in dollars) since July 04, 2022.

#### 6.14 Share capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized Common stock	<u>\$800,000</u>	<u>\$600,000</u>
Common stock issued	<u>\$402,499</u>	<u>\$387,509</u>

- (1) As of December 31 2022, the authorized common shares were 80,000 thousand shares with 8,000 thousand shares reserved for stock option plan. Par value is \$10 (in dollars) per share and each share has one voting power.
- (2) Due to the conversion of convertible bonds, capital collected in advance amounted to \$33 was converted to common stock.

#### 6.15 Capital surplus

- (1) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit, to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.
- (2) Capital surplus for the years of 2022 and 2021 are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Additional paid-in capital	\$460,395	\$395,233
Employee stock options	<u>26,495</u>	<u>30,338</u>
Total	<u>\$486,890</u>	<u>\$425,571</u>

#### 6.16 Retained earnings

##### (1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

##### (2) Special reserve

In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.



(3) Retained earnings and dividend policies

- A. According to the Company's Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:
- Paying income tax;
  - Offsetting previous deficit;
  - Set aside 10% of the remaining amount as legal reserve;
  - Setting aside or reversing a special reserve according to relevant regulations when necessary;
  - Any balance left over shall be allocated according to the resolution of the shareholder's meeting.
  - Due to the Company is in a stable growth stage, the Company's dividend policy considers future capital demands and long-term financial planning in order to achieve sustainable operation. Dividends shall be distributed at least 50% of the total distributable surplus and cash dividends shall be distributed at least 10% of the total distribution of the year.
- B. The information about earning appropriations by the Company as proposed by the Board of Directors and resolved by the shareholders for the year 2022 and 2021 are available at the Market Observation Post System website.
- C. Information relating to employees bonuses and directors remuneration, please refer to Note 6.20.

6.17 Operating revenue

(1) Revenue from contracts with customers

	2022	2021
Sales revenue	\$1,655,330	\$1,506,237
Service revenue	392,873	359,097
Total	\$2,048,203	\$1,865,334

(2) Detail information about revenue from contracts with customers are as follows:

A. Disaggregation of revenue from contracts with customers:

	2022	2021
At a point in time	\$2,001,270	\$1,830,674
Over time	46,933	34,660
Total	\$2,048,203	\$1,865,334

B. Contract assets and liabilities

	December 31, 2022	December 31, 2021
Contract liabilities	\$425,717	\$425,004

  

6.18 Other gains and losses		
	2022	2021
Net gain (loss) on currency exchange	\$(5,503)	\$395
Gain (loss) on disposal of property, plant and equipment	45	486
Gain (loss) on disposal of investments	(152)	-
Valuation gain (loss) of financial asset held for trading	(2,570)	2,373
Total	\$(8,180)	\$3,254

6.19 Expenses by nature

	2022	2021
Change in inventory	\$1,056,616	\$893,083
Service costs and other expenses	140,742	124,216
Employee benefit	473,371	465,276
Depreciation and amortization	17,786	16,603
Other expenses	80,025	67,096
Total operating costs and expense	\$1,768,540	\$1,566,274

6.20 Employee benefit

	2022	2021
Wages and salaries	\$399,322	\$394,451
Labor and health insurance	32,373	30,950
Pension	16,466	15,984
Director's remuneration	11,340	13,740
Other expenses	13,870	10,151
Total	\$473,371	\$465,276

(1)According to the Company's Articles of Incorporation, the Company shall allocate 3%-10% of annual profit as bonus to employees and no more than 2% of annual profit as remuneration to directors.

(2) For the year ended December 31, 2022 and 2021, employee bonus was accrued at \$30,920 and \$36,770 respectively; director remuneration was accrued at \$6,170 and \$7,350, respectively. These amounts were calculated based on the Company's Articles of Incorporation. Employee bonus and director remuneration for 2021 had been approved by the board of directors meeting with no difference to the accrued amount.

(3) Information about employee bonus and director remuneration of the Company will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

## 6.21 Income tax

### (1) Income tax expense

Components of income tax expense (benefit):

	2022	2021
Current tax:		
Current tax on profits for the period	\$(59,398)	\$(54,966)
Income tax adjustment of prior years	2	-
Foreign withholding tax (non-deductible)	-	(169)
Investment tax credit	379	-
Total current tax expense (benefit)	(59,017)	(55,135)
Deferred income tax:		
Origination and reversal of temporary differences	1,718	(7,917)
Total deferred income tax expense	1,718	(7,917)
Income tax expense (benefit)	\$(57,299)	\$(63,052)

### (2) Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before tax at statutory tax rate	\$(54,487)	\$(64,777)
Effects from items disallowed by tax regulations	(4,911)	9,811
Origination and reversal of temporary differences	1,718	(7,917)
Income tax adjustments of prior years	2	-
Foreign withholding tax (non-deductible)	-	(169)
Investment tax credit	379	-
Income tax expense (benefit)	\$(57,299)	\$(63,052)

(3) Deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$75	\$654	\$-	\$-	\$729
Inventory valuation losses	4,576	457	-	-	5,033
Warranty provision	28,820	604	-	-	29,424
Subtotal	\$33,471	\$1,715	\$-	\$-	\$35,186
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(206)	\$3	\$-	\$-	\$(203)
Subtotal	\$(206)	\$3	\$-	\$-	\$(203)
Total	\$33,265	\$1,718	\$-	\$-	\$34,983
	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$187	\$(112)	\$-	\$-	\$75
Expected credit losses	25	(25)	-	-	-
Inventory valuation losses	3,940	636	-	-	4,576
Warranty provision	37,406	(8,586)	-	-	28,820
Subtotal	\$41,558	\$(8,087)	\$-	\$-	\$33,471
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(376)	\$170	\$-	\$-	\$(206)
Subtotal	\$(376)	\$170	\$-	\$-	\$(206)
Total	\$41,182	\$(7,917)	\$-	\$-	\$33,265

(4) Income tax expense recognized in profit or loss : None

(5) Income tax returns of the Company through 2020 has been assessed and approved by the Tax Authority.

## 6.22 Earnings per share

	2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	\$215,007	39,596	\$5.43
Assumed conversion of all dilutive potential common shares			
Employee bonus	-	573	
Convertible bonds	5,203	657	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	\$220,210	40,826	\$5.39
	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	\$260,654	38,751	\$6.73
Assumed conversion of all dilutive potential common shares			
Employee bonus	-	561	
Convertible bonds	6,293	7,000	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	\$266,947	46,312	\$5.76

Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employee by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the formal meeting, and thus the shares of employee bonuses resolved will be included in the basic EPS.

## 7 RELATED-PARTY TRANSACTIONS

### 7.1 Related parties

Names of related parties	Relationship with the Company
HITRON TECHNOLOGIES INC.	Parent
Hitron Technologies (Suzhou Industrial Park) Inc.	Associate
Hitron Technologies (Vietnam) Inc.	Associate
Metaage Corporation (Original name: Sysage Technology Co., LTD)	Associate

### 7.2 Significant transactions and balances with related parties

#### (1) Sales revenues

	2022	2021
Parent	\$32,012	\$27,007
Associates	7,532	5,306
Total	\$39,544	\$32,313

Sales terms with related parties were decided on market condition.

#### (2) Purchase

	2022	2021
Parent	\$-	\$3
Associates	20,026	20,048
Total	\$20,026	\$20,051

Purchase terms with related parties were decided on market condition.

#### (3) Accounts receivables

	December 31, 2022	December 31, 2021
Parent	\$6,929	\$5,961
Associates	-	1,207
Total	\$6,929	\$7,168

(4) Accounts payable

	December 31, 2022	December 31, 2021
Associates	\$135	\$1,997

(5) Property transaction

	Nature	December 31, 2022	December 31, 2021
Parent	Transportation Equipment	\$1,644	\$-
Parent	Office Equipment	26	-
Associates	Mechanical Equipment	550	-
Associates	Office Equipment	100	-
		\$2,320	\$-

Property transactions were decided on market condition.

7.3 Key management compensation

	2022	2021
Salaries and other short-term employee benefit	\$53,238	\$47,612

8 PLEDGED ASSETS : None

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

9.1. Contingencies

	December 31, 2022	December 31, 2021
(1)Guarantee notes submitted for purchasing projects	\$4,497	\$4,585
(2)Guarantees of constructions	\$91,749	\$97,488

9.2. Commitments: None

10 SIGNIFICANT DISASTER LOSS: None

11 SIGNIFICANT SUBSEQUENT EVENTS

On October 24, 2022, the company passed the resolution of the board of directors to issue the second guaranteed convertible corporate bond with a face value of NT\$600,000(thousand) to enrich working capital, and it was issued at a premium of 106.15% of the face value on January 11, 2023. This case has been approved by the Financial Supervisory Commission on December 19, 2022 and the approval letter is numbered as Jinguanzhengfazi No. 1110365993.

12 OTHERS

12.1. Capital management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measures associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

12.2. Financial instruments

Fair value information of financial instruments

	December 31, 2022	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$328,208	\$328,208
Financial assets at fair value through profit or loss-current	21,991	22,176
Notes receivable	36,008	36,008
Accounts receivable (including related parties)	623,809	623,809
Other receivables	174	174
Other financial assets	90,111	90,111
Total	<u>\$1,100,301</u>	<u>\$1,100,486</u>



	December 31, 2021	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$912,367	\$912,367
Financial assets at fair value through profit or loss-current	26,462	26,462
Notes receivables	134,278	134,278
Accounts receivables (including related parties)	490,728	490,728
Other receivables	126	126
Other financial assets	88,527	88,527
Total	<u>\$1,652,488</u>	<u>\$1,652,488</u>

	December 31, 2022	
	Book value	Fair value
Financial liabilities :		
Short-term borrowings	\$150,000	\$150,000
Contract liabilities	425,717	425,717
Accounts payables (including related parties)	340,866	340,866
Other payables	185,793	185,793
Lease liabilities	7,547	7,547
Other financial liabilities	222	222
Total	<u>\$1,110,145</u>	<u>\$1,110,145</u>

	December 31, 2021	
	Book value	Fair value
Financial liabilities :		
Contract liabilities	\$425,004	\$425,004
Accounts payables (including related parties)	345,375	345,375
Other payables	184,236	184,236
Lease liabilities	3,252	3,252
Bounds payable(including current protion)	461,471	461,471
Other financial liabilities	84	84
Total	<u>\$1,419,422</u>	<u>\$1,419,422</u>

### Financial risk management policies

(1) The Company exposes to a variety of financial risks: market risk, credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial position and financial performance.

(2) The Company has established appropriate policies, procedures and internal controls in accordance with relevant regulations for financial risk management. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. During the execution of financial management activities, it is necessary to comply with the relevant provisions of the proposed financial risk management.

### Significant financial risks and degrees of financial risks

#### (1) Market risk

The market risk of the Company results from the movements of market price of financial instruments. The major market risks undertaken by the Company includes foreign currency risk and interest rate risk and other price risk.

##### A. Foreign currency risk

- Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

	December 31, 2022				
	Foreign currency amount	Exchange rate	Book value	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$2,546	30.73	\$78,239	5%	±\$3,912
JPY : NTD	\$211	0.23	\$49	5%	±\$2
EUR : NTD	\$40	32.82	\$1,313	5%	±\$66
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$2,509	30.73	\$77,102	5%	±\$3,855
JPY : NTD	\$400	0.23	\$92	5%	±\$5
EUR : NTD	\$45	32.82	\$1,477	5%	±\$74

	December 31, 2021				
	Foreign currency amount	Exchange rate	Book value	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$2,043	27.68	\$56,550	5%	±\$2,828
JPY : NTD	\$3,081	0.24	\$739	5%	±\$37
EUR : NTD	\$105	31.44	\$3,301	5%	±\$165
CNY : NTD	\$260	4.35	\$1,131	5%	±\$57
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$1,818	27.68	\$50,322	5%	±\$2,516
JPY : NTD	\$3,000	0.24	\$720	5%	±\$36
CNY : NTD	\$30	4.35	\$131	5%	±\$7

- The sensitivity analysis of inherent risk of foreign exchange rate is mainly for the major foreign monetary items at the end of reporting date. Its related effect of appreciation/depreciation of foreign currency to the Company's profit or loss and equity cannot represent inherent risk of foreign exchange rate or reflect the level of risk exposure during middle of the year.

#### B. Interest rate risk

- The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- If interest rates are 0.1% higher/lower with all other variables held constant, the Company's net income for 2022 and 2021 will subsequently increase or decrease. The Company's interest expenses increasing or decreasing are mainly due to the floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations.
- B. According to the Company's credit policy, each local entity in the Company are responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

(3) Liquidity risk

- A. The target of the Company's management of liquidity risk is to ensure it has sufficient cash to meet operational needs in the next 12 months. The Company is in compliance with various contractual obligations by maintaining sufficient headroom on funds and the allocation of bank lines.
- B. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	Less than 1			Over 5
December 31, 2022	year	1~ 2 years	2~ 5 years	years
Accounts payable(including related parties)	\$340,866	\$-	\$-	\$-
Other payables	185,793	-	-	-
Lease liabilities	4,421	2,726	400	-

Non-derivative financial liabilities

December 31, 2021	Less than 1 year	1~ 2 years	2~ 5 years	Over 5 years
Accounts payable(including related parties)	\$345,375	\$-	\$-	\$-
Other payables	184,236	-	-	-
Bounds payable(including current protion)	461,471	-	-	-
Lease liabilities	2,433	819	-	-

Derivative financial liabilities: None

12.3. Fair value estimation

- (1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2022 and 2021.

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$21,991	\$-	\$-	\$21,991

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$26,462	\$-	\$-	\$26,462

- (2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets/financial liabilities at fair value through profit or loss.
- (3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (5) Specific valuation techniques used to value financial instruments include:
  - (a) Quoted by market prices or dealer quotes for similar instruments.
  - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
  - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- (6) There is no level 3 instruments for the years ended December 31, 2022 and 2021.

### 13 SUPPLEMENTARY DISCLOSURES

#### 13.1. Significant transactions information

(1) Loans to others: None

(2) Provision of endorsements and guarantees to others: None

(3) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities	Relationship with the securities issuer	Financial statement account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
INTERACTIVE DIGITAL TECHNOLOGIES INC.	TRANSCEND	-	Financial assets at fair value through profit or loss - current	336	\$21,991	0.08	\$22,176	NA

(4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
INTERACTIVE DIGITAL TECHNOLOGIES INC.	No. 212, Section 2, Gong 2, Linkou District, New Taipei City, and No. 1 (No. 19 build number), No. 2, Gongjiu Road, Linkou District, New Taipei City	2022.01.06	\$238,750	Fully paid	Gee Hoo Fitec Corp.	N/A	-	-	-	-	Valuation report	Operational requirements	-

(6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

(7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None

(8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None

(9) Derivative financial instruments undertaken during the year ended December 31, 2022: None

(10) Please refer to Notes 7 of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees: None

13.3. Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2022 (Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of the electronic communication and telecom products	USD200	(1)	\$12,048	-	-	\$12,048	\$1,264	100%	\$1,264 (Note 2. (2))	\$12,498	\$17,808

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment 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 (Note 3)
IDT	\$12,048	USD414	\$789,492

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others: Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
  - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.



13.4. Significant inter-company transactions during the year ended December 31, 2022:

No. (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	INTERACTIVE DIGITAL TECHNOLOGIES INC.	HWA CHI TECHNOLOGIES (SHANGHAI) INC.	1	Operating income	\$1,335	General Transaction Conditions	0.07%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary

(2)Subsidiary to parent company

(3)Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

### 13.5. Information on major shareholders

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hitron Technologies Inc	16,702,600	41.49%
Enrich Investment Corporation	2,575,000	6.39%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

### 14 OPERATING SEGMENT INFORMATION : NONE

The company and its subsidiaries are based on a single department scale department performance and resource allocation, so there is no disclosure of financial information by operating department.