INTERACTIVE DIGITAL TECHNOLOGIES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Interactive Digital Technologies Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Interactive Digital Technologies Inc. as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Interactive Digital Technologies Inc. as of December 31, 2022 and 2021, and financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards 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 Financial Statements of our report. We are independent of Interactive Digital Technologies Inc. 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 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. 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 determine 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 4.9 to the financial statements about accounting policy of inventory, Note 5.2 about key sources of estimation and uncertainty for inventory valuation.

Interactive Digital Technologies Inc. mainly engaged in professional system integration business. Due to rapid environment changes, complex system integration 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 contact 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 financial statements about accounting policy of provisions, Note 5.3 about key sources of estimation and uncertainty for provisions.

Interactive Digital Technologies Inc. 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.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability of Interactive Digital Technologies Inc. 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. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 Standards on auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards 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 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.

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.'s 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 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. to cease to continue as a going concern.

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

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Interactive Digital Technologies Inc. to express an opinion on the 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 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

BDO TAIWAN

February 22, 2023

Notice to Readers

The accompanying financial statements are intended only to present the 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 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 financial statements shall prevail.

INTERACTIVE DIGITAL TECHNOLOGIES INC.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Assets	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	6.1	$316,224	12.01	$897,589	31.21
Financial assets at fair value through profit or loss - current	6.2	21,991	0.84	26,462	0.92
Notes receivable, net	6.3	36,008	1.37	134,278	4.67
Accounts receivable, net	6.4	616,314	23.41	483,258	16.80
Accounts receivable - related parties	7	6,929	0.26	7,168	0.25
Other receivables		171	0.01	124	-
Inventories	6.5	647,333	24.59	633,084	22.01
Prepayments	6.6	77,967	2.96	63,013	2.19
Other current assets		967	0.04	1,508	0.05
Sub-total		1,723,904	65.49	2,246,484	78.10
Non-current assets					
Investments accounted for under equity method	6.7	12,498	0.47	15,156	0.53
Property, plant and equipment	6.8	761,416	28.93	489,406	17.02
Right-of-use assets	6.9	7,523	0.29	3,221	0.11
Deferred tax assets	6.22	35,186	1.34	33,471	1.16
Other non-current assets		91,715	3.48	88,527	3.08
Sub-total		908,338	34.51	629,781	21.90
Total assets		$2,632,242	100.00	$2,876,265	100.00

Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities					
Short-term borrowings	6.10	$150,000	5.70	$-	-
Contract liabilities - current	6.18	425,717	16.17	425,004	14.78
Accounts payable		340,731	12.94	343,378	11.94
Accounts payable - related parties	7	135	0.01	1,997	0.07
Other payables	6.11	185,614	7.05	184,111	6.40
Current income tax liabilities		58,019	2.20	54,870	1.91
Provisions - current	6.13	81,056	3.08	70,245	2.44
Lease liabilities - current	6.9	4,421	0.17	2,434	0.08
Other current liabilities	6.14	1,108	0.05	462,400	16.08
Sub-total		1,246,801	47.37	1,544,439	53.70
Non-current liabilities					
Provisions - non-current	6.13	66,069	2.51	73,853	2.57
Deferred tax liabilities	6.22	203	0.01	206	0.01
Lease liabilities - non-current	6.9	3,126	0.12	819	0.03
Other non-current liabilities		222	-	83	(0.01)
Sub-total		69,620	2.64	74,961	2.60
Total Liabilities		1,316,421	50.01	1,619,400	56.30
Equity					
Share Capital					
Common stock	6.15	402,499	15.29	387,509	13.47
Capital collected in advance	6.15	33	-	45	-
Capital surplus	6.16	486,890	18.50	425,571	14.80
Retained earnings	6.17				
Legal reserve		203,846	7.74	177,781	6.18
Special reserve		674	0.03	752	0.03
Unappropriated earnings (Accumulated deficit)		222,368	8.45	265,881	9.24
Other equity		(489)	(0.02)	(674)	(0.02)
Total Equity		1,315,821	49.99	1,256,865	43.70
Total Liabilities and Equity		$2,632,242	100.00	$2,876,265	100.00

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC.

PARENT COMPANY ONLY　STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue	6.18	$2,043,363	100.00	$1,859,895	100.00
Operating costs	6.5	(1,196,250)	(58.54)	(1,016,070)	(54.63)
Gross profit (loss)		847,113	41.46	843,825	45.37
Net gross profit (loss)		847,113	41.46	843,825	45.37
Operating expenses					
Selling expenses		(396,218)	(19.39)	(384,388)	(20.67)
General and administrative expenses		(170,246)	(8.33)	(161,109)	(8.66)
Expected credit impairment gain (loss)		(2,150)	(0.11)	(658)	(0.04)
Total operating expenses		(568,614)	(27.83)	(546,155)	(29.37)
Operating profit (loss)		278,499	13.63	297,670	16.00
Non-operating income and expenses					
Interest income		1,995	0.10	1,735	0.09
Other income		6,131	0.30	27,526	1.48
Other gains and losses	6.19	(8,190)	(0.40)	3,263	0.18
Financial costs		(7,426)	(0.36)	(8,305)	(0.45)
Share of the profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	6.7	1,265	0.05	1,771	0.10
Sub-total		(6,225)	(0.31)	25,990	1.40
Profit (loss) before income tax		272,274	13.32	323,660	17.40
Income tax (expenses) benefit	6.22	(57,267)	(2.80)	(63,006)	(3.39)
Net profit (loss) from continuing operations		$215,007	10.52	$260,654	14.01
Net profit (loss)		$215,007	10.52	$260,654	14.01
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	10.53	$260,732	14.01
Earnings per share	6.23				
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.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021

UNIT：NTD (In Thousands)

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

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC.
PARENT COMPANY ONLY 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	$272,274	$323,660
Profit (loss) before tax	272,274	323,660
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	17,706	16,462
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	(1,995)	(1,735)
Dividend income	(2,172)	(1,104)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	(1,264)	(1,771)
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	(135,204)	(116,382)
(Increase) decrease in accounts receivable - related parties	239	(405)
(Increase) decrease in other receivables	(36)	2,279
(Increase) decrease in inventories	(14,249)	(93,001)
(Increase) decrease in prepaid expenses	22	(1,057)
(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	1,331	(366)
Increase (decrease) in provisions	3,026	(42,929)
Increase (decrease) in other current liabilities	179	(9,823)
Interest received	1,984	1,713
Dividends received	6,279	1,104
Interest paid	(696)	(369)
Income taxes refund (paid)	(55,837)	(51,152)
Net cash flows generated from (used in) operating activities	183,878	(18,201)
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	(287,144)	(17,101)
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	(478,099)	(239,412)
Net increase (decrease) in cash and cash equivalents	(581,365)	(274,714)
Cash and cash equivalents at beginning of period	897,589	1,172,303
Cash and cash equivalents at end of period	$316,224	$897,589

The accompanying notes are an integral part of financial statements

INTERACTIVE DIGITAL TECHNOLOGIES INC.
NOTES TO PARENT COMPANY ONLY 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. (the "Company") is mainly engaged in cable television network and broadband transmission, wireless network, media, IT & could 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 FINANCIAL STATEMENTS

The accompanying 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 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 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 financial statements have been prepared on the historical cost basis except for the following items:

(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 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 separate financial statements, please refer to Note 5 for more information.

4.3. Foreign currency transaction

The financial statements of each individual separate 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 separate financial statements are both New Taiwan Dollars (NT$). In preparing the separate financial statement, the operating results and financial positions of each separate entity are translated into NT$.

For the purposes of presenting separate 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.

4.4. Classification of current and non-current items

4.4.1. 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.

4.4.2. 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.

4.5. 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.

4.6. 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 measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognize the gain or loss in profit or loss. The Company recognizes the dividend income 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.

4.7. Accounts and notes Receivable

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

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

4.8. 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 recognizes 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 recognizes the impairment provision for lifetime ECLs.

4.9. 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.

4.10. Investments accounted for under equity method/Subsidiary

4.10.1. The Company controls an entity when the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company’s investments in subsidiaries are measured under equity method on individual financial reports.

4.10.2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company’s interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

4.10.3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

4.10.4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

4.10.5. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the separate financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the separate financial statements.

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-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.

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 separate 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 contact 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 contacts 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.

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

The preparation of 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	269,574	597,119
Time deposit	46,180	300,000
Total	$316,224	$897,589

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	$619,290	$484,085
Less: allowance for doubtful account	(2,976)	(827)
Total	$616,314	$483,258

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 losses	0%	0%	0%	19.21%	
Book value	$567,584	$32,117	$4,096	$15,493	$619,290
Loss allowance	-	-	-	(2,976)	(2,976)
Amortized cost	$567,584	$32,117	$4,096	$12,517	$616,314

	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 losses	0%	0%	25.81%	0%	
Book value	$448,025	$32,856	$3,204	$-	$484,085
Loss allowance	-	-	(827)	-	(827)
Amortized cost	$448,025	$32,856	$2,377	$-	$483,258

(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	$1,053,490	$889,176
Loss on (gain on reversal of) decline in market value	2,288	3,183
Total cost of goods sold	1055,778	892,359
Costs of service revenue and others	140,472	123,711
Total	$1,196,250	$1,016,070

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	2,136	2,159
Total	$77,967	$63,013

6.7 Investment accounted for under equity method

(1) Long-term equity investment

	December 31, 2022	December 31, 2021
HWA CHI	$12,498	$15,156

(2) The Company's share of the profit or loss of the subsidiaries under the equity method is as follows:

	2022	2021
HWA CHI	$1,265	$1,771

(3) Information about the Company’s subsidiaries is provided in the 2022 consolidated financial statements.

6.8 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
2022.1.1					
Cost	$412,696	$105,849	$11,042	$17,677	$547,264
Accumulated depreciation and impairment	(8,984)	(34,180)	(3,626)	(11,068)	(57,858)
Total	$403,712	$71,669	$7,416	$6,609	$489,406
2022					
As at 1.1	$403,712	$71,669	$7,416	$6,609	$489,406
Additions	228,330	39,329	4,727	13,821	285,752
Disposals	-	-	-	(3)	(3)
Depreciation charge	-	(6,105)	(2,860)	(4,774)	(13,739)
As at 12.31	$632,042	$104,893	$8,828	$15,653	$761,416
2022.12.31					
Cost	$641,026	$143,253	$12,861	$29,204	$826,344
Accumulated depreciation and impairment	(8,984)	(38,360)	(4,033)	(13,551)	(64,928)
Total	$632,042	$104,893	$8,828	$15,653	$761,416

	Land	Buildings	Machinery and equipment	Others	Total
2021.1.1					
Cost	$412,696	$103,103	$5,543	$21,171	$542,513
Accumulated depreciation and impairment	(8,984)	(30,362)	(1,762)	(12,566)	(53,674)
Total	$403,712	$72,741	$3,781	$8,605	$488,839
2021					
As at 1.1	$403,712	$72,741	$3,781	$8,605	$488,839
Additions	-	1,013	1,099	991	3,103
Disposals	-	-	-	(1,040)	(1,040)
Reclassification	-	1,733	4,400	2,008	8,141
Depreciation charge	-	(3,818)	(1,864)	(3,955)	(9,637)
As at 12.31	$403,712	$71,669	$7,416	$6,609	$489,406
2021.12.31					
Cost	$412,696	$105,849	$11,042	$17,677	$547,264
Accumulated depreciation and impairment	(8,984)	(34,180)	(3,626)	(11,068)	(57,858)
Total	$403,712	$71,669	$7,416	$6,609	$489,406

6.9 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
	Book value	Book value
Buildings	$4,364	$879
Transportation Equipment	2,864	2,092
Office Equipment	295	250
Total	$7,523	$3,221

Depreciation charge of right-of-use assets

	2022	2021
	Depreciation charge	Depreciation charge
Buildings	$1,558	$4,855
Transportation Equipment	2,230	1,795
Office Equipment	179	175
Total	$3,967	$6,825

(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	Present value of minimum rent payments
Current	$4,470	$49	$4,421
Non-current	3,141	15	3,126
Total	$7,611	$64	$7,547

	December 31, 2021		
	Future minimum lease payments	Interest expense	Present value of minimum rent payments
Current	$2,456	$22	$2,434
Non-current	823	4	819
Total	$3,279	$26	$3,253

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

6.10 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%	-

6.11 Other payable

	December 31, 2022	December 31, 2021
Accrued salaries	$110,597	$105,387
Others	75,017	78,724
Total	$185,614	$184,111

6.12 Pensions

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.

6.13 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

6.14 Bonds payable

(1) Outstanding convertible bonds issued by Company 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 due	(372,300)	-
Less: current portion of bonds payable	-	(461,471)
Total	$-	$-

(2) The first secured convertible bonds have been converted into common stocks of 3,309 thousand shares and $198,827 of capital surplus were recognized.

(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 NT$78.5 (in dollars) per share at issuing. The conversion price was adjusted to NT$72.5 (in dollars) from NT$78.5 (in dollars) since July 27, 2020. The conversion price was adjusted to NT$67 (in dollars) from NT$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.

6.15 Share capital

	December 31, 2022	December 31, 2021
Authorized Common stock	$800,000	$600,000
Common stock issued	$402,499	$387,509

(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.

6.16 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:

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

6.17 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:

a. Paying income tax;

b. Offsetting previous deficit;

c. Set aside 10% of the remaining amount as legal reserve;

d. Setting aside or reversing a special reserve according to relevant regulations when necessary;

e. Any balance left over shall be allocated according to the resolution of the shareholder’s meeting.

f. 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 6.21.

6.18 Operating revenue

(1) Revenue from contracts with customers

	2022	2021
Sales revenue	$1,654,238	$1,505,376
Service revenue	389,125	354,519
Total	$2,043,363	$1,859,895

(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	$1,995,095	$1,823,943
Over time	48,268	35,952
Total	$2,043,363	$1,859,895

B. Contract assets and liabilities

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

6.19 Other gains and losses

	2022	2021
Net gain (loss) on currency exchange	$(5,513)	$404
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	$(8,190)	$3,263

6.20 Expenses by nature

	2022	2021
Change in merchandise	$1,055,778	$892,359
Service costs and other expenses	140,472	123,711
Employee benefit	471,591	463,766
Depreciation and amortization	17,706	16,462
Other expenses	79,317	65,927
Total operating costs and expense	$1,764,864	$1,562,225

6.21 Employee benefit

	2022	2021
Wages and salaries	$397,822	$393,192
Labor and health insurance	32,107	30,708
Pension	16,466	15,984
Director’s remuneration	11,340	13,740
Other expenses	13,856	10,142
Total	$471,591	$463,766

(1) According to the Company’s Articles of Incorporation, the Company shall allocate 3%-10% of annual profit as bonus to employee 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 bonuses and directors remuneration for 2021 had been approved by the shareholders 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.

6.22 Income tax

(1) Income tax expense

Components of income tax expense (benefit):

	2022	2021
Current tax:		
Current tax on profits for the period	$(59,366)	$(54,920)
Income tax adjustment of prior years	2	-
Foreign withholding tax (non-deductible)	-	(169)
Investment tax credit	379	-
Total current tax expense (benefit)	(58,985)	(55,089)
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)	$(57,267)	$(63,006)

(2) Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before tax at statutory tax rate	$(54,455)	$(64,731)
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)	$(57,267)	$(63,006)

(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) Recogzied in income tax of other comprehensive income: None

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

6.23 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 bonuses to employees 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 bonuses 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
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Subsidiary
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
Subsidiary	1,335	1,292
Associate	7,268	5,167
Total	$40,615	$33,466

Sales terms with related parties were decided on market condition.

(2) Purchase

	2022	2021
Parent	$-	$3
Associate	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
Associate	-	1,207
Total	$6,929	$7,168

(4) Account Payable

	December 31, 2022	December 31, 2021
Associate	$135	$1,997

(5) Property transaction

	Nature	December 31, 2022	December 31, 2021
Parent	Transportation Equipment	$1,644	$-
Parent	Office Equipment	26	-
Associates	Mechannical 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	$316,224	$316,224
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)	623,243	623,243
Other receivables	171	171
Other financial assets	90,111	90,111
Total	$1,087,748	$1,087,933

	December 31, 2021	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$897,589	$897,589
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)	490,426	490,426
Other receivables	124	124
Other financial assets	88,527	88,527
Total	$1,637,406	$1,637,406

	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	185,614	185,614
Lease liabilities	7,547	7,547
Other financial liabilities	222	222
Total	$1,109,966	$1,109,966

	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	184,111	184,111
Lease liabilities	3,253	3,253
Bounds payable(including current protion)	461,471	461,471
Other financial liabilities	83	83
Total	$1,419,297	$1,419,297

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				
				Sensitivity analysis	
	Foreign currency amount	Exchange rate	Book value	Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
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
Financial liabilities					
Monetary items					
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				
				Sensitivity analysis	
	Foreign currency amount	Exchange rate	Book value	Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
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
Financial liabilities					
Monetary items					
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 is 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 is 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

December 31, 2022	Less than 1 year	1~ 2 years	2~ 5 years	Over 5 years
Accounts payable(including related parties)	$340,866	$-	$-	$-
Other payables	185,614	-	-	-
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	184,111	-	-	-
Bounds payables (including current protion)	461,471	-	-	-
Lease liabilities	2,434	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, 2022and 2021

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

December 31, 2021	Level 1	Level 2	Level 3	Total
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 (Note2)	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. 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 dematerialised 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 dematerialised form because of a differenent 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.

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Statement of Major Accounts

Statement of cash and cash equivalents

December 31, 2022

Item	Description	Amount
Cash on hand		$470
Deposits in bank		236,058
Foreign deposits in bank	USD 1,046	32,147
	EUR 40	1,320
	JPY 211	49
Time deposits		46,180
Total		$316,224

Statement of financial assets at fair value through profit or loss

December 31, 2022

Name of securities	Description	Units	Par Value	Amount	Rate (%)	Cost	Fair Value		Changes in fair value attributable to changes in credit risk	Note
							Unit Price	Unit Price		
List Stock										
TRANSCEND		336	$-	$-		$29,524	$66.00	$22,176		
Valuation adjustment						(7,533)				
Total				$-		$21,991		$22,176		

Statement of Notes receivable

December 31, 2022

Client Name	Description	Amount	Note
Company E.		36,008	
Total		$36,008	

Statement of accounts receivable

December 31, 2022

Client Name	Description	Amount	Note
Company A.		$155,741	
Company B.		112,804	
Company C.		64,469	
Company D.		49,020	
Others		237,256	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		619,290	
Allowance for doubtful account		(2,976)	
Total		$616,314	

Statement of inventories

December 31, 2022

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Merchandise Inventories		$82,175	$83,523	
Consigned merchandise		236,702	211,531	
Project Inventories		353,627	353,627	
Allowance for Inventory Valuation Losses		(25,171)		
Total		$647,333		

Statement of prepayments

December 31, 2022

Item	Description	Amount	Note
Prepayment for purchases		$75,831	
Other prepaid expenses		2,136	
Total		$77,967	

Statement of investments accounted for using equity method

December 31, 2022

Investee	January 1, 2022		Addition		Decrease		December 31, 2022			Market value or Net asset value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price	Total amount		
investments accounted for using equity method													
HWA CHI	-	$15,156	-	$1,449	-	$4,107	-	100.00	$12,498	$-	$12,498	N/A	-

Statement of right-of-use assets

December 31, 2022

Item	Beginning balance	Addition	Disposal	Ending Balance
Cost				
Building	$11,725	$5,043	$11,278	$5,490
Transportation Equipment	5,359	3,002	1,562	6,799
Machinery	525	224	205	544
Cost Subtotal	$17,609	$8,269	$13,045	$12,833
Accumulated depreciation				
Building	$(10,846)	$(1,558)	$(11,278)	$(1,126)
Transportation Equipment	(3,267)	(2,230)	(1,562)	(3,935)
Machinery	(275)	(179)	(205)	(249)
Accumulated depreciation Subtotal	$(14,388)	$(3,967)	$(13,045)	$(5,310)
Right-of-use assets Total	$3,221	$4,302	$-	$7,523

Statement of other non-current assets

December 31, 2022

Items	Description	Amount	Note
Prepayment for equipments		$1,604	
Refundable deposits	Company H	5,464	
	Company I	35,555	
	Company K	4,741	
	Company L	5,000	
	Others	39,351	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$91,715	

Statement of contract liabilities – current

December 31, 2022

Items	Summary	Amount	Note
Sales revenue received in advance	Company M	$206,334	
	Company B	57,969	
	Company A	40,454	
	Company N	27,809	
Others		93,151	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$425,717	

Statement of accounts payable

December 31, 2022

Customer	Description	Amount	Note
Company P.		$67,933	
Company Q.		25,954	
Company R		21,666	
Others		225,178	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$340,731	

Statement of other payables

December 31, 2022

Items	Description	Amount	Note
Accrued salaries		$110,597	
Employees' bonus payable		30,920	
Director's remuneration payable		6,170	
Business Tax payable		21,135	
Other		16,792	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$185,614	

Statement of lease liabilities

December 31, 2022

Items	Lease Period	Discount Rate	Amount
Building	2020.02.01~2024.10.31	0.95%~1.20%	$4,372
Transportation Equipment	2019.03.01~2025.08.31	0.95%~1.25%	2,878
Machinery	2019.09.01~2025.06.30	0.95%~1.25%	297
Total			7,547
Less：Current			(4,421)
Non-current			$3,126

Statement of bonds payable

December 31, 2022

Bonds name	Trustee	Issuance Date	Interest payment date	Rate	Amount						Repayment	Guarantee
					Total issuance	Amount converted	Repayment of bonds	Ending balance	Unamortized premium (discount) price	Book value		
The first domestic unsecured convertible bonds	Taipei Fubon Commercial Bank Co., Ltd.	2019/11/22	-	0%	$600,000	$227,700	$372,300	$-	$-	$-	At issuance date starting three years, the Company shall redeem the bonds in cash at maturity.	N/A

Statement of operating revenues

For the year ended December 31, 2022

Items	Description	Amount	Note
Sales revenue：			
Sales revenue		$1,654,238	
Sales return and discount		-	
Net sales revenue		1,654,238	
Service revenue		389,125	
Total		$2,043,363	

Statement of operation cost

For the year ended December 31, 2022

Item	Description	Amount	Note
Beginning of year (Restated)		$655,968	
Add：Inventories purchased		1,350,483	
Others transfer in		1,287	
Less：Inventories end of year		(672,504)	
Others transfer out		(281,744)	
Costs of goods sold		1,053,490	
Gain on reversal of mark value		2,288	
Costs of service revenue		140,472	
Total		$1,196,250	

Statement of marketing expense

For the year ended December 31, 2022

Items	Description	Amount	Note
Salaries		$306,451	
Insurance		26,997	
Other expense		62,770	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$396,218	

Statement of general and administrative expense

For the year ended December 31, 2022

Items	Description	Amount	Note
Salaries		$119,177	
Depreciation		10,081	
Others		40,988	The amount of individual item included in others does not exceed 5% of the account balance.
Total		$170,246	

Statement of employee benefits, depreciation and amortization by function

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit						
Salaries	$-	$397,822	$397,822	$-	$393,192	$393,192
Labor and health insurance	-	32,107	32,107	-	30,708	30,708
Pension	-	16,466	16,466	-	15,984	15,984
Board compensation	-	11,340	11,340	-	13,740	13,740
Others	-	13,856	13,856	-	10,142	10,142
Depreciation	-	17,706	17,706	-	16,462	16,462
Amortization	-	-	-	-	-	-

Note 1: For the year of 2022 and 2021, the Company had average 357 and 342 employees, respectively, which included 4 and 6 non-employee directors for both years

Note 2:(a) Average employee benefits for the year ended December 31, 2022 was NT$ 1,304 (Amounts of employee benefits for the year ended December 31, 2022 less amounts of remuneration of directors for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022)

Average employee benefits for the year ended December 31, 2021 was NT$ 1,339 (Amounts of employee benefits for the year ended December 31, 2021 less amounts of remuneration of directors for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021)

(b) Average salaries for the year ended December 31, 2022 was NT$ 1,127 (Amounts of salaries for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022)

Average salaries for the year ended December 31, 2021 was NT$ 1,170 (Amounts of salaries for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021)

(c) Changes of adjustments of average salaries was -3.68% (Average salaries for the year ended December 31, 2022 less average salaries for the year ended December 31, 2021/average salaries for the year ended December 31, 2021)

(d) Salary and remuneration policy (including directors, managers and employees).

Based on the participation in the company’s operations and contribution value, usual level of the industry, personal performance, the company’s operating performance, and the rationality of future risks.

i.Directors: Directors' remuneration including salary, carriage fees and directors' remuneration, which was provided in accordance with the company's articles of association and the directors’ remuneration policy.

ii.Managers and employees: According to the company's internal salary and performance management policy, including salary, bonus and employee compensation. In considering of the salary level of the industry average, the achievement of personal performance and the contribution to the company's operating goals, reasonable remuneration will be provided in accordance with the company’s articles of association.