

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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

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Independent Auditors' Report

To the Board of Directors of Interactive Digital Technologies Inc.:

Opinion

We have audited the parent-company-only financial statements of Interactive Digital Technologies Inc., which comprise the parent-company-only balance sheet as of December 31, 2023, the parent-company-only statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of Interactive Digital Technologies Inc. as of December 31, 2023, and its financial performance and its cash flows for the year 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of Interactive Digital Technologies Inc. in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the parent-company-only financial statements for the year ended December 31, 2023 are stated as follows:

1. Revenue recognition

Please refer to note 4(m) for the accounting policy on revenue recognition, note 6(p) for the related disclosures and note 5 for the judgments made in the timing of revenue recognition, respectively, to the parent-company-only financial statements.

Description of key audit matter:

Interactive Digital Technologies Inc. engages primarily in the sales of cable television network and broadband transmission, wireless network, media, IT & cloud services, and geographical information system and provide system integration technology services to secure system implementation, extension and maintenance services for customers. The complexity of contract terms requires management to make an assessment individually in determining the timing of revenue recognition. Therefore, revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included performing a sample test on the design and operating effectiveness of Interactive Digital Technologies Inc.'s internal controls over financial reporting in the sales and collection cycle; performing a sample test through reviewing the related sales contracts or order terms with customers and installation acceptance documents to assess the accuracy of the timing of revenue recognition; and performing a sample test on sales transactions that took place before and after the balance sheet date to determine whether the performance obligation has been satisfied by transferring control over the goods and services to a customer to assess the accuracy of the timing of revenue recognition.

Other Matter

The parent-company-only financial statements of Interactive Digital Technologies Inc. as of and for the year ended December 31, 2022 were audited by another auditors who expressed an unmodified audit opinion on February 22, 2023.

Responsibilities of Management and Those Charged with Governance for the Parent-company-only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only 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 parent-company-only 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 Interactive Digital Technologies Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Interactive Digital Technologies Inc. or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent-company-only 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent-company-only 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 Interactive Digital Technologies Inc.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Interactive Digital Technologies Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investees accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Huang, Ming-Hung and Chang, Huei-Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2024

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 882,337	29	316,224	12	2100	Short-term borrowings (note 6(h))	\$ -	-	150,000	6
1110	Financial assets at fair value through profit or loss — current (note 6(b))	-	-	21,991	1	2130	Contract liabilities — current (note 6(p))	289,338	10	425,717	16
1136	Financial assets measured at amortized cost — current (note 6(a))	20,000	1	-	-	2170	Accounts payable	355,899	12	340,731	13
1170	Notes and accounts receivable, net (notes 6(c) and (p))	592,743	20	652,322	25	2180	Accounts payable to related parties (note 7)	6,681	-	135	-
1180	Accounts receivable from related parties (notes 6(c), (p) and 7)	8,403	-	6,929	-	2200	Other payables (note 6(q))	200,634	7	185,614	7
1200	Other receivables (note 7)	845	-	171	-	2230	Current income tax liabilities	69,800	2	58,019	2
130X	Inventories (note 6(d))	592,021	19	647,333	24	2250	Provisions — current (note 6(k))	69,388	2	81,056	3
1410	Prepayments and other current assets	5,347	-	78,934	3	2280	Lease liabilities — current (note 6(j))	3,923	-	4,421	-
	Total current assets	<u>2,101,696</u>	<u>69</u>	<u>1,723,904</u>	<u>65</u>	2300	Other current liabilities	854	-	1,108	-
							Total current liabilities	<u>996,517</u>	<u>33</u>	<u>1,246,801</u>	<u>47</u>
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using the equity method (note 6(e))	13,588	1	12,498	1	2530	Bonds payable (note 6(i))	264,612	9	-	-
1510	Financial assets at fair value through profit or loss — non-current (notes 6(b) and (i))	55	-	-	-	2550	Provisions — non-current (note 6(k))	34,641	1	66,069	3
1535	Financial assets measured at amortized cost — non-current (note 6(a))	21,000	1	-	-	2570	Deferred income tax liabilities (note 6(m))	409	-	203	-
1600	Property, plant and equipment (notes 6(f) and 7)	770,077	25	761,416	29	2580	Lease liabilities — non-current (note 6(j))	1,266	-	3,126	-
1755	Right-of-use assets (note 6(g))	5,159	-	7,523	1	2600	Other non-current liabilities	223	-	222	-
1840	Deferred income tax assets (note 6(m))	23,612	1	35,186	1		Total non-current liabilities	<u>301,151</u>	<u>10</u>	<u>69,620</u>	<u>3</u>
1900	Other non-current assets	102,212	3	91,715	3		Total liabilities	<u>1,297,668</u>	<u>43</u>	<u>1,316,421</u>	<u>50</u>
	Total non-current assets	<u>935,703</u>	<u>31</u>	<u>908,338</u>	<u>35</u>	Equity (notes 6(i) and (n)):					
						3100	Capital stock:				
						3110	Common stock	431,373	14	402,499	15
						3140	Common stock subscribed	27,618	1	33	-
						3200	Capital surplus	786,038	26	486,890	19
						3300	Retained earnings	495,436	16	426,888	16
						3400	Other equity	(734)	-	(489)	-
							Total equity attributable to shareholders of the Company	<u>1,739,731</u>	<u>57</u>	<u>1,315,821</u>	<u>50</u>
							Total equity	<u>1,739,731</u>	<u>57</u>	<u>1,315,821</u>	<u>50</u>
	Total assets	<u>\$ 3,037,399</u>	<u>100</u>	<u>2,632,242</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,037,399</u>	<u>100</u>	<u>2,632,242</u>	<u>100</u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(p) and 7)	\$ 2,235,094	100	2,043,363	100
5000	Operating costs (notes 6(d), (k) and 7)	<u>(1,307,591)</u>	<u>(59)</u>	<u>(1,196,250)</u>	<u>(59)</u>
	Gross profit	<u>927,503</u>	<u>41</u>	<u>847,113</u>	<u>41</u>
	Operating expenses (notes 6(c), (f), (g), (j), (l), (q), 7 and 12):				
6100	Selling expenses	(428,976)	(19)	(396,218)	(19)
6200	Administrative expenses	(191,586)	(8)	(170,246)	(8)
6450	Gain on reversal of impairment loss (expected credit loss)	<u>2,976</u>	<u>-</u>	<u>(2,150)</u>	<u>-</u>
	Total operating expenses	<u>(617,586)</u>	<u>(27)</u>	<u>(568,614)</u>	<u>(27)</u>
	Operating income	<u>309,917</u>	<u>14</u>	<u>278,499</u>	<u>14</u>
	Non-operating income and loss (notes 6(j) and (r)):				
7100	Interest income	8,799	-	1,995	-
7010	Other income	9,933	1	6,131	-
7020	Other gains and losses, net	4,127	-	(8,190)	-
7050	Finance costs	(8,642)	-	(7,426)	-
7060	Share of profit of subsidiaries, associates and joint ventures	<u>2,562</u>	<u>-</u>	<u>1,265</u>	<u>-</u>
	Total non-operating income and loss	<u>16,779</u>	<u>1</u>	<u>(6,225)</u>	<u>-</u>
	Income before income tax	326,696	15	272,274	14
7950	Less: income tax expense (note 6(m))	<u>(64,933)</u>	<u>(3)</u>	<u>(57,267)</u>	<u>(3)</u>
	Net income	<u>261,763</u>	<u>12</u>	<u>215,007</u>	<u>11</u>
	Other comprehensive income (note 6(n)):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(245)	-	185	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Other comprehensive income (loss) for the year, net of income tax	<u>(245)</u>	<u>-</u>	<u>185</u>	<u>-</u>
	Total comprehensive income for the year	<u><u>\$ 261,518</u></u>	<u><u>12</u></u>	<u><u>215,192</u></u>	<u><u>11</u></u>
	Earnings per share (in New Taiwan dollars) (note 6(o)):				
9750	Basic earnings per share	<u><u>\$ 6.26</u></u>		<u><u>5.43</u></u>	
9850	Diluted earnings per share	<u><u>\$ 5.27</u></u>		<u><u>5.39</u></u>	

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>Capital stock</u>			<u>Retained earnings</u>				<u>Other equity</u>	
	<u>Common stock</u>	<u>Common stock subscribed</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>	<u>Total</u>	<u>Foreign currency translation differences</u>	<u>Total equity</u>
Balance at January 1, 2022	\$ 387,509	45	425,571	177,781	752	265,881	444,414	(674)	1,256,865
Net income in 2022	-	-	-	-	-	215,007	215,007	-	215,007
Other comprehensive income in 2022	-	-	-	-	-	-	-	185	185
Total comprehensive income in 2022	-	-	-	-	-	215,007	215,007	185	215,192
Appropriation of earnings:									
Legal reserve	-	-	-	26,065	-	(26,065)	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(232,532)	(232,532)	-	(232,532)
Reversal of special reserve	-	-	-	-	(78)	78	-	-	-
Cash distribution from capital surplus	-	-	(19,378)	-	-	-	-	-	(19,378)
Common stock subscribed reclassified to capital stock	45	(45)	-	-	-	-	-	-	-
Conversion of convertible bonds	14,945	33	84,540	-	-	-	-	-	99,518
Conversion options recognized for issuance of convertible bonds	-	-	(3,843)	-	-	-	-	-	(3,843)
Rounding differences	-	-	-	-	-	(1)	(1)	-	(1)
Balance at December 31, 2022	<u>402,499</u>	<u>33</u>	<u>486,890</u>	<u>203,846</u>	<u>674</u>	<u>222,368</u>	<u>426,888</u>	<u>(489)</u>	<u>1,315,821</u>
Net income in 2023	-	-	-	-	-	261,763	261,763	-	261,763
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	-	(245)	(245)
Total comprehensive income (loss) in 2023	-	-	-	-	-	261,763	261,763	(245)	261,518
Appropriation of earnings:									
Legal reserve	-	-	-	21,501	-	(21,501)	-	-	-
Reversal of special reserve	-	-	-	-	(185)	185	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(193,215)	(193,215)	-	(193,215)
Cash distribution from capital surplus	-	-	(20,127)	-	-	-	-	-	(20,127)
Common stock subscribed reclassified to capital stock	33	(33)	-	-	-	-	-	-	-
Conversion of convertible bonds	28,841	27,618	290,158	-	-	-	-	-	346,617
Stock option recognized for issuance of convertible bonds	-	-	29,117	-	-	-	-	-	29,117
Balance at December 31, 2023	<u>\$ 431,373</u>	<u>27,618</u>	<u>786,038</u>	<u>225,347</u>	<u>489</u>	<u>269,600</u>	<u>495,436</u>	<u>(734)</u>	<u>1,739,731</u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Income before income taxes	\$ 326,696	272,274
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	23,845	17,706
Expected credit loss (gain on reversal of impairment loss)	(2,976)	2,150
Loss (gain) on financial assets at fair value through profit or loss	(1,849)	2,722
Interest expense	8,642	7,426
Interest income	(8,799)	(1,995)
Dividend income	-	(2,172)
Share of profit of subsidiaries, associates and joint ventures	(2,562)	(1,265)
Gain on disposal and scrap of property, plant and equipment	(1,676)	(45)
Total adjustments for profit or loss	<u>14,625</u>	<u>24,527</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	62,555	(36,934)
Accounts receivable from related parties	(1,474)	239
Other receivables	(79)	(36)
Inventories	55,312	(14,249)
Prepayments and other current assets	73,587	(14,413)
Net changes in operating assets	<u>189,901</u>	<u>(65,393)</u>
Changes in operating liabilities:		
Contract liabilities	(136,379)	713
Accounts payable	15,168	(2,647)
Accounts payable to related parties	6,546	(1,862)
Other payables	15,192	1,331
Provisions	(43,096)	3,026
Other current liabilities	(254)	179
Net changes in operating liabilities	<u>(142,823)</u>	<u>740</u>
Total changes in operating assets and liabilities	<u>47,078</u>	<u>(64,653)</u>
Total adjustments	<u>61,703</u>	<u>(40,126)</u>
Cash provided by operations	388,399	232,148
Interest received	8,204	1,984
Dividends received	1,227	6,279
Interest paid	(268)	(696)
Income taxes paid	(41,371)	(55,837)
Net cash flows provided by operating activities	<u>356,191</u>	<u>183,878</u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.**Parent-Company-Only Statements of Cash Flows (Continued)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost	(41,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	23,766	1,748
Acquisition of property, plant and equipment	(27,117)	(285,752)
Proceeds from disposal of property, plant and equipment	1,676	48
Increase in refundable deposits	(11,330)	(1,584)
Decrease (increase) in prepayments for equipment	<u>833</u>	<u>(1,604)</u>
Net cash flows used in investing activities	<u>(53,172)</u>	<u>(287,144)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	-	680,000
Decrease in short-term borrowings	(150,000)	(530,000)
Proceeds from issuing bonds	631,884	-
Repayments of bonds	-	(372,300)
Payment of lease liabilities	(5,383)	(3,974)
Increase in guarantee deposits received	-	139
Cash dividends distributed to shareholders	(213,342)	(251,910)
Lease interest paid	<u>(65)</u>	<u>(54)</u>
Net cash flows provided by (used in) financing activities	<u>263,094</u>	<u>(478,099)</u>
Net increase (decrease) in cash and cash equivalents	566,113	(581,365)
Cash and cash equivalents at beginning of year	<u>316,224</u>	<u>897,589</u>
Cash and cash equivalents at end of year	<u><u>\$ 882,337</u></u>	<u><u>316,224</u></u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

Interactive Digital Technologies Inc. (the “Company”) was incorporated on May 14, 2003, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 38-1, Wugong 5th Rd., Wugu Dist., New Taipei City, Taiwan. The Company is primarily engaged in cable television network and broadband transmission, wireless network, media, IT & cloud services, and geographical information system. Qisda Corporation is the ultimate parent company of the Company.

2. Authorization of the parent-company-only financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors on February 23, 2024.

3. Application of new and revised accounting standards and interpretations:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of material accounting policies:

The material accounting policies presented in the parent-company-only financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

- (a) Statement of compliance

The Company’s accompanying parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss (including derivative financial instruments).

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The Company’s parent-company-only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

- (c) Foreign currency

- (i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Company's parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Company's parent-company-only financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(e) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Accounts receivable is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost and FVTPL. A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

2) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income (FVOCI) as described above (e.g. financial assets held for trading and those that are managed and evaluated for performance on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

- 4) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial assets on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features)

- 5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Company’s historical experience and credit assessment, as well as forward-looking information.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Based on its experience, there have been no corporate recoveries after 181 days.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights of the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

2) Equity transactions

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in bringing them to the location and condition ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(h) Investments in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statement is in line with total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in the parent-company-only financial statements is in line with the changes in equity attributable to shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as accounted for within equity.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less, accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: buildings: 11 to 56 years; machinery and equipment: 3 to 5 years, and other equipment: 2 to 6 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Company's assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the parent-company-only balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term lease and lease of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(k) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(m) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) System implementation and integration project

The Company recognizes revenue when control of the goods or project system has been transferred to the customer, being when the goods or project system are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are accepted by the customer, as this is the point in time that the Company has a right to an amount of consideration that is unconditional

Advance receipts are recognized in contract liabilities and the Company recognizes revenue when a performance obligation was satisfied.

Loss on onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(ii) Rendering of services

The Company's revenue from providing repair and technical support or services is recognized in the accounting period in which services are rendered over the contract period.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer, and the payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Government grants

A government grant is recognized in profit or loss only when there is reasonable assurance that the Company will comply with the conditions associated with the grant and that the grant will be received. For a government grant that compensates the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS 37.

The Company has determined that the global minimum top-up tax — which it is required to pay under Pillar Two legislation — is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares are convertible bonds or profit sharing for employees to be settled in the form of common stock.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

5. Critical accounting judgments, and key sources of estimation uncertainty

The preparation of the parent-company-only financial statements requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about judgments made in applying accounting policies that have a significant effects on the amounts recognized in the parent-company-only financial statements is as follows:

Revenue recognition

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. Please refer to note 4(m) for related conditions for revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within the warranty period, the historical and anticipated warranty claims rate associated with similar products and services, and the projected unit cost of maintenance. The Company regularly reviews the basis of the estimate and, if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any change in the basis of the estimate.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 470	470
Demand deposits and checking accounts	270,539	269,574
Time deposits with original maturities less than three months	<u>611,328</u>	<u>46,180</u>
	<u>\$ 882,337</u>	<u>316,224</u>

As of December 31, 2023, the time deposits with original maturities between more than three months to one year amounted to \$20,000, which were classified as financial assets measured at amortized cost—current. As of December 31, 2023, the time deposits with original maturities more than one year amounted to \$21,000, which were classified as financial assets measured at amortized cost—non-current.

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INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(b) Financial assets at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss — current:		
Listed companies' stocks	\$ <u>-</u>	<u>21,991</u>
Financial assets at fair value through profit or loss — non-current:		
Redemption option of convertible bonds	\$ <u>55</u>	<u>-</u>

(c) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 6,365	36,008
Accounts receivable	586,378	619,290
Accounts receivable from related parties	8,403	6,929
Less: loss allowance	<u>-</u>	<u>(2,976)</u>
	<u>\$ 601,146</u>	<u>659,251</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable was as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 597,653	0%	-
Past due 1-30 days	566	0%	-
Past due 31-90 days	527	0%	-
Past due 121-180 days	2,400	0%	-
Past due over 181 days	<u>-</u>	100%	<u>-</u>
	<u>\$ 601,146</u>		<u>-</u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 610,521	0%	-
Past due 1-30 days	32,117	0%	-
Past due 31-90 days	4,096	0%	-
Past due 91-180 days	15,493	19.21%	2,976
Past due over 181 days	-	100%	-
	<u><u>\$ 662,227</u></u>		<u><u>2,976</u></u>

Movements of the loss allowance for notes and accounts receivable were as follows:

	2023	2022
Balance at January 1	\$ 2,976	826
Impairment loss (gain on reversal of impairment loss)	(2,976)	2,150
Balance at December 31	<u><u>\$ -</u></u>	<u><u>2,976</u></u>

(d) Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ 22,360	69,631
Consignment inventories	306,395	236,702
Project inventories	263,266	341,000
	<u><u>\$ 592,021</u></u>	<u><u>647,333</u></u>

Project inventories are the costs incurred to date related to service costs and related expenses but not yet recognized as revenue.

The amounts of inventories recognized as costs of revenue were as follows:

	2023	2022
Cost of inventories sold	\$ 1,196,525	1,053,490
Write-downs of (reversal of write-downs) inventories	(12,614)	2,288
Service and warranty costs	123,680	140,472
	<u><u>\$ 1,307,591</u></u>	<u><u>1,196,250</u></u>

he write-downs of inventories arose from the write-downs of inventories to net realizable value. The reversal of write-downs of inventories arose from the sale of slow-moving inventories and the write-downs of inventories were reversed to the extent of the write-downs of inventories to net realizable value.

As of December 31, 2023 and 2022, the Company's inventories were not pledged as collateral.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(e) Investments accounted for using the equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 13,588</u>	<u>12,498</u>
Subsidiaries		

Please refer to consolidated financial statements for the year ended December 31, 2023.

For the years ended December 31, 2023 and 2022, the Company's investments accounted for using the equity method were not pledged as collateral for the bank loans.

(f) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
Cost:					
Balance at January 1, 2023	\$ 641,026	143,253	12,861	29,204	826,344
Additions	-	10,636	7,445	9,036	27,117
Disposals	-	(28)	(2,533)	(6,787)	(9,348)
Balance at December 31, 2023	<u>\$ 641,026</u>	<u>153,861</u>	<u>17,773</u>	<u>31,453</u>	<u>844,113</u>
Balance at January 1, 2022	\$ 412,696	105,849	11,042	17,677	547,264
Additions	228,330	39,329	4,272	13,821	285,752
Disposals and scrap	-	(1,925)	(2,453)	(2,294)	(6,672)
Balance at December 31, 2022	<u>\$ 641,026</u>	<u>143,253</u>	<u>12,861</u>	<u>29,204</u>	<u>826,344</u>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2023	\$ 8,984	38,360	4,033	13,551	64,928
Depreciation	-	8,747	3,633	6,076	18,456
Disposals	-	(28)	(2,533)	(6,787)	(9,348)
Balance at December 31, 2023	<u>\$ 8,984</u>	<u>47,079</u>	<u>5,133</u>	<u>12,840</u>	<u>74,036</u>
Balance at January 1, 2022	\$ 8,984	34,180	3,626	11,068	57,858
Depreciation	-	6,105	2,860	4,774	13,739
Disposals and scrap	-	(1,925)	(2,453)	(2,291)	(6,669)
Balance at December 31, 2022	<u>\$ 8,984</u>	<u>38,360</u>	<u>4,033</u>	<u>13,551</u>	<u>64,928</u>
Carrying amounts:					
Balance at December 31, 2023	<u>\$ 632,042</u>	<u>106,782</u>	<u>12,640</u>	<u>18,613</u>	<u>770,077</u>
Balance at December 31, 2022	<u>\$ 632,042</u>	<u>104,893</u>	<u>8,828</u>	<u>15,653</u>	<u>761,416</u>

As of December 31, 2023 and 2022, the Company's property, plant and equipment were not pledged as collateral.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(g) Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Furniture and fixtures</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 5,490	6,799	544	12,833
Additions	665	2,360	-	3,025
Disposals	(447)	(967)	(320)	(1,734)
Balance at December 31, 2023	<u>\$ 5,708</u>	<u>8,192</u>	<u>224</u>	<u>14,124</u>
Balance at January 1, 2022	\$ 11,725	5,359	525	17,609
Additions	5,043	3,002	224	8,269
Disposals	(11,278)	(1,562)	(205)	(13,045)
Balance at December 31, 2022	<u>\$ 5,490</u>	<u>6,799</u>	<u>544</u>	<u>12,833</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 1,126	3,935	249	5,310
Depreciation	2,869	2,344	176	5,389
Disposals	(447)	(967)	(320)	(1,734)
Balance at December 31, 2023	<u>\$ 3,548</u>	<u>5,312</u>	<u>105</u>	<u>8,965</u>
Balance at January 1, 2022	\$ 10,846	3,267	275	14,388
Depreciation	1,558	2,230	179	3,967
Disposals	(11,278)	(1,562)	(205)	(13,045)
Balance at December 31, 2022	<u>\$ 1,126</u>	<u>3,935</u>	<u>249</u>	<u>5,310</u>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 2,160</u>	<u>2,880</u>	<u>119</u>	<u>5,159</u>
Balance at December 31, 2022	<u>\$ 4,364</u>	<u>2,864</u>	<u>295</u>	<u>7,523</u>

(h) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	<u>\$ -</u>	<u>150,000</u>
Unused credit facilities	<u>\$ 886,229</u>	<u>858,251</u>
Interest rate	-	1.5%~1.6%

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(i) Bonds payable

	December 31, 2023	December 31, 2022
Total convertible bonds issued	\$ 600,000	600,000
Unamortized bond discount	(9,988)	-
Repayment of bonds at maturity	-	(372,300)
Cumulative converted amount	(325,400)	(227,700)
Bonds payable	<u><u>\$ 264,612</u></u>	<u><u>-</u></u>
Derivative instrument – redemption option (included in financial assets at fair value through profit or loss)	<u><u>\$ 55</u></u>	<u><u>-</u></u>
Equity component – conversion options (included in capital surplus – stock option)	<u><u>\$ 29,117</u></u>	<u><u>-</u></u>

In response to working capital needs, the Company's Board of Directors resolved to issue the 2nd secured convertible bonds on October 24, 2022, with the approval of the Financial Supervisory Commission of the Republic of China on December 19, 2022. Starting January 11, 2023, the Company issued \$600,000 of secured convertible bonds, with a 3-year term, without interest, upon maturity on January 11, 2026.

The related terms and conditions of the issuance of convertible bonds are as follows:

(i) Redemption at maturity

Other than converting the bonds to the Company's ordinary shares or early redeeming or repurchasing the bonds from securities dealers to write off in accordance with Article 10 and 18 of the terms of issuance, respectively, the Company will repay the convertible bond in cash at par value after 10 trading days upon maturity.

(ii) Redemption at the option of the Company

- 1) If the closing price of the Company's ordinary share exceeds 30% of the conversion price for 30 consecutive trading days from 3 months after the issuance of the bonds to 40th day before maturity, the Company shall redeem the outstanding bonds at par value.
- 2) If the balance of the outstanding bonds is less than \$60,000 from 3 months after the issuance of the bonds to 40th day before maturity, the Company shall redeem the outstanding bonds at par value.

(iii) Conversion period

The bondholder may request the stock agency of the Company to convert the bond to ordinary shares from the 3 months after issuance to maturity date, except during the period in which the transfer is suspended by laws.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(iv) Conversion price and conversion options exercised

- 1) The conversion price was set at \$ 60.7 (New Taiwan Dollars) at the time of the Company's 2nd issuance of secured convertible bonds on January 11, 2023. Starting July 23, 2023, the conversion price had been adjusted to \$56.7 (New Taiwan Dollars). As of December 31, 2023, the convertible bonds have been converted into 5,646 thousand shares of the Company's common stock.
- 2) The Company's 1st issuance of unsecured convertible bonds on November 22, 2019 had reached the maturity on November 22, 2022, with the conversion price set at NT\$78.5 at the time of issuance. Starting July 4, 2022, the conversion price had been adjusted to \$61.2 (New Taiwan Dollars). As of December 31, 2022, the convertible bonds have been converted into 3,309 thousand shares of the Company's common stock.

(j) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 3,923</u>	<u>4,421</u>
Non-current	<u>\$ 1,266</u>	<u>3,126</u>

Please refer to note 6(t) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	<u>\$ 65</u>	<u>54</u>
Expenses relating to short-term leases	<u>\$ 2,957</u>	<u>5,246</u>

The amounts recognized in the statements of cash flows for the Company were as follows:

	2023	2022
Total cash outflows for leases	<u>\$ 8,405</u>	<u>9,328</u>

(i) Buildings leases

The leases of buildings for office typically run for a period of 1 to 3 years.

(ii) Other leases

The Company leases transportation equipment, with lease terms of 1 to 3 years. In addition, the Company leases transportation equipment and furniture and fixtures with contract terms within one year. These leases are short-term and the Company has elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(k) Provisions — warranty

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 147,125	144,098
Provisions made	43,636	61,773
Amount utilized	(36,665)	(34,375)
Amount reversed	(50,067)	(24,371)
Balance at December 31	<u>\$ 104,029</u>	<u>147,125</u>
Current	<u>\$ 69,388</u>	<u>81,056</u>
Non-current	<u>\$ 34,641</u>	<u>66,069</u>

Provisions for warranty mainly related to projects sold are measured at the management's best estimates on the considerations required to settle the provision obligations.

(l) Employee benefits

The Company contributes monthly an amount equal to 6% of each employees' monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. For the years ended December 31, 2023 and 2022, the Company recognized pension expenses of \$17,382 and \$16,466, respectively, in relation to the defined contribution plans.

(m) Income taxes

(i) The components of income tax expense were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense:		
Current period	\$ 54,924	58,987
Adjustments for prior years	(1,771)	(2)
Current income tax expense	<u>53,153</u>	<u>58,985</u>
Deferred income tax expense (benefit):		
Origination and reversal of temporary differences	11,780	(1,718)
	<u>\$ 64,933</u>	<u>57,267</u>

In 2023 and 2022, there was no income tax recognized directly in equity or other comprehensive income.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
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Reconciliation of income tax expense and income before income tax for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Income before income tax	<u><u>\$ 326,696</u></u>	<u><u>272,274</u></u>
Income tax using the Company's statutory tax rate	\$ 65,339	54,455
Tax effect of expenses that are not deductible for tax purposes	1,627	3,193
Investment tax credits	(319)	(379)
Adjustments for prior years	(1,771)	(2)
Others	<u>57</u>	<u>-</u>
Income tax expense	<u><u>\$ 64,933</u></u>	<u><u>57,267</u></u>

(ii) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities

Deferred income tax assets:

	Write-downs of inventories	Unrealized foreign exchange losses	Warranties	Total
Balance at January 1, 2023	\$ 5,033	729	29,424	35,186
Recognized in profit or loss	(2,522)	(434)	(8,618)	(11,574)
Balance at December 31, 2023	<u><u>\$ 2,511</u></u>	<u><u>295</u></u>	<u><u>20,806</u></u>	<u><u>23,612</u></u>
Balance at January 1, 2022	\$ 4,576	75	28,820	33,471
Recognized in profit or loss	457	654	604	1,715
Balance at December 31, 2022	<u><u>\$ 5,033</u></u>	<u><u>729</u></u>	<u><u>29,424</u></u>	<u><u>35,186</u></u>

Deferred income tax liabilities:

	Unrealized foreign exchange gains
Balance at January 1, 2023	\$ 203
Recognized in profit or loss	206
Balance at December 31, 2023	<u><u>\$ 409</u></u>
Balance at January 1, 2022	\$ 206
Recognized in profit or loss	(3)
Balance at December 31, 2022	<u><u>\$ 203</u></u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

- (iii) The Company's income tax returns for all years through 2021 have been assessed by the R.O.C. tax authorities.

(n) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the Company's authorized shares of common stock consisted of 80,000 thousand shares, of which 43,137 thousand and 40,250 thousand shares, respectively, were issued and outstanding. The par value of the Company's common stock is NT\$10 per share. The authorized shares include 8,000 thousand shares allocated for the exercise of employee stock options.

For the years ended December 31, 2023 and 2022, the Company issued 2,887 thousand and 1,499 thousand shares of common stock amounting to \$28,874 and \$14,990, respectively, for conversion options exercised by the bondholders. The par value of the Company's common stock is NT\$10 per share. Related registration procedures have been completed.

(ii) Capital surplus

	December 31, 2023	December 31, 2022
Paid-in capital in excess of par value	\$ 739,224	469,193
Stock options	29,117	-
Others	<u>17,697</u>	<u>17,697</u>
	<u>\$ 786,038</u>	<u>486,890</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(iv) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. The Company shall make allocation of special reserve for the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Retained earnings

The Company's Articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with the Company's operational needs or applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends could be approved by the Company's Board of Directors and then reported to the Company's shareholders in its meeting.

The Company may distribute its legal reserve or capital surplus to shareholders by issuing new shares or by distributing cash, according to article 241 of the Company Act. The abovementioned distribution of earnings by way of cash dividends could be approved by the Company's Board of Directors and then reported to the Company's shareholders in its meeting.

As the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the Company has adopted a remaining earnings appropriation method as its dividend policy based on the future capital planning under which the earnings are distributed in consideration of the future capital needs and long-term financial plan to maintain continuous development. The total amount of earnings distributed shall not be less than 50% of the earnings available for distribution in the current year. The distribution ratio for cash dividends shall not be less than 10% of the total distribution.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

The appropriations of cash dividends of 2022 and 2021 earnings were approved by the Company's Board of Directors on February 22, 2023 and February 24, 2022, respectively. Other appropriations of 2022 and 2021 earnings were approved by the shareholders during their meetings on May 30, 2023 and May 30, 2022, respectively. The resolved appropriations were as follows:

	2022		2021	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Legal reserve		<u>\$ 21,501</u>		<u>26,065</u>
Reversal of special reserve		<u>\$ 185</u>		<u>78</u>
Cash dividends distributed to shareholders	\$ 4.8	193,215	6.0	232,532
Cash distribution from capital surplus	0.5	20,127	0.5	19,378
	<u>\$ 5.3</u>	<u>213,342</u>	<u>6.5</u>	<u>251,910</u>

On February 23, 2024, the cash dividends appropriated from 2023 earnings approved by the Company's Board of Directors were as follows:

	2023	
	Dividends per share (in dollars)	Amount
Cash dividends distributed to shareholders	\$ 5.2	238,676
Cash distribution from capital surplus	0.8	36,719
	<u>\$ 6.0</u>	<u>275,395</u>

(vi) Other equity items (net after tax)

Foreign exchange differences arising from translation of foreign operations

	2023	2022
Balance at January 1	\$ (489)	(674)
Foreign exchange differences arising from translation of foreign operations	(245)	185
Balance at December 31	<u>\$ (734)</u>	<u>(489)</u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(o) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Company	\$ <u>261,763</u>	<u>215,007</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>41,813</u>	<u>39,596</u>
Basic earnings per share (in dollars)	\$ <u>6.26</u>	<u>5.43</u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Company (basic)	\$ 261,763	215,007
Effect of dilutive potential ordinary shares:		
Interest expense and valuation loss on convertible bonds	6,726	5,203
Net income attributable to shareholders of the Company (diluted)	\$ <u>268,489</u>	<u>220,210</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	41,813	39,596
Effect on dilutive potential ordinary shares:		
Effect on employee remuneration in stock	542	573
Effects on conversion of convertible bonds	8,587	657
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>50,942</u>	<u>40,826</u>
Diluted earnings per share (in dollars)	\$ <u>5.27</u>	<u>5.39</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Major products/services lines:		
Sales of system integration projects	\$ 1,835,817	1,654,238
Services	399,277	389,125
	\$ <u>2,235,094</u>	<u>2,043,363</u>
	<u>2023</u>	<u>2022</u>
Timing of revenue recognition:		
Recognized at a point in time	\$ 2,173,742	1,995,095
Recognized over time	61,352	48,268
	\$ <u>2,235,094</u>	<u>2,043,363</u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	\$ 601,146	662,227	625,531
Less: loss allowance	-	(2,976)	(827)
	<u>\$ 601,146</u>	<u>659,251</u>	<u>624,704</u>
	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities — current	<u>\$ 289,338</u>	<u>425,717</u>	<u>425,004</u>

For details on notes and accounts receivable and its loss allowance, please refer to note 6(c).

The amounts of revenue recognized for the years ended December 31, 2023 and 2022, which were included in the contract liabilities balance at the beginning of the period, were \$410,371 and \$299,559, respectively.

(q) Remuneration to employees and directors

The Company's Articles of Incorporation requires that earnings shall contribute a range from 5% to 20% as remuneration to its employees and no more than 1% to its directors (the remuneration was provided to its directors to a maximum of 2% in accordance with the Company's Articles of Incorporation before amendment). However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2023 and 2022, the Company accrued its remuneration to employees amounting to \$36,590 and \$30,920, respectively, and the remuneration to directors amounting to \$2,744 and \$6,170, respectively. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles of Incorporation, and recognized them as operating expenses. The difference between accrual and actual payment, if any, will be accounted for as change in accounting estimate and be recognized in profit or loss in the following year.

The estimated remuneration to employees and directors for 2023 and 2022 were the same as the amount approved by the Board of Directors and were paid in cash. Related information is available at the Market Observation Post System website.

(r) Non-operating income and loss

(i) Interest income

	2023	2022
Interest income from bank deposits	<u>\$ 8,799</u>	<u>1,995</u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(ii) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 2,114	2,099
Dividend income	-	2,172
Government grant	5,285	-
Others	2,534	1,860
	<u><u>\$ 9,933</u></u>	<u><u>6,131</u></u>

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign currency exchange gains (losses), net	\$ 602	(5,513)
Gains (losses) on financial instruments at fair value through profit or loss	1,849	(2,722)
Gains on disposal and scrap of property, plant and equipment	1,676	45
	<u><u>\$ 4,127</u></u>	<u><u>(8,190)</u></u>

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense on bank loans	\$ 95	869
Interest expense on bonds payable	8,482	6,503
Interest expense on lease liabilities	65	54
	<u><u>\$ 8,642</u></u>	<u><u>7,426</u></u>

(s) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through profit or loss — current	\$ -	21,991
Financial assets at fair value through other comprehensive income — non-current	55	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	882,337	316,224
Financial assets measured at amortized cost (including current and non-current)	41,000	-
Notes and accounts receivable (including related parties)	601,146	659,251
Other receivables (including related parties)	845	171
Refundable deposits (recognized in non-current assets)	101,441	90,111
	<u><u>\$ 1,626,824</u></u>	<u><u>1,087,748</u></u>

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

2) Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at amortized cost:		
Short-term borrowings	\$ -	150,000
Bonds payable	264,612	-
Accounts payable (including related parties)	362,580	340,866
Other payables	200,634	185,614
Lease liabilities (including current and non-current)	5,189	7,547
Guarantee deposits (recognized in non-current liabilities)	223	222
	<u>\$ 833,238</u>	<u>684,249</u>

(ii) Fair value information

1) Financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The financial assets at fair value through profit or loss are measured on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Redemption option of convertible bonds	\$ -	-	55	55

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

	December 31, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Listed companies' stocks	\$ 21,991	-	-	21,991

3) Valuation techniques and assumptions used in fair value measurement

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

For listed companies' stocks with standard terms and conditions and traded in active markets. The fair value is based on quoted market prices.

Except for the abovementioned financial instruments traded in an active market, the fair value of other financial instruments are based on the valuation techniques or the quotation from counterparty. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date.

4) Transfers between levels of the fair value hierarchy

There was no transfer among fair value hierarchies for the years ended December 31, 2023 and 2022.

5) Movement in financial assets included in Level 3 fair value hierarchy

	2023
Financial assets at fair value through profit or loss	
Balance at January 1	\$ -
Additions	60
Recognized in profit or loss	(5)
Balance at December 31	\$ 55

(t) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Company has disclosed the information on exposure to the aforementioned risks and the Company's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operations.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

The Company's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

The Company maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

In order to reduce credit risk of accounts receivable, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. As of December 31, 2023 and 2022, 61% and 63%, respectively, of accounts receivable were from top five customers; thus, credit risk was significantly centralized. The Company continuously evaluates the credit quality of customers to minimize the credit risk.

Please refer to note 6(c) for credit risk exposure of accounts receivable. Other financial assets amortized at cost includes other receivables and refundable deposits (included in other financial assets – non-current). The abovementioned financial assets are considered low-credit risk financial assets; therefore, the loss allowances are measured using 12 months ECL.

(ii) Liquidity risk

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2023					
Non-derivative financial liabilities:					
Bonds payable	\$ 274,600	-	-	274,600	-
Accounts payable	362,580	362,580	-	-	-
Other payables	200,634	200,634	-	-	-
Lease liabilities	5,229	3,957	1,272	-	-
Guarantee deposits	223	-	223	-	-
	\$ 843,266	567,171	1,495	274,600	-

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings (with floating interest rates)	\$ 150,095	150,095	-	-	-
Accounts payable	340,866	340,866	-	-	-
Other payables	185,614	185,614	-	-	-
Lease liabilities	7,547	4,421	2,726	400	-
Guarantee deposits	<u>222</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>-</u>
	<u>\$ 684,344</u>	<u>680,996</u>	<u>2,948</u>	<u>400</u>	<u>-</u>

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and bank loans that are denominated in a currency other than the respective functional currency of the Company.

At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency, other than the functional currencies of the Company and the sensitivity analysis were as follows:

December 31, 2023					
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>NTD (in thousands)</u>	<u>Change in magnitude</u>	<u>Pre-tax effect on profit or loss (in thousands)</u>
Financial assets					
<u>Monetary items</u>					
USD	\$ 2,995	30.75	92,096	1 %	921
Financial liabilities					
<u>Monetary items</u>					
USD	\$ 2,977	30.75	91,543	1 %	915

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 2,546	30.73	78,239	1 %	782
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	\$ 2,509	30.73	77,102	1 %	771

As the Company deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2023 and 2022, the aggregate of realized and unrealized foreign exchange gains were \$602 and \$(5,513), respectively.

2) Interest rate risk

The Company's bank loans carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

Please refer to the note on liquidity risk management for details on interest rate exposure of the Company's financial liabilities. The following sensitivity analysis is based on the risk exposure to non-derivative financial instruments on the reporting date. The sensitivity analysis assumes the liabilities carrying floating interest rates recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Company is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the year ended December 31, 2022 would have been \$1,500, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Company is exposed to the risk of price fluctuation in the securities market due to the investment in domestic listed stock. The Company supervises the equity price risk actively and manages the risk based on fair value.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, profit or loss for the year ended December 31, 2022 would have increased or decreased by \$1,100.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(u) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, repayment of debts, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders. The Company monitors its capital through reviewing the liability-to-equity ratio periodically.

The Company's liability-to-equity ratio at the end of each reporting period was as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 1,297,668	1,316,421
Total equity	\$ 1,739,731	1,315,821
Liability-to-equity ratio	74.59 %	100.05 %

(v) Financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under lease for the years ended December 31, 2023 and 2022 please refer to note 6(g).

(ii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Additions	Others	
Short-term borrowings	\$ 150,000	(150,000)	-	-	-
Bonds payable	-	631,884	-	(367,272)	264,612
Lease liabilities	7,547	(5,448)	3,025	65	5,189
Total liabilities from financing activities	\$ 157,547	476,436	3,025	(367,207)	269,801

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Additions	Others	
Short-term loans	\$ -	150,000	-	-	150,000
Bonds payable	461,471	(372,300)	-	(89,171)	-
Lease liabilities	3,253	(4,028)	8,269	53	7,547
Total liabilities from financing activities	\$ 464,724	(226,328)	8,269	(89,118)	157,547

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

Hitron Technologies Inc. (“Hitron”) is the parent company of the Company and owns 36.38% and 41.49%, respectively, of the outstanding shares of the Company as of both December 31, 2023 and 2022. Qisda Corporation (“Qisda”) is the ultimate controlling party of the Company. Hitron and Qisda have issued the consolidated financial statements for public use.

(b) Name and relationship with related parties

The followings are subsidiaries and other related parties that have had transactions with the Company during the reporting periods.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Hwa Chi Technologies (Shanghai) Inc.	The Company’s subsidiary
Hitron Technologies Inc. (“Hitron”)	The Company’s parent company
Alpha Networks Inc. (“Alpha”)	Hitron’s parent company
Other related parties:	
Hitron Technologies (SIP) Inc.	Hitron’s subsidiary
Hitron Technologies (Vietnam) Inc.	Hitron’s subsidiary
Alpha Networks Vietnam Company Limited	Alpha’s subsidiary
Metaage Corporation	Qisda’s subsidiary
Golden Spirit Co., Ltd.	Qisda’s subsidiary

(c) Significant related-party transactions

(i) Revenue

	<u>2023</u>	<u>2022</u>
Parent company	\$ 24,296	32,012
Other related parties	24,671	7,268
Subsidiaries	<u>1,407</u>	<u>1,335</u>
	<u>\$ 50,374</u>	<u>40,615</u>

The selling prices and payment terms of sales to related parties are not different from those with third-party customers.

(ii) Purchases

	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 18,460</u>	<u>20,026</u>

The purchase prices and payment terms of related parties are not different from those with third-party vendors.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

(iii) Receivables from related parties

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Parent company	\$ 6,723	6,929
	Hitron's parent company	1,680	-
		<u>\$ 8,403</u>	<u>6,929</u>
Other receivables	Parent company	<u>\$ 41</u>	<u>-</u>

(iv) Payables to related parties

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	Other related parties	<u>\$ 6,681</u>	<u>135</u>

(v) Property transactions

For the years ended December 31, 2023 and 2022, the Company purchased furniture and fixtures amounting to \$6,178 and \$2,320, respectively, from parent company and other related parties.

(vi) Lease

The Company leased its office to parent company. For the years ended December 31, 2023 and 2022, the rental income both amounted to \$617.

(d) Compensation for key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 56,948	52,185
Post-employment benefits	1,187	1,053
	<u>\$ 58,135</u>	<u>53,238</u>

8. Pledged assets: None

9. Significant commitments and contingencies

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Guarantee notes submitted for projects	<u>\$ 15,256</u>	<u>4,497</u>
Guarantee for construction	<u>\$ 113,771</u>	<u>91,749</u>

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to the Parent-Company-Only Financial Statements

12. Others:

Employee benefits, depreciation, and amortization categorized by function were as follows:

	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	-	431,745	431,745	-	397,822	397,822
Insurance	-	32,709	32,709	-	32,107	32,107
Pension	-	17,382	17,382	-	16,466	16,466
Remuneration to directors	-	10,186	10,186	-	11,340	11,340
Others	-	14,324	14,324	-	13,856	13,856
Depreciation	-	23,845	23,845	-	17,706	17,706
Amortization	-	-	-	-	-	-

Additional information related to the number of employees and employee benefits of 2023 and 2022, was as follows:

	2023	2022
The number of employees	<u>366</u>	<u>357</u>
The number of non-employee directors	<u>6</u>	<u>4</u>
Average employee benefits	<u>\$ 1,378</u>	<u>1,304</u>
Average employee salaries	<u>\$ 1,199</u>	<u>1,127</u>
Average employee salaries increased (decreased) by	<u>6.39 %</u>	<u>(3.68)%</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policies (including directors, managers and employees) were as follows:

The Company's salary and remuneration policies include directors, managers and employees are reviewed and stipulated regularly based on the participation and contribution to the operation, the industry norms, individual performance, the Company's overall operating performance and the rationality of future risks.

(a) Directors:

The reasonable remuneration is provided in accordance with "Remuneration Policy to the Directors and Functional Committee Members", including salaries, transportation allowances and the remuneration to directors. Pursuant to the Company's Articles of Incorporation, when there is profit for the year, the Company should distribute the remuneration to directors.

(b) Managers and employees:

The reasonable remuneration is provided in accordance with "Remuneration Policy to the Managers and Performance Measurement", including salaries, bonuses and the remuneration to employees based on the industry norms, individual performance and contribution to the Company's operational objective. Pursuant to the Company's Articles of Incorporation, when there is profit for the year, the Company should distribute the remuneration to employees.

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to Consolidated Financial Statements

13. Additional disclosures:

- (a) Information on significant transactions:
- (i) Financing provided to other parties: None
 - (ii) Guarantee and endorsement provided to other parties: None
 - (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): None
 - (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None
 - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
 - (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
 - (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: None
 - (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: None
 - (ix) Information about derivative instrument transactions: Please refer to note 6(b)
- (b) Information on investees: None
- (c) Information on investment in Mainland China:
- (i) Information on investments in Mainland China:

(In Thousands of New Taiwan Dollars/ foreign currency)

Name of Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
Hwa Chi Technologies (Shanghai) Inc.	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	USD 200	Direct investment	12,048	-	-	12,048	2,562	100.00 %	2,562	13,588	19,034

(Continued)

INTERACTIVE DIGITAL TECHNOLOGIES INC.
Notes to Consolidated Financial Statements

(ii) Limits on investment in Mainland China:

(In Thousands of New Taiwan Dollars/ foreign currency)

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Interactive Digital Technologies Inc.	12,048	USD 414	1,043,839

(iii) Significant transactions with investee companies in Mainland China:

There were no significant direct or indirect transactions with investee companies in Mainland China for the year ended December 31, 2023.

(d) Major shareholders:

Major Shareholder's Name	Shareholding	Shares	Percentage
Hitron Technologies Inc.		16,702,600	36.38 %
Enrich Investment Corporation		2,575,000	5.61 %

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2023.

Interactive Digital Technologies Inc.
Statement of Cash and Cash Equivalents
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ 470
Demand deposits and checking accounts		269,784
Foreign currency deposits (Note)	USD: 26 thousand	755
Time deposits		520,000
Foreign currency time deposits (Note)	USD: 2,970 thousand	91,328
		\$ 882,337

(Note) Foreign currency deposits were translated at the spot exchange rate on December 31, 2023 as follows:
 USD:NTD=1:30.75

Statement of Notes and Accounts Receivable

Client Name	Amount
Customer A	\$ 180,386
Customer B	59,877
Customer C	49,984
Customer D	44,699
Customer E	32,011
Others (Note)	225,786
	\$ 592,743

Note: The amount of each item in others does not exceed 5% of the account balance.

(Continued)

Interactive Digital Technologies Inc.
Statement of Inventories
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	
		Carrying Amount	Net realizable Value
Merchandise		\$ 22,360	23,681
Consignment inventories		306,395	306,395
Project inventories		263,266	263,266
		\$ 592,021	593,342

Note: Provision of inventory obsolescence has been deducted.

Statement of Other Receivables

Item	Amount
Interest receivable	\$ 652
Others	193
	\$ 845

(Continued)

Interactive Digital Technologies Inc.

Statement of Prepayments and Other Current Assets

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Prepayment for purchase	\$ 1,324
Others	4,023
	<u>\$ 5,347</u>

Statement of Other Non-Current Assets

Item	Amount
Prepayments for equipment	\$ 771
Refundable deposits	101,441
	<u>\$ 102,212</u>

(Continued)

Interactive Digital Technologies Inc.
Statement of Changes in Investments Accounted for Using the Equity Method
For the year ended December 31, 2023
(Expressed in Thousands of New Taiwan Dollars / Shares)

Name of Investee	Balance at January 1, 2023		Addition		Decrease		Investment Income (Loss)	Earnings Distribution	Other Adjustments (Note 1)	Balance at December 31, 2023			Net Assets Value		
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral
	(Note)									(Note)					
Hwa Chi Technologies (Shanghai) Inc.	(Note)	\$ 12,498	-	-	-	-	2,562	(1,227)	(245)	(Note)	100.00 %	13,588	-	13,588	None

Note: There were no shares as the company is a limited liability company.

Note 1: Other adjustments

Foreign currency translation differences	\$ <u>(245)</u>
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(Continued)

Interactive Digital Technologies Inc.
Statement of Contract Liabilities — Current
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayment for purchase	Client A	\$ 45,595
	Client B	30,782
	Client C	30,183
	Client D	29,680
	Client E	23,939
	Client F	19,002
	Client G	15,305
Others (Note)		94,852
		<u><u>\$ 289,338</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Accounts Payable

Vendor Name	Description	Amount	Note
Vendor A		\$ 62,514	
Other (Note)		293,385	
		<u><u>\$ 355,899</u></u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

(Continued)

Interactive Digital Technologies Inc.
Statement of Other Payables
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries payable	\$ 124,907
Remuneration to employees	36,590
Sales tax payables	20,577
Others (Note)	18,560
	<u>\$ 200,634</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Other Current Liabilities

Item	Amount
Temporary received	\$ <u>854</u>

(Continued)

Interactive Digital Technologies Inc.
Statement of Lease Liabilities
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate	Ending Balance
Buildings	2021/11~2025/11	0.95%~1.42%	\$ 2,176
Transportation equipment	2020/02~2025/11	1.20%~1.42%	2,894
Office equipment	2020/11~2025/06	0.95%~1.20%	119
			<u>\$ 5,189</u>
Current			<u>\$ 3,923</u>
Non-current			<u>\$ 1,266</u>

Statement of Non-Current Liabilities

Item	Description	Amount	Note
Guarantee deposits		<u>\$ 223</u>	

(Continued)

Interactive Digital Technologies Inc.
Statement of Operating Revenue
For the year ended December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Revenue	\$ 1,844,842
Service income	399,278
Less: Sales returns and allowance	<u>(9,026)</u>
Revenue, net	<u><u>\$ 2,235,094</u></u>

Statement of Operating Costs

Item	Amount
Inventory, beginning of year	\$ 672,505
Add: Purchases	1,387,798
Other transfer in	14,548
Less: Inventory, end of year	(604,578)
Other transfer out	<u>(273,748)</u>
Cost of goods sold	1,196,525
Reversal of write-down of inventories	(12,614)
Service costs	9,800
Warranty costs	<u>113,880</u>
Operating costs	<u><u>\$ 1,307,591</u></u>

Statement of Selling Expenses

Item	Amount
Salaries	\$ 328,580
Insurance expense	29,557
Others (Note)	<u>70,839</u>
	<u><u>\$ 428,976</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

(Continued)

Interactive Digital Technologies Inc.
Statement of Administrative Expenses
For the year ended December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 130,733
Depreciation expense	13,409
Others (Note)	47,444
	\$ 191,586

Note: The amount of each item in others does not exceed 5% of the account balance.

For details on the statement of Financial Assets Measured at Amortized Cost, please refer to note 6(a) .

For details on statement of Accounts Receivable (Payable) from (to) Related Parties and Other Payables to Related Parties, please refer to note 7.

For details on the statement of Financial Assets at Fair Value through Profit or Loss — Non-Current, please refer to note 6(b) .

For details on statement of Changes in Property, Plant and Equipment, please refer to note 6(f).

For details on statement of Changes in Right-of-Use Assets, please refer to note 6(g).

For details on statement of Changes in Deferred Income Tax Assets, please refer to note 6(m).

For details on statement of Provisions — Current and Non-Current, please refer to note 6(k).

For details on statement of Bonds Payable, please refer to note 6(i).

For details on statement of Deferred Income Tax Liabilities, please refer to note 6(m).

For details on statement of Operating Revenue, please refer to note 6(p).

For details on statement of Non-Operating Income and Loss, please refer to note 6(r).