Stock Code: 6486

Interactive Digital Technologies Inc.

2023 Annual Report

Printed on March 31, 2024
Annual Report Website: http://mops.twse.com.tw
Company Website: http://www.idtech.com.tw

I. Name, title, telephone number, and e-mail address of the spokesperson or acting spokesperson;

Spokesperson: Mei-Chi Chen

Title: Vice President of Finance Division

Acting Spokesperson: Yao-Ting Wu

Title: Vice President of Management Division

Tel. : (02) 2298-3456

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II. Address and telephone number of the headquarters, branch companies and factories

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Tel: (02) 2298-3456

Branch address: 2F., No. 66, Sec. 1, Neihu Rd., Neihu District, Taipei City

Tel.: (02) 2658-5858

III. Name, address, e-mail address, and Tel. No. of the agency handling shares transfer

Name: Shareholder Service Agency Dept., Fubon Securities Co., Ltd.

Address: 11F., No. 17, Xuchang Street, Zhongzheng District, Taipei City

URL: http://www.fbs.com.tw

Tel. : (02) 2361-1300

IV. Names of the external auditors who duly audited the annual financial report for the most recent fiscal year, and the name, address and Tel. No. of their CPA firm

Name: Ming-Hong Huang and Huei-Chen Chang

CPA firm: KPMG Taiwan

Address: 68F, No. 7, Xinyi Road, Section 5, Taipei City

URL: http://www.kpmg.com.tw

Tel. : (02)8101-6666

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A.

VI. URL: http://www.idtech.com.tw

Interactive Digital Technologies Inc.

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One. Message to Shareholders

Dear shareholders,

Recalling 2023, the global COVID-19 pandemic alert has been terminated. Notwithstanding, due to the ongoing Russia-Ukraine War and outbreak of Israel-Hamas War, the risk over uncertainty in geopolitics arose accordingly. Besides, the lift rate and inflation also caused temporary instability in financial banking industries in the U.S. and Europe. As a result, the world experienced multiple negative impacts. Fortunately, our company has been able to demonstrate strong resilience in overcoming several negative crises and to achieve stable performance and economic growth outcome. In 2023, the Company was able to complete and close the Taipei Dome project successfully, and also expanded relevant core businesses proactively. Therefore, its operating revenue and profit demonstrated growth from the last two years. For the year ended December 31, 2023, the Company's consolidated operating revenue amounted to NT$2.243 billion, an increase by NT$ 194 million, or 9.5%, from the previous year, with consolidated operating profits at NT$313 million and consolidated net profits at NT$262 million. The earnings after tax was NT$6.26 per share.

The Company followed the global technology industry trend closely and advanced forward with customers in the digital technology field while demonstrating outstanding system integration soft power, satisfying customer demands and gaining customers' recognition and trust at the same time. Accordingly, the Company has been able to achieve common growth and win-win situation with customers jointly. In 2023, the Company implemented its nine operational policies, continued to exert its excellent system integration soft power and satisfied customers' needs with high trust and recognition:

I. Continue the 5G mobile network construction and provide services and solutions including base station construction, backbone transmission network expansion, and network bandwidth management.
II. Continue to manage the business opportunities for participation in the mobile network operators' wireless network co-configuration projects in public areas and the indoor wireless network coverage projects of large buildings.
III. Proactively map out the business opportunities for network consolidation due to merger of mobile communication companies and update and replacement of base station equipment due to 3G mobile network offline.
IV. In the 5G private network vertical field, with the high speed, low latency, and wide connection characteristics of 5G, we can integrate telecom service providers as well as hardware and software suppliers to provide services that combine AR, VR, AI, AIoT, drones, Big Data and Cloud technology application solutions for trials at various sites.
V. In response to the digital convergence trend, the Company continues to provide new media integration solutions, such as Multimedia on Demand (MOD), IP digitization of media production and broadcasting, and automated edition and broadcasting of news.
VI. Continue to manage and deepen the business opportunities for network information security, assist customers in strengthening information security resilience, and provide customers with complete information security solutions from the cloud and edge ends to the user end.
VII. In response to the government's thought on upgrading of the national security policy, the Company proactively deploys the business opportunities for telecommunication operators' improvement of the basic network resilience.
VIII. Continue to promote the Geospatial Information System (GIS) solution, and combine 5G, IoT and Big Data to develop service solutions for strategic infrastructure management of electricity, oil and water communication, smart city governance, epidemic tracking management, carbon emission and air pollution management, and FinTech business geo-analysis .
IX. Implement the Corporate Governance 3.0 Sustainable Development Roadmap.

Looking forward to the future, the Company will seize the business opportunities of 5G business innovation to execute the planning in terms of four aspects, including consolidation, expansion, innovation, and M&A. The Company looks forward to the continuous growth of the Company's operating scale and financial performance. The business policies and plans for 2024 are stated as follows:

I. Continue the 5G mobile network construction and provide services and solutions including base station construction, backbone transmission network expansion, and network bandwidth management.
II. Seize the business opportunities arising from the changes in the mobile communication industry's ecosystem resulting from M&A, and the business opportunities for removal of base station equipment when the 3G mobile network goes offline.
III. Innovate 5G dedicated frequency/private network and smart applications, integrate telecommunication service providers and software and hardware equipment suppliers, provide the technology combining XR, AIoT, UAV, Big Data and Cloud, and develop solutions applicable to various sites and smart applications.
IV. Proactively deploy microwave transmission and satellite terminals in line with the national resilient network policy.

V. Continue to manage and deepen the network information security business opportunities, assist customers to strengthen network resilience, network security and telecommunication fraud prevention, and provide customers with complete solutions for basic network resilience construction needs.
VI. In response to the media transformation to digital technology and update and replacement of equipment, the Company provides digital all-IP production and broadcasting services, virtual AR/VR/XR, news gathering, automated edition and broadcasting of news and new media integration solutions.
VII. Continue to promote GIS solutions, combine 5G, IoT, Big Data, GeoAI and BIM, build the digital twins and other innovative application integration solutions, and expand the GIS market.
VIII. Implement the promotion of ESG policies in response to the government’s act, and deploy and develop ESG-related business opportunities.

In the future, the Company's business operations will still be affected by the external competitive environment, legal environment and overall business environment. In order to maintain the competitive advantage, the Company will focus on the technological innovation and value-added application services of 5G business, in order to help customers solve their problems and meet their needs. The Company maintains a high level of information transparency and disclosure interms of ESG indicators, including environment, society, and corporate governance. It also works with the Qisda Group to practice the ESG, implement sustainable operations and improve the Company's industrial competitiveness and operational performance.

Thank all of you very much for your long-term support and concern. the Company’s management team and employees will continue to use the best effort to live up to the expectations and mission of the shareholders, continue to create remarkable results for the Company and our shareholders, and share the business results.

We wish you good health and all the best!

Chairman Wen-Fang Huang

Two. Company Profile

I. Date of establishment: May 14, 2003

II. Company history

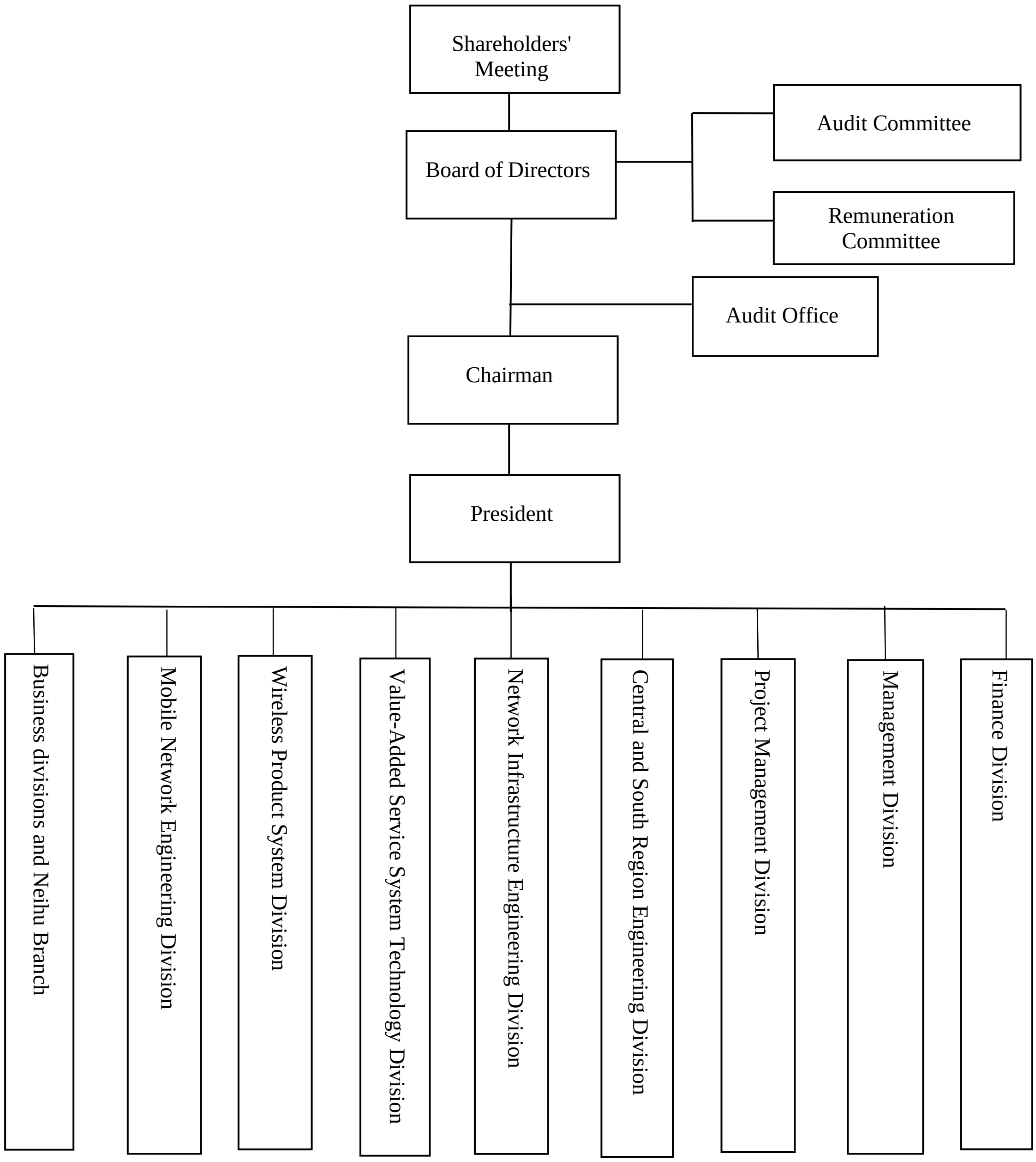
Date	Milestones
May 2003	The Company was founded with the paid-in capital amounting to NT$30,000 thousand.
October 2003	After the cash capital increase by NT$11,000 thousand, the paid-in capital became NT$41,000 thousand.
July 2004	After the cash capital increase by NT$12,510 thousand, the paid-in capital became NT$53,510 thousand.
August 2005	After the capital increase through earnings by NT$3,211 thousand, the paid-in capital became NT$56,721 thousand.
August 2006	After the capital increase through earnings by NT$5,672 thousand, the paid-in capital became NT$62,393 thousand.
June 2009	After the capital increase through earnings by NT$21,837 thousand, the paid-in capital became NT$84,230 thousand.
July 2011	After the capital increase through earnings by NT$29,950 thousand, the paid-in capital became NT$114,180 thousand.
January 2012	In order to maximize operational efficiency through the organizational adjustment and professional division of labor, the Company issued 20,582 thousand new shares to acquire the relevant net operating assets of the system integration business of the parent company, HITRON TECHNOLOGIES INC.. After the capital increase, the paid-in capital became NT$320,000 thousand.
February 2012	In response to the Company's business needs, the Neihu Branch was established in Neihu District, Taipei City, dedicated to the geographic information system services.
November 2012	After the cash capital increase by NT$100,000 thousand, the paid-in capital became NT$420,000 thousand.
December 2012	In order to effectively integrate the internal resources of the Group and improve the overall competitiveness and operating performance, the Company purchased the whole equity of Hwa Chi Technologies (Shanghai) Inc. wholly owned by the parent company, HITRON TECHNOLOGIES INC..
September 2014	Approved by the Financial Supervisory Commission to carry out the public offering of shares.
November 2014	Approved by the Taipei Exchange for registration as an emerging stock company.
September 2016	After the cash capital increase by NT$41,800 thousand, the paid-in capital became NT$461,800 thousand. Then, the stock was listed on TPEx successfully upon request.
July 2018	After the cash capital reduction by NT$92,360 thousand and cancelation of 9,236 issued shares, the paid-in capital became NT$369,440 thousand.
November 2019	Issue domestic 1st unsecured convertible corporate bond upon approval by FSC in the amount of NT$600,000 thousand.
February 2021	The convertible corporate bonds were converted into 773,773 ordinary shares, and then the paid-in capital became NT$377,178 thousand.
May 2021	The convertible corporate bonds were converted into 1,033,089 ordinary shares, and then the paid-in capital became NT$387,509 thousand.
January 2022	The convertible corporate bonds were converted into 4,477 ordinary shares, and then the paid-in capital became NT$387,553 thousand.

Date	Milestones
May 2022	The convertible corporate bonds were converted into 635,797 ordinary shares, and then the paid-in capital became NT$393,911 thousand.
August 2022	The convertible corporate bonds were converted into 179,097 ordinary shares, and then the paid-in capital became NT$395,702 thousand.
November 2022	The convertible corporate bonds were converted into 679,690 ordinary shares, and then the paid-in capital became NT$402,499 thousand.
January 2023	Issue domestic 2nd secured convertible corporate bond upon approval by FSC in the amount of NT$600,000 thousand.
March 2023	The convertible corporate bonds were converted into 3,266 ordinary shares, and then the paid-in capital became NT$402,532 thousand.
August 2023	The convertible corporate bonds were converted into 1,316,261 ordinary shares, and then the paid-in capital became NT$415,695 thousand.
November 2023	The convertible corporate bonds were converted into 1,567,868 ordinary shares, and then the paid-in capital became NT$431,373 thousand.
March 2024	The convertible corporate bonds were converted into 2,761,816 ordinary shares, and then the paid-in capital became NT$458,991 thousand.

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Businesses operated by major departments

By Department	Main business activities
Audit Office	1. Establishment, revision and review of the internal audit system. 2. Review and assessment of the completeness and effectiveness of the internal control system.
Business divisions and Neihu Branch	Responsible for the sale and promotion of the system integration services for telecommunications and broadband networks, wireless transmission, digital media, cloud information and geographic information.
Mobile Network Engineering Division	Responsible for the construction of base stations, indoor/outdoor signal coverage, electromagnetic wave measurements/interference inspection services for 4G/5G mobile networks.
Wireless Product System Division	Responsible for mobile communication product implementation, mobile communication system planning, mobile communication system measurement, satellite communication system construction planning and other related operations.
Value-Added Service System Technology Division	Responsible for the integrated evaluation and planning of telecommunications and broadband network, digital media and cloud information system services, and professional technical support.
Network Infrastructure Engineering Division and Central and South Region Engineering Division	Responsible for the establishment, testing and maintenance of various products and services.
Project Management Division	Responsible for operations related to the project management of system services, such as telecommunications and broadband networks, digital media, and cloud information.
Management Division	1. Responsible for the recruitment, selection, appointment, training, performance appraisal and salary of personnel. 2. Responsible for the general affairs such as stationery and fixed asset management. 3. Responsible for the general affairs related to procurement, price inquiry, execution of contract, and purchase. 4. Responsible for the planning, operation and management of the Company's overall information system. 5. Responsible for the planning, management and implementation of the legal compliance system and in charge of various legal affairs. 6. Responsible for labor safety and other operations.
Finance Division	Responsible for the Company's finance, accounting, investment, shareholder services and information disclosure.

II. Information on the Company's directors, President, vice presidents, assistant vice presidents, and department and branch directors

(I) Directors

1. Information of directors (I)

Book closure date: March 30, 2024 Unit: Thousand Shares; %

Job Title	Nationality or place of registration	Name	Gender and Age	Date of Election (Inauguration)	Term of office	Date of initial election	Shares held at the time of appointment		Current shares held		Shares held by spouse and underage children		Shares held in someone else's name		Main experience/education	Concurrent positions in the Company and other companies	Other supervisors, directors, or supervisors who are spouses or relatives within 2nd degree kinship			●Remark (Note 2)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Chairman	R.O.C.	HITRON TECHNOLOGIES INC.	–	2023.05.30	3 years	2003.04.28	16,703	41.49	16,703	35.03	–	–	–	–						
		Juristic Person Representative of HITRON TECHNOLOGIES INC.: Yen-Wei Cheng (Note 1)	Male 61-70	2020.06.16	3 years	2003.04.28	–	–	–	–	–	–	–	–	Department of Electrical Engineering, National Taipei University of Technology Chairman, HITRON TECHNOLOGIES INC. Chairman and CEO, Interactive Digital Technologies Inc.	Director, Sports Gear Co., Ltd. Chairman, ARTMO INC. Independent Director, Taiwan IC Packaging Corporation TPK Holding Co., Ltd. Independent Director	–	–	–	–
		Juristic Person Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang (April) (Note 1)	Female 51-60	2023.05.30	3 years	2022.04.29	–	–	–	–	–	–	–	–	EMBA, National Taiwan University Director, QISDA OPTRONICS CORP.	Chairman, CEO and President, Alpha Networks Inc. Chairman, HITRON TECHNOLOGIES INC. Chairman, Enrich Investment Corporation Chairman, Transnet Corporation Chairman, INNOAUTO TECHNOLOGIES INC. Chairman, Aespula Technology INC. Director, BenQ Foundation Director, Alpha Holdings Inc. Director, D-Link Asia Investment Pte. Ltd. Director, Alpha Networks (Hong Kong) Limited Chairman, Alpha Networks Inc. (USA) Chairman, Alpha Solutions Co., Ltd. Chairman, Alpha Technical Services Inc. Chairman, Alpha Networks Inc. Foundation	–	–	–	–
Vice Chairman	R.O.C.	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Mei-Lang Liu (Amy)	Female 61-70	2023.05.30	3 years	2024.12.12	100	0.25	101	0.21	–	–	–	–	EMBA, National Chengchi University Vice Chairman, HITRON TECHNOLOGIES INC. President, Interactive Digital Technologies Inc.	Director, HITRON TECHNOLOGIES INC. President, Interactive Digital Technologies Inc.	–	–	–	–
Director	R.O.C.	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Pei-Shun Chiu (Patrick)	Male 51-60	2023.05.30	3 years	2023.05.30	–	–	–	–	–	–	–	–	Univ.of Nebraska, Lincoln Master of Science E.E Member of Scientific Staff, Bell Northern Research Senior Engineer, Advance Fiber Communication Manager, TollBridge Technologies Co-Founder, Codent Networks	Vice President, Mingtai Technology Co., Ltd. Director, HITRON TECHNOLOGIES INC. Chairman, HITRON TECHNOLOGIES INC. (Suzhou Industrial Park) Chairman, HITRON TECHNOLOGIES INC. (Samoa) Chairman, HITRON TECHNOLOGIES INC. (the Netherlands) President, HITRON TECHNOLOGIES INC. (America) Chairman, HITRON TECHNOLOGIES INC. (Vietnam) Chairman and President of Jie Qi Trading	–	–	–	–

Job Title	Nationality or place of registration	Name	Gender and Age	Date of Election (Inauguration)	Term of office	Date of initial election	Shares held at the time of appointment		Current shares held		Shares held by spouse and underage children		Shares held in someone else's name		Main experience/education	Concurrent positions in the Company and other companies	Other supervisors, directors, or supervisors who are spouses or relatives within 2nd degree kinship			●Remark (Note 2)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
																(Suzhou) Co., Ltd. Director, INNOAUTO TECHNOLOGIES INC.				
Director	R.O.C.	Calais Development Ltd.	–	2023.05.30	3 years	2020.06.16	720	1.79	720	1.51	–	–	–	–			–	–	–	–
		Juristic Person Representative of Calais Development Ltd..: Jung-Huang Wang	Male 61-70				–	–	–	–	–	–	–	–	Department of Economics, National Taiwan University Director, HITRON TECHNOLOGIES INC.	Director, Sports Gear Co., Ltd.				
Independent Director	R.O.C.	Hsiao-Chen Chuang	Male 71-75	2023.05.30	3 years	2020.06.16	–	–	–	–	–	–	–	–	Business Management Program, Center for Public and Business Administration Education, National Chengchi University University of Taipei Independent Director, HITRON TECHNOLOGIES INC. Director, TOMSON ASIA DEVELOPMENT INC.	Independent Director, FORMOSA ADVANCED TECHNOLOGIES CO., LTD. Director, HUXEN CORPORATION Director, Aurora Foundation Director and President, EARN WEALTH INTERNATIONAL INVESTMENT LIMITED Vice Chairman, SKYWORLD DEVELOPMENT COMPANY	–	–	–	–
Independent Director	R.O.C.	Chao-Fu Shih	Male 71-75	2023.05.30	3 years	2020.06.16	–	–	–	–	–	–	–	–	Department of Electrical Engineering, National Taipei University of Technology Director, HIWAY BROADBAND CO., LTD. Vice President, EMC President, Yun Zhong Broadcasting Co., Ltd. Senior Technical Research Associate, Chunghwa Telecom Laboratories, Ministry of Transportation and Communications	None	–	–	–	–
Independent Director	R.O.C.	Ching-Ying Wang	Female 61-70	2023.05.30	3 years	2023.05.30	–	–	–	–	–	–	–	–	State University of New York at Buffalo M.S. in Computer Science Motorola Mobility Inc. Mass Market Global SW PM Team Leader Siemens Telecommunication Systems Limited. Director of Siemens GSM Handset Asia Pacific Variant Development Team	None	–	–	–	–

Note 1: On May 30, 2023, the Company reelected all directors and independent directors, and Yen-Wei Cheng was discharged as the Chairman.
Note 2: The Company's Chairman and the President or equivalent (top manager) of the Company are the same person, spouses or relatives within the first degree of kinship: None.

Table 1: Major shareholders of the corporate shareholder

Book closure date: March 30, 2024

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders	
	Name	Shareholding ratio (%)
HITRON TECHNOLOGIES INC.	Alpha Networks Inc.	62.24
	Mei-Chun Yang	0.31
	JPMorgan Chase Bank N.A. as a custodian of the investment account of Japan Securities Finance Co., Ltd	0.27
	Wen-Yu Chiu	0.25
	Wen-Feng Liu	0.24
	Citibank as a custodian of Berkeley Capital SBL/PB investment account	0.23
	Mei-Lan Liu	0.17
	Hsiu-Lung Tang	0.16
	Jo-Lien Huang	0.15
	Jui-Chuan Yang	0.15
Calais Development Ltd..(Note 2)	Yen-Hui Wang	20.00

Note 1: If the director is the representative of a corporate shareholder, the name of the corporate shareholder shall be filled in.

Note 2: The final approved change date in the Ministry of Economic Affairs Business Registration Public Information is July 25, 2017.

Table 2: Major shareholders of major shareholders who are juristic persons

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders	
	Name	Shareholding ratio (%)
Alpha Networks Inc.	Qisda Corporation	54.60
	Darly Consulting Corporation	2.35
	Darly Venture Inc.	2.26
	Darly2 Venture, lnc.	0.77
	Deutsche Bank AG as a custodian of University Retirement Fund - Special Account for Stock Investment	0.77
	Standard Chartered Bank as a custodian of TIAA-CREF QUITT International Small Cap Equity Fund Investment Account	0.69
	HSBC as a custodian of the Arcadia Emerging Market Small Cap Fund investment account	0.45
	JPMorgan Chase as a custodian of ABP Pension Fund Investment Account	0.38
	Chuangtai Investment Co., Ltd.	0.37
	JPMorgan Chase Bank N.A. Taipei Branch as a custodian of JPMorgan Securities Investment Account	0.36

Note 1: If the major shareholder in Table 1 above is a juristic person, the name of the juristic person shall be filled in.

2. Information of directors (II)

(1) Disclosure of information on directors' professional qualifications and independence of independent directors:

Condition / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies the independent director concurrently serve as an independent director.
Chairman Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang (April)	Ms. Wen-Fang Huang has more than five years' work experience required by the Company's finance and business, who was the former President of Qisda Communication Business Group, and is the current Chairman of the Company and HITRON TECHNOLOGIES INC., and Chairman and CEO of Alpha Networks Inc..	Not applicable	-
Vice Chairman Representative of HITRON TECHNOLOGIES INC.: Mei-Lang Liu (Amy)	Ms. Mei-Lang Liu has more than five years' work experience required by the Company's finance and business, who was the former Vice Chairman of HITRON TECHNOLOGIES INC. and is the current Vice Chairman and President of the Company.		-
Director Representative of HITRON TECHNOLOGIES INC.: Pei-Shun Chiu (Patrick)	Mr. Pei-Shun Qiu has more than five years' work experience required by the Company's finance and business, who has extensive experience in the fields of R&D and manufacturing and was the former President of HITRON TECHNOLOGIES INC., and is the current Vice President of R&D Dept. of Alpha Networks Inc..		-
Director Calais Development Ltd.. Representative: Jung-Huang Wang	Mr. Jung-Huang Wang has more than five years' work experience required by the Company's finance and business, who is the current director of the Company and . He is currently a director of the Company and a director of Sports Gear Co., Ltd..		-
Independent Director Hsiao-Chen Chuang	Mr. Hsiao-Chen Chuang has more than five years' work experience required by the Company's finance and business, who has the expertise in accounting and finance, and is the current convener of the Company's Audit Committee and Remuneration Committee. He is the current independent director of FORMOSA ADVANCED TECHNOLOGIES CO., LTD., the current director of HUXEN CORPORATION, and the current director and President of EARN WEALTH INTERNATIONAL INVESTMENT LIMITED. Currently serving as an independent director for the 2nd term of office, not exceeding the 3rd term of office.	Compliant	1
Independent Director Chao-Fu Shih	More than 5 years' work experience required by the company's finance and business, who was the former director of served as director of HIWAY BROADBAND CO., LTD., the former Vice President of Vice President of EMC, and the former President of Yun Zhong Broadcasting. Currently serving as an independent director for the 2nd term of office, not exceeding the 3rd term of office.		-
Independent Director Ching-Ying Wang	More than five years' work experience required by the Company's finance and business, who was the Motorola Market Global Team Leader and Siemens Director. Currently serving as an independent director for the 1st term of office, not exceeding the 3rd term of office.		-

Note 1: (1) For the professional qualifications and experience of directors, please refer to "II. Information on the Company's directors, President, vice presidents, assistant vice presidents, and department and branch directors" referred to in the annual report.
(2) None of the directors has met the circumstances described in Article 30 of the Company Act.
(3) The professional qualifications and experience of all of the independent directors meet the requirements specified in Paragraph 1, Article 2 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

Note 2: Status of independence:
(1) All meet the requirements specified in Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."
(2) Not a government agency, juristic person, or representative thereof as defined in Article 27 of the Company Act.
(3) None of the independent directors (or in the name of a third party) nor their spouses or underage children holds shares of the Company.
(4) No amount of remuneration received from providing commercial, legal, financial and accounting services to the Company or its affiliates in the last two years.

(2) Diversity and independence of the Board of Directors:

A. Diversity of the Board of Directors:

The Board members are nominated and elected in accordance with the Articles of Incorporation. The director candidate nomination system adopted by the Company evaluates various candidates' academic background and working experience and also complies with the "Regulations Governing Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the Board members' diversification and independence. The Company's current Board of Directors consist of 7 directors, including 4 directors and 3 independent directors, all with the extensive industry experience, professional knowledge and skills in business management, accounting and financial analysis, operational judgment, crisis management, leadership decision-making, and risk management.

The specific management objectives of the diversity policy of the Board of Directors and the achievement thereof are stated as follows:

Management Goals	Status of Achievement
It is advisable that the number of directors who also serve as the Company's managerial officers concurrently shall not exceed one-third of the total number of directors.	Achieved
Independent directors who have served less than 3 terms of office	Achieved
Adequate and diversified professional knowledge and skills	Achieved
The Board members include at least 1 female director.	Achieved

The implementation of the director diversity policy is stated as follows, and also disclosed on the Company's website.

Job Title			Chairman	Vice Chairman	Director	Director	Independent Director	Independent Director	Independent Director
Name			Wen-Fang Huang	Mei-Lan Liu	Pei-Shun Chiu	Jung-Huang Wang	Hsiao-Chen Chuang	Chao-Fu Shih	Ching-Ying Wang
Basic composition	Nationality		R.O.C.						
	Gender		Female	Female	Male	Male	Male	Male	Female
	Serving as an employee of the Company concurrently			V					
	Age	51 to 60	V		V				
		61 to 70		V		V			V
		71 to 75					V	V	
	Term of office held by the Independent Director	Less than 3 terms					V	V	V
Industry experience	Professional background		Management	Management	Management	Investment	Business operations	Telecommunications	Information
	Company industry experience		V	V	V		V	V	
	Business management		V	V	V	V			
Professional knowledge and skills	Accounting and financial analysis		V			V			V
	Operational judgment		V	V	V	V	V	V	
	Crisis management		V	V	V	V	V	V	V
	Leadership decision making		V	V	V	V	V	V	V
	Risk management		V	V	V	V	V	V	V

B. Independence of the Board of Directors:

The current Board of Directors consists of 7 directors, including 4 directors and 3 independent directors. Less than one-third of the Company's directors (14%) are female directors concurrently serving as a manager. Female directors (including independent directors) also account for one-third (43%) of the Company's directors. Independent directors accounted for 43%, and all three independent directors have served no more than three terms of office. Two directors are between the ages of 51 and 60, three directors between the ages of 61 and 70, and two directors between the ages of 71 and 75. All independent directors have complied with the requirements of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors, and there are no matters specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act existing between directors and independent directors.

(II) Information on the Company's President, vice presidents, assistant vice presidents, and department and branch directors

Book closure date: March 30, 2024 Unit: Thousand Shares; %

Job Title	Nationality	Name	Gender	Date of inauguration	Number of shares held		Shares held by spouse and underage children		Shares held in someone else's name		Main experience/education	Concurrent positions in other companies	Spouses or relatives within the second degree of kinship acting as managers			Remark (Note 2)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
CEO (Note 1)	R.O.C.	Yen-Wei Cheng	Male	2021.01.25	—	—	—	—	—	—	Department of Electrical Engineering, National Taipei University of Technology Chairman, HITRON TECHNOLOGIES INC. Chairman and CEO, Interactive Digital Technologies Inc.	Director, Sports Gear Co., Ltd. Chairman, ARTMO INC. Independent Director, Taiwan IC Packaging Corporation TPK Holding Co., Ltd. Independent Director	—	—	—	Note (1)
President, and Manager of Neihu Branch	R.O.C.	Mei-Lan Liu	Female	2022.04.18	101	0.21	—	—	—	—	EMBA, National Chengchi University Vice Chairman, HITRON TECHNOLOGIES INC. President, Interactive Digital Technologies Inc. Director, INNOAUTO TECHNOLOGIES INC.	Director, HITRON TECHNOLOGIES INC.	—	—	—	—
Executive Vice President	R.O.C.	Feng-Ju Li	Male	2012.01.01	59	0.12	—	—	—	—	Master of Electrical Engineering, Syracuse University, the USA Vice President, HITRON TECHNOLOGIES INC.	Hwa Chi Technologies (Shanghai) Inc.. Supervisor	—	—	—	—
Executive Vice President	R.O.C.	Yuan-Sen Cheng	Male	2012.01.01	11	0.02	—	—	—	—	Department of Electronic Engineering, Tamkang University Senior Director-General, SIEMENS TELECOMMUNICATION SYSTEMS LTD. Chief Technology Officer, Sim2Travel	None	—	—	—	—
Vice President	R.O.C.	Cheng-Tsung Kuo	Male	2012.01.01	69	0.14	—	—	—	—	Department of Mechanical Engineering, National Taiwan University of Science and Technology Assistant Vice President, HITRON TECHNOLOGIES INC.	None	—	—	—	—
Vice President	R.O.C.	En-Lin Chang	Male	2012.01.01	45	0.09	—	—	—	—	Department of Applied Mathematics, Tatung University Assistant Vice President, HITRON TECHNOLOGIES INC.	None	—	—	—	—

Job Title	Nationality	Name	Gender	Date of inauguration	Number of shares held		Shares held by spouse and underage children		Shares held in someone else's name		Main experience/education	Concurrent positions in other companies	Spouses or relatives within the second degree of kinship acting as managers			Remark (Note 2)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Vice President	R.O.C.	Chih-Lung Lin	Male	2022.01.01	105	0.22	–	–	–	–	EMBA, National Chengchi University Department of Electrical Engineering, National Taipei University of Technology Vice President, HITRON TECHNOLOGIES INC.	CEO, FRAME MAGIC STUDIOS CO., LTD.	–	–	–	–
Vice President	R.O.C.	Kuo-Chi Chang	Male	2022.04.01	3	0.01	–	–	–	–	Department of Electronic Engineering, National Chin-Yi University of Technology Senior Manager, HITRON TECHNOLOGIES INC.	None	–	–	–	–
Vice President	R.O.C.	Kuo-Hua Lin	Male	2022.04.01	6	0.01	–	–	–	–	Department of Electronic Engineering, National Kaohsiung University of Applied Sciences Senior Manager, HITRON TECHNOLOGIES INC.	None	–	–	–	–
Vice President	R.O.C.	Chong-Sheng Wang	Male	2023.04.01	2	0.00	–	–	–	–	Department of Electronic Engineering, National Taipei University of Technology Senior Manager, HITRON TECHNOLOGIES INC.	None	–	–	–	–
Vice President	R.O.C.	Yao-Ting Wu	Male	2020.04.01	14	0.03	–	–	–	–	Master of Business Automation and Management, National Taipei University of Technology Senior Manager, HITRON TECHNOLOGIES INC.	None	–	–	–	–
VP/Accounting officer	R.O.C.	Mei-Chi Chen	Female	2020.04.01	58	0.12	–	–	–	–	EMBA, National Taipei University Assistant Vice President, HITRON TECHNOLOGIES INC.	None	–	–	–	–

Note: (1) Mr. Yen-Wei Cheng was discharged from the position as CEO due to retirement on May 30, 2023.
(2) The general manager or a person with equivalent position (top manager) and the chairman of the board are the same person, each other’s spouse or first degree relative: None.

(III) Remuneration paid to directors, president and vice presidents in the most recent year (2023)

1. Remuneration to general directors and independent directors (aggregated by name and range of disclosure)

Unit: NTD Thousand; Thousand Shares; %

Job Title	Name	Remuneration to directors (Note 1)								The sum of A, B, C, and D as a percentage of net income (Note 5)		Remuneration for concurrently serving as an employee								The sum of A, B, C, D, E, F and G and the percentage in net income after tax (Note 5)		Remuneration received from investees other than subsidiaries, or the parent company (Note 8)
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Remuneration to directors (C) (Note 3)		Professional practice expenses (D) (Note 4)				Salaries, bonuses and special allowances, etc. (E) (Note 6)		Severance pay and pension (F)		Employee remuneration (G) (Note 7)						
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
																Cash amount	Amount of shares	Cash amount	Amount of shares			
Chairman	HITRON TECHNOLOGIES INC. Juristic Person Representative: Yen-Wei Cheng (Note 10)	3,889	3,889	-	-	1,894	1,894	200	200	5,983 2.29%	5,983 2.29%	13,319	13,319	-	-	3,141	-	3,141	-	22,443 8.58%	22,443 8.58%	21,706
Chairman	HITRON TECHNOLOGIES INC. Juristic Person Representative: Wen-Fang Huang (Note 10)																					
Vice Chairman	HITRON TECHNOLOGIES INC. Juristic Person Representative: Mei-Lang Liu																					
Director	HITRON TECHNOLOGIES INC. Juristic Person Representative: Pei-Shun Chiu																					
Director	Calais Development Ltd.. Juristic Person Representative: Jung-Huang Wang																					
Independent Director	Chao-Fu Shih	3,163	3,163	-	-	850	850	190	190	4.203 1.60%	4,203 1.60%	-	-	-	-	-	-	-	-	4,203 1.60%	4,203 1.60%	-
Independent Director	Hsiao-Chen Chuang																					
Independent Director	Ching-Ying Wang																					

1. Please describe the remuneration policies, systems, standards, and structures for independent directors, and their linkage to the amount of remuneration based on factors such as responsibilities, risks, and time invested:
   The remuneration to the Company's directors is distributed by the Board of Directors with the authorization under the Articles of Incorporation, subject to the directors' participation in the Company's operations and contribution value, and in accordanc
   established in reference to the pay level adopted by peer companies at home and abroad. If the Company retained earnings,
   the amount of remuneration to directors shall be determined by the Board of Directors in accordance with the Company's Articles of Incorporation. Meanwhile, independent directors are ex-officio members of the Audit Committee and Remuneration C
   additional reasonable remuneration will also be paid, subject to the responsibilities and risk borne by them and time spent by them.
2. In addition to the remuneration disclosed in the above table, remuneration for directors in the most recent year for providing services to all companies included in the financial statements (e.g. serving as a consultant of the parent company/all companies included in the financial statements/consultancy service without the title of an employee of investees, etc.): None.

Breakdown of Remuneration

Breakdown of remuneration to directors of the Company	Name of Director			
	Sum of the first four items (A+B+C+D)		Sum of the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial report H (Note 9)	The Company	Parent company and all investees I (Note 9)
Less than NT$1,000,000	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Yen-Wei Cheng/Pei-Shun Chiu; Legal Representatives of Calais Development Ltd..: Jung-Huang Wang/Ching-Ying Wang	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Yen-Wei Cheng/Pei-Shun Chiu; Legal Representatives of Calais Development Ltd..: Jung-Huang Wang/Ching-Ying Wang	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Pei-Shun Chiu Legal Representatives of Calais Development Ltd..: Jung-Huang Wang/Ching-Ying Wang	Legal Representatives of Calais Development Ltd..: Jung-Huang Wang/Ching-Ying Wang
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	Legal Representatives of HITRON TECHNOLOGIES INC.: Mei-Lang Liu, Chao-Fu Shih, and Hsiao-Chen Chuang	Legal Representatives of HITRON TECHNOLOGIES INC.: Mei-Lang Liu, Chao-Fu Shih, and Hsiao-Chen Chuang	Chao-Fu Shih; Hsiao-Chen Chuang	Chao-Fu Shih; Hsiao-Chen Chuang
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang	–
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	–	–	–	–
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	–	–	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Yen-Wei Cheng	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Yen-Wei Cheng/Pei-Shun Chiu
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	–	–	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Mei-Lang Liu	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Mei-Lang Liu
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	–	–	–	Juristic Person Representative of HITRON TECHNOLOGIES INC.: Wen-Fang Huang
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	–	–	–	–
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)	–	–	–	–
Over NT$100,000,000	–	–	–	–
Total	8	8	8	8

Note 1: Among the directors' remuneration, those vested in corporate directors shall be paid to the corporate directors.
Note 2: Refers to the directors' remuneration in the most recent year (including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.).
Note 3: It refers to the amount of directors' remuneration approved by the Board of Directors in the most recent year.
Note 4: The compensations for services rendered in the most recent year (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits).
Note 5: The net income refers to the net income in the parent company only financial statement for the most recent year.
Note 6: Any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles and in-kind benefits that the director received in the last year for assuming the role of the Company's employee concurrently (including President, Vice President, manager or other employee).
Note 7: If the directors who acted as employees concurrently (including President, vice president, managerial officer and employee) received employee remuneration (including stocks and cash) in the most recent year,
Note 8: Refers to any remuneration or return (including compensations received as an employee, director and supervisor) and professional practice fees which the Company's directors received for serving as directors, supervisors or managers in invested businesses other than subsidiaries.
Note 9: All companies included in the consolidated report, including the Company.
Note 10: On May 30, 2023, the Company reelected all directors and independent directors. Yen-Wei Cheng was discharged as the Chairman, and Ms. Wen-Fang Huang is the new Chairman.

2. 2023 remuneration to the President and vice presidents (aggregated by name and range of disclosure)

Unit: NTD thousand; %

Job Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonuses and special allowances, etc. (C) (Note 3)		Employees' remuneration (D) (Note 4)				The sum of A, B, C, and D as a percentage of net income (%) (Note 5)		Remuneration received from investees other than subsidiaries, or the parent company (Note 6)
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
								Cash amount	Amount of shares	Cash amount	Amount of shares			
CEO	Yen-Wei Cheng (Note 1)													
President	Mei-Lan Liu													
Executive Vice President	Feng-Ju Li													
Executive Vice President	Yuan-Sen Cheng													
Vice President	Cheng-Tsung Kuo	30,175	30,175	1,187	1,187	16,641	16,641	10,132	-	10,132	-	58,135 22.21%	58,135 22.21%	1,001
Vice President	En-Lin Chang													
Vice President	Chih-Lung Lin													
Vice President	Kuo-Chi Chang													
Vice President	Kuo-Hua Lin													
Vice President	Chong-Sheng Wang													
Vice President	Yao-Ting Wu													
Vice President	Mei-Chi Chen													

Breakdown of Remuneration

Breakdown of remuneration to the President and Vice Presidents of the Company	Names of President and Vice Presidents	
	The Company	Parent company and all investees E (Note 7)
Less than NT$1,000,000	–	–
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	–	–
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	Feng-Ju Li, Chih-Lung Lin, Kuo-Chi Chang, Kuo-Hua Lin, Chong-Sheng Wang, Yao-Ting Wu	Feng-Ju Li, Chih-Lung Lin, Kuo-Chi Chang, Kuo-Hua Lin, Chong-Sheng Wang, Yao-Ting Wu
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	En-Lin Chang, Cheng-Tsung Kuo, Mei-Chi Chen	En-Lin Chang, Cheng-Tsung Kuo, Mei-Chi Chen
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	Yen-Wei Cheng, Yuan-Sen Cheng	Yen-Wei Cheng, Yuan-Sen Cheng
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	Mei-Lan Liu	Mei-Lan Liu
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	–	–
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	–	–
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)	–	–
Over NT$100,000,000	–	–
Total	12	12

Note 1: Mr. Yen-Wei Cheng was discharged from the position as CEO due to retirement on May 30, 2023.

Note 2: Please specify the salaries, duty allowances and severance pay paid to the President and Vice Presidents in the most recent year.

Note 3: Please specify other remuneration such as bonus, incentives, travel allowances, special allowances, other allowances, accommodation, dormitory and corporate vehicles or other in-kind benefits made to the President and Vice Presidents in the most recent year.

Note 4: It refers to the amount of employee remuneration distributed to the President and Vice Presidents (including shares and cash), which had been approved by the Board of Directors in the most recent year.

Note 5: The net income refers to the net income in the parent company only or individual financial statement for the most recent year.

Note 6: This field represents all forms of compensation the President and Vice Presidents have received from the Company's invested businesses other than subsidiaries, or parent company.

Note 7: All companies included in the consolidated report, including the Company.

3. Names of managers receiving employee remuneration for the most recent year (2023), and distribution status

Unit: NTD thousand; %

	Job Title	Name	Amount of shares	Cash amount	Total	Total as a percentage of net income(%)
Managerial Officer	President	Mei-Lan Liu	–	10,132	10,132	3.87%
	Executive Vice President	Feng-Ju Li				
	Executive Vice President	Yuan-Sen Cheng				
	Vice President	Cheng-Tsung Kuo				
	Vice President	En-Lin Chang				
	Vice President	Chih-Lung Lin				
	Vice President	Kuo-Chi Chang				
	Vice President	Kuo-Hua Lin				
	Vice President	Chong-Sheng Wang				
	Vice President	Yao-Ting Wu				
	Vice President	Mei-Chi Chen				

4. Total of the compensation paid in the most recent two years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to the net income, as well as the policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk.

(1) Total of the compensation paid in the most recent two years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to the net income

Item / Job Title	The Company				All companies included in the consolidated financial statements			
	2022		2023		2022		2023	
	Total amount	Total as a percentage of net income	Total amount	Total as a percentage of net income	Total amount	Total as a percentage of net income	Total amount	Total as a percentage of net income
Director	11,340	5.27	10,186	3.89	11,340	5.27	10,186	3.89
President and Vice Presidents	53,238	24.76	58,135	22.21	53,238	24.76	58,135	22.21
Net income	215,007	-	261,763	–	215,007	-	261,763	–

(2) The policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk.:

The Company regularly evaluates the remuneration to directors and managers based on the results of the evaluation conducted in accordance with the Company’s "Regulations Governing the Remuneration to Directors and Functional Committee Members" and the "Regulations Governing the Remuneration and Performance of Managers" applicable to managers.

①The remuneration to the Company's directors is distributed by the Board of Directors with the authorization under the Articles of Incorporation, subject to the directors' participation in the Company's operations and contribution value, and in accordance with the "Regulations Governing the Remuneration to Directors and Functional Committee Members" established in reference to the pay level adopted by peer companies at home and abroad. If the Company retained earnings, the amount of remuneration to directors shall be determined by the Board of Directors in accordance with the Company's Articles of Incorporation, and the percentage of contribution shall be no more than 1% of the earnings of the year. The Company regularly evaluates the remuneration to directors in accordance with the "Regulations Governing the Performance Evaluation on the Board of Directors.” The relevant performance evaluation and reasonableness of the remuneration are reviewed by the Remuneration Committee and then reported to the Board of Directors for resolution.

②The remuneration to the President and Vice Presidents includes salaries, bonuses, and employee remuneration. The salaries and bonuses refer to the reasonable compensation determined after taking into account the salary level in the industry, the scope of duties and responsibilities of the position, the achievement of personal performance, and the contribution to the Company's operating goals. The employee's remuneration is appropriated based on the Company's profitability and the Articles of Incorporation, and the appropriation ratio shall be 5%~ 20% of the profit of the year. The results of the performance evaluation conducted by the Company in accordance with the "Regulations Governing the Remuneration and Performance of Managers" serve as the reference for allocation of the bonus to managers, which include financial indicators (such as the achievement rate of the Company's operating revenue, gross profit, and net profit before tax) and non-financial indicators (such as achievement of work objectives, innovation and improvement capabilities, department leadership and management capabilities, personnel training, and the fulfillment of company policy goals), to calculate the remuneration for operating performance. The Company also reviews the remuneration system depending on the actual operating conditions and relevant laws and regulations from time to time. Remunerations to managers are reviewed by the Remuneration Committee and then reported to the Board of Directors for resolution.

III. The state of the Company's implementation of corporate governance:

(I) Operation of the Board of Directors

In 2023, the Board of Directors held 5 meetings (A), and the attendance of directors is stated as follows:

Job Title	Name	Actual attendance rate (B)	Frequency of attendance by proxy	Attendance rate in person (%) [B/A]	Remark (Note)
Chairman	HITRON TECHNOLOGIES INC. Representative: Yen-Wei Cheng	2	0	100%	Dismissed
Chairman	HITRON TECHNOLOGIES INC. Representative: Wen-Fang Huang	5	0	100%	Re-elected
Vice Chairman	HITRON TECHNOLOGIES INC. Representative: Mei-Lang Liu	5	0	100%	Re-elected
Director	HITRON TECHNOLOGIES INC. Representative : Pei-Shun Chiu	3	0	100%	New
Director	Calais Development Ltd.. Representative: Jung-Huang Wang	5	0	100%	Re-elected
Independent Director	Hsiao-Chen Chuang	5	0	100%	Re-elected
Independent Director	Chao-Fu Shih	5	0	100%	Re-elected
Independent Director	Ching-Ying Wang	3	0	100%	New

Note: In the full re-election of directors at the annual general meeting on May 30, 2023, Yen-Wei Cheng was discharged as Chairman, and Director Wen-Fang Huang was re-elected as the new Chairman. Before the re-election, the Board of Directors has convened two meetings After the re-election, the Board of Directors convened 3 meetings.

Other matters required to be recorded:

I. If the operation of the board of directors meets any of the following circumstances, the date and session of the Board of Directors, the contents of the motions, the opinions of all independent directors, and the Company's handling of the opinions of the independent directors should be stated:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, so the provisions of Article 14-3 shall not apply. For a description of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the Operation of the Audit Committee (P22) .

(II) Other than the aforementioned matters, other resolutions of the Board of Directors with adverse or qualified opinions from independent directors and on the record or in written declaration: None.

II. For implementation of a director's recusal due to a conflict of interest, the name of the director, the contents of the motions, the reason for recusal, and the participation in the voting shall be stated:

Date of the Board of Directors Meeting	Name of Director	Contents of the motions	Reason for recusal	Participation in voting
2023/02/22	Wen-Fang Huang, Mei-Lang Liu, Jung-Huang Wang, Hsiao-Chen Chuang, Chao-Fu Shih	Proposal for nomination of candidates for directors and independent directors	Involving the personal interests of directors	Not to participate in the discussion and voting
	Wen-Fang Huang, Mei-Lang Liu, Jung-Huang Wang, Hsiao-Chen Chuang	Proposal for lifting the non-competition restrictions imposed on the new directors and their representatives	Involving the personal interests of directors	
	Yen-Wei Cheng, Mei-Lang Liu	Proposal for distribution of 2022 employee remuneration to senior managers	As the Company's manager, involving the personal interest of the director.	
	Yen-Wei Cheng, Mei-Lang Liu	Proposal for 2023 senior manager bonus and raise policy	As the Company's manager, involving the personal interest of the director.	
2023/05/30	Hsiao-Chen Chuang, Chao-Fu Shih, Ching-Ying Wang	Proposal for appointment of the Remuneration Committee members	Involving the personal interests of directors	

III. Implementation of the evaluation on the Board of Directors

The Board of Directors of the Company approved the "Regulations Governing the Performance Evaluation on the Board of Directors" on August 10, 2018, and amended the Regulations on November 3, 2020. The Board of Directors shall conduct internal performance evaluation at least once a year, and the external performance evaluation at least once every three years. The results of the performance evaluation shall be completed before the end of the first quarter of the next year.

(I) The Company completed the internal performance evaluation on the Board of Directors at the end of 2023, and reported the evaluation results to the Board of Directors meeting held on February 23, 2024. The evaluation results of the Company's Board of Directors, directors and two functional committees show "Excellent," demonstrating the good functions and operation efficiency of the Company's Board of Directors and functional committees.

(II) The Company commissioned Taiwan Corporate Governance Association in 2021, as an independent external evaluation institution to evaluate the performance of the Company's Board of Directors in terms of eight aspects, including composition of the Board of Directors, direction, authorization, supervision, communication, internal control and risk management, self-discipline and others (e.g. Board meetings and support systems). The evaluation methods include online self-assessment, written review on relevant documents, etc., and the on-site visit conducted in July 2023. The subjects included Chairman, two independent directors, president, the Company's chief corporate governance officer and chief internal auditor, and the evaluation result was reported to the Board meeting held on October 25, 2023.

(III) Implementation of the evaluation on the Board of Directors

Evaluation Cycle	Evaluation period	Scope of Evaluation	Evaluation Method	Evaluation Content
Once per year	January~December 2023	Board of Directors and Board Members	Internal self-evaluation of the Board of Directors and Board members	1.Alignment of the Company's goals and missions 2.Participation in the Company's operations 3.Internal relationship management and communication 4.Improvement of the Board's decision-making quality

Evaluation Cycle	Evaluation period	Scope of Evaluation	Evaluation Method	Evaluation Content
				5.Composition and structure of the Board of Directors 6.Awareness of the duties of a director 7.Election, professionalism and continuing education of directors 8.Internal control
		Audit Committee	Internal self-evaluation on the Audit Committee	1.Participation in the Company's operations 2.Awareness of the duties of the Audit Committee 3.Improvement of the Audit Committee's decision-making quality 4.Composition of the Audit Committee and election of its members 5.Internal control
		Remuneration Committee	Internal self-evaluation on the Remuneration Committee	1.Participation in the Company's operations 2.Awareness of the duties of the Remuneration Committee 3.Improvement of the Remuneration Committee's decision-making quality 4.Composition of the Remuneration Committee and election of its members
Once per three years	June 2022~ May 2023	Performance of the Board of Directors	Written review and on-site visit by an external independent agency	Eight major aspects including composition of the Board of Directors, direction, authorization, supervision, communication, internal control and risk management, self-discipline, and others (e.g. Board meetings and support systems).

Taiwan Corporate Governance AssociationThe performance evaluation report of the Board of Directors was issued on August 9, 2023.

- Summary of the overall evaluation:
  1. As the Company values the corporate sustainable development, it has prepared the "Sustainability Report" since 2021 ahead of the schedule required by laws and regulations, in order to proactively demonstrate the fulfillment of the corporate responsibility for corporate sustainability.
  2. The Company fully respects the opinions of the members of the Board of Directors, so that the motions of the Board of Directors can be fully discussed to improve the effectiveness of the motions and decision-making.
  3. The Company values the diversity of the Board of Directors, and the selection of the Board members is based on the needs of the Company's development strategy in order to seek competent candidates. Independent directors have extensive industry experience. In addition to exerting their supervisory functions, they also proactively participate in strategy-related projects and interact closely with the management. All directors perform their duty proactively, and supervise and direct the Company's operations actively.
- Summary of Suggestions and Improvement Plan

Item	Summary of the recommendations in the evaluation report	Improvement plan
1	The Company is recommended to strengthen the whistle-blowing mechanism and improve the direct connection between the whistle-blowing mailbox and independent directors.	The Company will set up additional whistle-blowing mailboxes and direct connection mechanism with the independent directors.
2	The Audit Office head is recommended to take into account the opinions of the Audit Committee in the annual performance evaluation, in order to strengthen the independence of internal audit.	The Company will add the opinions of the Audit Committee members as the reference helping the chief internal auditor's performance evaluation.
3	It is recommended to establish the "Initial Orientation System for New Directors" to help new directors verify the Company's operating conditions and forward-looking growth strategies, and exert the effectiveness of corporate governance.	The Company will establish the "Initial Orientation System for New Directors" to help new directors verify the Company's operating conditions and strategic intentions as soon as possible.
4	The Company is recommended to establish the "Procedures for Reporting Major Contingencies" to ensure that the Board members can verify the important status of the Company in a timely manner to fulfill their supervisory functions.	The Company has established a communication group for the Board members to ensure that Board members can verify the Company's important conditions and fulfill their supervisory functions.

IV. Enhancements to the functionality of the Board of Directors in the current year and the most recent year (e.g. establishment of an Audit Committee, enhancement of information transparency, etc.) and evaluation on the implementation status:

(I) The Company has established the Independent Directors, Audit Committee and Remuneration Committee and is committed to complying with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

(II) The Company has established the Risk Management Committee under the supervision of the Audit Committee, which shall regularly report the implementation of risk management to the Audit Committee and the Board of Directors.

(III) In terms of improvement of the information transparency, the Company designates dedicated personnel to disclose the Company's information and update the information on the Company's website.

(IV) All Board members have participated in the corporate governance-related continuing education courses. Therefore, the functions of the Board of Directors have been improved.In order to protect the directors and managers from the risks to be borne by them when they are carrying out business, the Company evaluates the operational risks every year and purchases director and supervisor liability insurance for its directors and managers, out of the intent to ensure that the insurance indemnity and coverage satisfy the demand.

(II) Operation of the Audit Committee

In 2023, the Audit Committee held 4 meetings (A), and the independent directors' attendance is stated as follows:

Job Title	Name	Actual attendance rate (B)	Frequency of attendance by proxy	Attendance rate in person (%) [B/A]	Remark (Note)
Independent Director (Convener)	Hsiao-Chen Chuang	4	0	100%	Re-elected
Independent Director	Chao-Fu Shih	4	0	100%	Re-elected
Independent Director	Ching-Ying Wang	2	0	100%	New

Note: A full re-election of directors was held at the annual general meeting on May 30, 2023. Before the re-election, the Audit Committee has convened 2 meetings. After the re-election, the Audit Committee convened 2 meetings.

Other matters required to be recorded:

I. If the operation of the Audit Committee meets any of the following circumstances, the date and session of the Audit Committee meeting, the contents of the motions, the independent directors' dissenting opinions, qualified opinions or major recommendations, the Audit Committee's resolution, and the Company's handling of the opinions of the Audit Committee should be stated:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date (session) of the Audit Committee Meeting	Contents of the motions
1st meeting in 2023 2/22	1.2022 Statement of internal control system and self-assessment result report.
	2.Proposal for amendments to the "Internal Control System."
	3.2022 Business Report and Financial Statements, and 2023 Business Plan.
	4.Proposal for review on the CPA service fee for 2023.
	5.Proposal for establishment of the Company's pre-approval non-assurance policy.
	6.Application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 1st unsecured convertible corporate bond into ordinary shares in Q4 of 2022.
2nd meeting in 2023 4/18	1.2023 Q1 consolidated financial statements
3rd meeting in 2023 7/26	1.2023 Q2 consolidated financial statements
	2.Application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 2nd secured convertible corporate bonds into ordinary shares in Q2 of 2023.
4th meeting in 2023 10/25	1.Proposal for establishment of 2024 internal audit plan.
	2.2023 Q3 consolidated financial statements

Date (session) of the Audit Committee Meeting	Contents of the motions
	3.Proposal for change of the Company's CPA firm and appointment of the independent auditors for the 2024 financial statements.
	4.Application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 2nd secured convertible corporate bonds into ordinary shares in Q3 of 2023.
The independent directors' dissenting opinions, qualified opinions or major recommendations: None.	
Audit Committee's resolutions and the Company's handling of the Audit Committee members' opinions: The members of the Audit Committee passed all the motions unanimously, and the Board of Directors approved all the motions per the suggestions of the Audit Committee.	

(II) Other than said matters, any matter that has not been passed by the Audit Committee, but resolved with the approval of two-thirds or more of all Board directors: None.

II. For implementation of an independent director's recusal due to a conflict of interest, the name of the director, the contents of the motions, the reason for recusal, and the participation in the voting shall be stated: None.

III. Communication between independent directors, internal auditing officer, and CPAs (including major issues, methods, and results of communication on the Company's financial and business status).

(I) The Company's chief internal auditor regularly communicates the audit report results with the members of the Audit Committee, and makes an internal audit report at the quarterly Audit Committee meeting. If there are special circumstances, they will also be reported to the members of the Audit Committee immediately. No said special condition occurred in 2023. The communication between the Audit Committee and the chief internal auditor is good.

(II) The Company's independent auditors report the results of the audit or review on the quarterly financial statements and other communication matters required by relevant laws and regulations at each quarterly meeting of the Audit Committee. If there are special circumstances, they will also immediately report to the members of the Audit Committee. No said special condition occurred in 2023. The communication between the Audit Committee and the independent auditors is good.

Date of the Meeting	Communication method	Participants	Communication focus
2023/02/22	Audit Committee	Audit Committee members, CPAs, and chief internal auditors	1. Internal audit results report for October~December 2022. 2. 2022 Statement of internal control system and self-assessment result report. 3. CPAs' report on the results of the audit on the 2022 financial statements.
2023/04/18	Audit Committee	Audit Committee members, CPAs, and chief internal auditors	1. Internal audit results report for January~March 2023. 2. CPAs' explanations about the audit on the financial statements for Q1 of 2023.
2023/07/26	Audit Committee	Audit Committee members, CPAs, and chief internal auditors	1. Internal audit results report for April~June 2023. 2. CPAs' explanations about the audit on the financial statements for Q2 of 2023 and update on important laws and regulations.
2023/10/25	Audit Committee	Audit Committee members, CPAs, and chief internal auditors	1. Internal audit results report for July~September 2023. 2. Proposal for establishment of 2024 internal audit plan. 3. CPAs' explanations about the audit on the financial statements for Q3 of 2023.

IV. The Company elects three independent directors at the annual general meeting to form the Audit Committee, which meets once on a quarterly basis in accordance with laws. Its main functions and powers are stated as follows:

1.Establishment of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2.Evaluation on the effectiveness of the internal control system.
3.Formulation or amendment of handling procedures for financial or operational actions of matters of material significance, pursuant to Article 36-1 of the Securities and Exchange Act, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
4.Matters involving the interests of directors.
5.Significant asset or derivative transactions.
6.Significant loaning of funds, endorsement, or guarantee.
7.Offering, issuance, or private placement of equity-type securities.
8.Appointment, dismissal or remuneration of the independent auditors.
9.Appointment or dismissal of a financial, accounting, or internal audit officer.
10.The annual financial statements signed or sealed by the Chairman, general manager and accounting officer, and Q2 financial statements audited and certified by CPAs.
11.Other important matters regulated by the Company or the competent authority

(III) The state of the Company's implementation of corporate governance, any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation

Assessment Items	Operation status (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established the "Corporate Governance Best Practice Principles" and implemented it in accordance with the spirit of corporate governance. After the latest amendment, it has been disclosed on the Market Observation Post System and the Company's website.	No difference.
II. The Company's shareholding structure and shareholders' equity (I) Does the Company establish internal operating procedures to handle shareholders' suggestions, doubts, disputes and litigation matters, and implement them in accordance with the procedures? (II) Does the Company keep track of the list of major shareholders who actually control the Company and the ultimate controllers of such major shareholders? (III) Has the Company established and implemented risk control and firewall mechanisms with its affiliates? (IV) Does the Company establish internal regulations to prohibit insiders from trading securities using undisclosed information in the market?	 V V V V		(I) The Company has set up an investor contact window and an investor mailbox to handle shareholders' suggestions or disputes. (II) The Company shall make monthly announcements on the Market Observation Post System (MOPS) according to the changes in shareholdings of directors, managers and major shareholders holding more than 10% of the shares. (III) The Company has established relevant management procedures for subsidiaries in the internal control system according to laws and regulations. The Company has also established "Regulations Governing Transactions with Group Enterprises, Specific Companies and Related Parties" and "Regulations Governing Financial Operations among Related Parties" to implement risk control and achieve full information disclosure. (IV) In addition to advocating to the insiders of the Company through meetings and letters from time to time, the Company has formulated the "Procedures for Handling Internal Material Information and Management for Prevention of Insider Trading", which have been disclosed on the Company's website.	No difference.
III. Composition and duties of the Board of Directors (I) Does the Board Meeting have member diversification policies in place, manage the objectives and implement the same substantively? (II) Does the Company, in addition to establishing the Remuneration Compensation Committee and Audit Committee pursuant to the laws, have other functional committees established voluntarily? (III) Does the Company adopt a set of policies and assessment methods to evaluate the Board's performance,	 V V V		(I) For the formulation and implementation of the Company's board member diversity policy, please refer to Page 11 of this annual report, theChapter on director diversity and independence. (II) The Company has established the Remuneration Committee and Audit Committee consisting of the members all served by independent directors. Meanwhile, the Company also established the Risk Management Committee under the supervision of the Audit Committee. (III) The Board of Directors of the Company passed the amendments to the "Regulations Governing the Performance Evaluation on the	No difference.

Assessment Items	Operation status (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
conduct the performance evaluation regularly at least on an annual basis, and submit the performance evaluation result to the Board Meeting and applied the same as reference for remuneration to individual directors and nomination for additional term of office?			Board of Directors" on November 3, 2020. For the performance evaluation method and implementation in 2023, please refer to the Chapter on the evaluation of the Board of Directors on Page 20 of the annual report. Mainly due to the distribution of remuneration, subject to the directors' participation in the Company's operations and contribution value, in accordance with the "Regulations Governing the Remuneration to Directors and Functional Committee Members" and with the authorization under the Articles of Incorporation in February 2023.	
(IV) Does the Company have the independence of the independent auditor evaluated regularly?	V		(IV) The Company regularly evaluates the independence and competency of its independent auditors every year. On October 25, 2023, the report on the Audit Quality Indicators (AQIs) provided by the CPAs was received. In reference to the "Guidelines for Interpretation of Audit Quality Indicators (AQIs) by Audit Committees" and related regulations, the Company assesses the independence and competency of the independent auditors, and reports the assessment result to the Audit Committee and Board of Directors on the same day. Ming-Hung Huang, CPA and Huei-Chen Chang, CPA of KPMG Taiwan were confirmed to meet the Company's independence assessment standards, and asked to provide the "Declaration of Independence." Please refer to Note 1 for the "CPA Independence Assessment Results."	
IV. Whether or not the TWSE/TPEx listed company assigns the adequate number of competent corporate governance officers, and appoints the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, provision to directors/supervisors the information needed by them to perform their duties, assistance to directors/supervisors in compliance, organization of the Board Meeting meetings and shareholders' meetings, and preparation of the Board Meeting and shareholders' meeting minutes, etc.)?	V		On November 3, 2021, the Company's Board of Directors resolved to appoint Mei-Chi Chen, Vice President of the Finance Department, who meets the qualification requirements of the chief corporate governance officer, as the chief corporate governance officer of the Company, responsible for supervising and planning the corporate governance practices. The Chief Corporate Governance Officer's responsibilities include: 1.To handle matters related to the meetings of the Board of Directors and the Shareholders' Meeting in accordance with the law. 2.Preparation of minutes for the Board meetings and shareholders' meetings. 3.Assisting in onboarding and continuing education of directors. 4.Providing the information required by the directors to carry out their duties. 5.Assisting directors in complying with laws and regulations. 6.Reporting to the Board of Directors on whether the qualification of independent directors complies with relevant laws and regulations at the time of nomination or election, and during the term of office. 7.Handling matters related to the change of directors.	No difference.

Assessment Items	Operation status (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
			8.Other matters provided in the Company's Articles of Incorporation or contracts. Matters with regard to the shareholders' meetings.	
V. Does the Company provide proper communication channels and create an investor relations section on its website to address the corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to, shareholders, employees, customers and suppliers)?	V		In addition to general phone calls or face-to-face communication, the Company also assigns dedicated personnel to handle issues raised by investors or stakeholders. The Company has set up a stakeholder section on its website , including customers, employees, shareholders and suppliers, and set up a whistleblower mailbox to appropriately respond to important corporate social responsibility issues that stakeholders are concerned about.	No difference.
VI. Does the Company appoint a professional shareholder service agency to handle shareholders' meeting affairs?	V		The Company has appointed a professional shareholder service agent, Fubon Securities Co., Ltd., Shareholder Service Agency Dept., as its shareholder service agent.	No difference.
VII. Information Disclosure (I) Does the Company set up a website to disclose financial, business and corporate governance information?	V		(I) The Company has established a corporate website to disclose financial, business and corporate governance-related information at any time, and also announced and reported the Company's overview and various financial information on the Market Observation Post System in accordance with the regulations of the competent authorities.	No difference.
(II) Has the Company adopted other information disclosure methods (e.g., establishing an English website, designating personnel dedicated to collection and disclosure of the Company's information, implementing the spokesperson system, posting the investor conference on the Company's website, etc.)?	V		(II) The Company appoints dedicated personnel to collect and disclose relevant information based on the nature of their work, and also appoints a spokesperson and an acting spokesperson to implement the spokesperson system. The Chinese and English versions of the briefing and the in-process audio files of the institutional investor conference have been placed in the investor section on the Company's website under the section of the shareholders' meeting for easy inquiry by the public. They have also been entered into the MOPS as required by TWSE.	
(III) Whether or not the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2 and Q3 and monthly operation overview before the prescribed time limit?	V		(III) The Company has announced and reported the annual financial report within two months after the end of the fiscal year, and has completed the announcement and reporting of the annual financial report, the financial report for Q1, Q2 and Q3 and monthly operation overview before the prescribed deadline.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and the Company's purchase of	V		(I) Employee rights: In addition to protecting the rights and interests of employees in accordance with the Labor Standards Act and related laws and regulations, the Company also provides subsidies for weddings, funerals, hospitalization, childbirth, and employee continuing education, and also organizes the health checkup for employees , fire protection and labor safety forums, mountain climbing and fitness activities, employee travels and birthday party and lottery draws, etc. regularly. (II) Employee care: The Company's management	No difference.

Assessment Items	Operation status (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
liability insurance for directors and supervisors)?			regulations focus on the interests of employees, care about employees' life, welfare and health, and set forth reasonable salaries and treatment. (III) Investor relations: The Company discloses company information in accordance with laws and regulations, in order to protect investors' basic rights and fulfill its responsibilities to shareholders. (IV) Supplier relations: The Company maintains smooth communication channels with customers and suppliers, assisting and trusting each other. No commercial disputes or litigations have arisen accordingly. (V) Rights of stakeholders: The Company maintains good communication channels with stakeholders, and respects and safeguards their legal rights. Meanwhile, the Company appoints a spokesperson and an acting spokesperson to respond to the questions and suggestions raised by stakeholders. (VI) Continuing education of directors and supervisors: The directors and supervisors of the Company have followed the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies," after completing the courses of securities laws and regulations and corporate governance, and also met the requirements about continuing education hours. (VII) Implementation of risk management policies and risk measurement standards: The Company has established various internal regulations and internal control systems in accordance with the law to conduct various risk management and assessments. Meanwhile, the internal audit unit will audit the implementation of internal control systems on a regular and irregular basis. (VIII) Implementation of customer policy: The Company adheres to the principle and spirit of providing customers with the best service. The Company's outstanding technology and service quality have been recognized and trusted by customers. The Company always maintains good long-term relationships with its customers. (IX) The Company purchases liability insurance for the Company's directors and managers every year. The insurance application status of directors and supervisors is reported to the Board of Directors at least once a year. The report was completed on July 26, 2023.	

Assessment Items	Operation status (Note)			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	

Note 1:

CPA independence assessment items	Evaluation results	Compliance with independence requirements?
1. Does the accountant have any direct or material indirect financial interest in the Company?	No	Yes
2. Does the CPA have any financing or guarantee relationship with the Company or any of its directors?	No	Yes
3. Does the CPA have a close business relationship or potential employment relationship with the Company?	No	Yes
4. Whether the CPAs and the members of the audit team have served as directors, managers, or positions that have significant influence on the audit work of the Company currently or in the past two years?	No	Yes
5. Have the CPAs provided the Company with non-audit services that may directly affect the audit work?	No	Yes
6. Whether the CPA brokers the shares or other securities issued by the Company?	No	Yes
7. Does the CPA act as the advocate of the Company or negotiate the conflict with other third parties on behalf of the Company?	No	Yes
8. Does the CPA have a family relationship with the Company's directors, managers, or personnel who have a significant impact on the audit?	No	Yes
Conclusion: Upon confirmation, there is no other financial interest or business relationship between the CPAs and the Company, except for the audit and non-audit fees. None of the CPAs has met the circumstances stated by said independence assessment items. The appointed independent auditor also meets the independence requirements.		

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the Taiwan Stock Exchange Corporation Corporate Governance Center and propose priority strengthening measures and measures for those who have not yet improved.

The Company ranked in 6%~20% of TPEx-listed companies in the "Corporate Governance Evaluation" in 2021 and 2022. The improvements made in the 10th Corporate Governance Evaluation (appraisal year 2023) are stated as follows:

Indicator category	2022 serial number	2023 serial number	Evaluation Indicators	Description of improvements
Protection of shareholders' equity and equal treatment of shareholders	1.10	1.9	Did the Company upload the English version of the meeting notice, agenda handbook and supplementary meeting materials 30 days before the annual general meeting?	The Company has uploaded the English version of the meeting notice, agenda handbook and supplementary meeting materials on April 27, 2023.
Protection of shareholders' equity and equal treatment of shareholders	2.3	2.3	Whether the Company's Chairman and the President or equivalent (top manager) of the Company are the same person, spouses or relatives within the first degree of kinship?	Upon the reelection of directors on May 30, 2023, the Company's Chairman and President as elected are neither spouses nor relatives within the first degree of kinship.
Protection of shareholders' equity and equal treatment of shareholders	2.22	2.22	Does the Company adopt the risk management policy and procedure approved by the Board of Directors, disclose the risk management categories, organizational framework and operations thereof, and also report the same to the Board of Directors at least once per year?	In 2023, the Company has established risk management policies and procedures with the approval of the Board of Directors, and established the Risk Management Committee under supervision of the Audit Committee and reporting to the Board of Directors every year.

The priority enhancements and measures winning no scores are described as follows:

Indicator category	2023 serial number	2024 serial number	Evaluation Indicators	Enhancements and measures
Protection of shareholders' equity and equal treatment of shareholders	1.11	1.8	Did the Company upload the Chinese and English versions of its annual report 18 days prior to the annual general meeting?	The Company expects to upload the English version of its 2023 annual report in 2024.
Enhance the information transparency	3.6	3.6	Does the Company disclose the interim financial statements in English within two months after the deadline for the Chinese version of the interim financial statements?	The Company expects to disclose the interim financial report in English language in 2024.

Note: Always provide explanations in the summary description column, regardless of whether the status is ticked "Yes" or "No."

(IV) If the Company has established a remuneration committee, its composition, duties and operations shall be disclosed:

1. Information on the Remuneration Committee members

<table>
<tr><th>Identity</th><th>Condition / Name</th><th>Professional qualifications and experience</th><th>Status of independence</th><th>Number of other public companies serving as Remuneration Committee member concurrently</th></tr>
<tr><td>Independent Director
(Convener)</td><td>Hsiao-Chen Chuang</td><td rowspan="3">Please refer to Page 10 of this annual report for the information on independent directors.</td><td rowspan="3">1. The person himself/herself, his/her spouse, or a relative within the second degree of kinship is not a director or employee of the Company or any of its affiliates.
2. The person, his/her spouse or a relative within the second degree of kinship (or in the name of another person) is not a natural person shareholder holding 1% or more of the total number of issued shares of the Company or among the top ten shareholders.
3. Not a director, supervisor or employee of the corporate shareholder holding more than 5% of the total number of issued shares of the Company, listed as one of Top 5 shareholders of the Company, or designating the representative to serve as the Company’s director or supervisor in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.
4. Not a director, supervisor, or employee of another company who is controlled by the same person controlling a majority of the directors or shares with voting right of the Company.
5. Not a director, supervisor, or employee of another company or institution where the chairman, president or equivalent of the Company or is the same person, or spouse.
6. Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company.
7. Not providing commercial, legal, financial and accounting services to the Company or its affiliates in the last two years.</td><td>1</td></tr>
<tr><td>Independent Director</td><td>Chao-Fu Shih</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Ching-Ying Wang</td><td>None</td></tr>
</table>

2. Responsibilities

The Committee members shall exercise the due care of a good administrator to faithfully perform the duties listed below, and shall be accountable to the Board of Directors and submit their recommendations to the Board of Directors for discussion.

(1) Formulate and regularly review the policies, systems, standards and structures for the performance evaluation and remuneration to directors and managers.

(2) Regularly assess and determine the remuneration to directors and managers.

3. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The term of office to be held by the members of 4th Committee: June 16, 2020 to June 15, 2023; the term of office to be held by the members of 5th Committee: May 30, 2023 to May 29, 2026; the Remuneration Committee convened 2 meetings (A) in the most recent year (2023). The qualifications and attendance of members are stated as follows:

Job Title	Name	Actual attendance rate (B)	Frequency of attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Hsiao-Chen Chuang	2	0	100	-
Committee Member	Chao-Fu Shih	2	0	100	-
Committee Member	Ching-Ying Wang	2	0	100	2023/5/30 Reelection of Directors

(3) The Remuneration Committee's proposals and resolutions in 2023 and up to the date of publication of this annual report, and the Company's handling of the Remuneration Committee's opinions

Date of the Remuneration Committee meeting	Contents of the motions	Resolution	The Company's handling of the opinions of the Remuneration Committee
4th Term 6th meeting (1st meeting in 2023) 02/22	1.Proposal for distribution of 2022 remuneration to employees and directors. 2.Proposal for distribution of 2022 employee remuneration to senior managers. 3.Proposal for the 2023 remuneration indicators for senior managers. 4.Proposal for 2023 senior manager bonus and raise policy. 5.Proposal to formulate the "Regulations Governing the Remuneration to Directors and Functional Committee Members" and abolish the "Regulations Governing the Payment of Remuneration to Directors." 6.Proposal for the distribution ratio of remuneration to employees and directors.	Reviewed and approved by all Committee members unanimously.	Proposed to the Board meeting and approved by all directors present at the meeting unanimously.
5th Term 1st (2nd meeting in 2023) 10/25	1.Proposal for distribution of 2022 employee remuneration to senior managers. 2. Report on senior manager's 2023 raise.	Report items Not applicable	Not applicable

Other matters required to be recorded

I. Should the Board rejects or modifies the suggestions from the Remuneration Committee, the following should be stated: date of the Board meeting, term of the Board, contents of the motions, resolutions of the Board and the Company's handling of the Remuneration Committee's opinion. (If the remuneration approved by the Board are better than that suggested by the Remuneration Committee, the difference and the reason thereof should be stated): None.

II. Should any resolution(s) by the Remuneration be passed but with member voicing opposing or qualified opinions on the record or in writing, please describe the date and session of the meeting, contents of the motion, the entire members' opinions, and how their opinions are addressed: None.

(V) The state of the Company's promotion of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation; a company that meets certain conditions shall disclose climate-related information.

1. The state of the Company's implementation of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation

Promotion items	Status (Note 1)			
	Yes	No	Summary	Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
I. Does the Company establish a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit to promote sustainable development, with senior management authorized by the Board of Directors to handle, and how is the supervision of the Board of Directors?	V		1. In 2017, the Company established the Corporate Social Responsibility Committee and appointed the Chairman to serve as the Committee chairman. The Management Division was instructed to set up a part-time unit of the Corporate Social Responsibility Team. The Director-General of the Management Division performed all comprehensive operations. In response to the Corporate Social Responsibility Best Practice Principles, the Committee was renamed as the Sustainable Development Committee in July 2022. The President serves as the Committee chairman. The Committee focuses on three major topics, namely, corporate governance, environmental sustainability, and social welfare, fulfills corporate social responsibility through routine operations, and reports and shares the Company's corporate social responsibility implementation results to and with the Board of Directors regularly each year. 2. The implementation status in 2022 has been reported to the Board of Directors on February 22, 2023, and was reported to the Board of Directors, with review on the implementation results. Meanwhile, it also listened to the suggestions proposed by directors. The contents of the motions include: (1) Issues of concern to stakeholders (2) Corporate sustainability ESG performance	No difference.
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	V		1. The Company's Board of Directors approved the "Risk Management Policy and Procedures" on February 22, 2023, and established the Risk Management Committee (RMC) in April to hold quarterly meetings to discuss the Company's response to major risks. 2. The RMC members identify, analyze, and evaluate risks based on the four major risk categories, namely strategy, finance, operation, and hazard, implement corporate risk identification, complete corporate risk checklists, establish a risk radar chart, screen the Company's Top 3 Risks, and formulate risk management strategy. 3. For the Top 3 Risks, the Company will track and report the progress of risks, discuss and review the effectiveness and closure of risk management, and plan risk management policies and strategies for next year.	No difference.
III. Environmental Issues (I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		The Company is a system integration service provider. Due to the characteristics of the industry, other than the production of domestic waste and waste water from daily activities, the Company's operations would not cause serious environmental pollution problems. Related waste and waste water are treated in accordance with the regulations of the New Taipei Industrial Park.	No difference.

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="4">Status (Note 1)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th><th>Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation</th></tr>
<tr><td>(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?</td><td>V</td><td></td><td>The Company encourages field colleagues to use the mass transportation system and privately-owned car sharing service, and also recycling of paper and paperless operations to reduce consumption of papers. Meanwhile, the Company promotes resource recycling and garbage sorting to improve the utilization rate of resources and reduce the environmental pollution.</td><td rowspan="3"></td></tr>
<tr><td>(III) Does the Company evaluate the potential risks and opportunities posed by climate change to the Company at present and in the future, and take relevant countermeasures?</td><td>V</td><td></td><td>1. The Company's Risk Management Committee collects information on operational risks that may be caused by climate change through various units within the Company, and conducts risk identification, analysis and evaluation through the risk management meeting, and takes relevant countermeasures.
2. The Company is well aware of the severity of the impact posed by climate change on the environment. As a global citizen, the Company will actively and proactively participate in mitigation of the impact posed by climate change. Therefore, the Company voluntarily participates in carbon reduction, verify the source of emissions caused by the operation through the GHG inventory, and continue to reduce carbon emissions to fulfill its responsibilities as a global citizen.</td></tr>
<tr><td>(IV) Whether the Company gathers the statistics about the annual GHG emission, water consumption and gross weight of waste for the past two years, and adopts policies for energy conservation and carbon reduction, GHG reduction, reduction of water consumption or management of exhaust gas and other waste goods?</td><td>V</td><td></td><td>1. In response to the sustainable environment initiative and the national greenhouse gas inventory and reduction policy, the Company has began to collect statistics on greenhouse gas emissions since 2017 and disclosed them on the Company's website.
2. The indirect GHG emissions, water consumption and gross weight of the waste generated from the Company's purchased electricity for 2021 and 2022 are as follows:
<table>
<tr><th>Item</th><th>2021</th><th>2022</th></tr>
<tr><td>Indirect greenhouse gas emissions from purchased electricity (mt CO_2e)</td><td>543.0521</td><td>580.93588</td></tr>
<tr><td>Annual water consumption (kWh)</td><td>4,071</td><td>4,141</td></tr>
<tr><td>Gross weight of waste (mt)</td><td>19.2</td><td>19.2</td></tr>
</table>
3. Using 2022 as the base year, the Company conducted the greenhouse gas inventory in reference to the standards and requirements under the "ISO 14064-1: 2018" greenhouse gas inventory. At the end of May 2023, the Company obtained a third-party verification and set the annual reduction of greenhouse gas emissions by 1%, a total of 10% reduction in the medium term to 2030, and a long-term goal of net zero emissions by 2050.
4. The Company also continues to implement various energy conservation and carbon reduction measures:
(1) Promotion of paperless operation.
(2) Update and replacement of the whole lamps with power-saving ones.
(3) Scheduled air-conditioning and promotion of control over the air-conditioning temperature in summertime to achieve the goal of energy conservation and carbon reduction.
(4) Turn off the power at any time in any unoccupied area.
(5) Regularly check the electrical equipment to reduce the power consumption.
(6) The sky garden is equipped with a rainwater collection system for watering flowers and plants and cooling of awnings.</td></tr>
<tr><td>IV. Social Issues
(I) Has the Company established relevant management policies</td><td>
V</td><td></td><td>
The Company is committed to protecting the basic human rights of employees, and complies with the Labor Standards Act and laws and regulations related to gender equality in employment, and recognizes</td><td>No difference.</td></tr>
</table>

Promotion items	Status (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
and procedures in accordance with applicable laws and International Bill of Human Rights?			and voluntarily follows international human rights conventions, including the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," and "United Nations Guiding Principles on Business and Human Rights." , "Declaration of Fundamental Principles and Rights at Work" of the International Labor Organization, to eliminate any behaviors that infringe and violate human rights, and conduct internal investigations such as due diligence and risk assessment in accordance with the guidelines under said laws and regulations, and, accordingly, improve internal colleagues' and stakeholders' awareness of human rights.	
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.), and appropriately reflect the operating performance or results in the employee remuneration?	V		1. The Company's employee welfare measures are handled in accordance with the work rules and related personnel systems. The Company allocates and distributes year-end bonuses, performance bonuses and employee remuneration depending on the operating conditions, and shares the operating results with employees. Employees are entitled to special leave immediately upon onboard, and the number of leave days is superior than that provided by laws. The Company also provides employees with equity trust, group insurance, free health checkup and parking subsidies, etc.. 2. Meanwhile, the Company has established the Worker Welfare Committee. The Committee members are elected by employees through open votes, and the welfare funds will be allocated pursuant to the relevant regulations, including domestic and foreign employee travel subsidies, subsidies for weddings, funerals, festivals and celebrations, subsidies for childbirth, subsidies for education of the employees' children, birthday gift money, tea-time break, and year-end party. 3. The Company implements diversity and equality in the workplace, realizes equal pay for equal work and equal promotion opportunities for female and male workers, and maintains more than 20% executive positions for female workers to urge the sustainable inclusive growth. In 2023, the average proportion of female employees as 27.60%, and the average proportion of female managers 26.00%.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide employees with safety and health education on a regular basis?	V		In addition to providing a humanized and safe working environment, such as a gymnasium, support of the smoke-free workplace policy promoted by the government, and a breastfeeding area, the Company also organizes the employee health checkup superior than that provided by laws, on-site service provided by the contract healthcare professionals for three hours per three months, on-site nursing service on a weekly basis, and occupation safety and health seminar on a yearly basis. The Company also inspects the hazards that might be caused to personnel or property by the working environment on a daily basis, and immediately improve the hazardous state and maintain good working environment to enable colleagues to work without worry.	
(IV) Does the Company have an effective career capacity development training program established for employees?	V		1. The Company provides a comprehensive orientation training program for new recruits, proactively develops the core professional competencies of various categories, and prepares a professional training budget every year, requiring employees to participate in external and internal training to meet the need for diversified learning channels. In 2019, an online Learning Management System was implemented to allow employees to spend their spare time flexibly for online education and training or to listen to the courses repeatedly, thereby significantly improving employees' learning and work efficiency. 2. For the external education and training in 2023, the number of	

Promotion items	Status (Note 1)			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
			participants: 42, total hours: 294 hours; for the internal education and training, the number of participants: 2195, total hours: 2785 hours; for the orientation training: the number of participants: 525, total hours: 525 hours. The courses include the introduction to human rights, introduction to human resources, introduction to general affairs, introduction to information systems and security, and introduction to finance.	
(V) Whether the Company complies with the related laws and international practices with respect to customers' health and safety, customers' privacy, marketing and labeling for its products and services, and adopts related consumers protection policy or customer interest and right policy, and complaining procedures?	V		The Company has set up a contact window for stakeholders in the ESG/Stakeholders/Stakeholder Communication Channels section on the Company's website to respond to the complaints in a timely and effective manner. Meanwhile, the Company's employees or contractors are required to sign a non-disclosure letter of undertaking on the onboard date or before executing the project business. The Company also regularly promotes the importance of Personal Data Protection Act, and the ethical issues, legal and criminal liability to be derived by disclosure of the suppliers' business secrets.	
(VI) Does the Company have a supplier management policy defined to require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the implementation status thereof?	V		1. The Company has formulated the "Supplier Management Regulations" and the "Contractor Safety and Health Management Regulations" for the management of suppliers or contractors, and stated in the contract the Company's requirements on environmental protection, occupational safety and health, or labor rights. It is expected that suppliers or contractors may focus on and strive to solve these issues together with the Company. 2. Meanwhile, a supplier management section has been set up on the Company's intranet to require suppliers undertaking the Company's business to comply with the safety, health and environmental protection regulations required by various types of projects and owners, which are also made available to the suppliers for perusal or downloading. 3. The Company will perform on-site visits to the suppliers working with the Company frequently each year, in order to verify the suppliers' implementation results of the sustainability-related issues and provide related assistance or counseling.	
V. Whether the Company prepares the report disclosing the Company's non-financial information, such as CSR report, based on the guidelines or directions for preparation of reports applicable internationally? Whether said report has been assured or guaranteed by a third party certification unit?		V	1.According to the "Rules Governing the Preparation and Filing of Sustainability Reports by TPEx Listed Companies," the Company's paid-in capital has not yet met the conditions for preparation. However, the Company is still committed to the sustainable development of the Company by voluntarily preparing the sustainability report disclosing the Company's non-financial information in accordance with the GRI Standards. 2.The 2022 ESG sustainability report of the Company has been prepared and uploaded to the Market Observation Post System and the Company's website on June 19, 2023. The report has not yet assured by a third-party certification unit.	No difference.

Promotion items	Status (Note 1)			
	Yes	No	Summary	Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
VI. If the Company has established its own sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," please describe the current practices and any deviations from the Principles: The Company has established its own "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies." The Company has been committed to practicing corporate sustainable development and the relevant operations follow the Company's "Sustainable Development Best Practice Principles." There was no material difference.				
VII. Other important information helpful to understand the implementation of sustainable development 1. In addition to proactively promoting the practice of corporate sustainable development, the Company also participates in sustainability activities organized by the Group or customers every year, such as care for public welfare groups, donation of supplies on a regular basis, sponsorship of sports events, and participation in tree planting to clean the beach, hoping to make the world more sustainable through the collective power. 2. Since 2019, the Company has regularly issued the sustainability report (referred to as the Corporate Social Responsibility Report in 2019 and 2020) by June of each year, and simultaneously issued the English version of the sustainability report in 2022. By the report, the Company reports to all stakeholders about the Company's commitment and performance in corporate governance, environmental sustainability, social responsibility and other sustainability issues. The report is made available in both Chinese and English languages, and is posted in the ESG section of the Company's website (https://www.idtech.com.tw/resource-101-105-page189) for downloading by stakeholders.				

Note 1: If the implementation status is specified "Yes," please specifically explain the key policies, strategies, and measures taken and the execution progress. If the implementation status is specified "No," please explain deviation and cause of deviation in the field titled "Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof," and state any policy, strategy, and measure planned for the future.

Note 2: The materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

2. Companies meeting certain criteria shall disclose climate-related information.

(1) Climate-related information implementation status

Item	Status
1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	The Company's Management Division has established the "Sustainable Development Committee". Meanwhile, the "Risk Management Committee (RMC)" was also established. The first-level head of each unit of the Company serves as a Committee member, reporting risk issues, risk countermeasures, and operation results to the Board of Directors on a regular basis. 1. The Sustainable Development Committee has voluntarily compiled and filed a sustainability report in accordance with the GRI Standards. The issues of concern include corporate governance, environmental sustainability, and social welfare. The report submitted to the Board of Directors on February 22, 2023 includes the corporate governance, social welfare, green operation, information security certification, occupational safety, education and training results, and contractor evaluation, etc. In terms of greenhouse gas inventory, the implementation status will be reported to the Board of Directors on a quarterly basis in 2023. 2. Risk Management Committee (RMC): Hold quarterly meetings to discuss the Company's response to major risks. The Company, via its Risk Management Committee, collects information on operational risks that may be caused by climate change through various units within the Company, and conducts risk identification, analysis and evaluation through the risk management meeting, and takes relevant countermeasures.
2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	As a professional system integrator, the Company does not have production equipment or products. The current extreme climate poses no significant impact on the Company's operations. According to the "Sustainable Development Action Program of TWSE/TPEx Listed Companies" published by the FSC in March 2023 and the "IFRS General Requirements for Disclosure of Sustainability Connection Roadmap" promulgated in August 2023, the Company's short-, medium- and long-term strategic plans are stated as follows: Short-term: Establish greenhouse gas inventory standards and requirements, set a carbon reduction base year, and formulate carbon reduction plans and targets. Mid-term: Reduce carbon emissions by 1% per year and by 10% in total from 2022 until 2030. Long-term: Net-zero emissions by 2050.
3. Describe the financial impact posed by extreme climate events and transformation actions.	For the time being, there is no operation transformation planned by the Company, except for energy-saving and carbon reduction plans, such as replacement with energy-saving LED lamps, replacement of refrigerators, or renting of gasoline-electric official vehicles, which will increase expenditure, but posing no significant impact on the Company's overall finance.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The Risk Management Committee organizes four risk categories, namely, strategy, finance, operation, and hazard. The risk identification, risk analysis, and risk assessment are used to generate the risk radar chart. Each committee member formulates the responsive strategies against risk based on major risks in the unit, and reports, discusses, supervises and reviews the effectiveness of risk management during RMC meetings. Report the implementation of risk management to the Audit Committee and Board of Directors on a yearly basis.
5. If a scenario analysis is used to evaluate the resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used shall be explained.	The Company is a professional system integration technology service provider, without production equipment or products. The equipment suppliers are well-known leading brand companies at home and abroad. The greatest threat posed by climate change risk to the Company's sustainable development refers to the carbon reduction exposure of supply chain equipment. In order to avoid this scenario, the Company has started to require original equipment suppliers to provide carbon reduction equipment that meets customers' needs and related supporting information at the same time, and has established an internal verification mechanism for the supply chain and customers' carbon reduction to make the demand and supply seamlessly connected. Besides, the

Item	Status
	Company does not need excessive costs or investments and, therefore, there will be no impact on the Company's finance.
6. If there is a transformation plan in response to the management of climate-related risks, describe the contents of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.	The Company is a professional system integration technology service provider. In the future, the Company will strengthen the effective use of external and OEM resources and internal management resources to reduce supply chain risks and achieve the goals of the Company's energy-saving and carbon-reduction plan. The Company has no transformation plan.
7. If the internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	Due to the nature of the business, after assessment and analysis, the Company can only set carbon reduction targets and action plans from routine operational equipment replacement, so there is no internal carbon pricing policy established.
8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, please explain the source and quantity of carbon reduction credits or quantity of Renewable Energy Certificates (RECs) for which they are exchanged.	The Company took 2022 as the base year and inspected the carbon emissions of its office operations throughout Taiwan. The total carbon emissions was 1,111.9933 mt CO_2e. Short-term: Establish greenhouse gas inventory standards and requirements, set a carbon reduction base year, and formulate carbon reduction plans and targets. Mid-term: Reduce carbon emissions by 1% per year and by 10% in total from 2022 until 2030. Long-term: Net-zero emissions by 2050.
9.GHG inventory and assurance, and reduction targets, strategies and specific action plans	Not applicable.

(VI)The state of the company’s performance in the area of ethical corporate management, any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation

Assessment Items	Operation status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and plans				No difference.
(I) Does the Company establish a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?	V		(I) The Company adopted the "Ethical Management Best Practice Principles" approved by the Board of Directors on March 18, 2016, and promotes and enforces it accordingly.	
(II) Does the Company develop systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions	V		(II) The "Ethical Management Best Practice Principles" established by the Company has expressly stated how to prevent unethical behaviors and the Company has implemented them proactively.	

Assessment Items	Operation status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? (III) Does the Company define and enforce operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	 V		 (III) The Company convenes meetings and conducts unscheduled reviews on business activities with a higher risk of unethical conduct, in order to prevent the occurrence of unethical conducts that damage the Company's property and image.	
II. Implementing ethical management (I) Does the Company evaluate the ethical records of its trading counterparts, and specify the ethical conduct clauses in the contracts signed with its trading counterparts? (II) Does the Company establish a unit dedicated to promoting ethical corporate management under supervision of the Board of Directors which shall be responsible for reporting the status of implementation of the ethical management policy and unethical conduct prevention program to the Board of Directors periodically (at least for once per year)? (III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflict of interest, and implement the same precisely? (IV) Does the Company fulfill the ethical management by establishing an effective accounting system and internal control system, and have an internal audit unit research and adopt related audit plans based on the unethical conduct risk assessment result and conduct audits on the compliance by the unethical conduct prevention program, or appoint a CPA to conduct the audits? (V) Does the Company organize internal or external training on a regular basis to maintain ethical management?	 V V V V V		(I) When the Company enters into a contract with a third party, the Company will try to understand the ethical management of the other party as much as possible, and has included the ethical management in the business contract. (II) The Company has established an ethical management unit as the dedicated unit to engage in the promotion and enforcement of ethical management in conjunction with the Legal Office. The dedicated unit reported its implementation to the Board of Directors on February 22, 2023. In March and November 2023, internal employee education and training were organized to promote the prohibition and prevention of insider trading, and ethical management and legal education and training. (III) The "Employee Code of Integrity and Ethics" established by the Company specifies various measures to be complied with, and employees are requested to implement the recusal for conflict of interest precisely. (IV) The Company operates in accordance with the accounting system and internal control system. The annual audit plan is formulated and audited by the internal auditors in accordance with the Company's accounting system and internal control system. Meanwhile, through the annual corporate internal control self-assessment, each department of the Company shall self-examine the effectiveness of the design and implementation of the internal control system. (V) In addition to designing the ethical management issues in the orientation training, the Legal Affairs Office organizes the education and training program on corporate governance and ethical management for all employees once a year, and also promotes it through various activities and meetings from time to time. For the Company's suppliers, the Company also promotes the Company's ethical management guidelines to ensure that they understand it.	No difference.

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Operation status</th><th rowspan="2">Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>III. The operation of the Company's whistle-blowing system
(I) Does the Company establish a specific whistle-blowing and reward system, and establish a convenient channel for whistle-blowing, and assign appropriate dedicated personnel to handle the reported subjects?
(II) Does the Company establish standard operating procedures for the investigation of whistle-blowing matters, the follow-up measures to be taken after the investigation is completed, and the related confidentiality mechanism?
(III) Does the Company have taken proper measures to protect the whistleblowers from suffering any consequence of reporting an incident?</td><td>V
V
V</td><td></td><td>(I) The Company has formulated the "Procedures for Handling Reports on Cases in Violation of the Ethical Management Best Practice Principles," designated the Human Resources Department of the Management Division and Legal Affairs Office as the dedicated units to accept reports, and set up the email address atreport@idtech.com.tw.
(II) The standard operating procedures for the investigation of whistle-blowing matters and related confidentiality mechanisms are specified in the "Procedures for Handling Reports on Cases in Violation of the Ethical Management Best Practice Principles."
(III) The protective measures have been clearly specified in the "Procedures for Handling Reports on Cases in Violation of the Ethical Management Best Practice Principles."</td><td>No difference.</td></tr>
<tr><td>IV. Enhanced information disclosure
Does the Company disclose the contents of its ethical management best practice principles and the result of implementation at its official website and MOPS?</td><td>V</td><td></td><td>The Company's management philosophy has been disclosed on the Company's website and the status of ethical management has been disclosed in the annual report.</td><td>No difference.</td></tr>
<tr><td colspan="5">V. If the Company has established its own ethical management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please describe the current practices and any deviations from the Principles:
The Company has established the its own "Ethical Management Best Practice Principles" and abides by the principles of ethical management. There is no significant deviation from the Principles.</td></tr>
<tr><td colspan="5">VI. Other important information that is helpful in understanding the Company's ethical management practices (e.g., the circumstance in which the Company is reviewing and amending the Company's ethical management best practice principles):
(I) The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, securities-related laws and regulations, and other laws and regulations pertaining to business activities, as the basis for implementing ethical corporate management.
(II) The Company has defined the directors' recusal system for conflict of interest in the "Regulations Governing Procedure for Board of Directors Meetings," to provide that when any motion identified by the Board of Directors involves conflict of interest with a director or the juristic person represented by him/her and thereby is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.
(III) The Company has established the "Procedures for Handling Internal Material Information and Management for Prevention of Insider Trading," which specifies that insiders and those who knows any material information based on their duties shall not disclose the same to others.
(IV) The Company implements the ethical corporate management philosophy, abides by relevant laws and regulations and internal control system, strictly prohibits dishonest or illegal behavior, and promotes the relevant regulations of the "Ethical Management Best Practice Principles" to its employees from time to time.</td></tr>
</table>

(VII) If the Company has established its own corporate governance best practice principles and related regulations, please disclose how to access the same:

The Company has established the "Ethical Management Best Practice Principles," "Code of Ethical Conduct for Directors and Managers," "Sustainable Development Best Practice Principles," "Corporate Governance Best Practice Principles," "Organization Rules of Remuneration Committee" and "Rules Governing the Scope of Powers of Independent Directors" and disclosed the same on the Market Observation Post System (MOPS) and the Company's website.

(VIII) Other information material to the understanding of corporate governance within the Company

Continuing education of directors and managers in the most recent year:

Job Title	Name	Date of continuing education	Organizer	Course name	Course hours
Chairman	Wen-Fang Huang	2023/06/01	Taiwan Investor Relations Association	Establishment and Key Points of Enterprise Intellectual Property Rights Management System	6
		2023/12/01	Taiwan Independent Directors Association	Tax governance in the new tax environment	
Vice Chairman	Mei-Lan Liu	2023/06/02	The Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	2023 Taiwan New Net Zero Electricity Summit	6
		2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Conference	
Director	Pei-Shun Chiu	2023/06/01	Taiwan Investor Relations Association	Establishment and Key Points of Enterprise Intellectual Property Rights Management System	6
		2023/06/09	Securities and Futures Institute	2023 Insider Trading Prevention Conference	
Director	Jung-Huang Wang	2023/07/04	TWSE	2023 Cathay Pacific Sustainable Banking and Climate Change Summit	9
		2023/08/17	Taiwan Institute of Directors	New ESG Horizon - Carbon Neutrality Milestones	
Independent Director	Hsiao-Chen Chuang	2023/09/18	Taiwan Digital Governance Association	The application of ChatGPT in B2B	6
		2023/11/29	Taiwan Digital Governance Association	2024 Global and Taiwan Economic Trends and Outlook	
Independent Director	Chao-Fu Shih	2023/07/11	Taiwan Corporate Governance Association	Risks everywhere. How can they be managed effectively?	6
		2023/08/22		Sustainability and digital dual-axis transformation	
Independent Director	Ching-Ying Wang	2023/08/29	Securities and Futures Institute	Workshop for the practice of directors and supervisors (including independent directors)	12
		2023/08/30			
Accounting Officer	Mei-Chi Chen	2023/08/10	Accounting Research and Development Foundation	Continuing Education Course for Accounting Managers of Issuers, Securities Firms and Stock Exchanges	12
		2023/08/11			
Corporate Governance Officer	Mei-Chi Chen	2023/06/02	The Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	2023 Taiwan New Net Zero Electricity Summit	12
		2023/07/13	Taipei Exchange	Conference on Sustainable Development Action Program of TWSE/TPEx Listed Companies	
		2023/09/04	Financial Supervisory Commission	14th Taipei Corporate Governance Forum	
		2023/11/14	Taiwan Independent Directors Association	The Group's M&A strategy and post-investment management	
Proxy of Chief Accounting Officer/Accounting Personnel Preparing Financial Statements	Chi-Nan Cheng	2023/08/17	Accounting Research and Development Foundation	How to interpret key corporate financial information Enhancement of crisis early warning capability	12
		2023/10/06		Practical Analysis on the Latest "Sustainable Development Action Plan" and the Impact posed by Net Zero Carbon Emission on Financial Statements	
Internal Auditors	Chia-Yi Chen	2023/05/18	Taiwan Institute of Internal Auditors	Information business audit workshop	18
		2023/09/07		Digital Transformation of Internal Audit and Application of Emerging Technology	

Job Title	Name	Date of continuing education	Organizer	Course name	Course hours
		2023/12/12	Accounting Research and Development Foundation	Latest "ESG sustainability" and "Self-Preparation of Financial Statements" related policy development and internal control management practices	
Audit agent	Chao-Yi Wang	2023/08/23	Securities and Futures Institute	Discussion of the Latest Corporate Governance Development Roadmap and Evaluation	12
		2023/12/12	Accounting Research and Development Foundation	Latest "ESG sustainability" and "Self-Preparation of Financial Statements" related policy development and internal control management practices	

(IX) Disclosures relating to the execution of internal control system:

1. Statement of Internal Control System

Interactive Digital Technologies Inc.

Statement of International Control System

Date: February 23, 2024

The following declaration is made based on the 2023 self-appraisal on the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance and asset security, etc.), reliable, timely and transparent financial reporting, and regulatory compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria introduced by the Regulations consist of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.

IV. The Company has adopted said criteria to assess the effectiveness of its internal control system design and implementation thereof.

V. Based on the assessment result referred to in the preceding paragraph, the Company believes that the design and implementation of the internal control system (including monitoring and management on subsidiaries) as of December 31, 2023, including the achievement rate of effectiveness and efficiency of operations and reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws, are effective and may reasonably ensure the achievement of said goals.

VI. The Statement will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171 and 174 of the Securities and Exchange Act and incur legal liability.

VII. The Statement was passed unanimously without objection by all 7 directors present at the Board meeting dated February 23, 2024.

Interactive Digital Technologies Inc.

Chairman: Wen-Fang Huang

President: Mei-Lang Liu

2. The external auditor's report issued by the CPA commissioned to conduct an internal control audit, if any: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders meeting (including the execution status) or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Important resolutions of shareholders' meetings and their implementation

Date	Important resolution	Status
2023/05/30	1. Re-election of seven directors (including three independent directors).	Resolved to pass the motion, and 4 directors and 3 independent directors elected. List of elected directors: Juristic Person Representatives of HITRON TECHNOLOGIES INC. - Wen-Fang Huang, Mei-Lang Liu, and Pei-Shun Chiu Juristic Representative Representatives of Calais Development Ltd..: Jung-Huang Wang List of elected independent directors: Yang-Chen Zhuang, Chao-Fu Shih, and Ching-Ying Wang
	2. Recognition of the 2022 Business Report and Financial Statements.	Resolved to pass the motion.
	3. Recognition of the 2022 earnings distribution proposal.	Resolved to pass the motion. The cash dividends were distributed at NT$4.8 per share. The Board of Directors authorized the Chairman to set July 23, 2023 as the ex-dividend record date. The distribution was completed on August 4, 2023.
	4. Amendments to the "Articles of Incorporation."	Resolved to pass the motion. The amended Articles of Incorporation took effect on May 30, 2023, and the registration of changes was completed on June 8, 2023.
	5. Amendments to the "Rules and Procedures of Shareholders' Meeting."	Resolved to pass the motion. Already published on the MOPS and the Company's website.
	6. Proposal for lifting the non-competition restrictions imposed on the new directors and their representatives	Resolved to pass the motion.

2. Important resolutions of the board of directors

Date	Important resolution
2023 1st 02/22	1.Passed the 2022 Statement of internal control system and self-assessment result report. 2.Passed the proposal for amendments to the "Internal Control System." 3.Passed the distribution of 2022 remuneration to employees and directors, which was reported to the shareholders' meeting pursuant to laws. 4.Passed the 2022 Business Report and Financial Statements, and 2023 Business Plan, which were reported to the shareholders' meeting for recognition pursuant to laws. 5.Passed the 2022 earnings distribution proposal, which was submitted to the shareholders' meeting for recognition pursuant to laws. 6.Passed the 2022 distribution of cash dividends from earnings, which was reported to the shareholders' meeting pursuant to laws. 7.Passed the distribution of cash from capital surplus, which was reported to the shareholders' meeting pursuant to laws. 8.Passed the re-election of 7 directors (including 3 independent directors), which was submitted to the shareholders' meeting for election pursuant to laws. 9.Passed the nomination of candidates for directors and independent directors, which was submitted to the shareholders' meeting for election pursuant to laws. 10.Passed the lifting of non-competition restrictions imposed on new directors and their representatives, which was submitted to the shareholders' meeting for discussion pursuant to laws. 11.Passed the amendments to the "Articles of Incorporation," which was submitted to the shareholders' meeting for discussion. 12.Passed the amendments to the "Rules and Procedures of Shareholders' Meeting," which was submitted to the shareholders' meeting for discussion pursuant to laws. 13.Passed the amendments to the "Organization Rules of Audit Committee." 14.Passed the establishment of the "Risk Management Policy and Procedures."

Date	Important resolution
	15.Passed the determination of the date of 2023 annual general meeting and meeting agenda. 16.Passed the proposal for review on the CPA service fee for 2023. 17.Passed the proposal for establishment of the Company's pre-approval non-assurance policy. 18.Passed the proposal for distribution of 2022 employee remuneration to senior managers. 19.Passed the proposal for the 2023 remuneration indicators for senior managers. 20.Passed the proposal for 2023 senior manager bonus and raise policy. 21.Passed the proposal to formulate the "Regulations Governing the Remuneration to Directors and Functional Committee Members" and abolish the "Regulations Governing the Payment of Remuneration to Directors." 22.Passed the proposal for the distribution ratio of remuneration to employees and directors. 23.Passed the application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 1st unsecured convertible corporate bond into ordinary shares in Q4 of 2022.
2023 2nd 04/18	1. Passed the 2023 Q1 consolidated financial statements 2. Passed the amendments to the "Corporate Governance Best Practice Principles." 3. Passed the amendments to the "Sustainable Development Best Practice Principles." 4. Passed the proposal to formulate the "Regulations Governing Financial Operations among Related Parties" and abolish the "Regulations Governing Financial Operations among Affiliated Companies."
2023 3rd 05/30	1. Election of new Chairman and Vice Chairman. 2. Passed the proposal for appointment of the Remuneration Committee members.
2023 4th 07/26	1. Passed the 2023 Q2 consolidated financial statements 2. Passed the application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 2nd secured convertible corporate bonds into ordinary shares in Q2 of 2023. 3. Passed the amendments to the "Regulations Governing Financial Operations among Related Parties."
2023 5th 10/25	1. Passed the proposal for establishment of 2024 internal audit plan. 2. Passed the 2023 Q3 consolidated financial statements 3. Passed the proposal for change of the Company's CPA firm and appointment of the independent auditors for the 2024 financial statements. 4. Passed the application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 2nd secured convertible corporate bonds into ordinary shares in Q3 of 2023.
2024 1st 02/23	1.Passed the 2023 Statement of internal control system and self-assessment result report. 2.Passed the distribution of 2023 remuneration to employees and directors, which was reported to the shareholders' meeting pursuant to laws. 3. Passed the 2023 Financial Statements and Business Report, and 2024 Business Plan, which were reported to the shareholders' meeting for recognition pursuant to laws. 4.Passed the 2023 earnings distribution proposal, which was submitted to the shareholders' meeting for recognition pursuant to laws. 5. Passed the 2023 distribution of cash dividends from earnings, which was reported to the shareholders' meeting pursuant to laws. 6. Passed the distribution of cash from capital surplus, which was reported to the shareholders' meeting pursuant to laws. 7. Passed the lifting of non-competition restrictions imposed on current directors and their representatives, which was submitted to the shareholders' meeting for discussion pursuant to laws. 8. Passed the determination of the date of 2024 annual general meeting and meeting agenda. 9. Passed the proposal for review on the CPA service fee for 2024. 10. Passed the proposal for distribution of 2023 employee remuneration to senior managers. 11. Passed the proposal for the 2024 remuneration indicators for senior managers. 12. Passed the proposal for 2024 senior manager bonus and raise policy. 13. Passed the application for the registration of capital change and issuance of new shares for the conversion of the Company's domestic 2nd secured convertible corporate bonds into ordinary shares in Q4 of 2023. 14. Passed the proposal for the Company's investment in Transnet Corporation.

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the Board of Directors or Audit Committee has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) Summary of resignation/dismissal of the Company's related personnel (including Chairman, President, accounting manager, financial manager, chief internal audit officer, chief corporate governance officer or chief R&D officer) in the most recent year and until the date of publication of the annual report:

Job Title	Name	Date of inauguration	Date of dismissal	Reasons for resignation or dismissal
Chairman	Yen-Wei Cheng	2022/01/05	2023/05/30	Dismissed after retirement
CEO	Yen-Wei Cheng	2021/01/25	2023/05/30	Discharged after etirement

IV. Information about CPA's Audit Fees

Unit: NTD thousand

<table>
<tr><th>Name of CPA Firm</th><th>Name of CPA</th><th>Audit period</th><th>Audit fees</th><th>Non-audit fees</th><th>Total</th><th>Remark</th></tr>
<tr><td rowspan="2">BDO Taiwan</td><td>Kun-Hsi Hsu</td><td rowspan="2">2023.01.01~2023.09.30</td><td rowspan="2">1,643</td><td rowspan="2">250</td><td rowspan="2">1,893</td><td rowspan="2">1. Tax visa: 180
2. Industrial and commercial registration: 70</td></tr>
<tr><td>Shu-Cheng Chang</td></tr>
<tr><td rowspan="2">KPMG Taiwan</td><td>Ming-Hung Huang</td><td rowspan="2">2023.10.01~2023.12.31</td><td rowspan="2">1,000</td><td rowspan="2">300</td><td rowspan="2">1,300</td><td rowspan="2">Tax visa: 300</td></tr>
<tr><td>Huei-Chen Chang</td></tr>
</table>

(I) When the Company changes its CPA firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: In response to the Company's business and management needs, BDO Taiwan has been replaced by KPMG Taiwan since Q4 of 2023. The audit fees are NT$2,000 thousand in 2022, and NT$2,643 thousand in 2023.

(II) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

V. Information on Replacement of CPAs

If the Company has replaced its CPA within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information:

(I)Regarding the former CPA:

<table>
<tr><td>Date of replacement</td><td colspan="3">October 25, 2023</td></tr>
<tr><td>Reason for replacement and description</td><td colspan="3">In response to the Company's business and management needs, BDO Taiwan has been replaced by KPMG Taiwan since Q4 of 2023.</td></tr>
<tr><td rowspan="3">Appointment terminated or unacceptable by the client or the CPA</td><td>Party concerned
Situation</td><td>CPA</td><td>Client</td></tr>
<tr><td>Voluntary termination of appointment</td><td></td><td>V</td></tr>
<tr><td>No longer accepting (continuing) appointment</td><td></td><td></td></tr>
<tr><td>An audit report issued during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason.</td><td colspan="3">None</td></tr>
<tr><td>Any disagreement with the issuer</td><td colspan="3">None</td></tr>
<tr><td>Other disclosures
(Matters covered in items 1-4~1-7, sub-paragraph 6, Article 10 of the Regulations should be disclosed.)</td><td colspan="3">None</td></tr>
</table>

(II)Regarding the successor CPA:

Name of CPA Firm	KPMG Taiwan
Name of CPA	Ming-Hung Huang and Huei-Chen Chang
Date of appointment	Approved by the Board of Directors on October 25, 2023
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	None
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	None

(III)The former CPA's response to the items referred to in Items 1 and 2-3, the subparagraph 6, Article 10 of the Regulations: N/A.

VI. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the firm of its external auditor or at an affiliated company of such firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VII. Any transfer of equity and changes in the pledge of equity by a director, manager, or shareholder with a stake of more than 10 percent from the most recent year until the date of publication of the annual report

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

Unit: Thousand shares

Job Title	Name	2023		2024 until March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and major shareholders holding more than 10% of shareholding	HITRON TECHNOLOGIES INC.	-	-	-	-
	Representative: Wen-Fang Huang	-	-	-	-
Vice Chairman and major shareholders holding more than 10% of shareholding	HITRON TECHNOLOGIES INC.	-	-	-	-
	Representative: Mei-Lang Liu	1	-	-	-
Director and major shareholders holding more than 10% of shareholding	HITRON TECHNOLOGIES INC.	-	-	-	-
	Representative: Pei-Shun Chiu	-	-	-	-
Director	Calais Development Ltd..	-	-	-	-
	Representative: Jung-Huang Wang	-	-	-	-
Independent Director	Hsiao-Chen Chuang	-	-	-	-
Independent Director	Chao-Fu Shih	-	-	-	-
Independent Director	Ching-Ying Wang	-	-	-	-
President	Mei-Lan Liu	1	-	-	-
Executive Vice President	Feng-Ju Li	(20)	-	-	-
Executive Vice President	Yuan-Sen Cheng	2	-	-	-
Vice President	Cheng-Tsung Kuo	2	-	-	-

Job Title	Name	2023		2024 until March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Vice President	En-Lin Chang	2	-	-	-
Vice President	Chih-Lung Lin	-	-	-	-
Vice President	Kuo-Chi Chang	2	-	-	-
Vice President	Kuo-Hua Lin	2	-	-	-
Vice President	Chong-Sheng Wang	2	-	-	-
Vice President	Yao-Ting Wu	2	-	-	-
Vice President	Mei-Chi Chen	2	-	-	-

Note 1: Incumbent on the date of publication of the annual report.

(II) Information on equity transfer and related parties: None.

(III) Information on equity pledge and related parties: None.

VIII. Information on the top ten largest shareholders who are related parties or have a spousal relationship or family relationship within the second degree of kinship

March 30, 2024 Unit: Thousand Shares; %

Serial number	Name	Number of shares held on own name		Shares held by spouse and underage children		Total shares held in someone else's name		If there is relationship, such as related party, spouse, or relative within the second degree of kinship, among the top ten shareholders, please disclose the designation or name and relationship.		Remarks
		Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or Name)	Relationship	
1	HITRON TECHNOLOGIES INC.	16,703	35.03	-	-	-	-	Note 1		-
	Representative: Wen-Fang Huang	-	-	-	-	-	-			
2	Enrich Investment Corporation	2,575	5.40	-	-	-	-	Note 1		-
	Representative: Tsai-Fen Chen	-	-	-	-	-	-			
3	Calais Development Ltd..	720	1.51	-	-	-	-	None	None	-
	Representative: Yen-Hui Wang	126	0.26	-	-	-	-			
4	Xing Chuang Investment Ltd.	576	1.21	-	-	-	-	None	None	-
	Representative: Chi-Ming Huang	-	-	-	-	-	-			
5	Citibank as a custodian of Berkeley Capital SBL/PB investment account	499	1.05	-	-	-	-	None	None	-
6	Chi-Hsiang Lin	440	0.92	-	-	-	-	None	None	-
7	Citibank as custodian of Citibank Global Market - Asia Pacific Comprehensive Equity Banking	263	0.55	-	-	-	-	None	None	-
8	Ching-Wen Wang	232	0.49	-	-	-	-	None	None	-

Serial number	Name	Number of shares held on own name		Shares held by spouse and underage children		Total shares held in someone else's name		If there is relationship, such as related party, spouse, or relative within the second degree of kinship, among the top ten shareholders, please disclose the designation or name and relationship.		Remarks
		Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or Name)	Relationship	
9	Citibank as custodian of UBS Europe SE investment account	232	0.49	-	-	-	-	None	None	-
10	Dafang Asset Management Co., Ltd.	210	0.44	-	-	-	-	None	None	-
	Representative: Chun-Hsiung Chang	-	-	-	-	-	-			

Note 1: The parent company of both HITRON TECHNOLOGIES INC. and Enrich Investment Corporation is Alpha Networks Inc..

IX. The total number of shares held by the Company, its directors and managers, and enterprises directly or indirectly controlled by the Company in the same investee, and the consolidated shareholding ratio.

March 31, 2024 Unit: Shares; %

Invested business	Invested by the Company		Invested by directors, managers and enterprises directly or indirectly controlled by the Company		Comprehensive investment	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Hwa Chi Technologies (Shanghai) Inc.	–	100.00	–	–	–	100.00

Note: Investments accounted for using the equity method.

Four. Status of Fund Raising

I. Capital and shares

(I) Source of share capital:

1. Types of shares

March 30, 2024 Unit: Thousand Shares%

Type of shares	Authorized share capital			Remarks
	Outstanding shares	Unissued shares	Total	
Ordinary shares	47,686	32,314	80,000	TPEx-listed stocks

2. The formation of share capital

March 30, 2024; Unit: NTD Thousand; Thousand Shares

Year/month	Issuing price	Authorized share capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Offset by any property other than cash	Others
2003.05	10	10,000	100,000	3,000	30,000	Establishment capital 3,000,000 shares	–	Letter No. Fu-Jian-Shang-Zi No. 09210194110 dated May 14, 2003
2003.10	10	10,000	100,000	4,100	41,000	Cash capital increase by 1,100,000 shares	–	Letter No. Fu-Jian-Shang-Zi No. 09219890910 dated October 8, 2003
2004.07	10	10,000	100,000	5,351	53,510	Cash capital increase by 1,251,000 shares	–	Letter No. Fu-Jian-Shang-Zi No. 09316225700 dated July 16, 2004
2005.08	10	10,000	100,000	5,672	56,721	Capital increase through earnings by 321,060 shares	–	Letter No. Fu-Jian-Shang-Zi No. 09417384400 dated August 22, 2005
2006.08	10	10,000	100,000	6,239	62,393	Capital increase through earnings by 567,206 shares	–	Letter No. Fu-Jian-Shang-Zi No. 09582135310 dated August 18, 2006
2009.06	10	10,000	100,000	8,423	84,230	Cash capital increase by 2,183,743 shares	–	Letter No. Fu-Chan-Ye-Shang-Zi No. 09885966900 dated June 25, 2009
2011.07	10	12,000	120,000	11,418	114,180	Cash capital increase by 2,995,000 shares	–	Bei-Fu-Jing-Deng-Zi No. 10085181800 dated July 7, 2011
2012.02	10	32,000	320,000	32,000	320,000	Issued new shares to increase capital by 20,581,991 shares	–	Bei-Fu-Jing-Deng-Zi No. 1015007413 dated February 10, 2012
2012.11	16	60,000	600,000	42,000	420,000	Cash capital increase by 10,000,000 shares	–	Bei-Fu-Jing-Deng-Zi No. 1015074558 dated November 28, 2012
2016.09	33	60,000	600,000	46,180	461,800	Cash capital increase by 4,180,000 shares	–	Letter No. Xin-Bei-Fu-Jing-Zi No. 1055312557 dated September 23, 2016
2018.08	10	60,000	600,000	36,944	369,440	Cash capital decrease by 9,236,000 shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1078049816 dated August 3, 2018
2021.02	10	60,000	600,000	37,718	377,178	Convertible bonds converted into 773,773 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1108008389 dated February 3, 2021
2021.05	10	60,000	600,000	38,751	387,509	Convertible bonds converted into 1,033,089 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1108031362 dated May 10, 2021
2022.01	10	60,000	600,000	38,755	387,553	Convertible bonds converted into 4,477 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1118006007 dated January 28, 2022
2022.05	10	60,000	600,000	39,391	393,911	Convertible bonds converted into 635,757 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1118033214 dated May 17, 2022

Year/month	Issuing price	Authorized share capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Offset by any property other than cash	Others
2022.08	10	80,000	800,000	39,570	395,702	Convertible bonds converted into 179,097 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1118057547 dated August 11, 2022
2022.11	10	80,000	800,000	40,250	402,499	Convertible bonds converted into 679,690 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1118084177 dated November 24, 2022
2023.03	10	80,000	800,000	40,253	402,532	Convertible bonds converted into 3,266 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1128015285 dated March 13, 2023
2023.08	10	80,000	800,000	41,569	415,695	Convertible bonds converted into 1,316,261 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1128057172 dated August 18, 2023
2023.11	10	80,000	800,000	43,137	431,373	Convertible bonds converted into 1,567,868 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1128080344 dated November 7, 2023
2024.03	10	80,000	800,000	45,899	458,991	Convertible bonds converted into 2,761,816 new shares	–	Letter No. Xin-Bei-Fu-Jing-Si-Zi No. 1138015709 dated March 8, 2024

(II) Shareholder structure

March 30, 2024 Unit: Person/Thousand Shares/%

Shareholder structure / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of person	–	–	107	9,012	41	9,160
Number of shares held	–	–	21,640	23,893	2,153	47,686
Shareholding ratio	–	–	45.38	50.10	4.52	100.00

(III) Distribution of shareholdings (at par value of NT$10 per share)

March 30, 2024 Unit: Person/Share/%

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1~999	3,577	427,280	0.90
1,000~5,000	4,678	8,920,455	18.71
5,001~10,000	484	3,839,459	8.05
10,001~15,000	145	1,873,851	3.93
15,001~20,000	90	1,660,967	3.48
20,001~30,000	65	1,665,148	3.49
30,001~40,000	34	1,198,853	2.51
40,001~50,000	25	1,152,353	2.42
50,001~100,000	38	2,679,437	5.62
100,001~200,000	13	1,612,277	3.38
200,001~400,000	5	1,143,000	2.40
400,001~600,000	3	1,515,000	3.18
600,001~800,000	1	720,000	1.51

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
800,001~1,000,000	—	—	—
Over 1,000,001	2	19,277,600	40.42
Total	9,160	47,685,680	100.00

(IV) List of major shareholders

March 30, 2024 Unit: Thousand Shares/%

Serial number	Shares / Name of major shareholder	Number of shares held	Shareholding ratio
1	HITRON TECHNOLOGIES INC.	16,703	35.03
2	Enrich Investment Corporation	2,575	5.40
3	Calais Development Ltd..	720	1.51
4	Xing Chuang Investment Ltd.	576	1.21
5	Citibank as a custodian of Berkeley Capital SBL/PB investment account	499	1.05
6	Chi-Hsiang Lin	440	0.92
7	Citibank as custodian of Citibank Global Market - Asia Pacific Comprehensive Equity Banking	263	0.55
8	Ching-Wen Wang	232	0.49
9	Citibank as custodian of UBS Europe SE investment account	232	0.49
10	Dafang Asset Management Co., Ltd.	210	0.44

(V) Market price, net worth, earnings, dividends per share for the most recent two years, and related information

Item / Year			2022	2023	Current year up to March 31, 2024
Market price per share (Note 1)	Highest		80.90	82.40	85.20
	Lowest		57.10	62.40	73.80
	Average		71.05	73.51	80.38
Net Worth Per Share (Note 2)	Before distribution		32.69	37.90	(Note 8)
	After distribution		27.39	31.90	-
Earnings per share	Weighted average number of shares (thousand shares)		39,596	41,813	46,755
	Earnings per share (Note 3)		5.43	6.26	(Note 8)
Dividends per share	Cash dividends		5.30	6.00	-
	Bonus stock dividend	Stock dividend from retained earnings	-	-	-
		Stock dividend from capital surplus	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Analysis of investment return	P/E ratio (Note 5)		12.42	11.41	-
	P/D ratio (Note 6)		12.73	11.90	-
	Cash dividend yield % (Note 7)		7.86	8.40	-

Note 1: List the highest and lowest market prices for each year, and calculate the average market price for each year based on each year's transaction value and trading volume.

Note 2: Based on the number of issued shares at the end of the year and filled in according to the resolution of the Board of Directors or the shareholders' meeting of the following year.
(On February 23, 2024, the Board of Directors of the Company resolved to distribute NT$275,395 thousand as cash dividends to shareholders in 2023. The proposed cash dividend was NT$6 per share, of which the cash dividend distributed from retained earnings was NT$5.2 per share and from capital surplus NT$0.8 per share.)

Note 3: If retrospective adjustment is required due to share grants, the EPS before and after the adjustment shall be listed.

Note 4: If the equity securities are issued under the terms and conditions, the accumulated unpaid dividends of the current year should be disclosed separately.

Note 5:P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D ratio = Average closing price per share for the year/Cash dividend per share.

Note 7:Cash dividend yield = cash dividends per share/average closing price per share for the year.

Note 8: As of the date of publication of the annual report, there were no financial information which has been audited or certified by CPAs.

(VI) The Company's dividend policy and implementation status

1. The Company's dividend policy is as follows

The Company operates in a volatile market environment and its corporate life cycle is in a stable growth stage. The dividend policy shall take into account the Company's future capital needs and long-term financial planning in order to achieve sustainable operation. The Company's adopts a residual dividend policy; the terms, timing and amount of which shall be handled in accordance with Article 19 of the Articles of Incorporation, and in consideration of the Company's future capital planning. The total amount of dividends to be paid each year shall not be less than 50% of the total distributable earnings for that year, of which cash dividends shall not be less than 10% of the total amount of cash and stock dividends paid in that same year.

Article 19-1 of the Articles of Incorporation: The Company shall first make up for the accumulated deficit in the annual closing accounts if there is any net income after tax for the period and set aside 10% as legal reserve in accordance with the law; however, if the accumulated legal reserve has reached the Company's total paid-in capital, the Company may cease to set aside the legal reserve. The special reserve is allocated or reversed in accordance with the law or the regulations of the competent authority. If there is any surplus earnings remaining, the remaining balance will be added to the unappropriated earnings at the beginning of the period and the Board of Directors will prepare a proposal for distribution of the earnings to the shareholders for resolution. If the aforementioned appropriation of earnings is in the form of cash dividends, the Board of Directors is authorized to resolve and report the appropriation at the shareholders' meeting.

Article 19-2 of the Articles of Incorporation: The Company may allot new shares or cash from legal reserve or additional paid-in-capital in accordance with Article 241 of the Company Act. If the foregoing is distributed in cash, the Board of Directors is authorized to resolve and report at the shareholders’ meeting.

2. Dividend distribution proposed for the current shareholders' meeting

On February 23, 2024, the Board of Directors of the Company resolved to distribute NT$275,395 thousand as cash dividends to shareholders in 2023, at NT$6 per share, of which the cash dividend distributed from retained earnings was NT$5.2 per share and from capital surplus NT$0.8 per share. The resolution will be reported to 2024 annual general meeting.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable.

(VIII) Remuneration to employees, directors, and supervisors:

1. The percentages or ranges with respect to the remuneration to employees, directors, and supervisors, as set forth in the Company's articles of incorporation.

According to the Articles of Incorporation, if the Company makes a profit in a year, it shall first set aside 5% to 20% of such profit as employee compensation, which shall be distributed in stock or cash by resolution of the Board of Directors, and the targets of such distribution may include employees of affiliated companies who meet certain conditions, as determined by the Chairman of the Board. The Company may allocate the remuneration of directors to the above-mentioned amount of profits up to a maximum of 1% of the current year's profits. Where the Company has accumulative losses for the prior year, the Company should make up the losses before making any appropriation for employee and director remuneration in the current year, and the remaining amount should be appropriated in accordance with the ratio of the two preceding items.

2. The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(1) The basis for estimating the amount of remuneration to employees and directors: Estimated in accordance with the Articles of Incorporation.

(2) If the employee's remuneration is distributed in the form of shares, the number of shares shall be calculated based on the closing price on the day before the resolution of the shareholders' meeting and by taking into consideration the effect of ex-dividend dividends. Employees' remuneration amounting to less than one share shall be paid in cash.

(3) The accounting treatment of the discrepancy between the actual distributed amount and the estimated figure in the current period: If there is any discrepancy between the actual distributed amount and the estimated figure, it is deemed as a change in estimates and is recognized as profit or loss for the current period.

3. Information on any approval by the Board of Directors of distribution of remuneration:

The Company's 2023 earnings distribution proposal was approved per the resolution of the Board of Directors on February 23, 2024.

(1) The amount of remuneration to employees, directors and supervisors in cash or in shares: The Company's 2023 remuneration to employees was NT$36,590 thousand and remuneration to directors NT$2,744 thousand, all of which were distributed in cash, and was equal to the estimated amount recognized in 2023.

(2) The amount of remuneration to employees distributed in shares, and the size of that amount as a percentage of the sum of the net income stated in the parent company only financial statements for the current period and total remuneration to the employees: Not applicable.

4. The actual distribution of employee, director, and supervisor profit-sharing compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor profit-sharing compensation, additionally the discrepancy, cause, and how it is treated.

(1) The cash remuneration to employees amounted to NT$30,920 thousand, which was actually the same as the amount recognized as expenses.

(2) The cash remuneration to employees amounted to NT$6,170 thousand, which was actually the same as the amount recognized as expenses.

(IX) Repurchase of the Company’s shares: None.

II. Issuance of corporate bonds:

Up to the date of publication of the annual report, the Company's corporate bonds are stated as follows:

Type of corporate bond		Domestic 2nd secured convertible corporate bonds
Issuance (process) date		2023.1.11
Par value		NT$100,000
Location of issuance and trading		Not applicable
Issuing price		Issued at a premium of 106.15% of the par value
Total amount		NT$600 million
Interest rate		Coupon rate at 0% per annum
Term		3 years, 2023.1.11~2026.1.11
Guaranteeing institution		First Commercial Bank
Trustee		Taipei Fubon Commercial Bank Co., Ltd.
Underwriting Institution		Fubon Securities Co., Ltd.
Attesting Attorney-at-Law		Ya-Wen Chiu, Attorney-at-Law, Handsome Attorneys-at-Law
Independent auditor		Kun-Hsi Hsu, CPA and Shu-Cheng Chang, CPA of BDO Taiwan
Repayment method		Except for those converted into the ordinary shares of the Company in accordance with Article 10 of the Regulations for the Offering and Conversion (hereinafter referred to as the Regulations), or the shares repurchased by the Company in accordance with Article 18 of the Regulations, or the shares repurchased by the Company from the business place of securities firms for cancellation, the Company will repay the bonds at face value in cash within 10 business days after the maturity date of the convertible bonds.
Outstanding principal		NT$173,300 thousand
Terms of redemption or early settlement		Please refer to the Regulations for details.
Restrictive clauses		Please refer to the Regulations for details.
Name of credit rating, date of rating, and result of corporate bond rating		Not applicable
With other rights	Amount converted to ordinary shares up to the date of publication of the annual report	NT$426,700 thousand
	The Regulations for details.	Please refer to the Regulations for details.

Possible dilution of equity by the regulations and conditions of issuance, conversion, exchange or subscription and impact on existing shareholders' equity	None
Name of custodian for exchange object	None

Information on convertible corporate bonds

Type of corporate bond		Domestic 2nd secured convertible corporate bonds	
Item\Year		2023	Current year up to March 31, 2024
Market price of convertible corporate bonds	Highest	137.00	148.50
	Lowest	108.20	129.15
	Average	116.48	137.28
Conversion price		60.7	56.7
Issuing (processing) date and conversion price at the time of issue		July 23, 2023 56.7	July 23, 2023 56.7
Method of performance conversion obligation		Issuance of new shares	Issuance of new shares

III. Issuance of preferred shares: None.

IV. Issuance of overseas depository receipts: None.

V. Issuance of employee stock warrants and restricted stock awards: None.

VI. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VII. Execution of the fund application plan:

The Company issued the domestic 2nd secured convertible corporate bonds in January 2023. The contents of plan, execution and benefit analysis are stated as follows:

(I) Contents of the plan:

1. Total funds needed by the project: NT$636,884 thousand.
2. Source of capital:

   Issue 6,000 domestic 2nd secured convertible corporate bonds, each at the par value of NT$100,000, with a coupon rate of 0%, for the term of 3 years and the total face value of NT$600,000 thousand at 106.15% of the face value, and the fund raised totaled NT$636,884 thousand.
3. Issuance plan and expected benefits

Unit: NTD thousand

Projects	Expected completion date	Total funds required	Scheduled fund utilization progress	
			2023	
			Q1	Q2
To enrich working capital	2023 Q2	636,884	336,884	300,000

(II) Expected benefits

In the fund-raising project, the total fund raised, NT$636,884 thousand, is expected to be used to enrich the working capital to cover the working capital required for the continuous growth of the operation scale in the future. The funds raised will replace financing from banks, in order to save interest and expenditure, and also to increase the stability of long-term capital and strengthen the flexible allocation of capital, thereby improving the Company's operating competitiveness. If said funding needs are covered by bank borrowings in whole, and calculated at the short-term borrowing interest rate provided by the Company's current correspondent bank, 1.81%, it is expected that the interest expenses on refinancing can be reduced by about NT$10,567 thousand in 2023, and subsequently by NT$11,528 thousand per year.

(III) Status

Unit: NTD thousand

Projects	Implementation (as of 2023 Q2)			The reasons for being ahead of or behind the schedule and the corrective action plan
To enrich working capital	Amount drawn down	Scheduled	636,884	The replenishment of working capital has been completed in Q2 of 2023, and the utilization progress has reached 100%. The actual implementation is good.
		Actual	636,884	
	Implementation progress	Scheduled	100.00	
		Actual	100.00	

(IV) Assessment on benefits

Unit: NTD Thousand; %

Item	Year	2022 (Before fundraising)	June 30, 2023 (After fundraising)
Basic financial information	Current assets	1,736,533	2,088,305
	Current liabilities	1,246,980	1,092,072
	Total liabilities	1,316,600	1,640,932
	Interest expense	7,425	4,588
	Operating revenue	2,048,203	805,627
	Earnings per share (NT$)	5.43	2.50
Financial structure	Debt ratio (%)	47.37	54.98
	Long-term capital to property, plant and equipment (%)	181.94	245.23
Solvency	Current ratio (%)	139.26	191.22
	Quick ratio (%)	81.09	118.71

Source of data: 2022 and 2023 Q2 financial statements audited (reviewed) by CPAs

The fundraising through the Company's issuance of domestic 2nd secured convertible corporate bonds were completed in Q1 of 2023. The fund raised will be used to replenish the capital to strengthen the financial structure. In terms of financial structure, the debt ratio increased by from 47.37% to 54.98% at the end of December 2022. The long-term capital to property, plant, and equipment increased from 181.94% to 245.23% at the end of December 2022. In terms of the solvency, the current ratio and quick ratio would increase from 139.26% and 81.09% to 191.22% and 118.71% at the end of December 2022. Upon completion of the fundraising, the Company can reduce interest expenses, increase profits, and improve the financial structure, thereby improving the Company's operational adaptability and also helping mitigate corporate financial risks and enhance the Company's competitiveness.

Five Business Overview

I. Business contents:

(I) Business scope:

1. Main business activities:

The Company is a professional system integration service supplier. Its sales model is intended to combine the software, hardware and professional technology of international leading network and telecommunications operators to integrate and develop application platforms to provide complete solutions, including system integration planning, consultation, construction and after-sale maintenance service. The main business activities include system integration services for telecommunications and broadband networks, wireless transmission, digital media, cloud information and geographic information.

2. The proportion of business operation of the main business

Unit: NTD thousand

Year / Business contents	2023	
	Net operating revenue	Weight (%)
Telecommunications and broadband network system services	1,107,780	49.40
Wireless transmission service	567,860	25.32
Digital media system service	174,559	7.78
Cloud-based information system service	233,656	10.42
Geographic Information System Service	158,705	7.08
Total	2,242,560	100.00

3. The Company's current products (services)

(1) Telecommunications and broadband network system services

The diversified services provided by the Company mainly include the integration services for the systems including cable TV broadband network system, optical fiber broadband network transmission system, microwave communication system, IP network communication and value-added application system, network security, telecom cloud SDN/NFV and network function virtualization, next-generation telecommunication network NGN/IMS equipment, network performance bandwidth management and optimization management.

(2) Wireless transmission service

Mobile network base station construction and optimization, 4G/5G base station construction and maintenance project, wireless local area network (LAN/Wi-Fi) construction project, indoor/outdoor mobile network coverage project, mobile network co-configuration project, mobile network optimization, electromagnetic wave measurement, satellite communication construction and mobile vehicle services.

(3) Digital media system service

Provide digital media high-definition video platform, digital TV head-end system, media main control and sub-control automatic playout system, media program post-production system, virtual studio and broadcast animation system, news digital production and playback system integration and 4K/ UHD broadcast and transmission system integration services.

(4) Cloud-based information system service

Provide a full range of integration services for cloud-based service platform, multimedia video conferencing, corporate network and information security planning and construction, information system equipment virtualization, server and storage system planning and construction and information security management, and peripheral cloud-based service applications.

(5) Geographic Information System Service

As an agent of the Environmental Systems Resarch Institute, Inc. (Esri) for a full range of Geographic Information Systems (GIS) products, and their application development projects and system integration services, GIS foundation and professional services, GIS professional training, school GIS basic education and environment construction services.

4. New products (services) planned to be developed

(1) Telecommunications and broadband network system services

After the ultra-high bandwidth Internet access infrastructure is constructed, network quality and IP/OTT multimedia application services will become the focus of the new products (services) planned by the Company to be developed. Among the other things, they include optical fiber broadband network system, microwave communication system, next-generation IP backbone network and IP multimedia application systems, network security, network quality management, mobile fixed network integrated video applications, value-added service systems, and cloud computing-related products, etc., all of which will be the focus products planned by the Company to be developed.

(2) Wireless transmission service

The focus of wireless network construction has shifted from provision of mobile network indoor/outdoor coverage optimization services to the capacity, low-latency and user experience services and satellite communication services required for resilient networks. All of them refer to the wireless transmission services planned by the Company to be developed. The related wireless transmission service analysis tools and personnel's professional skills required by them will also become one of the important services to be developed by the Company.

(3) Digital media system service

4K audio and video head-end broadcast/transmission system, VR/AR application value-added services, new media OTT, multimedia social network applications and media signal center IP are all digital media integration and application services to be developed by the Company in the future.

(4) Cloud-based information system service

Virtual data center, cloud virtual service, cloud information security, multimedia integrated communication, data storage and remote backup are all integrated products planned by the Company to be developed.

(5) Geographic Information System Service

The geospatial Information is fully 3D visualized, integrated with the AI Internet of Things (AIoT), to establish a digital twin in the real world, using the containerization technology to integrate the geospatial information Micro Service into 5G devices to extend the geospatial information application from the cloud to the edge and fog computing and to provide users with the local information physically by taking advantage of the characteristics of 5G, such as large bandwidth and low latency.

(II) Industry overview

1. Current status and development of the industry

The Company engages in the business lines including agency of the latest professional technology software and hardware of domestic and foreign leading brands in communications, media, Internet, and geographic information, and integration and development of application platforms to provide complete solutions, system integration planning, consulting, and after-sale maintenance services. The current status and development of the system integration industry and the industry in which the Company is engaged is described as follows:

(1) Telecommunications and broadband network system services

Currently, the main broadband technology users in Taiwan primarily tend to adopt the three services, i.e. fiber optic network (FTTx), Cable Modem and ADSL, as the mainstream ones. In recent years, given the increasing demand of consumers for applications and quality, including download of videos and files, use of social network sites to upload information, watching of high-quality videos and application of virtual reality services, as well as the strict demand for high-bandwidth networks from enterprises and government agencies, FTTx subscribers tend to be growing year by year. Meanwhile, in response to the NCC policy, Chunghwa Telecom has continuously increased the transmission rate and reduced service fees for its Hi-Net subscribers. Besides, the built-in fiber optic connectors are becoming more and more popular in new communities and thereby causes Taiwan's consumers and corporate subscribers to be more willing to apply for or switch to fiber-optic broadband, thus driving the number of FTTx subscribers' growth year by year.

In terms of the Internet access via Cable Modem, although domestic fiber optic network services are becoming more and more popular, cable TV operators are proactively promoting the Cable Modem Internet access services at preferential rate to attract consumers to use cable TV to access the TV and Internet integrated value-added services. Besides, cable TV operators are upgrading the Cable Modem Internet access technology in order to provide high-speed Internet service to its cable TV subscribers, thus driving the steady growth of the Cable Modem subscribers in Taiwan.

In terms of ADS, the advantages reside in the dedicated line, independent bandwidth and easy installation. However, the poor transmission speed and the type of housing in Taiwan shifted to elevator apartments with high public facility rate has driven the popularization of optical fiber network wiring. As a result, consumers chose the optical fiber network access service voluntarily, and the number of ADSL subscribers in Taiwan kept declining in the recent years.

A. Telecommunications operators promote the optical fiber network access proactively

FTTx refers to the use of "fiber optic" to construct a network to provide the subscribers with network communication services. For the time being, the optical fiber technology primarily refers to the Ethernet Passive Optical Network (EPON) and the Gigabit-capable PON (GPON). Given the announcement of Chunghwa Telecom to launch the "Hi-Net" investment plan and to promote the development of FTTx broadband services and network construction projects, and the promotion of "optical fiber broadband buildings" by the Ministry of Economic Affairs to encourage construction companies to build optical fiber buildings, as promoted by the telecommunications operators and government policies, large-size enterprises have expanded their IT software and hardware or replaced the existing information systems. For the time being, Taiwan's FTTH services mostly use the circuits provided by Chunghwa Telecom. The FTTH of Chunghwa Telecom adopts the GPON or EPON structure subject to different regions.

The service providers including Chunghwa Telecom also combined the optical fiber and Wi-Fi 6 applications to launch 2G/1G optical fiber new speed networks to enhance the growth of optical fiber broadband subscribers in Taiwan. Therefore, since 2020, the number of optical fiber broadband subscribers and the growth rate of high-speed optical fiber demand have been increasing significantly.

B. The global cable TV operators are proactively developing "Gbps" Gigabit-capable Internet access and value-added services.

In recent years, the competition between the global cable TV operators and telecommunications companies has been fierce increasingly. In the past, the cable TV industry in the United States and Europe has developed rapidly, and major cable TV operators in the United States strove to upgrade their technology to the Data Over Cable Service Interface Specification 3.1 (DOCSIS 3.1), in order to have the cable TV broadband network attain the “Gbps” Gigabit-capable level comprehensively. DOCSIS 4.0 is a compilation of the supplements and amendments to the previous generation technology, i.e. DOCSIS 3.1. Its downloading and uploading rates both reach 10Gbps, achieving great results for dual 10G, including full-duplex DOCSIS (FDX), which enables downloading and uploading traffic to run in the same frequency band, with low latency (target < 1ms) at the same time. Further, the DOCSIS (EDS) band expansion function is added to support HFC 1.8GHz (600MHz expansion over DOCSIS 3.1) network traffic.

For the time being, Taiwan Cable TV is still affected by the integration of network platforms such as OVO and other TV box companies to launch Internet TV services and the FTTx high-speed Internet service promoted by telecommunications operators, thus unfavorable to the development of Cable Modem subscribers. Notwithstanding, Taiwan’s cable TV operators still carry out upgrading and improvement subject to the need for high-speed Internet and TV Service digitization, home video streaming service and other VR/AR and 4K contents, and promote the Cable Modem Internet access service at preferential rate to attract consumers to use cable TV to access the TV and Internet integrated value-added services. Besides, driven by the epidemic effectively, the number of cable modem subscribers has been increasing in recent years, thus prompting a surge in the number of cable modem installations and cable modem technology upgrades and replacements of cable TV companies.

C. Network security lays the foundation of the information age.

As enterprise rely on information and communication services increasingly, the target of hacker attacks is directed to the expanding network, thus making the information security threats more and more severe, and cyber attacks and cross-border attacks increasing accordingly. Therefore, enterprises impose higher requirements for network attack and information security prevention measures. In response to such needs, it is necessary to adopt more advanced design services and multi-layer integrated network automatic response devices. Therefore, the output value related to network security is increasing day by day. Among the other things, the output value of "terminal and mobile device protection" and "network security" accounted for the largest proportions of the related information security output value.

According to the IEK statistics of the Industrial Technology Research Institute, the output value of network security has reached NT$16.88 billion in 2021 and NT$22.1 billion in 2025. For the being, the international information security manufacturers (Cisco, F5, Fortinet, Netscout, Palo Alto, Redware, Trend Micro, etc.) are proactively planning and building the most appropriate security equipment for each network endpoint and even the 5G private network environment and framework, in order to improve network security. With the emerging network applications, such as the Internet of Things, cloud data, remote online office, and Metaverse, the connection between enterprises and network is getting closer, and the demand for related network security levels is upgraded relatively. It is expected that the output value of the related network security industry will keep booming because of the continuing development of network applications.

(2) Wireless transmission service

5G refers to a general technology with three major features, namely, ultra-large bandwidth, ultra-large connection and ultra-reliable low-latency, thereby enabling various smart application services to become possible. The significance of 5G commercial services is not limited to provision of faster network speeds. It is also an important driving force for subverting the digital ecosystem and creating new business models. In terms of 5G development trend, although 5G communication services are mainly made available to the general consumers, more 5G applications based on enterprise innovation will appear in the future, and communications service providers will also focus 5G services on corporate customers. It is expected that 5G network will expand the mobile ecosystem and facilitate the development of emerging industries, such as smart agriculture, smart factories, self-driving cars, telemedicine, smart retail, and other 5G private network services for corporate customers.

In 2020, Taiwan has officially entered the 5th generation (5G), the stage of commercialization. 5G's high bandwidth, wide connection, and low latency features are favorable to the development of services, such as big data, AI, and IoT, and may drive the value-added innovative applications, such as high-quality audiovisual entertainment, smart medical care, smart factories, self-driving cars, UAVs, and smart cities.

With the benefits that 5G applications will provide with more application services for industrial upgrading and a smart society, it will become a key technology for the development of IoT applications, such as the Internet of Vehicles, smart cities, and Industry 4.0. Due to the strong demand and the characteristics of 5G spectrum (the higher the frequency, the shorter the coverage distance), the number of 5G base stations will keep increasing and exceed the number of 4G base stations.

Additionally, in recent years, the network resilience has been strongly advocated by the government, and the derived demand for satellite communications, including the demand for the establishment of fixed ground satellite receiving terminals and satellite communication mobile vehicles, is expected to grow significantly.

(3) Digital media system service

The Over-the-Top TV (OTT TV) has emerged rapidly in recent years. OTT refers to the provision of various application services to subscribers via the Internet. The survey also shows that as the public becomes more familiar with OTT TV, and the epidemic prevailing in the previous years also helps fan the flame, OTT TV has become a new choice for the viewers. It is expected that OTT TV will reach the compound annual growth rate by 7.3%.

Also, with the advancement of 4K and 8K display technologies, the image computing technology becomes more and more mature. Besides, the rapid development of 5G data transmission, 4K and 8K will become the next wave of mainstream audio and video. For the time being, PTS self-produced videos are all filmed using the 4K technology. It is worth noting that TVs are no longer used as the main device for presenting audio and video contents. With the booming development of OTT, mobile devices are used as the main movie viewing device instead. In addition to 4K, 8K, and 5G technologies that will upgrade digital contents, the industry will also integrate IoT, big data, artificial intelligence (AI), and virtual reality (VR)/augmented reality (AR), etc.. In the past, Taiwan has accumulated hardware manufacturing momentum enough to provide a perfect stage to present said emerging technologies. These software technologies will be extended to the physical fields through hardware, to smart cities and other related environments, and will also drive the innovation and add value of cities or local industries.

In response to the development of digital convergence, the inter-industry operation of communications, telecommunications, and the Internet will be the trending in the future. After the digital transformation in the post-converging era, cable TV will become a smart home platform. It is expected that consumers may enjoy high-definition audio and video quality and program contents, and the industry may also provide the innovative interactive services including high-speed broadband Internet access, home care, Internet of things and cloud applications, which are bound to drive a series of demand and supply chains. After the cable TV is digitized comprehensively, it can create digital economic output value through digital value-added application services, big data analysis and application, OTT and online audio and video services, and Internet of Things technology application development, so that the government, industry, and consumers can share the bonus derived from the digitization.

(4) Cloud-based information system service

A. The government's policy for promoting forward-looking and innovative information and communications development.

In response to the era of cloud, big data, ultra-wideband (UWB), Internet of Things, and digital networks, and in order to regain the momentum of economic development and drive the transformation of Taiwan's industries to value-added applications, we need more forward-looking and innovative information and communications development policies. In 2017, the Executive Yuan approved the "Digital Nations. Innovative Economic Development Plan (2017-2025)." The mission scheduled for Phase 1 has been completed in 2020. In response to the vision of the future "Smart Nation," the Executive Yuan approved the "Smart Nation Program (2021-2025)" in 2021 for continued promotion. It is expected to invest a special budget of NT$95.4 billion (NT$80.4 billion for technology development, and NT$15 billion for public work) over five years (2021-2025), in order to promote the Company to "become an important hub for digital space and innovation in the Asia Pacific region," "achieve universal 5G service penetration and lay out the global 5G industry chain," and "seek the leading position in industrial digital transformation and consolidation of advanced industries."

In order to achieve the vision of the smart nation solution development, Taiwan's government has set the overall indicators for the three major aspects, namely "innovative digital economy," "active network society," and "advantageous broadband environment," expecting to achieve digital economy scale amounting to NT$6.5 trillion by 2025, growth rate of digital economy in the GDP attaining 29.9%, the penetration rate of digital life services attaining 80%, and the high-speed Internet broadband service reaching 2Gbps (90% coverage rate).

As the Internet and ubiquitous computing environment are getting mature, knowledge workers solve various problems with shared group work and collective intelligence, and use data analysis, AI, blockchain, chip design, cloud computing, VR, AR and e-commerce to create a "digital economy" era that may creates high added value. The "digitization" and "intellectualization" trends brought about by the digital economy have changed not only the human life style but also the way and pace of work, and also lay the foundation of digital economic industry.

B. The Internet of Things (IoT) will trigger emerging industries in the future.

The Internet of Things (IoT) will realize the applications commonly heard, such as smart city, smart traffic and smart home. Meanwhile, with the development of forward-looking technologies, such as 5G and AI, the Company will further promote the evolution of the Internet of Things into the Artificial Intelligence of Things (AIoT). Meanwhile, driven by the COVID-19 pandemic in 2020, the digital transformation speed has been accelerated, causing enterprises to value the related technology development more and enhance the investment strength.

Given the commercialization of 5G mobile communications, cloud services and big data, the network speed becomes faster, network capacity larger, costs lower, and computing power higher, thus driving the AI technology to be widely applied in many start-up industries' plans. The businesses derived from the IoT, such as smart power grid, smart building, smart traffic, smart home, smart logistics, smart energy conservation, smart medical care and smart manufacturing, etc., have brought about the innovative shared operating models and digital innovation trends. Therefore, the IoT era will drive the booming cloud computing services, big data and innovative services and thereby trigger many emerging industries in the future around the world.

In conclusion, the enterprises' demand for cloud computing services and platforms that combine with telecommunication services to provide IoT services, coupled with big data analysis and mobile value-added application services, will increase inevitably due to the environment and technology trends. In consideration of the emerging cloud-based information system services and booming development of innovative technologies, cloud-based information system services that provide high-value system solutions become more important. Through software and hardware integration and cross-border resource utilization, it will become an effective means to strengthen corporate innovation and create more related service output value.

(5) Geographic Information System Service

A geographic information system (GIS) is a system that processes, applies, analyzes, and displays the geospatial data in the real world. The geographic information generally refers to all things related to space. Notwithstanding, for some geographic information, it is necessary to take longer time in observation of its changes and phenomena; therefore, a huge amount of data beyond one's imagination have been accumulated. The geographic information system is applied in the fields including urban planning, police and disaster relief, commercial space analysis and business intelligence, college and high schools' geography education programs, forest management, transportation, water and electricity pipelines, national defense applications, engineering applications, social culture and environmental ecology, etc. In response to the popularization of IoT and AI technologies, transformation to digital intelligence becomes an opportunity. If the traditional relational database is no longer able to handle more than tens of billion pieces of data, the GIS can make full use of the network connection technology that may exert the computing power of many computers to assist in the storage, analysis, and computing based on a specific topic, and has become a Web platform that integrates the cloud. Meanwhile, the technology is becoming complete and mature, in the context of the support and application of IoT (Internet of Things) and big data. As hardware specifications and data storage technology advance over time, the integration of big data and geographic information will facilitate interactive data exploration, perform spatio-temporal analysis of complex and important data, and connect streaming data via devices from multiple sources. It is an important tool for innovative applications under the current technology trend of IoT and big data analysis. It is expected to generate the global output value growing at a CAGR13.1%, and reaching US$21.1 billion in 2027.

2. Correlation of the up-stream, mid-stream and down-stream dealers in the industry

The Company is a professional system integration service provider involved in the fields including communications, wireless transmission, media, network products and geographic information systems (GIS), and also playing multiple roles, such as exclusive agent and midstream distributor, in order to add value for the Company's business development. The upstream dealers in the industry are primarily hardware and software manufacturers. As the manufacturers are leading domestic and foreign brands, there is no technical barrier to the supply of upstream hardware and software. The hardware and software equipment units are provided via the midstream distributors or suppliers. The downstream system integrators develop application software and complete the integration of software and hardware systems to provide overall professional solutions to meet the needs of customers and satisfy customers' expectations toward the investment benefits. The correlation diagram between the upper-stream, mid-stream and down-stream dealers in the industry is shown below:

3. Various product development trends

(1) Strong demand for broadband network infrastructure in the context of the promotion of government policies

In 2017, the Executive Yuan approved the "Digital Nations. Innovative Economic Development Plan (2017-2025)." The mission scheduled for Phase 1 has been completed in 2020. In response to the vision of the future "Smart Nation," the Executive Yuan approved the "Smart Nation Program (2021-2025)" in 2021 for continued promotion. It is expected to invest a special budget of NT$95.4 billion (NT$80.4 billion for technology development, and NT$15 billion for public work) over five years (2021-2025), in order to promote the Company to "become an important hub for digital space and innovation in the Asia Pacific region," "achieve universal 5G service penetration and lay out the global 5G industry chain," and "seek the leading position in industrial digital transformation and consolidation of advanced industries." In order to achieve the vision of the smart nation solution development, Taiwan's government has set the overall indicators for the three major aspects, namely "innovative digital economy," "active network society," and "advantageous broadband environment," expecting to achieve digital economy scale amounting to NT$6.5 trillion by 2025, growth rate of digital economy in the GDP attaining 29.9%, the penetration rate of digital life services attaining 80%, and the high-speed Internet broadband service reaching 2Gbps (90% coverage rate). The government's promotion campaign is expected to drive the demand for related infrastructure.

(2) Telecommunications operators are striving for the 5G market proactively.

Since the launch of 5G services in June 2020, the number of 5G mobile broadband accounts has grown to 8,390,300 in 2023, increasing by 25.11% from 2022. Various telecommunication operators have successively launched into the 5G market, increase the quantity of their 5G base stations and secure the coverage to increase the penetration rate of their subscribers. Therefore, the demand for 5G base station construction is increased significantly. Besides, due to the characteristics of 5G spectrum (the higher the frequency, the shorter the coverage distance), the number of 5G base stations is expected to keep increasing and exceed the number of 4G base stations.

(3) Internet penetration helps boost the development of OTT

Due to the factors, such as popularization of 4G, 5G and fixed network, the government's promotion of reduction of network charges, and the significant increase in the number of smart phone users, the threshold for viewing OTT has been lowered significantly. Consumers are getting rid of the traditional TV viewing method, and also giving up TV sets per se and entering the multi-screen era. Under this new user experience, contents become very important, quality is critical, and personalized service is certainly indispensable. Under the circumstances of changes in consumer demand and technological innovation, OTT TV technology has emerged and continued to develop rapidly. Some emerging media companies have successfully expanded their businesses with technological and service innovations, in order to better meet the needs of users Any Time, Any Where, Any Device, thus triggering the development of new media OTT applications and value-added services. The related system integration business opportunities also arise accordingly.

(4) Cloud, Internet of Things (IoT), and artificial intelligence (AI) drive the arrival of the digital era.

The global cloud data center has begun to be booming after experiencing the mobile cloud waves. The public cloud services launched by the major Internet companies have greatly helped enterprises and users solve the problems about complicated IT systems and IT installation, without needing to worry about data backup and MIS errors resulting in losses. They may help enterprises focus on improvement of the enterprises' core businesses. The cloud information application drives the global IoT trends and utilization of new technologies. Due to the vigorous development of IoT, various innovative applications have been proposed successively, and AI has been applied and implemented into the industry. From the Internet of Things (IoT) to artificial intelligence (AI), innovative products and smart applications are all competing with each other to catch the public's eyes, including virtual reality/augmented reality (VR/AR) and online/offline (O2O) innovative business models, demonstrating the digital transformation of enterprises and limitless imagination of the smart future triggered by the technology.

In recent years, the important technology industries developed by new technologies and trends include "artificial intelligence (AI), machine learning, and process robot." The robot and AI have become mainstream technologies recognized by various industries. "Edge computing": More and more enterprises tend to accept the cloud computing. The cloud computing has become the mainstream accordingly. However, edge computing is emerging. Some defects in the cloud computing under certain circumstances may be fixed by the edge computing through bypassing the lag caused by cloud computing and sending data to the data center. "Virtual reality (VR) and augmented reality (AR)"is not only used for entertainment, but also have the great potential in training, entertainment, education and marketing. The technology triggered by the "Internet of Things (IoT)" is getting more and more mature. The cloud-based information application and AI-based innovative technologies are about to trigger the AI+IoT convergence to accelerate the digital transformation of enterprises, and will also make life more convenient due to the innovative value-added application of mobile AI. Apparently, AI technology is an indispensable element widely applied to all new industrial projects. The global digital economy era brought about by the digital trend wave is coming.

(5) It is easier to access the geographic information and improve the data quality and computing ability, thereby stimulating the development of GIS applications.

The GIS refers to the phenomenon or characteristics of objects existing in the surface space, from nature to culture and from ecology to geology. As long as there are spatial characteristics, it will be considered as the geographic information research field. The geographic information can be divided into geographical location (where), attributes (what), spatial relevance (How) and time (when) by its nature. It uses computer software and hardware as tools and applies the concept of database management to store, process, analyze and display the geographic data. With the development of high-tech communication network, portable mobile devices and wireless communication technology will be combined. From real estate site selection, fleet management to natural resource protection, GIS can help people understand the world around us visually, so that the mobile GIS may be realized. The social demand for mobile GIS is expanding day by day, as an important foundation for the booming of GIS, and the cloud-based product architecture connects with the development trend of big data and the IoT.

4. Competition

In recent years, manufacturers have entered the domestic system integration industry constantly, and the competition became increasingly fierce. The products under the same brand were often represented by multiple companies at the same time. Therefore, for one single renowned product, there might be multiple vendors participate in the competition for the product sales project. Sometimes, there are even multiple companies competing with each other for the products under the same brand, thus reducing the profits of the system integrators. Therefore, system integrators shall continue to introduce products with excellent functions, develop software to add value, or integrate products of different natures to increase added value, improve competitiveness and profitability. Meanwhile, the system integrators shall also continue to increase maintenance manpower and capabilities, and improve the after-sale service quality to enhance customer loyalty and warrant the future sales of related products. Therefore, only by verifying customer needs, continuously introducing market demand integration solutions, and providing good after-sales service, the Company is able to engage in sustainable operations in the domestic system integration industry with fierce competition and have a role to play int he industry.

The Company's niche is quite solid and always based on the advantage of leading technology. The Company’s greatest assets are the strong technical manpower, the products represented and distributed by it, and the corporate culture. Although sales personnel are very important to the Company's business development, the key to retention and attraction of customers is still the professional technical skills. Therefore, the Company has repeatedly been favored by domestic companies to assist them in the establishment and maintenance of many large-size telecommunications and broadband network systems, including the IP network required for the mobile phone network, the optical fiber transmission network, and the cable TV head end system.

(III) Technology and R&D overview

The Company is engaged in the system integration business. The Company mainly acts as the agent of the latest professional software and hardware for domestic and foreign leading brands, integrates the development application platforms, and focuses on professional consulting and establishment services related to telecommunications and broadband networks, wireless transmission, digital media, cloud information, and geographic information. . The Company analyzes market development trends from time to time, master market changes accurately, finds new product lines with potential, develops product technology, provides customers with the latest product information, and help customer solve problems based on professional consulting services and complete solutions.

The Company does not set up a dedicated R&D department, but has hired multiple dedicated personnel to research and develop new products and new technology services, and lead personnel from engineering and technology related units to carry out research and development activities, in order to provide innovative and complete solutions required in the process to meet customers’ needs, assist in solving project problems, and enhance the value of the Company's technical services.

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

1. Short-term business development plan

(1) Telecommunications and broadband network system services

With the maturity of 5G technology, the government’s release of the license for 5G spectrum and the commercial application thereof, 5G mobile communication and Internet of Everything (IoE) will become the main trend. In order to obtain competitive niches, various domestic telecommunications operators strive to bid for the 5G spectrum at high price, comprehensively deploy and develop 5G services and applications, and increase the number of mobile subscribers. The fixed network operators strengthen the UHF bandwidth infrastructure construction and deploy basic network software. The innovation and development of new technologies also brings about new business opportunities to the Company. With the commercialization and innovation of NB-IOT network technology and Internet of Things (IoT) services, the Company will accelerate the combination of the traditional telecommunication industry and the information technology industry. In this context, the development and application of mobile network communications technologies will be the future network communications industry’s development trend. The Company will continue to provide mobile and broadband Internet access infrastructure and related services, and simultaneously strengthen the next-generation voice mail value-added service (IMS). For telecommunications and fixed network customers, the main products to be sold in the short term are optical fiber transmission equipment, optical fiber home network system, carrier-grade VoIP phone system, cable TV cable data head end system and audiovisual value-added integrated application services. In terms of enterprises and government customers, the Company will focus on the sale of data centers, data storage equipment, networks, video conference, information network security, and other products, and strengthen the business organization and improve personnel capabilities, in order to secure the cooperation with existing large-size customers and sales opportunities.

(2) Wireless transmission service

Considering that the quality and transmission rate required for 5G are much higher than those for previous mobile networks, the density of base stations and excellent network quality are critical to the high-speed transmission. Meanwhile, in response to the booming of low-orbit satellites and the demand for domestic network resilience construction will also be considered as one of the Company's development directions. The Company started to develop new products and services:

A. Base station landscaping project

Although base stations have been rigorously reviewed by telecommunications units, the public still has have doubts over them. As 4G requires more base stations, it is necessary to design base station landscaping projects that may be integrated into the local landscape.

B. Network optimization service

Since the radio waves are transmitted in the air, the denser the base stations, the greater the problem about the interference between the radio waves. Therefore, the Company continues to aim at providing good network optimization services to the telecommunication operators.

C. Satellite communication vehicle and terminal station construction

For the low/medium-orbit satellite communication, the active development of mobile vehicles for carrying satellite terminals and the investment in the construction of low/medium-orbit satellite ground terminals are also considered as one of the Company's business development directions.

(3) Digital media system service

In response to the development trend of digital transformation of the global multimedia industry and the government's digital industry planning policy, the Company will orient its business toward the global market trend of the multimedia industry and focus on the latest domestic and foreign digital broadcasting technology related software and hardware sales, and develop the interactive digital media application platform. Based on the world-renowned manufacturers' products represented by the Company, the Company provides domestic cable, wireless, satellite, telecom broadband and other system operators with a full range of digital multimedia system integration services, such as, the construction of virtual sound studios for TV companies, digital news production and broadcasting system construction, audio and video processing construction for 4K relay, and construction of digital TV head end. Meanwhile, the Company will also provide complete customized media solutions and planning and consulting services for system integration of digital production, broadcasting, and transmission with producers of broadcasting, post-production, animation, games, and multimedia contents.

(4) Cloud-based information system service

Due to the rapid development and popularization of cloud computing in recent years, enterprises or telecommunications operators are all engaged in the establishment, planning and evaluation of private clouds, cloud computing services, information network security, and integration of telecommunications services to provide platforms required for IoT services. The Company continues to provide professional system integration services, such as corporate network and information security planning and construction, server and storage system planning and construction, information system equipment virtualization, and multimedia video conferencing construction planning, etc. based on its existing technologies. Subject to the development of industrial technology and customers' needs, the Company will integrate the Company's core technology of telecommunication network, and strive to provide customers with high-value system solutions. The Company will adopt software and hardware integration and cross-border resource utilization to strengthen business organization, improve personnel capabilities, and continue to provide new products & technical services with advantages, in order to satisfy customers' needs.

(5) Geographic Information System Service

Through the combination of new product features for business promotion, the main customers in the region are set as the target for planning and promotion. Meanwhile, the Company also evaluates the demand for the feasibility of implementation of the cloud architecture to build the unit's public cloud, helps plan and evaluate the establishment of private cloud subject to the cloud architecture's features, and set up data sharing, management and collaboration operating mechanism to maximize the benefits of geospatial data applications. The Company has implemented a large-scale licensing sales model to increase the number of fixed customers for a long time.

2. Long-term business development plan

(1) Telecommunications and broadband network system services

The telecom and broadband network business is one of the important core businesses of the Company. Therefore, in terms of the telecom and broadband, the Company will continue to sprout the existing telecom and fixed network customers, expand the range of products that can be provided, maintain excellent service quality, and keep the long-term cooperation with customers. The Company's long-term business plan primarily focuses on the optical fiber broadband network transmission systems, next-generation IP backbone network communications and value-added application services, Internet broadband management and video & audio cache system, and cloud computing related products. In the future, the Company will still focus on communication products and multimedia value-added network applications, and continue to introduce information software products and integrate customized products, in order to provide customers with communication, information software products, network security, and complete solutions combining the value-added development products. For enterprises and government customers, the Company will combine products such as cloud computing and storage, data communication network, network security, video conference and wireless local area network to provide integrated solutions and services.

(2) Wireless transmission service

With the development of new mobile communication technologies, the mobile phone service has evolved from 2G, 3G and 4G to 5G in 2020. The new equipment and replacement support required for mobile communication technology conversion fall within the Company's professional technical services.

For the time being, in addition to continuing to receive commissions from telecommunications operators for 5G base station construction and related business projects, in the future, the Company will also provide co-engineered core components to domestic telecommunication operators to satisfy the demand for 5G networks, in order to transform from provision of base station equipment or equipment construction project to provision of the 5G network equipment.

Meanwhile, in response to the global low-orbit satellite communications development, the Company is also developing satellite terminal mobile vehicles and related fixed receiving terminal stations proactively.

(3) Digital media system service

Driven by the government's digital convergence policy, technology and media are combined, and the multimedia industry’s cross-border combination of the advantages in technology and telecommunications will provide many amazing digital contents, including 4K/8K ultra-high definition technology, virtual reality (VR) and augmented reality (AR).

For the long-term development of the digital media system business, the Company will follow the government policies and the execution of forward-looking infrastructure plans, in order to provide TV stations, cable TV operators and MOD, and other 4K/UHD/medial signal center IP construction and new media OTT multimedia applications, namely, the comprehensive digital application value-added services in audio and video 4K/VR/AR, and AI technology application services in the media industry, to meet customers’ needs for integration and development of the audio & video and digital industries, enable customers to engage in interdisciplinary and cross-industry business, and also integrate creativity and digital technology to achieve the goal of complete digital applications.

(4) Cloud-based information system service

Due to the insufficient privacy protection and information security protection, enterprises have suffered many information security incidents in recent years, which led to the establishment of privacy management regulations internationally, and also emerging of many information security protection technologies and industries. Privacy and information security issues will be a major concern. Notwithstanding, a crisis may also a business opportunity, and the information security will also be a key to the future industry development trends. As a result, the focus of global information security privacy and data protection laws and regulations has gradually shifted from the protection of critical information infrastructure to the security of IoT devices.

The network and security functions required by the customer's data center are established dynamically, through built-in to the hypervisor or in the form of Network Virtual Machines, in order to provide network and security functions as required. In other words, when a new system or service is to be established, in addition to the required virtual machines and applications, the network segment and route settings required at the bottom of the system, firewalls and other related security inspection requirements, load balancing requirements and VPN settings may, during the system setup, dynamically request the corresponding components from the network virtualization system to configure the required network settings and functions. As a result, users no longer need to purchase new network equipment for specific service systems, or change the underlying hardware network equipment configuration, just like server virtualization, which may reduce the cost of equipment procurement for customers and also make the functions required by the business more flexible and convenient. The virtualized IT functions are implemented in the software to operate. The hardware carries the existing and new business requirements in a resource pool and can be dynamically expanded. The deployment and maintenance of users are automated and centralized. In the cloud and enterprise data centers, virtualized network technology creates a high degree of freedom of network resources. In the new digital era, the rise of virtualized networks constitutes the significant irreversible evolutionary driving force to boost 5G networks, the Internet of Things (IoT), and artificial intelligence (AI).

The application and development of new technologies will not be isolated, but integrated with each other. In the future, innovative services and solutions will be gradually developed and widely applied in various industries. In response to the development and evolution of this new technology, the Company will Internally improve its value-added application capabilities based on its existing core technologies. Externally, the Company will proactively seek partners for new product technologies, cultivate outstanding talents, and reserve future momentum to meet customers' needs.

(5) Geographic Information System Service

The establishment of 5G technology standards will trigger the innovative applications of IoT. The GIS software information application platform represented by the Company is the exclusive agent of ESRI, a US-based company, in Taiwan. The Company will establish the GIS service platform by combining the cloud with the original excellent value products, in line with the new technology development trend and need, develop the IoT connection technology strategy, and apply customization to sprout the core demand of the entire market. BIG DATA has gradually taken shape in the promotion of geographic information applications. ESRI product solutions can be used to provide a full range of service applications, including the new application functional framework of products, technology update information, and regular product technology exchanges. The Company will improve the ability to operate and explain products, gain further advanced and in-depth understanding of customers' data, functions, and demand operation contents, and provide product solutions to solve customers' practical needs in a timely manner.

II. Overview of the market, production and sales

(I) Market analysis

1. Territories where the main products (services) are sold (supplied)

The Company's products (services) are mainly sold in the domestic market. In 2023, the proportion of domestic sales was 98.45%, and the proportion of export sales 1.55%.

2. Market share

The Company's five major business lines refer to telecommunications and broadband network system services, wireless transmission services, digital media system services, cloud information system services, and geographic information system services, among which the Company is the domestic exclusive agent of the geographic information system service, and the wireless transmission services refer to the mobile communication base station construction projects and there is no peer company engaged in such services domestically. Further, as the service provided by the Company refers to some interdisciplinary system integration service, even if the technology and the quality of services is well recognized and trusted by customers, in order to evaluate the market share of the Company, it is difficult to obtain samples for calculation and analysis due to the wide range of system integration business. Therefore, it is difficult for the Company to evaluate the market share.

3. Future supply and demand and growth in the market

(1) Strong demand for broadband network infrastructure in the context of the promotion of government policies

In terms of the cable broadband market, according to the statistics published by the NCC National Communications Commission in recent years, among the number of cable broadband accounts in Taiwan, FTTX accounted for the highest ratio of FTTX, followed by Cable Modem. With the innovative development of new communication technologies, the demand for broadband network infrastructure still has considerable room for growth in the next few years. In addition to the telecommunications and fixed network operators, even the cable TV operators have actively invested in the infrastructure of UHF. In the future, with the new technology innovation and market demand, the Company will continue to deploy basic network software, network virtualization, and bandwidth performance construction projects. The Company has extensive professional integration technology and construction experience ranging from cable TV systems, digital set-top boxes and WiFi networks to Hinet FTTx, and also wins the trust and praise from customers for its service quality.

With the booming of the Internet, diversified services, such as audio & video and e-commerce, the demand for Internet bandwidth has increased. In order to satisfy consumers' needs for high-speed Internet access and multi-media transmission, as supported by the government policy, domestic telecommunications and cable TV operators all engage in broadband network facilities construction proactively.

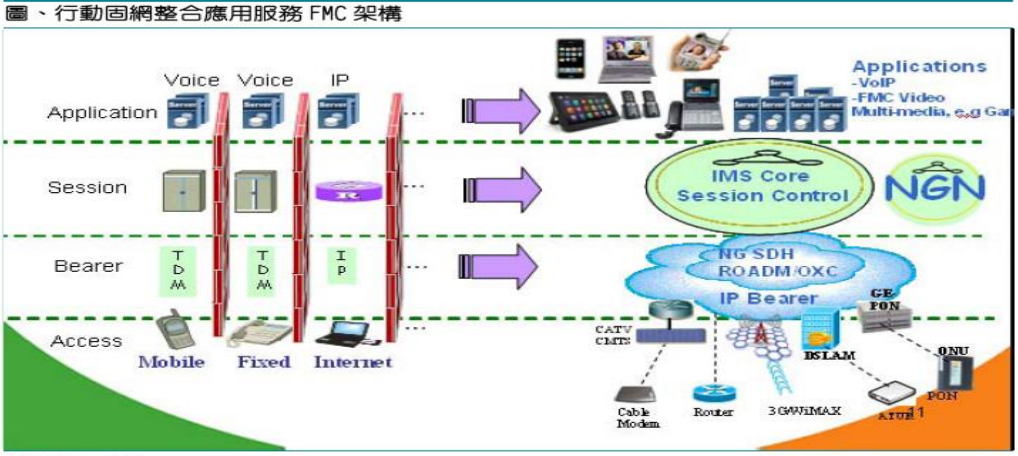
(2) The establishment of wireless broadband network plays an important role

Compared to fixed network broadband, the subscriber growth rate of mobile broadband is astonishing. With the completion of 5G spectrum licensing and infrastructure construction, the business opportunities of related network equipment and commercialization are expectable. The increasing penetration rate of smart devices in recent years has driven the significant growth of mobile broadband network usage. With the growing applications and service models, the number of interconnected devices has increased rapidly. 5G services and applications will enhance mobile broadband and support a wider range of The Internet of Things (IoT). All of these factors will boost the demand for wireless network equipment used by telecommunication operators and enterprises, and the related system integration business opportunities will also arise accordingly. Further, the booming low-orbit satellite communications in recent years, combined with the construction of the national resilient network, and the planning and construction of related terrestrial fixed and mobile terminal stations, will also drive another wave of business opportunities.

(3) Mobile fixed network integrated application service is about to emerge

Mobile fixed network integrated application services have gained traction increasingly in the global telecommunication market and the communication equipment market in recent years. Meanwhile, the OTT services have enabled mobile telecommunication operators to expand their service scope from the existing single personal wireless mobile communication service to more diversified application scope (What App, Line and acebook,etc.), including the replacement of existing fixed network communications services. Subscribers are used to engage in wireless communications via their cellphones when they go outside. However, they can still integrate mobile services with fixed network communications through the device equipped with the OTT service at home or in the office to directly replace the existing fixed network network with 4G or 5G. In this way, the mobile service subscribers can use the fixed network broadband traffic through the device at home after returning to their home or office.

圖、行動固網整合應用服務 FMC 架構



資料來源：公司

(4) OTT film and television is setting off a reform force

The OTT-TV personalized video services will be the future development trend in the industry. The industry development trend is to provide 4K content-on-demand video streaming and download service in response to OTT-TV. Wireless/cable TV, contents industry, and telecommunications/Internet service providers will face an industrial revolution of "multi-content" and "multi-platform," as they have entered a new era of cross-industry operation and digital convergence. In addition to the original audio/video services, the service providers also need to develop various interactive services, such as time-shift and on-demand services. Besides, the development of new media OTT and 4K/VR/AR digital convergence application value-added services will urge the film and television service providers to update their digital media equipment, and the related system integration business opportunities will arise accordingly.

(5) New technical information will not exist independently

With the active construction of smart networking devices, 4G/5G mobile communication base stations, and broadband Internet access infrastructure, the value to the development of the industry and consumers includes not only broadened bandwidth and faster transmission speed, but also more valuable smart life services that involve the application of cloud computing and IoT. Therefore, the cloud computing, the Internet of Things and mobile communications will be more closely connected. With the booming of data centers, the netcom equipment used in data centers is expected to grow accordingly. With the change of cloud service model, AI applications originally executed on the cloud can also be executed on small-size terminal devices, such as smart phones, so that AI applications can be more accurate and real-time. In the future, more mobile devices are likely to be equipped with built-in AI functions, which can be used to provide voice assistants, smart photography, connection optimization, and enhanced personal data protection. In the future, enterprises will start to use Apps to integrate AI functions. Further, given that domestic major telecommunications operators start to build the IoT, AI, big data, VR/AR, and new generation IoT wireless communication technology NG-IoT commercial services, the collaborative business service model communicates the message that new technologies and information application services will not exist independent in the future, but will be applied reciprocally or integrated with each other.

(6) Innovative applications of geographic information systems (GIS)

In addition to presenting the geospatial information in traditional maps, the GIS can also provide diversified displays to enable better understanding about the distribution and patterns of features or geographical phenomena, and correlation thereof. The GIS can be seen everywhere in daily life. For example, on the electronic map website, we may query the house number and the traffic routes from Place A to Place B. It can even combine with the global positioning system (GPS), the navigation system of communication technology and the mobile phone, and also provide daily life services based on the user's location. With these devices and services, no matter where you are, you can know your location and related living resources around you. After the ultra-high-speed broadband Internet access infrastructure is constructed, a GIS service platform will be built through the cloud framework. With big data analysis services and IoT connection technology, it not only provides direct life applications, but also execute the management, planning and decision-making, relying on the efficiency and diversity of the inquiry services provided on the GIS application platform, with respect to the government's disaster prevention, land management, police and fire safety.

4. Competitive niche

Competitive niche that enables the Company to gradually grow in the highly competitive market

(1) Strong system development and integration capabilities

The Company's technology field covers telecommunications, TV media and cable TV, cloud information, and geographic information. Unlike some system integrators, the Company only focuses on specific fields. Therefore, the Company's technical capabilities and diversified integration capability are certainly stronger than the other system vendors'. When selling products, system integrators usually need to provide a full range of services from planning, sales, installation, education and training to after-sales consultation, etc., subject to the customers' needs. The product sale procedure requires specific technical ability, as well as value-added applications and system integration. The Company is a domestic professional system integration service provider that spans into the fields of telecommunications, communications, media TV, and enterprises. In addition to its rich performance and experience, the Company has diversified technical capabilities, which deliver the synergistic advantage in the competition for it.

(2) Well received by customers and stable cooperative relations

The Company's customers are mainly domestic telecommunications fixed network operators, cable TV operators, domestic TWSE-listed group companies, etc.. The quality of services provided by the Company is well received by the customers, and both parties have engaged in the cooperation for a long term. The relationship between the Company and customers is stable. the Company is also familiar with the customers' environment and needs and, therefore, is relied on by the customers very much.

(3) Diversification of value-added services

With the rapid development of optical fiber broadband networks by the domestic telecommunications operator and domestic TV companies' entry to the digital era, the Company will continue to provide fine-quality and diversified services to all customers, such as voice, data, video and other multimedia services, and verify the market demand and master the development trend of communication. The Company maintains good long-term agency relationship with international leading manufacturers. With the technical support from the original manufacturers, the Company participates in the original manufacturer's training programs, masters and introduces the first-hand industry trends and latest technologies, and complete the value-added applications and system integration, thus not only providing customers with integrated solutions but also improving the Company's technical capabilities to achieve a win-win situation for the Company and customers.

(4) High stability of the technical team

The Company provides a good and friendly working and learning environment and also sound employee welfare system that gives each employee the space and stage to exert themselves. Employees have strong cohesion and high team stability, and a high degree of stability to pass on relevant experience and technology. This benefits the maintenance of long-term relationship with customers a lot. Further, the high stability of the technical team can not only help maintain the Company's original traditional culture, but also help the engagement of external professional managers needed by the Company's operations to motivate the internal team and expand room for the Company's growth.

(5) Good project management skills

The Company has established standard procedures and management for customer needs, schedule planning and control of procurement costs, and also the rigorous control over pre-sale risk assessment management, delivery schedule, fees, and after-sale inspection and acceptance. Therefore, the Company is able to complete various projects according to the milestones and ensure a certain degree of profitability. This forms the Company's strong competitive strength.

5. Favorable and unfavorable factors of development outlook, and countermeasures

(1) Favorable factors

A. New technology development and innovative services

With the continuous development of new technologies in the future, the future life of human beings will be changed by the application of technology products, including the IoT, smart cities, VR and AR, blockchain, speech recognition and AI. However, these technology products or applications will not exist independently, but will applied interactively or integrated. The application and development of new technologies will provide better operational solutions or drive business opportunities for innovative services.

To building a mobile broadband smart Taiwan requires government policies to accelerate the construction of mobile broadband networks, so that all citizens can enjoy fine-quality and affordable high-speed mobile broadband services as soon as possible. The government plans to release the spectrum licensing periodically. By forming contiguous bandwidth to fully utilize the efficiency of spectrum and implement the rural mobile broadband construction to mitigate the digital gap, the government will lead the innovative application of mobile broadband network and promote the next generation mobile broadband 5G forward-looking technology development and system equipment layout.

Taiwan has entered the 5G era. After the domestic mobile broadband base station construction projects are completed successively, the subscribers may enjoy better mobile Internet experience and proactively create a favorable environment for the development of a mobile society and digital economy. Besides, in the context of the government's proactive promotion of mobile broadband policies, related telecommunications and network communication equipment vendors and system integrators will continue to benefit therefrom and build a smart mobile broadband Taiwan, thereby creating a comfortable and convenient life free from distance and time lag in access to information.

B. With the ability to develop and integrate systems

The Company is not only an agent of communication products. The Company is also capable of developing and integrating professional technologies. For example, for the telecommunications and broadband network system services provided by the Company, the product sale requires not only the sale and installation of a single equipment unit but also provision of a full range of services from planning, sales, construction and installation, education and training, and after-sale consultation based on the subscribers' needs. The closure and acceptance of product sales requires professional and technical capabilities. With the developed technology and experience, the Company is the only manufacturer in Taiwan that spans both telecommunications manufacturing and communications, which deliver the synergistic advantage in the competition for it.

C. Excellent human resources, especially the stability of the technical team

The Company hires fine-quality employees, and also sets forth a complete education and training plan, including arrangement of sales and technical personnel to attend training programs overseas, and participation in foreign seminars, and regular internal training, so that the employees can continue to grow and have a wealth of practical experience and professional knowledge. The Company also attaches great importance to the employees' turnover. In addition to comprehensive welfare measures, each employee is given space and arena to exert themselves, so that employees have a sense of work accomplishment and, therefore, the employees' cohesion may be enhanced greatly. As a result, the related experience and technology can be passed on to make a technical team with high stability for the Company.

D. Establish long-term and excellent cooperative relations with customers, which is helpful to consolidate position and expand the market

The Company is the only manufacturer in Taiwan that simultaneously engages in telecommunications, communications, media and cable TV, cloud-based information, and geographic information products, and also provides solutions in the telecommunications, cable TV, and media industries. The Company is well received and favored by domestic customers and, therefore, its leading position in the system integration field is established.

(2) Unfavorable factors, and countermeasures

A. The life cycle of high-tech products is short and the market changes rapidly.

Countermeasures

a. Continue to expand the existing product lines to meet the market demand, and launch new products in a timely manner in response to future market changes.

b. Introduce foreign advanced software and hardware systems, integrate existing technologies and expertise, provide the best solutions according to customers' needs and future plans, and even participate in customized software development systems to avoid price competition among products same in nature.

c. Adjust the product portfolio and eliminate outdated and low-margin products to reduce the pressure caused by price competition.

B. Intense competition in the market

As the domestic communication market is optimistic, this business opportunity has attracted many domestic telecommunications equipment manufacturers and other system integrators to invest capital, and the increase of new competitors result in reduction in profit.

Countermeasures

In addition to establishing good cooperative relations with original suppliers, the Company also provides customers with the one-stop shopping service in response to the market and customers' needs, and adds value to product applications and system integration to provide customers with a complete solution. By increasing the overall value of products, integrating technology and enhancing customer service, the Company builds the unique advantage in differentiated services from the other system vendors to avoid being entangled in the price competition.

(II) Important applications and manufacturing processes of main products

Main products	Important purpose
Telecommunications and broadband network system services	Provide broadband operators with higher speed and stabler networks, software and hardware decoupling network solutions, optical fiber transmission equipment, microwave communication systems, network synchronous clock systems, IP network communications, telecom cloud SDN/NFV and network function virtualization, integration of next-generation telecom network NGN/IMS and wireless network VoLTE multimedia mobile fixed network service, 5G Transport/OTN/ROADM optical fiber network, telecom WiFi wireless network applications, telecom network performance management and optimization solutions, OTT audio and video value-added service, telecom network deep packet inspection and marketing application strategy customized management services, network security framework design and construction, Mediation customized management platform and other related system planning, construction, integration and service applications.
Wireless transmission service	Provide telecommunications operators with 4G/5G base station construction and maintenance projects, 5G enterprise private network smart application construction, wireless local area network (Wi-Fi) planning and construction, mobile network indoor coverage planning and construction, various mobile network providers’ co-configuration/co-site planning and construction, and planning and construction of mobile vehicles for mobile networks, and planning and construction of low/medium-orbit satellite ground mobile vehicles/fixed stations.
Digital media system Service	Provide digital media high-quality video platform, digital head-end and OTT (Over-The-Top) audio & video service platform, media master and auxiliary control automatic playout system, program post-production system, virtual sound studio, news production and broadcasting system, system integration services such as the application of AI technology in the media industry.
Cloud-based information system Service	Provide network computing management and optimization engineering required for the digital transformation of enterprises, SD-WAN wide area network optimization solutions, corporate network and information security system planning and construction, information security management and information system equipment integration; improve and upgrade customers' hybrid office environment network efficiency; strengthen network security access control mechanism; construct secure access service edge architecture, and zero trust network of enterprise data center; assist customers from the manufacturing industry in OT network border security and integrate the SOC with peripheral related clouds computing service applications.
Geographic Information System Service	Act as an agent of Esri's full range of geographic information systems in the U.S.A. for added value of geospatial data and applications, development and integration of cloud-based geographic information application systems, geospatial information IoT, geospatial big data analysis, 3D/AR/VR/MR integrated applications, GeoAI deep learning and story map, and extensively apply the same to education & research, national basic map, agriculture, forestry and fishery, environmental protection, economic development, health care, and public facilities and pipelines such as oil, power, water, communication, and gas, transportation, national defense, and intelligence.

(III) Supply of primary raw materials

The Company is a system integration service provider and provides solutions according to the needs of customers' projects, so there is no supply of primary raw materials.

(IV) Name of the customer representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of its purchases (sales).

1. Name of the supplier representing more than 10% of total purchases in any of the previous two years, and the amount and percentage of purchase. Describe the cause of any variation.

Unit: NTD Thousand

Item	2022				2023				2024 until the preceding quarter			
	Name	Amount	To the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	To the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	To the annual net purchase amount (%)	Relationship with the issuer
1	Company A	186,440	13.80	None	Company A	180,748	13.00	None	Company A	106,509	27.64	None
2	—	—	—	—	—	—	—	—	Company B	40,563	10.53	None
3	Others	1,164,880	86.20	—	Others	1,209,336	87.00	—	Others	238,270	61.83	—
	Net purchase	1,351,320	100.00	—	Purchase Net Amount	1,390,084	100.00	—	Purchase Net Amount	385,342	100.00	—

Describe the cause of any variation

The Company purchases goods based on the needs of customers' customized projects or the tenders won in each year. Since there are many procurement projects and most of them are customized, the change in suppliers is considered as the industrial characteristic and no significant abnormality is caused.

2. Name of the customer representing more than 10% of total sales in any of the previous two years, and the amount and percentage of its sales. Describe the cause of any variation.

Unit: NTD Thousand

Item	2022				2023				2024 until the preceding quarter			
	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer
1	Company X	391,684	19.12	None	Company X	802,993	35.81	None	Company X	110,376	25.50	None
2	Company Y	261,903	12.79	None	—	—	—	—	Company Y	46,602	10.76	None
3	Others	1,394,616	68.09	—	Others	1,439,567	64.19	—	Others	275,940	63.74	—
	Net operating revenue	2,048,203	100.00	—	Net operating revenue	2,242,560	100.00	—	Net operating revenue	432,918	100.00	—

Describe the cause of any variation

The Company sells goods based on customers’ customized project orders or participation in tenders, and then executes the planning, installation, construction, testing and completion acceptance. Therefore, the change in customers is considered as the industrial characteristic and no significant abnormality is caused.

(V) List of output value/volume for the most recent two years: The Company is not a manufacturer, so this table is not applicable.

(VI) Output value/volume for the most recent two years

Unit: NTD Thousand

Year / Output value/volume / Main products	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume (Note)	Value	Volume (Note)	Value	Volume (Note)	Value	Volume (Note)	Value
Telecommunications and broadband network system services	–	792,858	–	–	–	1,107,780	–	–
Wireless transmission service	–	633,925	–	–	–	567,860	–	–
Digital media system service	–	164,962	–	–	–	174,559	–	–
Cloud-based information system service	–	248,171	–	15,799	–	198,959	–	34,697
Geographic Information System Service	–	192,488	–	–	–	158,705	–	–
Total	–	2,032,404	–	15,799	–	2,207,863	–	34,697

Note: The Company is engaged in thesystem integration business, primarily providing professional consulting and construction services related to said products. Therefore, it is impossible to calculate the output volume.

Describe the cause of any variation: There was no significant change in the Company's domestic and export sales in the last 2 years.

III. The number of employees employed for the most recent two fiscal years and until the date of publication of the annual report, and their average years of service, average age, and education distribution ratio

Unit: Person; Year; %

Year		2022	2023	2024 until March 31
Number of employees	Direct personnel	–	–	–
	Indirect personnel	381	366	363
	Total	381	366	363
Average age		41.70	42.28	42.70
Average years of service (years)		8.84	9.23	9.5
Education distribution ratio (%)	Doctoral Degree	0%	0%	0%
	Master's Degree	13%	16%	16%
	Junior College	79%	78%	77%
	Senior high school (and below)	8%	6%	7%

IV. Information on environmental protection expenditure

Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None, as the Company is engaged in providing the system integration service and the Company’s industrial characteristics pose no significant environmental pollution issue.

V. Labor-management relations

(I)List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

The Company attaches great importance to employee benefits, employee training, employee retirement and employee feedback, so the labor-management relations have always been harmonious.

1.Employee welfare

The Company's employees welfare policy includes gift money for Labor Day, Mid-Autumn Festival and Dragon Boat Festival, etc., employee health checkup, parking space subsidy, car purchase loan subsidy, fuel subsidy for official business, various club activity subsidies, year-end bonus, performance bonus, employee stock ownership trust and remuneration to employees, in order to enhance the employees' cohesion. Meanwhile, the Company has established the Employee Welfare Committee. The Committee members are elected by employees through open votes, and welfare funds will be allocated to promote various employee welfare activities, including domestic and foreign employee travel subsidies, subsidies for weddings and funerals, subsidies for childbirth, education subsidies for employees' children, birthday gifts, birthday parties, tea-time break, family days, and year-end party.

2.Employee insurance

In addition to labor insurance and national health insurance as required by the government, the Company also provides a comprehensive group insurance plan covering life insurance, critical illness insurance, group hospitalization insurance, cancer insurance, and accident insurance to provide employees with more comprehensive insurance and protection.

The Company maintains the liability insurance for managerial officers to cover the liability of damages to be borne by them within their job duty pursuant to laws.

3.On-the-job training

The Company delegates full-time personnel responsible for the orientation and on-the-job training. Meanwhile, each department also plans and executes internal and external education and training programs for employees according to their needs, in order to cultivate employees' professional skills, thereby improving the Company's service quality and management performance. Meanwhile, based on the systematic performance evaluation and promotion regulations, the Company enables the employees to practice their career goals while their experience and skill are growing.

4.Retirement system and implementation thereof

The Company complies with the "Labor Standards Act" and applies the pension system under the "Labor Pension Act." According to the "Labor Pension Act," the Company shall contribute no less than 6% of the monthly salary as the labor pension. According to the monthly salary scale approved by the Executive Yuan, the funds shall be deposited into the labor pension personal account established by the Bureau of Labor Insurance. Meanwhile, the Company shall deduct voluntary contributions from employees' monthly salaries and deposits them into their personal pension accounts at the Bureau of Labor Insurance.

Conditions for claiming the pension under the new system: Employees who are at least 60 years old and have worked for 15 years or more can choose to receive it in a lump sum or on a monthly basis. Employees with the service seniority less than 15 years can only receive it in a lump sum. According to Article 53 of the Labor Standards Act, the retirement conditions of employees: (1) Employees who have worked for 15 years or more and are at least 55 years old. (2) Those who have worked for more than 25 years. (3) Those who have worked for 10 years or more and are 60 years old or above may apply for retirement voluntarily.

5.Labor-management agreement

Since the Company was founded, it has always attached great importance to the labor-management relations, and all labor rights and interests have complied with the "Labor Standards Act." Therefore, the Company always maintains the harmonious labor-management relations. Any employee welfare policy and important measures are published and promoted by the management unit. Employees may use various communication channels to fully express their opinions and understand the original intent of the Company's relevant regulations.

6.Measures taken to protect the rights and interests of employees

(1) The Company regards employees as its important assets, and proactively establishes and builds a comfortable and healthy work environment that relieves stress. For example, a gym, entertainment lounge, video lounge, and sky garden leisure area are planned for employees, and unlimited coffee, tea and dessert are provided, in order to maintain the physical and mental health of employees.

(2) The Company has a comprehensive file management system, which sets out various management measures, clearly defines the rights and obligations of employees and welfare items, and regularly reviews and revises the contents of welfare, in order to protect all employees' interests and rights.

(3) The Company holds the labor-management meetings on a quarterly basis, in order to establish a mechanism for regular communication between the labors and management and protect the employees' interests and rights.

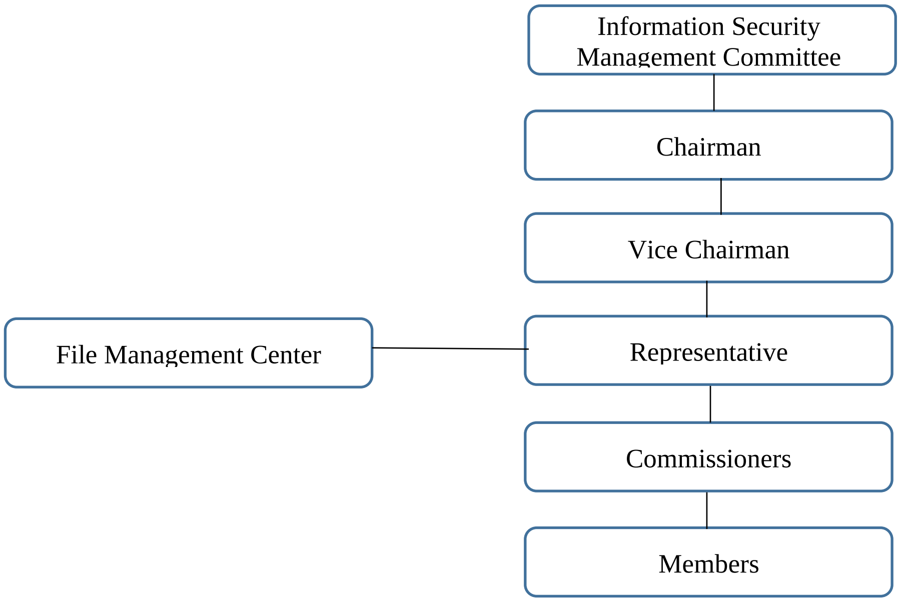
(II) List any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company is used to valuing harmonious labor-management relations. Therefore, in the most recent year and up to the date of publication of the annual report, no significant losses have resulted from any labor-management disputes. Meanwhile, no significant losses are expected to be incurred due to labor-management disputes in future.

VI. Cyber security management

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework
In 2021, the Company established the "Information Security Management Committee" consisting of Chairman, Vice Chairman, management representatives, management committee members, management members, and the File Management Center. The President serves as the Chairman of the Committee. The Committee promotes the ISMS (Information Security Management System), regularly reviews and audits related information security matters, and implements preventive and corrective measures for the cyber security. For the concrete management programs, the Company conducts information security overview identification, information security risk assessment, internal information security audit, and personnel information security education and training, and holds information security review meetings, every year. The management framework is shown in the following chart:



2. Cyber security policy
The Company's cyber security policy aims to strengthen the Company's information security management, establish the concept of "Each One shall be Responsible for Information Security," and ensure the confidentiality, integrity and availability of customers' and colleagues' data, in order to secure and protect the data throughout the whole processing and provide, safe, stable and high-performance information services.

3. Specific management programs
The Company's cyber security covers 14 management programs to avoid human negligence, natural disasters and other factors, resulting in unfair use, disclosure, tampering, and destruction of information, which may bring various possible risks and hazards to the Company. Management programs:(1) Information Security Policy and Objectives, (2) Information Security Organization, (3) Classification and Management of Information Assets, (4) Human Resource Security, (5) Access Control, (6) Information Security Incident Management, (7) Physical and Environmental Security; (8) Communication and Operation Security; (9) System Acquisition, Development and Maintenance; (10) Identification of Risk and Risk Assessment; (11) Legal Compliance; (12) Business Continuity Management, (13) Regular Review and Update on the Operations to Confirm the Implementation, (14) Auditing on Information Security Management.

4. Resources invested in cyber security management
   In 2021, the Company promoted the ISMS (Information Security Management System) in accordance with the ISO27001 standard, and completed the establishment of the Information Security Procedures and Information Security Operation Form. Implement the operating procedures in routine operations, and complete the annual information asset inventory and risk assessment, annual information security internal audit, annual information security education and training, and information security policy promotion courses and tests. In 2022, the Company passed the ISO27001 international information security certification.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important contracts

Nature of the contract	Party concerned	Start/end date of contract	Main Contents	Restrictive clauses
Agency contract	Cisco	May 4, 2023~May 4, 2024	As the sales agent of Cisco's all product series	None
Agency contract	Infinera	October 2, 2023~October 1, 2024	As a sales agent of Infinera products and	None
Agency contract	Esri	April 1, 2022~March 31, 2025	As a sales agent of all product series of	None
Agency contract	Ribbon	July 1, 2023~June 30, 2024	As a sales agent of Ribbon products and	None

Note 1: Due to the large number of agency/distribution contracts, only the agency contract that is still significant is listed.

Note 2: The contracts signed by the Company with sales customers are mostly purchase contracts. These contracts are signed based on general business practices and there is no any restrictive clause rendering material adverse impacts. As there are a large number of such contracts, they are not listed herein.

Six. Financial Overview

I. Condensed balance sheets and statements of comprehensive income for the last five years

(I) Condensed balance sheet and statement of comprehensive income (consolidated)

Condensed balance sheet

Unit: NTD thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,290,966	2,346,144	2,261,640	1,736,533	2,115,158
Property, plant and equipment		250,712	489,104	489,531	761,463	770,338
Intangible assets		3	-	-	-	-
Other assets		154,970	131,231	125,219	134,425	152,037
Total assets		2,696,651	2,966,479	2,876,390	2,632,421	3,037,533
Current liabilities	Before distribution	986,199	1,762,213	1,544,563	1,246,980	996,651
	After distribution	764,535	1,994,718	1,796,473	1,440,195	1,272,046
Non-current liabilities		621,577	48,545	74,962	69,620	301,151
Total liabilities	Before distribution	1,607,776	1,810,758	1,619,525	1,316,600	1,297,802
	After distribution	1,386,112	2,043,263	1,871,434	1,529,942	1,573,197
Equity attributable to owners of the parent		1,088,875	1,155,721	1,256,865	1,315,821	1,739,731
Share capital		369,440	377,178	387,554	402,532	458,991
Capital surplus	Before distribution	335,893	382,405	425,571	486,890	786,038
	After distribution	335,893	363,030	406,193	466,763	749,319
Retained earnings	Before distribution	384,312	396,890	444,414	426,888	495,436
	After distribution	162,648	183,760	211,882	233,673	256,760
Other equity		(770)	(752)	(674)	(489)	(734)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,088,875	1,155,721	1,256,865	1,315,821	1,739,731
	After distribution	867,211	923,216	1,004,955	1,102,479	1,464,336

Note 1: The above-mentioned annual financial information has been audited and certified by the CPAs. As of the publication date of the annual report, there were no 2024 financial information which has been audited or certified by CPAs.

Note 2: The 2023 earnings were resolved by the Board of Directors on February 23, 2024, and will be reported in the 2024 annual general meeting.

Condensed Statement of Comprehensive Income

Unit: NTD thousand (except earnings per share)

Year / Item	Financial information for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	1,960,244	1,859,423	1,865,334	2,048,203	2,242,560
Gross operating profit	806,446	804,172	848,035	850,845	932,815
Operating profit (loss)	278,575	272,559	299,060	279,663	312,505
Non-operating income and expenses	13,541	17,450	24,646	(7,357)	14,326
Net income before tax	292,116	290,009	323,706	272,306	326,831
Net income from continuing operations	240,544	234,242	260,654	215,007	261,763
9. Profit or loss from discontinued operations	0	0	0	0	0
Net income (loss) for the period	240,544	234,242	260,654	215,007	261,763
Other comprehensive income for the period (net amount after tax)	(504)	18	78	185	(245)
Total comprehensive income for the current period	240,040	234,260	260,732	215,192	261,518
Net income attributable to the owners of the parent	240,544	234,242	260,654	215,007	261,763
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	240,040	234,260	260,732	215,192	261,518
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	6.51	6.33	6.73	5.43	6.26

Note 1: The above-mentioned annual financial information has been audited and certified by the CPAs. As of the publication date of the annual report, there were no 2024 financial information which has been audited or certified by CPAs.

(II) Condensed balance sheet and statement of comprehensive income (parent company only)

Condensed balance sheet

Unit: NTD thousand

Item / Year		Financial information for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,278,591	2,332,919	2,246,484	1,723,904	2,101,696
Property, plant and equipment		250,466	488,839	489,406	761,416	770,077
Intangible assets		0	0	0	0	0
Other assets		167,466	144,538	140,375	146,922	165,626
Total assets		2,696,523	2,966,296	2,876,265	2,632,242	3,037,399
Current liabilities	Before distribution	986,071	1,762,029	1,544,439	1,246,801	996,517
	After distribution	764,407	1,994,534	1,796,349	1,460,143	1,271,912
Non-current liabilities		621,577	48,546	74,961	69,620	301,151
Total liabilities	Before distribution	1,607,648	1,810,575	1,619,400	1,316,421	1,297,668
	After distribution	1,385,984	2,043,080	1,871,310	1,529,763	1,573,063
Equity attributable to owners of the parent		1,088,875	1,155,721	1,256,865	1,315,821	1,739,731
Share capital		369,440	377,178	387,554	402,532	458,991
Capital surplus	Before distribution	335,893	382,405	425,571	486,890	786,038
	After distribution	335,893	363,030	406,193	466,763	749,319
Retained earnings	Before distribution	384,312	396,890	444,414	426,888	495,436
	After distribution	162,648	183,760	211,882	233,673	256,760
Other equity		(770)	(752)	(674)	(489)	(734)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,088,875	1,155,721	1,256,865	1,315,821	1,739,731
	After distribution	867,211	923,216	1,004,955	1,102,479	1,464,336

Note 1:The above-mentioned annual financial information has been audited and certified by the CPAs.

Note 2:The 2023 earnings were resolved by the Board of Directors on February 23, 2024, and will be reported in the 2024 annual general meeting.

Condensed Statement of Comprehensive Income

Unit: NTD thousand (except earnings per share)

Item \ Year	Financial information for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	1,953,721	1,853,959	1,859,895	2,043,363	2,235,094
Gross operating profit	801,876	799,872	843,825	847,113	927,503
Operating profit (loss)	277,118	270,554	297,670	278,499	309,917
Non-operating income and expenses	14,906	19,336	25,990	(6,225)	16,779
Net income before tax	292,024	289,890	323,660	272,274	326,696
Net income from continuing operations	240,544	234,242	260,654	215,007	261,763
Profit or loss from discontinued operations	0	0	0	0	0
Net income (loss) for the period	240,544	234,242	260,654	215,007	261,763
Other comprehensive income for the period Net amount after tax	(504)	18	78	185	(245)
Total comprehensive income for the current period	240,040	234,260	260,732	215,192	261,518
Earnings per share	6.51	6.33	6.73	5.43	6.26

Note 1:The above-mentioned annual financial information has been audited and certified by the CPAs.

(III) Names of CPAs in the most recent five years and their audit opinions

1. Names of CPAs in the most recent five years and their audit opinions

Year	CPA Firm	Name of CPA	Audit Opinions
2019	BDO Taiwan	Ke-Yi Liu and Kun-Hsi Hsu	Unqualified opinion
2020	BDO Taiwan	Ke-Yi Liu and Kun-Hsi Hsu	Unqualified opinion
2021	BDO Taiwan	Kun-Hsi Hsu and Shu-Cheng Chang	Unqualified opinion Emphasized paragraphs
2022	BDO Taiwan	Kun-Hsi Hsu and Shu-Cheng Chang	Unqualified opinion
2023	KPMG Taiwan	Ming-Hong Huang and Huei-Chen Chang	Unqualified opinion Paragraph with other matters

2. For changes of CPA in the last 5 years, please list the explanations given by the Company and the former and successor CPA:

(1) In 2021, due to job adjustment within the firm, the CPAs were changed from Ke-Yi Liu to Shu-Cheng Chang.

(2) In 2023, in response to the Company's business and management needs, BDO Taiwan was replaced by KPMG Taiwan. The CPAs were Ming-Hong Huang and Huei-Chen Chang.

II. Financial information for the most recent five years

(I) Financial analysis (consolidated)

Analysis item (Note 2) \ Year (Note 1)		Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Financial structure	Debt to assets ratio (%)	59.62	61.04	56.30	50.01	42.73
	Long-term capital to property, plant and equipment (%)	682.24	246.22	272.06	181.94	264.93
Solvency	Current ratio (%)	232.30	133.14	146.43	139.26	212.23
	Quick ratio (%)	189.72	98.91	101.35	81.09	152.34
	Interest coverage ratio	234.13	29.89	39.98	37.67	38.82
Operating capacity	Accounts receivable turnover (times)	4.00	3.97	3.23	3.18	3.56
	Average collection days	91	92	113	115	103
	Inventory turnover (times)	2.11	2.00	1.67	1.80	2.11
	Accounts payable turnover (times)	2.96	2.83	2.68	3.49	3.72
	Average number of days of sales	173	183	218	202	173
	Property, plant and equipment turnover (times)	7.81	5.03	3.81	3.27	2.93
	Total asset turnover (times)	0.79	0.66	0.64	0.74	0.79
Profitability	Return on assets (%)	9.74	8.56	9.15	8.02	9.48
	Return on equity (%)	23.01	20.87	21.61	16.71	17.13
	Pre-tax net profit to paid-in capital (%)	79.07	76.89	83.53	67.65	71.21
	Net profit margin (%)	12.27	12.60	13.97	10.50	11.67
	Earnings per share (NT$)	6.51	6.33	6.73	5.43	6.26
Cash flow	Cash flow ratio (%)	48.73	12.12	0.00	14.51	35.89
	Cash flow adequacy ratio (%)	132.13	83.40	64.26	44.80	63.60
	Cash reinvestment ratio (%)	17.80	-	-	-	6.99
Level of leverage	Operating leverage	2.44	2.45	2.47	2.75	2.50
	Financial leverage	1.00	1.04	1.03	1.03	1.03

Financial ratios increased or decreased by 20% or more during the most recent two years:

1. Increase in the long-term capital to property, plant and equipment: Mainly due to the increase in non-current liabilities from the issuance of domestic 2nd secured convertible corporate bonds and the increase in share capital and capital surplus due to the conversion of corporate bonds into common shares.
2. Current ratio and increase in quick ratio: Mainly due to the issuance of domestic 2nd secured convertible corporate bonds with a total face value of NT$600,000 thousand to replenish working capital and inventory, and the decrease in prepayments compared to the previous period.
3. Increase in cash flow ratio: mainly due to the decrease in cash inflow from receivables, inventories and prepayments and current liabilities compared to the previous period.
4. Increase in cash flow adequacy ratio: mainly due to increase in cash inflow from operating activities and decrease in capital expenditure.
5. The increase in cash reinvestment ratio: mainly due to the fact that the cash inflow from operating activities in the current period is greater than the cash dividend outflow.

Note 1: The above-mentioned annual financial information has been audited and certified by the CPAs. As of the publication date of the annual report, there were no 2024 financial information which has been audited or certified by CPAs.

Note 2: The calculation formulas are shown in the following table.

(II) Financial analysis (parent company only)

Analysis item (Note 2) / Year (Note 1)		Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Financial structure	Debt to assets ratio (%)	59.62	61.04	56.30	50.01	42.72
	Long-term capital to property, plant and equipment (%)	682.91	246.35	272.13	181.96	265.02
Solvency	Current ratio (%)	231.08	132.40	145.46	138.27	210.90
	Quick ratio (%)	188.51	98.18	100.39	80.09	151.02
	Interest coverage ratio	234.06	29.87	39.97	37.66	38.80
Operating capacity	Accounts receivable turnover (times)	3.99	3.96	3.22	3.17	3.55
	Average collection days	91	92	113	115	103
	Inventory turnover (times)	2.10	2.21	1.67	1.80	2.11
	Accounts payable turnover (times)	2.95	2.83	2.68	3.49	3.72
	Average number of days of sales	173.51	164.87	218	203	173
	Property, plant and equipment turnover (times)	7.79	5.02	3.80	3.27	2.92
	Total asset turnover (times)	0.79	0.65	0.64	0.74	0.79
Profitability	Return on assets (%)	9.74	8.57	9.15	8.02	9.48
	Return on equity (%)	23.01	20.87	21.61	16.71	17.13
	Pre-tax net profit to paid-in capital (%)	79.05	76.86	83.51	67.64	71.18
	Net profit margin (%)	12.31	12.63	14.01	10.52	11.71
	Earnings per share (NT$)	6.51	6.33	6.73	5.43	6.26
Cash flow	Cash flow ratio (%)	48.76	12.05	0.00	14.75	35.74
	Cash flow adequacy ratio (%)	131.80	129.32	64.19	44.89	63.62
	Cash reinvestment ratio (%)	17.94	-	-	-	6.92
Level of leverage	Operating leverage	2.43	2.46	2.47	2.75	2.50
	Financial leverage	1.00	1.04	1.03	1.03	1.03

Financial ratios increased or decreased by 20% or more during the most recent two years:

1. Increase in the long-term capital to property, plant and equipment: Mainly due to the increase in non-current liabilities from the issuance of domestic 2nd secured convertible corporate bonds and the increase in share capital and capital surplus due to the conversion of corporate bonds into common shares.
2. Quick ratio and increase in quick ratio: Mainly due to the issuance of domestic 2nd secured convertible corporate bonds with a total face value of NT$600,000 thousand to replenish working capital and inventory, and the decrease in prepayments compared to the previous period.
3. Increase in cash flow ratio: mainly due to the decrease in cash inflow from receivables, inventories and prepayments and current liabilities compared to the previous period .
4. Increase in cash flow adequacy ratio: mainly due to increase in cash inflow from operating activities and decrease in capital expenditure.
5. The increase in cash reinvestment ratio: mainly due to the fact that the cash inflow from operating activities in the current period is greater than the cash dividend outflow.

Note 1: The above-mentioned annual financial information has been audited and certified by the CPAs.

Note 2: The calculation formulas are shown in the following table.

The formulas for the financial analysis are as follows:

Financial structure

Debt to assets ratio = total liabilities/total assets.

Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

Solvency

Current ratio = current assets/current liabilities.

Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

Interest rate coverage ratio = net income before interest expense and interest expense/interest expense for the current period.

Operating capacity

Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average accounts receivable for each period (including accounts receivable and notes receivable arising from business operations) bills).

Average collection days = 365/account receivable turnover rate.

Inventory turnover = cost of goods sold/average inventory.

Accounts payable (including accounts payable and notes payable arising from business operations) turnover rate = net sales / average accounts payable for each period (including accounts payable and notes payable arising from business operations).

Average number of days of sales = 365/inventory turnover rate.

Property, plant and equipment turnover = net sales/net property, plant and equipment.

Total asset turnover rate = net sales/average total assets.

Profitability

Return on assets = (after tax profit + interest expense x (1 - tax rate)) / average total assets.

Return on equity = net income/average total equity.

Net profit margin = Income after tax/net sales.

Earnings per share = (profit or loss attributable to owners of the parent company - preferred share dividend) /weighted average number of outstanding shares (Note 4)

Cash flow

Cash flow ratio = net cash flow from operating activities/current liabilities.

Cash flow adequacy ratio = net cash flow from operating activities for the most recent five years / (capital expenditure + increase in inventory + cash dividend) for the most recent five years.

Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

Level of leverage:

Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6)

Financial leverage = operating income / (operating income - interest expense)

Note 3:Pay special attention to the following when measuring the earnings per share:

Based on the weighted average number of common shares rather than the outstanding shares at the end of the year.

If there is a capital increase by cash or treasury stock traded, the weighted average number of shares shall be calculated taking into account the outstanding period.

Where there is capitalization of earnings or capital reserve, in the calculation of earnings per share in previous years and six months, the retrospective adjustment shall be made in accordance with the proportion of capital increase, regardless of the issuance period of the capital increase.

If the preferred shares are non-convertible cumulative preferred shares, the dividends of the year (whether distributed or not) should be deducted from the net profit after tax, or added to the net loss after tax. If the preferred shares are not cumulative, the dividends of preferred shares shall be deducted from the net profit after tax; in case of loss, no adjustment is required.

Note 4:The cash flow analysis shall pay special attention to the following matters when measuring:

The net cash flow from operating activities refers to the net cash inflow from operating activities in the Cash Flow Statement.

The capital expenditure refers to the cash outflow for capital investment each year.

The increase in inventory at the end of the period is only included when the balance is greater than the balance at the beginning. If the inventory at the end of the year decreased, it is calculated as zero.

The cash dividends include cash dividends from common shares and preference shares.

The gross value of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 5:The issuer should distinguish various operating costs and operating expenses as fixed and variable by nature, and if there are estimates or subjective judgments involved, pay attention to their reasonableness and maintain consistency.

Note 6:If the stock of the Company has no par value or the par value is not NTD 10 per share, the aforementioned calculation of the ratio of paid-in capital is changed to the equity ratio attributable to the owners of the parent company on the balance sheet.

III. Audit Committee's Review Report on the Financial Statements of the Most Recent Fiscal Year

Audit Committee's Review Report

The Company's Board of Directors has prepared the 2023 business report, financial statements, and earnings distribution proposal. The financial statements have been audited by two CPAs, Ming-Hong Huang and Huei-Chen Chang of KPMG Taiwan, who have jointly issued the independent auditor's report. . The aforementioned business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and found to be in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Request for appraisal.

To:

2024 Annual General Meeting of Interactive Digital Technologies Inc.

Audit Committee Convener: Hsiao-Chen Chuang

February 23, 2024

IV. Financial report for the most recent year: Please refer to Pages 94~146 of the annual report.

V. A parent company only financial statement for the most recent fiscal year, certified by a CPA:Please refer to Pages 147~195 of the annual report.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

Seven. Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

I. Financial position

Financial Position Analysis

Unit: NTD Thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,115,158	1,736,533	378,625	21.80
Non-current assets	922,375	895,888	26,487	2.96
Total assets	3,037,533	2,632,421	405,112	15.39
Current liabilities	996,651	1,246,980	(250,329)	(20.07)
Non-current liabilities	301,151	69,620	231,531	332.56
Total liabilities	1,297,802	1,316,600	(18,798)	(1.43)
Share capital	458,991	402,532	56,459	14.03
Capital surplus	786,038	486,890	299,148	61.44
Retained earnings	495,436	426,888	68,548	16.06
Other equity	(734)	(489)	(245)	50.10
Total shareholders' equity	1,739,731	1,315,821	423,910	32.22

The main reasons for the material changes in assets, liabilities and shareholders' equity in the last two years (more than 10% in the previous period and the absolute change amounted to NT$10 million) and their effects and future countermeasures:

1. Increase in current assets and total assets: mainly due to the issuance of domestic 2nd secured convertible corporate bond amounting to NT$ 600,000 thousand in January 2023 to replenish working capital.
2. Decrease in current liabilities and increase in non-current liabilities: mainly due to the repayment of domestic 1st unsecured convertible corporate bond of NT$372,300 thousand due in November 2022, resulting in a decrease in current liabilities. Issued domestic 2nd secured convertible corporate bond amounting to NT$600,000 thousand in January 2023, resulting in an increase in non- current liabilities.
3. Increase in share capital and capital surplus: mainly due to the issuance of domestic 2nd secured convertible corporate bond, which were converted to 5,646 thousand common shares in 2023, resulting i the increase in capital surplus by NT$29,117 thousand.
4. Increase in retained earnings: mainly due to the growth in operating revenue and profit in 2023.
5. Increase in total shareholders' equity: Mainly due to the increase in share capital and capital surplus from the issuance of domestic 2nd secured convertible corporate bonds, and the increase in 2023 net income.

II. Financial performance

(I) Comparative analysis of business performance

Unit: NTD Thousand

Item	2023	2022	Increase (decrease) amount	Percentage of change (%)
Operating revenue	2,242,560	2,048,203	194,357	9.49
Operating cost	1,309,745	1,197,358	112,387	9.39
Gross operating profit	932,815	850,845	81,970	9.63
Operating expenses	620,310	571,182	49,128	8.60
Operating profit	312,505	279,663	32,842	11.74
Non-operating income and expenses	14,326	(7,357)	21,683	(294.73)
Net income before tax	326,831	272,306	54,525	20.02
Income tax gains (expenses)	(65,068)	(57,299)	(7,769)	13.56
Net income from continuing operations	261,763	215,007	46,756	21.75

The main reasons for the material changes in operating revenue, operating profit and net income before tax in the last two years (more than 10% in the previous period and the absolute change amounted to NT$10 million): Increase in operating profit and net income before tax: mainly due to the increase in operating revenue and gross profit in 2023, as well as the increase in non-operating revenue from the previous period.

(II) Expected sales volume and the basis thereof, possible impact on the Company's future finance and business, and response plan

With the evolution and development of the new 5G communication network, the Company will continue to work hard in the existing products and markets to maintain the trust and trust of customers. For product value-added application development, the Company will spare no efforts to develop new technologies and applications, and provide differentiated services to distinguish itself from peer companies. The change in and demand for innovative application development present both business opportunities and challenges for the Company, which provides integrated solution services. It is expected that the Company's operating performance in the coming years can still be maintained at a certain level.

III. Cash flow

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

Unit: NTD Thousand

Cash at the beginning of the year (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing activities for the year (3)	Net cash flow from financing activities for the year (4)	Effect of exchange rate changes (5)	Cash surplus (deficit) amount	Remedies for insufficient cash	
					(1)+(2)+(3)+(4)+(5)	Investment plan	Wealth management plan
328,208	357,736	(53,491)	263,094	(239)	895,308	–	–

Analysis: Analysis on changes in the percentage of increase or decrease: (1) Operating activities: The net cash inflow for the current period is mainly due to the operating profit in 2023 and the cash inflow from receivables, inventories and prepayments. (2) Investing activities: The net cash outflow in the current period is mainly due to the cash outflows for taking time deposits for more than one year, purchasing property, plant and equipment, and refunding guarantee deposits for purchases. (3) Financing activities: The net cash inflow in the current period is mainly due to the cash inflow from the issuance of corporate bonds .

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

(III) Cash flow analysis for the next year (2024)

Unit: NTD Thousand

Cash at the beginning of the year (1)	Projected net cash flow from operating activities for the year (2)	Projected net cash flow from investing activities for the year (3)	Projected net cash flow from financing activities for the year (4)	Projected cash surplus (deficit) amount	Remedies for insufficient cash	
				(1)+(2)+(3)+(4)	Investment plan	Wealth management plan
895,308	173,533	(102,236)	(281,095)	685,510	–	–

Analysis: (1) Analysis on changes in cash flow in the coming year: Operating activities: The net cash inflow from operating activities is mainly due to the expected operating profit in 2024. Investing activities: The net cash outflow from investing activities is mainly due to the cash outflows for refundable deposits for purchases. Financing activities: The net cash outflow from financing activities is mainly due to the expected cash outflow for the distribution of cash dividends.

(2) Remedial measures for projected insufficient cash and liquidity analysis: N/A. Investment plan: N/A. Wealth management plan: N/A.

IV. The annual report shall describe the effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.

V. The annual report shall describe the company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

(I) Investment policy in the most recent year

The Company's investment policy is mainly related to the Company's business. Before investing, the Company will follow the relevant provisions of the Company's "Procedure for Acquisition or Disposal of Assets" to perform evaluation.

(II) The main reasons for the profit or loss of reinvestment in the most recent year, and the improvement plan

Unit: NTD Thousand

Investee	Profit or loss of the investee in 2023	Main reason for profit or loss	Improvement plan
Hwa Chi Technologies (Shanghai) Inc.	2,562	In good standing	None

(III) Investment plan for the next year: The Company has no new investment plan for the next year.

VI. Analysis and assessment of risk matters in the most recent year and up to the publication date of this annual report

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

Unit: NTD Thousand/Percentage %

Item of the year	2023			2023		
	Amount	As a percentage of net operating revenue	As a percentage of operating profit	Amount	As a percentage of net operating revenue	As a percentage of operating profit
Interest revenue	8,828	0.39	2.82	2,034	0.10	0.73
Interest expense	8,642	0.39	2.77	7,425	0.36	2.65
Net foreign exchange gain (loss)	602	0.03	0.19	(5,503)	(0.27)	(1.97)

Source of data: Financial reports audited and certified by CPAs.

1. Changes in interest rates

(1) Impact on the Company's operating revenue and profit

In 2023 and 2022, the interest revenue and interest expense accounted for less than 3.0% of the operating revenue and operating profit for each period, which accounted for a very small proportion. Therefore, changes in interest rates posed limited impact on the Company's operating revenue and profit.

(2) Concrete measures

As of the date of publication of the annual report, the Company's working capital income is still sufficient to cover operating expenses. Based on a prudent and conservative financial management principle, the Company will master the latest interest rate changes and make appropriate plans for bank loans depending on the actual fund demand to reduce the impact on the capital cost caused by interest rate changes.

2. Changes in foreign exchange rates

(1) Impact on the Company's operating revenue and profit

The Company's business is mainly sold in the domestic market, and changes in exchange rates have no impact on the Company's accounts receivable. For the procurement at purchase cost, the currency for domestic procurements is mainly denominated in NTD, and the purchases made overseas are mostly denominated in USD. Therefore, the Company closely monitors the trend of USD and takes sufficient preparation measures. The proportion of net exchange gain (loss) to operating revenue and operating profit were 0.03%, 0.19%, 0.27%, and 1.97%, respectively for the years ended December 31, 2023 and 2022. The proportions are negligible, which shows that exchange rate changes are closely controlled by the Company and the impact posed on the Company's operating revenues and profits is not significant.

(2) Concrete measures

A. When the Company's business units make quotations to customers, if foreign procurement is involved, the quotation decision must take the exchange rate into account, and the quotations must be dynamically adjusted to avoid exchange rate fluctuations that have a significant impact on the Company's profits.

B. Finance Dept. of the Company keeps close contact with the banks at any time to observe the changes in exchange rates, and flexibly adjusts foreign currency positions in the spot market when necessary depending on the Company's foreign exchange receipts and payments and changes in the foreign exchange market to mitigate exchange rate risks.

3. Inflation

(1) Analysis on impact on the Company

In recent years, due to the increase of global resources and materials, the overall economic environment presents a slight inflation trend. However, the Company has not yet suffered any significant impact posed by the inflation in the most recent year and up to the date of publication of the annual report.

(2) Concrete measures

The Company pays attention to inflation at all times, and maintains a good interactive relationship with suppliers and customers to prevent the inflation from posing any impact on the Company.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company focuses on its core business operations and does not engage in high-risk, high-leverage investments, loaning of funds to others, endorsements and guarantees, and derivative commodity transactions. Therefore, it does not cause significant risks to the Company's operations.
2. If the Company has the need to provide endorsements/guarantees for others, loan funds to others, or engage in derivative financial instrument transactions due to business development or hedging needs in the future, the Company will follow the “Operating Procedure for Endorsements/Guarantees,” “Operating Procedure for Loaning of Funds to Others” and "Procedures for Acquisition or Disposal of Assets,” and announced various transaction information according to laws and regulations.

(III) Future R&D plans and expected R&D expenses

The Company acts as the agent for the latest professional software and hardware of leading brands at home and abroad, integrates the development of application platforms and focuses on the professional consulting and construction services related to telecommunications and broadband network, wireless transmission, digital media, cloud information and geographical information. The Company currently obtains technology from foreign equipment suppliers. The Company does not set up a dedicated R&D department, but has hired multiple dedicated personnel to research and develop new products and new technology services, and lead personnel from engineering and technology related units to carry out research and development activities, in order to provide innovative and complete solutions required in the process to meet customers’ needs, assist in solving project problems, and enhance the value of the Company's technical services.

(IV) Impacts of important domestic and foreign policies and legal changes on the Company's financial operations, and countermeasures

The Company's daily operations are carried out in accordance with relevant domestic and foreign laws and regulations, and it always pays attention to the development trends of domestic and foreign policies and changes in laws and regulations, and collects relevant information to provide management with decision-making reference and adjust the Company's relevant operating strategies. Therefore, in the most recent year and up to the date of publication of the annual report, the Company has not been affected by important domestic and foreign policies and legal changes that have affected the Company's financial business.

(V) Impacts of changes in technology (including information communication security risks) and industry changes on the Company's financial operations, and responsive measures

In response to changes in technology and industry, the Company not only regularly sends personnel to foreign original factories to receive new technology training, but also regularly organizes technical seminars and seminars to continuously improve and pass on the Company's core technology, service quality and efficiency to maintain Competitive advantage. Meanwhile, in response to the increasing number of information security issues, the Company particularly strengthens information security management and establishes the concept of "Each One shall be Responsible for Information Security,” and ensure the confidentiality, integrity and availability of customers' and colleagues' data, in order to secure and protect the data throughout the whole processing and provide, safe, stable and high-performance information services to maintain the Company’s business continuity environment, and in line with related laws and regulations and also in order to prevent the Company from internal or external intentional or accidental threats. Therefore, in the most recent year and as of the printing date of this annual report, the Company was not affected by changes in technology and industry that have affected its financial business.

(VI) The impact of changes in corporate image on corporate crisis management and countermeasures

The Company is committed to maintaining its corporate image, complying with laws and regulations, and upholding the principles of professionalism and integrity. Therefore, in the most recent year and as of the date of publication of the annual report, there has been no incident that could affect the Company's corporate image.

(VII) Expected benefits and possible risks of mergers and acquisitions, and countermeasures

During the most recent year and as of the date of publication of the annual report, the Company did not have any merger or acquisition plan. However, in the event of any future merger and acquisition plan, the Company will carefully evaluate it in accordance with the Company's "Procedure for the Acquisition or Disposal of Assets" to consider whether the merger can bring concrete and synergistic effects to the Company to ensure protection of the Company's interests and shareholders' rights.

(VIII) Expected benefits and possible risks associated with any plant expansion, and countermeasures

In the most recent year and as of the date of publication of the annual report, the Company has no plan for plant expansion.

(IX) Risks associated with any concentration of purchases or sales, and mitigation measures being or to be taken

1. Procurement: The Company purchases goods based on the needs of projects or the execution progress, so as not to cause the risk of excessive procurement. In addition to establishing good interaction with existing suppliers, the Company is also proactively developing new suppliers to ensure a stable source of supply for products, thereby reducing procurement costs.
2. In terms of sales: The Company has five major core products and services, and the customers are diversified due to the different products and services provided, so there is no risk of concentration of sales. In addition to existing major customers, the Company is also proactively exploring new customers, and regularly and continuously assessing customers' financial status to reduce risks.

(X) Effects and risks to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than 10% stake in the Company has been transferred or has otherwise changed hands, and countermeasures: None.

(XI) Impact and risk on the Company due to change in management rights, and responsive measures: None.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters.

The Company's information security strategy focuses on information security governance, legal compliance and the use of technology. Enhance information security protection from system to technology, from personnel to organization. In order to strengthen information security management, in addition to planning the network architecture in accordance with information security requirements, a related detection system has been established to detect possible problems in advance and rectify them. In terms of system design and development, the Company also follows information security development specifications. The Company conducts annual information security health check, organizes information security related courses, releases information security propaganda from time to time, and reports information security-related matters to the Board of Directors every year. The information service process management, from service demand to launch, based on asset management, establish demand management, change management, go-live management, event management, problem management, and usability management as the bases for future risk management.

Eight. Special Disclosure

I. Information on affiliates

(I) Consolidated business report of affiliated enterprises

1. Organizational chart of affiliates

Interactive Digital Technologies Inc.

↓ 100%

Hwa Chi Technologies (Shanghai) Inc.

2. Affiliates' profile

Company name	Date of incorporation.	Address	Paid-up capital	Main business or production items
Hwa Chi Technologies (Shanghai) Inc.	October 11, 2001	Room 384, 3F, No. 458, Fute North Road, Waigaoqiao Free Trade Zone, Shanghai	USD200,000	Technical consultation, R&D, maintenance and after-sales service of electronic communication products

3. Information on the same shareholders presumed to have control and affiliation relationship: None.

4.Industry covered by the overall business of affiliated companies, and specify the relationship and division of labor

Hwa Chi Technologies (Shanghai) Inc. is responsible for the technical consultation, technology research and development, maintenance and after-sales service of the electronic communication products of the Company's customers in mainland China.

5. Information on directors, supervisors, and presidents of affiliated companies

Unit: Thousand shares

Company name	Job Title	Name or Representative	Number of shares held	
			Number of shares	Shareholding ratio (%)
Hwa Chi Technologies (Shanghai) Inc.	Chairman	Juristic Person Representative of Interactive Digital Technologies Inc..: Mei-Lan Liu	–	100
	Supervisor	Juristic Person Representative of Interactive Digital Technologies Inc...: Feng-Ju Li	–	100

6. Business overview of affiliates

Unit: NTD Thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (after tax) (NT$)
Hwa Chi Technologies (Shanghai) Inc.	USD200	13,722	134	13,588	8,873	2,670	2,562	–

Note: Foreign companies are based on the exchange rate at the end of the reporting period.

(II) Consolidated financial statements of affiliated companies: Please refer to Page 94 - 146 of the annual report.

(III) Affiliation report

1. Relationship between the subsidiary and the controlling company

Overview of relationship between the subsidiary and the controlling company

Unit: Thousand shares; %

Name of the controlling company	Reason for control	Shareholding and pledge of shares by the controlling company			Personnel appointed by the controlling company as directors, supervisors, or managers	
		Number of shares held	Shareholding ratio (%)	Number of pledged shares	Job Title	Name
HITRON TECHNOLOGIES INC.	Largest shareholder	16,703	36.38	0	Chairman Director Director	Wen-Fang Huang Mei-Lan Liu Pei-Shun Chiu

2. Transactions

(1) Purchase (sale) transactions:

Unit: NTD Thousand

Trading counterpart	Relationship	Transaction status				Remarks
		Purchases (sales)	Amount	Percentage to total purchases (sales) (%)	Credit period	
HITRON TECHNOLOGIES INC.	Parent company	Sale of goods	24,296	1.08	Under general terms and conditions of sale	None

(2)Property transactions:

Unit: NTD Thousand

Trading counterpart	Relationship	Transaction status				Remarks
		Transaction Type (Acquisition or Disposal)	Property name	Transaction amount	Delivery or payment terms	
HITRON TECHNOLOGIES INC.	Parent company	Acquisition	Membership card	2,100	Under general terms and conditions	None

(3) Capital financing: None.

(4) Asset leasing: The parent company, Hitron Technologies Inc., leased office space from the Company for business needs. The rental income in 2023 was NT$ 617 thousand.

(5) Other important transactions: None.

3. Endorsements and guarantees: None.

4. Other matters that have a significant impact on finance and business: None.

II. For the private placement of securities in the most recent year and up to the publication date of this annual report, disclose the date and amount of resolutions by the shareholders' meeting or the board of directors, the basis for setting the price and the reasonableness thereof, the method of selecting specific persons, the reasons for private placement, and the proprietary shares has completed the plan for the utilization of funds since the issuance of sufficient funds or proceeds from the private placement, and utilization of the proceeds from the private placement of securities and progress of the plan implementation: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last year up till the date of publication of the annual report: None.

IV. Other supplementary information: None.

V. Matters with material influence on shareholders' equity or securities prices as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, in the last year up till the date of publication of the annual report: None.

Representation Letter

The entities that are required to be included in the combined financial statements of Interactive Digital Technologies Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Interactive Digital Technologies Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Interactive Digital Technologies Inc.
Wen-Fang (April) Huang
Chairman
February 23, 2024

Independent Auditors’ Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Interactive Digital Technologies Inc. and its subsidiaries as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of Interactive Digital Technologies Inc. and its subsidiaries 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated 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 consolidated 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(o) for the related disclosures and note 5 for the judgments made in the timing of revenue recognition, respectively, to the consolidated financial statements.

Description of key audit matter:

Interactive Digital Technologies Inc. and its subsidiaries engage 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. and its subsidiaries' 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 consolidated 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.

Interactive Digital Technologies Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which an unmodified audit opinion with other matter section based on our audits and an unmodified audit opinion based on other auditors were issued, respectively.

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

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

In preparing the consolidated financial statements, management is responsible for assessing Interactive Digital Technologies Inc. and its subsidiaries' 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. and its subsidiaries 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. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained 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. and its subsidiaries' 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. and its subsidiaries' 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Interactive Digital Technologies Inc. and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Interactive Digital Technologies Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 895,308	29	328,208	12
1110	Financial assets at fair value through profit or loss－current (note 6(b))	-	-	21,991	1
1136	Financial assets measured at amortized cost－current (note 6(a))	20,000	1	-	-
1170	Notes and accounts receivable, net (notes 6(c) and (o))	593,160	20	652,888	25
1180	Accounts receivable from related parties (notes 6(c), (o) and 7)	8,403	-	6,929	-
1200	Other receivables (note 7)	845	-	174	-
130X	Inventories (note 6(d))	592,021	19	647,333	25
1410	Prepayments and other current assets	5,421	1	79,010	3
	Total current assets	2,115,158	70	1,736,533	66
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current (notes 6(b) and (h))	55	-	-	-
1536	Financial assets measured at amortized cost－non-current (note 6(a))	21,000	1	-	-
1600	Property, plant and equipment (notes 6(e) and 7)	770,338	25	761,463	29
1755	Right-of-use assets (note 6(f))	5,159	-	7,523	-
1840	Deferred income tax assets (note 6(l))	23,612	1	35,186	1
1990	Other non-current assets	102,211	3	91,716	4
	Total non-current assets	922,375	30	895,888	34
	Total assets	$ 3,037,533	100	2,632,421	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(g))	$ -	-	150,000	6
2130	Contract liabilities－current (note 6(o))	289,338	10	425,717	16
2170	Accounts payable	355,899	12	340,731	13
2180	Accounts payable to related parties (note 7)	6,681	-	135	-
2200	Other payables (note 6(p))	200,760	7	185,793	7
2230	Current income tax liabilities	69,808	2	58,019	2
2250	Provisions－current (note 6(j))	69,388	2	81,056	3
2280	Lease liabilities－current (note 6(i))	3,923	-	4,421	-
2300	Other current liabilities	854	-	1,108	-
	Total current liabilities	996,651	33	1,246,980	47
	Non-current liabilities:				
2530	Bonds payable (note 6(h))	264,612	9	-	-
2550	Provisions－non-current (note 6(j))	34,641	1	66,069	3
2570	Deferred income tax liabilities (note 6(l))	409	-	203	-
2580	Lease liabilities－non-current (note 6(i))	1,266	-	3,126	-
2600	Other non-current liabilities	223	-	222	-
	Total non-current liabilities	301,151	10	69,620	3
	Total liabilities	1,297,802	43	1,316,600	50
	Equity attributable to shareholders of the Company (notes 6(h) and (m)):				
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	1,739,731	57	1,315,821	50
	Total equity	1,739,731	57	1,315,821	50
	Total liabilities and equity	$ 3,037,533	100	2,632,421	100

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated 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(o) and 7)**	$ 2,242,560	100	2,048,203	100
5000	**Operating costs (notes 6(d), (j) and 7)**	(1,309,745)	(58)	(1,197,358)	(58)
	Gross profit	932,815	42	850,845	42
	Operating expenses (notes 6(c), (e), (f), (i), (k), (p), 7 and 12):				
6100	Selling expenses	(429,850)	(19)	(397,011)	(19)
6200	Administrative expenses	(193,436)	(9)	(172,021)	(9)
6450	Gain on reversal of impairment loss (expected credit loss)	2,976	-	(2,150)	-
	Total operating expenses	(620,310)	(28)	(571,182)	(28)
	Operating income	312,505	14	279,663	14
	Non-operating income and loss (notes 6(i), (q) and (s)):				
7100	Interest income	8,828	-	2,034	-
7010	Other income	10,013	1	6,214	-
7020	Other gains and losses, net	4,127	-	(8,180)	-
7050	Finance costs	(8,642)	-	(7,425)	-
	Total non-operating income and loss	14,326	1	(7,357)	-
	Income before income tax	326,831	15	272,306	14
7950	**Less: income tax expense (note 6(l))**	(65,068)	(3)	(57,299)	(3)
	Net income	261,763	12	215,007	11
	Other comprehensive income (note 6(m)):				
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	-	-	-	-
	Other comprehensive income (loss) for the year, net of income tax	(245)	-	185	-
	Total comprehensive income for the year	**$ 261,518**	**12**	**215,192**	**11**
	Net income attributable to:				
8610	Shareholders of the Company	**$ 261,763**	**12**	**215,007**	**11**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	**$ 261,518**	**12**	**215,192**	**11**
	Earnings per share (in New Taiwan dollars) (note 6(n)):				
9750	Basic earnings per share	**$**	**6.26**		**5.43**
9850	Diluted earnings per share	**$**	**5.27**		**5.39**

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company								
	Capital stock			Retained earnings				Other equity	
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Total equity
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	402,499	33	486,890	203,846	674	222,368	426,888	(489)	1,315,821
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
Conversion options recognized for issuance of convertible bonds	-	-	29,117	-	-	-	-	-	29,117
Balance at December 31, 2023	**$ 431,373**	**27,618**	**786,038**	**225,347**	**489**	**269,600**	**495,436**	**(734)**	**1,739,731**

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income taxes	$ 326,831	272,306
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	23,944	17,786
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	7,425
Interest income	(8,828)	(2,034)
Dividend income	-	(2,172)
Gain on disposal and scrap of property, plant and equipment	(1,676)	(45)
Total adjustments for profit or loss	17,257	25,832
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	62,704	(37,199)
Accounts receivable from related parties	(1,474)	239
Other receivables	(76)	(37)
Inventories	55,312	(14,249)
Prepayments and other current assets	73,587	(14,414)
Net changes in operating assets	190,053	(65,660)
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	15,139	1,384
Provisions	(43,096)	3,026
Other current liabilities	(254)	180
Net changes in operating liabilities	(142,876)	794
Total changes in operating assets and liabilities	47,177	(64,866)
Total adjustments	64,434	(39,034)
Cash provided by operations	391,265	233,272
Interest received	8,233	2,023
Dividends received	-	2,172
Interest paid	(268)	(696)
Income taxes paid	(41,494)	(55,869)
Net cash flows provided by operating activities	357,736	180,902

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

INTERACTIVE DIGITAL TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
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	(27,436)	(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	833	(1,604)
Net cash flows used in investing activities	(53,491)	(287,144)
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)
Increase in guarantee deposits received	-	139
Payment of lease liabilities	(5,383)	(3,974)
Cash dividends distributed to shareholders	(213,342)	(251,910)
Lease interest paid	(65)	(54)
Net cash flows provided by (used in) financing activities	263,094	(478,099)
Effect on foreign exchange rate changes	(239)	182
Net increase (decrease) in cash and cash equivalents	567,100	(584,159)
Cash and cash equivalents at beginning of year	328,208	912,367
Cash and cash equivalents at end of year	$ 895,308	328,208

See accompanying notes to the consolidated financial statements.

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 and subsidiaries (collectively the "Group") are 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 consolidated financial statements

These consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group 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 consolidated 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)

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

The Group 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 consolidated 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 consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated 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 each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated 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.

(Continued)

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(ii) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Subsidiaries	Principal Activities	Percentage of Ownership December 31, 2023	Percentage of Ownership December 31, 2022	Note
The Company	Hwa Chi Technologies (Shanghai) Inc. (“Hwa Chi Technologies”)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	100.00%	-

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) 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)

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 Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group's consolidated 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 Group 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 Group'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.

(e) 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 Group 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)

(f) 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.

(g) Financial instruments

Accounts receivable is initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group 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 Group 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.

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 Group 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 Group 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 Group’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 Group’s continuing recognition of the assets.

(Continued)

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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group 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, refundable deposits and other financial assets).

The Group 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 Group 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 Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group 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 Group's historical experience and credit assessment, as well as forward-looking information.

(Continued)

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 Group in accordance with the contract and the cash flows that the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group’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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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 Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

(Continued)

3) Compound financial instruments

Compound financial instruments issued by the Group 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 Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group 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.

(Continued)

6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group 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.

(h) 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.

(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 Group.

(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.

(j) Leases

At inception of a contract, the Group 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 Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Group'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 Group'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.

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 Group 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 Group 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 consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term lease and lease of low-value assets. The Group 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 Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(k) Impairment of non-financial assets

The Group 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)

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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

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

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

(ii) Rendering of services

The Group'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.

(Continued)

(iii) Financing components

The Group 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 Group 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 Group will comply with the conditions associated with the grant and that the grant will be received. For a government grant that compensates the Group 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 Group 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 Group 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 Group 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 Group 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.

(Continued)

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 Group 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 Group 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 Group’s dilutive potential common shares are convertible bonds or profit sharing for employees to be settled in the form of common stock.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

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

The preparation of the consolidated 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 the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

Revenue recognition

The Group 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 Group 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	283,510	281,558
Time deposits with original maturities less than three months	611,328	46,180
	$ 895,308	328,208

(Continued)

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.

(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	$	-	21,991
Financial assets at fair value through profit or loss－non-current:			
Redemption option of convertible bonds	$	55	-

(c) Notes and accounts receivable

		December 31, 2023	December 31, 2022
Notes receivable	$	6,365	36,008
Accounts receivable		586,795	619,856
Accounts receivable from related parties		8,403	6,929
Less: loss allowance		-	(2,976)
	$	601,563	659,817

The Group 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	$	598,070	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		-	100%	-
	$	601,563		-

(Continued)

	December 31, 2022			
	Gross carrying amount		Weighted-average loss rate	Loss allowance
Current	$	611,087	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%	-
	$	662,793		2,976

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	$	-	2,976

(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
	$	592,021	647,333

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	$	1,198,649	1,054,328
Write-downs of (reversal of write-downs) inventories		(12,614)	2,288
Service and warranty costs		123,710	140,742
	$	1,309,745	1,197,358

The 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 Group’s inventories were not pledged as collateral.

(Continued)

(e) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
Cost:					
Balance at January 1, 2023	$ 641,026	143,253	13,461	29,296	827,036
Additions	-	10,636	7,737	9,063	27,436
Disposals	-	(28)	(2,533)	(6,787)	(9,348)
Effect on exchange rate changes	-	-	(16)	(2)	(18)
Balance at December 31, 2023	**$ 641,026**	**153,861**	**18,649**	**31,570**	**845,106**
Balance at January 1, 2022	$ 412,696	105,849	11,634	17,768	547,947
Additions	228,330	39,329	4,272	13,821	285,752
Disposals and scrap	-	(1,925)	(2,447)	(2,293)	(6,665)
Effect on exchange rate changes	-	-	2	-	2
Balance at December 31, 2022	**$ 641,026**	**143,253**	**13,461**	**29,296**	**827,036**
Accumulated depreciation and impairment loss:					
Balance at January 1, 2023	$ 8,984	38,360	4,595	13,634	65,573
Depreciation	-	8,747	3,726	6,082	18,555
Disposals	-	(28)	(2,533)	(6,787)	(9,348)
Effect on exchange rate changes	-	-	(10)	(2)	(12)
Balance at December 31, 2023	**$ 8,984**	**47,079**	**5,778**	**12,927**	**74,768**
Balance at January 1, 2022	$ 8,984	34,180	4,103	11,149	58,416
Depreciation	-	6,105	2,939	4,775	13,819
Disposals and scrap	-	(1,925)	(2,447)	(2,290)	(6,662)
Balance at December 31, 2022	**$ 8,984**	**38,360**	**4,595**	**13,634**	**65,573**
Carrying amounts:					
Balance at December 31, 2023	**$ 632,042**	**106,782**	**12,871**	**18,643**	**770,338**
Balance at December 31, 2022	**$ 632,042**	**104,893**	**8,866**	**15,662**	**761,463**

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

(Continued)

(f) Right-of-use assets

		Buildings	Transportation equipment	Furniture and fixtures	Total
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	**$**	**5,708**	**8,192**	**224**	**14,124**
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	**$**	**5,490**	**6,799**	**544**	**12,833**
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	**$**	**3,548**	**5,312**	**105**	**8,965**
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	**$**	**1,126**	**3,935**	**249**	**5,310**
Carrying amounts:					
Balance at December 31, 2023	**$**	**2,160**	**2,880**	**119**	**5,159**
Balance at December 31, 2022	**$**	**4,364**	**2,864**	**295**	**7,523**

(g) Short-term borrowings

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

(Continued)

(h) 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	**$**	**264,612**	**-**
Derivative instrument－redemption option (included in financial assets at fair value through profit or loss)	**$**	**55**	**-**
Equity component – conversion options (included in capital surplus－stock option)	**$**	**29,117**	**-**

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.

(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.

(i) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	$ 3,923	4,421
Non-current	$ 1,266	3,126

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest expense on lease liabilities	$ 65	54
Expenses relating to short-term leases	$ 3,058	5,363

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

	2023	2022
Total cash outflows for leases	$ 8,506	9,391

(i) Buildings leases

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

(ii) Other leases

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

(Continued)

(j) Provisions－warranty

	2023	2022
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	**$ 104,029**	**147,125**
Current	**$ 69,388**	**81,056**
Non-current	**$ 34,641**	**66,069**

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.

(k) Employee benefits

(i) Defined contribution plans

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.

(ii) For the years ended December 31, 2023 and 2022, the Company’s subsidiaries in Mainland China made endowment insurance contribution of $268 and $266, respectively, to the pension fund based on employee salaries in accordance with the pension regulations in their jurisdictions. Except for annual contributions to the pension fund, Hwa Chi Technologies had no further obligations.

(l) Income taxes

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

	2023	2022
Current income tax expense:		
Current period	$ 55,059	59,019
Adjustments for prior years	(1,771)	(2)
Current income tax expense	53,288	59,017
Deferred income tax expense (benefit):		
Origination and reversal of temporary differences	11,780	(1,718)
Income tax expense	**$ 65,068**	**57,299**

(Continued)

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

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	$ 326,831	272,306
Income tax using the Company's statutory tax rate	$ 65,366	54,462
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	165	25
Income tax expense	$ 65,068	57,299

(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	**$ 2,511**	**295**	**20,806**	**23,612**
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	**$ 5,033**	**729**	**29,424**	**35,186**

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	**$ 409**
Balance at January 1, 2022	$ 206
Recognized in profit or loss	(3)
Balance at December 31, 2022	**$ 203**

(Continued)

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

(m) 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		17,697	17,697
	$	**786,038**	**486,890**

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.

(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)

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		$ 21,501		26,065
Reversal of special reserve		$ 185		78
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
	$ 5.3	213,342	6.5	251,910

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
	$ 6.0	275,395

(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	$ (734)	(489)

(Continued)

(n) Earnings per share (“EPS”)

(i) Basic earnings per share

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

(ii) Diluted earnings per share

		2023	2022
Net income attributable to shareholders of the Company (basic)	$	261,763	215,007
Interest expense and valuation loss on convertible bonds		6,726	5,203
Net income attributable to shareholders of the Company (diluted)	$	268,489	220,210
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)		50,942	40,826
Diluted earnings per share (in dollars)	$	5.27	5.39

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

		2023	2022
Major products/services lines:			
Sales of system integration projects	$	1,839,961	1,655,330
Services		402,599	392,873
	$	2,242,560	2,048,203
Timing of revenue recognition:			
Recognized at a point in time	$	2,182,615	2,001,270
Recognized over time		59,945	46,933
	$	2,242,560	2,048,203

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	$ 601,563	662,793	625,833
Less: loss allowance	-	(2,976)	(827)
	$ 601,563	659,817	625,006

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities－current	$ 289,338	425,717	425,004

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 $299,599, respectively.

(p) Remuneration to employees and directors

The Company’s Articles of Incorporation requires that earnings shall contribute a range from 5% to 20% as renumeration to its employees and no more than 1% to its directors (the renumeration 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.

(q) Non-operating income and loss

(i) Interest income

	2023	2022
Interest income from bank deposits	$ 8,828	2,034

(Continued)

(ii) Other income

	2023	2022
Rental income	$ 2,114	2,099
Dividend income	-	2,172
Government grant	5,285	-
Others	2,614	1,943
	$ 10,013	6,214

(iii) Other gains and losses

	2023	2022
Foreign currency exchange gains (losses), net	$ 602	(5,503)
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
	$ 4,127	(8,180)

(iv) Finance costs

	2023	2022
Interest expense on bank loans	$ 95	868
Interest expense on bonds payable	8,482	6,503
Interest expense on lease liabilities	65	54
	$ 8,642	7,425

(r) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss －current	$ -	21,991
Financial assets at fair value through profit or loss －non-current	55	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	895,308	328,208
Financial assets measured at amortized cost (including current and non-current)	41,000	-
Notes and accounts receivable (including related parties)	601,563	659,817
Other receivables (including related parties)	845	174
Refundable deposits (recognized in non-current assets)	101,441	90,111
	$ 1,640,212	1,100,301

(Continued)

2) Financial liabilities

	December 31, 2023	December 31, 2022
Short-term borrowings	$ -	150,000
Bonds payable	264,612	-
Accounts payable (including related parties)	362,580	340,866
Other payables	200,760	185,793
Lease liabilities (including current and non-current)	5,189	7,547
Guarantee deposits (recognized in non-current liabilities)	223	222
	$ 833,364	684,428

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group 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)

	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

(s) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group'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 Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's operations.

The Group'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 Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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 Group's financial assets.

The Group 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 Group 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 Group 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 non-current assets). 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 Group'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	200,760	200,760	-	-	-
Lease liabilities	5,229	3,957	1,272	-	-
Guarantee deposits	223	-	223	-	-
	$ 843,392	567,297	1,495	274,600	-

(Continued)

		Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
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		185,793	185,793	-	-	-
Lease liabilities		7,547	4,421	2,726	400	-
Guarantee deposits		222	-	222	-	-
	$	**684,523**	**681,175**	**2,948**	**400**	**-**

The Group 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 Group'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 Group 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 Group's entities. The functional currency of the Group's entities consists mainly of New Taiwan dollar (NTD) and Chinese yuan (CNY) and the currency other than the functional currency used in these transactions consists mainly of US dollar (USD).

At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency, other than the respective functional currencies of the Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

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

(Continued)

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

As the Group 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 $(5,503), respectively.

2) Interest rate risk

The Group's bank loans carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group 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 Group'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 Group 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 Group is exposed to the risk of price fluctuation in the securities market due to the investment in domestic listed stock. The Group 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.

(t) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group 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 Group monitors its capital through reviewing the liability-to-equity ratio periodically.

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

	2023	2022
Total liabilities	$ 1,297,802	1,316,600
Total equity	$ 1,739,731	1,315,821
Liability-to-equity ratio	74.60%	100.06%

(u) 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(f).

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

			Non-cash changes		
	January 1, 2023	**Cash flows**	**Additions**	**Others**	**December 31, 2023**
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

			Non-cash changes		
	January 1, 2022	**Cash flows**	**Additions**	**Others**	**December 31, 2022**
Short-term loans	$ -	150,000	-	-	150,000
Bonds payable	461,471	(372,300)	-	(89,171)	-
Lease liabilities	3,252	(4,028)	8,269	54	7,547
Total liabilities from financing activities	$ 464,723	(226,328)	8,269	(89,117)	157,547

(Continued)

7. Related-party transactions

(a) Parent company and ultimate controlling party

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

(b) Name and relationship with related parties

The following are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Qisda Corporation (“Qisda”)	The Group’s ultimate controlling party
Hitron Technologies Inc. (“Hitron”)	The Group’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

	2023	2022
Parent company	$ 24,296	32,012
Other related parties	24,671	7,532
	$ 48,967	39,544

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

(ii) Purchases

	2023	2022
Other related parties	$ 18,460	20,026

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

(Continued)

(iii) Receivables from related parties

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

(iv) Payables to related parties

Account	Related-party categories		December 31, 2023	December 31, 2022
Accounts payable	Other related parties	**$**	**6,681**	**135**

(v) Property transactions

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

(vi) Lease

The Group 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

		2023	2022
Short-term employee benefits	$	56,948	52,185
Post-employment benefits		1,187	1,053
	$	**58,135**	**53,238**

(Continued)

8. Pledged assets: None

9. Significant commitments and contingencies

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

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

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	-	433,193	433,193	-	399,322	399,322
Insurance	-	32,977	32,977	-	32,373	32,373
Pension	-	17,650	17,650	-	16,732	16,732
Others	-	14,329	14,329	-	13,870	13,870
Depreciation	-	23,944	23,944	-	17,786	17,786
Amortization	-	-	-	-	-	-

(Continued)

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)

(x) Business relationships and significant intercompany transactions:

				Transaction Details			
Number (Note 1)	**Company Name**	**Related Party**	**Nature of Relationship (Note 2)**	**Financial Statements Account**	**Amount (Note 3)**	**Payment Terms**	**Percentage of Consolidated Operating Revenue or Total Assets (Note 4)**
0	The Company	Hwa Chi Technologies (Shanghai) Inc.	1	Operating revenue	1,407	General terms and conditions	0.06%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:
No. "1" represents the transactions from the Company to subsidiary.
No. "2" represents the transactions from subsidiary to the Company.
No. "3" represents the transactions between subsidiaries.

Note 3: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 4: Based on the transaction amount divided by consolidated operating revenues or consolidated total assets.

(Continued)

(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	Maximum percentage of ownership during 2023		Investment Income (Loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow				Shares	Percentage of Ownership			
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 %	-	100.00%	2,562	13,588	19,034

(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	USD414	1,043,839

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

The transactions between parent and investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section “Business relationships and significant intercompany transactions” for detail description.

(d) Major shareholders:

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

(Continued)

14. Segment information

(a) General information

The Group has only one reportable segment which is regularly reviewed by the Group's operating decision maker to determine resource allocation and performance assessment.

(b) Reportable segments, profit or loss, segment assets, basis of measurement, and reconciliation

There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4. The information of segment profit, segment asset, and segment liability is consistent with those of the financial statements. Please refer to the balance sheets and the statements of comprehensive income. The Group uses operating profit as the measurement for segment profit and the basis of resource allocation and performance assessment.

(c) Business information

(i) Product information

Revenues from external customers are detailed below:

Region	**2023**	**2022**
Sales of system integration projects	$ 1,839,961	1,655,330
Services	402,599	392,873
	$ 2,242,560	**2,048,203**

(ii) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of business, and segment assets are based on the geographical location of the assets.

Region	**2023**	**2022**
Revenues from external customers are detailed below:		
Taiwan	$ 2,207,863	2,032,404
Others	34,697	15,799
	$ 2,242,560	**2,048,203**

Non-current assets:

Region	**2023**	**2022**
Mainland China	$ 261	47
Taiwan	776,006	770,544
	$ 776,267	**770,591**

Non-current assets include property, plant and equipment, right-of-use assets, and other assets, but do not include financial instruments and deferred income tax assets.

(Continued)

(i) Major customer information

Sales to individual customers accounting for more than 10% of the consolidated revenues in 2023 and 2022 were as follows:

	2023
Customer A	$ 802,993

	2022
Customer A	$ 391,684
Customer B	$ 261,903

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 of 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	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 882,337	29	316,224	12
1110	Financial assets at fair value through profit or loss－current (note 6(b))	-	-	21,991	1
1136	Financial assets measured at amortized cost－current (note 6(a))	20,000	1	-	-
1170	Notes and accounts receivable, net (notes 6(c) and (p))	592,743	20	652,322	25
1180	Accounts receivable from related parties (notes 6(c), (p) and 7)	8,403	-	6,929	-
1200	Other receivables (note 7)	845	-	171	-
130X	Inventories (note 6(d))	592,021	19	647,333	24
1410	Prepayments and other current assets	5,347	-	78,934	3
	Total current assets	2,101,696	69	1,723,904	65
	Non-current assets:				
1550	Investments accounted for using the equity method (note 6(e))	13,588	1	12,498	1
1510	Financial assets at fair value through profit or loss－non-current (notes 6(b) and (i))	55	-	-	-
1535	Financial assets measured at amortized cost－non-current (note 6(a))	21,000	1	-	-
1600	Property, plant and equipment (notes 6(f) and 7)	770,077	25	761,416	29
1755	Right-of-use assets (note 6(g))	5,159	-	7,523	1
1840	Deferred income tax assets (note 6(m))	23,612	1	35,186	1
1900	Other non-current assets	102,212	3	91,715	3
	Total non-current assets	935,703	31	908,338	35
	Total assets	**$ 3,037,399**	**100**	**2,632,242**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(h))	$ -	-	150,000	6
2130	Contract liabilities－current (note 6(p))	289,338	10	425,717	16
2170	Accounts payable	355,899	12	340,731	13
2180	Accounts payable to related parties (note 7)	6,681	-	135	-
2200	Other payables (note 6(q))	200,634	7	185,614	7
2230	Current income tax liabilities	69,800	2	58,019	2
2250	Provisions－current (note 6(k))	69,388	2	81,056	3
2280	Lease liabilities－current (note 6(j))	3,923	-	4,421	-
2300	Other current liabilities	854	-	1,108	-
	Total current liabilities	996,517	33	1,246,801	47
	Non-current liabilities:				
2530	Bonds payable (note 6(i))	264,612	9	-	-
2550	Provisions－non-current (note 6(k))	34,641	1	66,069	3
2570	Deferred income tax liabilities (note 6(m))	409	-	203	-
2580	Lease liabilities－non-current (note 6(j))	1,266	-	3,126	-
2600	Other non-current liabilities	223	-	222	-
	Total non-current liabilities	301,151	10	69,620	3
	Total liabilities	1,297,668	43	1,316,421	50
	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	1,739,731	57	1,315,821	50
	Total equity	1,739,731	57	1,315,821	50
	Total liabilities and equity	**$ 3,037,399**	**100**	**2,632,242**	**100**

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)**	(1,307,591)	(59)	(1,196,250)	(59)
	Gross profit	927,503	41	847,113	41
	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)	2,976	-	(2,150)	-
	Total operating expenses	(617,586)	(27)	(568,614)	(27)
	Operating income	309,917	14	278,499	14
	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	2,562	-	1,265	-
	Total non-operating income and loss	16,779	1	(6,225)	-
	Income before income tax	326,696	15	272,274	14
7950	**Less: income tax expense (note 6(m))**	(64,933)	(3)	(57,267)	(3)
	Net income	261,763	12	215,007	11
	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	-	-	-	-
	Other comprehensive income (loss) for the year, net of income tax	(245)	-	185	-
	Total comprehensive income for the year	**$ 261,518**	**12**	**215,192**	**11**
	Earnings per share (in New Taiwan dollars) (note 6(o)):				
9750	Basic earnings per share	**$**	**6.26**		**5.43**
9850	Diluted earnings per share	**$**	**5.27**		**5.39**

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)

	Capital stock			Retained earnings				Other equity	
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Total equity
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	402,499	33	486,890	203,846	674	222,368	426,888	(489)	1,315,821
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	**$ 431,373**	**27,618**	**786,038**	**225,347**	**489**	**269,600**	**495,436**	**(734)**	**1,739,731**

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)

	2023	2022
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	14,625	24,527
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	189,901	(65,393)
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	(142,823)	740
Total changes in operating assets and liabilities	47,078	(64,653)
Total adjustments	61,703	(40,126)
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	356,191	183,878

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)

		2023	2022
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		833	(1,604)
Net cash flows used in investing activities		(53,172)	(287,144)
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		(65)	(54)
Net cash flows provided by (used in) financing activities		263,094	(478,099)
Net increase (decrease) in cash and cash equivalents		566,113	(581,365)
Cash and cash equivalents at beginning of year		316,224	897,589
Cash and cash equivalents at end of year	**$**	**882,337**	**316,224**

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

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"

(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)

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)

(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)

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)

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.

(Continued)

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.

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.

(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.

(Continued)

(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.

(Continued)

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)

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.

(Continued)

(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.

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.

(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	611,328	46,180
	$ 882,337	316,224

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.

(Continued)

(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	$ -	21,991
Financial assets at fair value through profit or loss－non-current:		
Redemption option of convertible bonds	$ 55	-

(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	-	(2,976)
	$ 601,146	659,251

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	-	100%	-
	$ 601,146		-

(Continued)

	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%	-
	$	662,227		2,976

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	$	-	2,976

(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
	$	592,021	647,333

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
	$	1,307,591	1,196,250

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)

(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	$ 13,588	12,498

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	$ 641,026	153,861	17,773	31,453	844,113
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	$ 641,026	143,253	12,861	29,204	826,344
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	$ 8,984	47,079	5,133	12,840	74,036
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	$ 8,984	38,360	4,033	13,551	64,928
Carrying amounts:					
Balance at December 31, 2023	$ 632,042	106,782	12,640	18,613	770,077
Balance at December 31, 2022	$ 632,042	104,893	8,828	15,653	761,416

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

(Continued)

(g) Right-of-use assets

	Buildings	Transportation equipment	Furniture and fixtures	Total
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	**$ 5,708**	**8,192**	**224**	**14,124**
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	**$ 5,490**	**6,799**	**544**	**12,833**
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	**$ 3,548**	**5,312**	**105**	**8,965**
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	**$ 1,126**	**3,935**	**249**	**5,310**
Carrying amount:				
Balance at December 31, 2023	**$ 2,160**	**2,880**	**119**	**5,159**
Balance at December 31, 2022	**$ 4,364**	**2,864**	**295**	**7,523**

(h) Short-term borrowings

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

(Continued)

(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	$	264,612	-
Derivative instrument－redemption option (included in financial assets at fair value through profit or loss)	$	55	-
Equity component – conversion options (included in capital surplus－stock option)	$	29,117	-

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)

(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	$ 3,923	4,421
Non-current	$ 1,266	3,126

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	$ 65	54
Expenses relating to short-term leases	$ 2,957	5,246

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

	2023	2022
Total cash outflows for leases	$ 8,405	9,328

(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)

(k) Provisions－warranty

	2023	2022
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	$ 104,029	147,125
Current	$ 69,388	81,056
Non-current	$ 34,641	66,069

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:

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

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

(Continued)

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	$ 326,696	272,274
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	57	-
Income tax expense	$ 64,933	57,267

(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	$ 2,511	295	20,806	23,612
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	$ 5,033	729	29,424	35,186

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	$ 409
Balance at January 1, 2022	$ 206
Recognized in profit or loss	(3)
Balance at December 31, 2022	$ 203

(Continued)

(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	17,697	17,697
	$ 786,038	486,890

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.

(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)

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		$ 21,501		26,065
Reversal of special reserve		$ 185		78
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
	$ 5.3	213,342	6.5	251,910

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
	$ 6.0	275,395

(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	$ (734)	(489)

(Continued)

(o) Earnings per share (“EPS”)

(i) Basic earnings per share

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

(ii) Diluted earnings per share

	2023	2022
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)	$ 268,489	220,210
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)	50,942	40,826
Diluted earnings per share (in dollars)	$ 5.27	5.39

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Major products/services lines:		
Sales of system integration projects	$ 1,835,817	1,654,238
Services	399,277	389,125
	$ 2,235,094	2,043,363

	2023	2022
Timing of revenue recognition:		
Recognized at a point in time	$ 2,173,742	1,995,095
Recognized over time	61,352	48,268
	$ 2,235,094	2,043,363

(Continued)

(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)
	$ 601,146	659,251	624,704

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities－current	$ 289,338	425,717	425,004

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 renumeration to its employees and no more than 1% to its directors (the renumeration 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	$ 8,799	1,995

(Continued)

(ii) Other income

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

(iii) Other gains and losses

	2023	2022
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
	$ 4,127	(8,190)

(iv) Finance costs

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

(s) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2023	December 31, 2022
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
	$ 1,626,824	1,087,748

(Continued)

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
	$ 833,238	**684,249**

(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)

	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)

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)

		Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
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		222	-	222	-	-
	$	**684,344**	**680,996**	**2,948**	**400**	**-**

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

(Continued)

	December 31, 2022				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 2,546	30.73	78,239	1%	782
Financial liabilities					
Monetary items					
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)

(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:

			Non-cash changes		
	January 1, 2023	Cash flows	Additions	Others	December 31, 2023
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

			Non-cash changes		
	January 1, 2022	Cash flows	Additions	Others	December 31, 2022
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)

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.

Name of related party	Relationship with the Company
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

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

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

(ii) Purchases

	2023	2022
Other related parties	$ 18,460	20,026

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

(Continued)

(iii) Receivables from related parties

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

(iv) Payables to related parties

Account	Related-party categories	December 31, 2023	December 31, 2022
Accounts payable	Other related parties	$ 6,681	135

(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

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

8. Pledged assets: None

9. Significant commitments and contingencies

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

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

(Continued)

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

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)

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)

(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	USD414	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:

Shareholding Major Shareholder's Name	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.

Chairman: Wen-Fang Huang