Integrated Service Technology Inc.

Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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To Integrated Service Technology Inc.:

Opinion

We have audited the financial statements of Integrated Service Technology Inc., which comprise the parent company only balance sheets as of dec. 31, 2022 and 2021 and the parent company only statements of comprehensive income, parent company only statements of changes in equity and parent company only statements of cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of material accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying parent company only financial statements present fairly, in all material respects, the financial conditions of Integrated Service Technology Inc. as of Dec. 31, 2022 and 2021 and the parent company only financial performance and parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Opinion

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Attestation of Parent Company Only Financial Statements by Certified Public Accountants and the Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section below. We are independent of Integrated Service Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant and have fulfilled our other responsibilities in accordance with the Norm. Based on our audit results and the audit reports certified by other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of Integrated Service Technology Inc. for the year ended Dec. 31, 2022. These matters were addressed in the context of our audit of the 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 with respect to the parent company only financial statements of Integrated Service Technology Inc. for the year ended Dec. 31, 2022 are stated as follows:

Recognition of Revenue

The operating revenue of Integrated Service Technology for 2022 was NTD 3,213,134 thousand, mainly generated from service incomes for providing customers with product verification and analysis service. Please refer to Notes 4 and 22 to the parent company only financial statements for the details on accounting policies and information relevant to revenue recognition.

Revenue recognition is a risk assumed in the Statement on Auditing Standards. Customers of Integrated Service Technology Inc. are numerous and are in different industrial fields domestically and overseas. Thus for the specific customers with respect to which the revenue growth rate of the year exceeds that of IST with such customers, the authenticity of revenue is listed as a key audit matter for this year.

Our key audit procedure performed in respect of the aforementioned key audit matter comprises the following:

1. We understood the internal controls for the procedure of operating revenue recognition, tested and assessed the effectiveness of the internal controls.
2. We verified the authenticity of the customers, analyzed changes in each of the customers for the latest two years, and reviewed reasonableness of receivables turnover ratio.
3. We took adequate transactions from the whole year's operating revenue account as samples to review corresponding sales vouchers, documents signed by the customers for receipt of products, and record of receiving payments in order to confirm the authenticity and accuracy of recognized revenue.
4. We reviewed after the balance sheet date whether any material return and allowance for revenue was attributed to an event taking place in 2022 in order to confirm whether misstatements existed for the annual operating revenue of 2022.

Evaluation on Impairment of Accounts Receivable

The total amount of accounts receivable by Integrated Service Technology Inc. as of Dec. 31, 2022 was NTD 1,251,791 thousand. For accounting policies and information regarding accounts receivable, please refer to Notes 4 and 8 to the parent company only financial statements.

The management used historical payment collection experience and the credit risk assumption for customers to evaluate impairment of accounts receivable. As such evaluation could involve the management's judgment, the evaluation on impairment of accounts receivable was therefore a key audit matter for this year.

Our key audit procedure performed in respect of the aforementioned key audit matter comprises the following:

1. We tested for accuracy of age distribution for accounts receivable and evaluated reasonableness of bad debt losses allocated by the management for accounts receivable.
2. We reviewed subsequent receipts of the accounts receivable due and unpaid as of the balance sheet date and verified whether the impairment of accounts receivable was reasonable.

Other Matters

As stated in Note 10 to the parent company only financial statements, some investments accounted for using the equity method in the parent company only financial statements of Integrated Service Technology Inc. were audited by other auditors. Thus in our opinion expressed in the aforementioned financial statements, the investments in the aforementioned investee companies accounted for using the equity method and the share of profits and losses accounted for using the equity method were recognized based on the audit reports of other auditors. As of Dec. 31, 2022 and 2021, the aforementioned investments accounted for using the equity method were NTD 631,647 thousand and NTD 573,816 thousand, respectively, which accounted for 9% of the total assets. For the years ended Dec. 31, 2022 and 2021, the comprehensive incomes of the aforementioned associates accounted for using the equity method were NTD 57,831 thousand and NTD 24,937 thousand respectively, which accounted for 14% of the total comprehensive incomes.

Responsibilities of the Management and the Units Charged with Governance for the parent company only financial Statements

The 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 controls as the management determines are 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, the management is also responsible for assessing the ability of Integrated Service Technology Inc. to continue as a going concern, disclosing relevant matters and using the going concern basis of accounting unless the management intends to liquidate Integrated Service Technology Inc. or to cease operations, or has no realistic alternative but to do so.

The units charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of Integrated Service Technology Inc.

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 audit report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards always detects any existing material misstatement in the parent company only financial statements. 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.

In conducting the audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism. 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 sufficient and appropriate audit evidence 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 controls 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 the internal controls of Integrated Service Technology Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude, based on the audit evidence obtained, on the appropriateness of the management's use of the going concern basis of accounting, and whether a material uncertainty exists in respect of any event or situation that may cast significant doubt on the ability of Integrated Service Technology Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the relevant 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 audit report. However, future events or situations may cause Integrated Service Technology 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 Notes) and whether the parent company only financial statements represent the underlying transactions and events fairly.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of Integrated Service Technology Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit, and also responsible for issuing our opinion based on our audit.

We communicate with the units 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 the audit).

We also provide the units charged with governance with a declaration that we have complied with applicable ethical requirements regarding independence, and communicate with them about all relationships and other matters that may reasonably be considered to impair our independence (and relevant preventive measures).

From the matters communicated with the units charged with governance, we determine the key audit matters in the audit of the parent company only financial statements of Integrated Service Technology Inc. for the year ended Dec. 31, 2022. We describe these matters in our audit report unless any law or regulation precludes public disclosure of any of these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in the audit report because the adverse consequences of such communication are reasonably expected to outweigh any public interest to be promoted.

Deloitte & Touche

Huang Yu-Feng, CPA　　　　　　Tsai Mei-Chen, CPA

Mar. 14, 2023

Integrated Service Technology Inc.

Parent Company Only Balance Sheets

Dec. 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Assets	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 426,082	6	$ 361,968	5
Current financial assets at fair value through profit or loss (Notes 4 and 7)	523	-	-	-
Notes and accounts receivable, net (Notes 4, 5 and 8)	1,239,357	18	1,105,708	16
Finance lease receivables (Notes 4, 9 and 27)	4,358	-	3,980	-
Accounts receivable due from related parties, net (Note 27)	20,575	-	29,041	1
Other receivables due from related parties (Note 27)	34,131	-	29,071	1
Prepayments and other current assets (Notes 14 and 27)	112,104	2	56,909	1
Other current financial assets (Note 28)	5,197	-	4,223	-
Total current assets	1,842,327	26	1,590,900	24
Non-current assets				
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)	27,282	1	21,945	-
Investments accounted for using equity method (Notes 4, 10 and 31)	1,430,493	20	1,425,485	21
Property, plant and equipment (Notes 4, 11, 27 and 28)	3,459,359	49	3,346,025	50
Right-of-use assets (Notes 4 and 12)	258,827	4	294,590	4
Other intangible assets (Notes 4, 13 and 27)	8,009	-	7,471	-
Deferred tax assets (Notes 4 and 22)	-	-	169	-
Prepayments for business facilities	56	-	25,114	1
Guarantee deposits paid	12,643	-	10,475	-
Net defined benefit assets, Non-current (Notes 4 and 18)	21,460	-	15,971	-
Total non-current assets	5,218,129	74	5,147,245	76
Total assets	$7,060,456	100	$6,738,145	100

Liabilities and Equity	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
Current liabilities				
Current borrowings (Notes 4 and 15)	$ 565,709	8	$ 567,533	8
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	10	-
Current contract liabilities (Notes 4 and 20)	117,335	2	71,663	1
Accounts payable	242,206	3	184,067	3
Accounts payable to related parties (Note 27)	732	-	6,051	-
Payable on machinery and equipment (Note 27)	167,984	2	151,334	2
Dividends payable, non-cash assets distributions (Note 19)	74,775	1	35,430	1
Current tax liabilities (Notes 4 and 22)	54,690	1	70,995	1
Current lease liabilities (Notes 4 and 12)	45,709	1	48,807	1
Long-term borrowings, current portion (Notes 4, 16 and 28)	128,000	2	88,000	1
Other current liabilities, others (Notes 4, 17 and 27)	447,079	6	320,523	5
Total current liabilities	1,844,219	26	1,544,413	23
Non-current liabilities				
Non-current portion of non-current borrowings (Notes 4, 16 and 28)	1,675,400	24	1,722,800	25
Deferred tax liabilities (Notes 4 and 22)	620	-	-	-
Non-current lease liabilities (Notes 4 and 12)	228,755	3	259,215	4
Guarantee deposits received (Note 27)	13,232	-	9,643	-
Total non-current liabilities	1,918,007	27	1,991,658	29
Total liabilities	3,762,226	53	3,536,071	52
Equity (Notes 4 and 19)				
Ordinary share	747,751	11	797,751	12
Capital surplus	2,143,012	30	2,266,955	34
Retained earnings				
Legal reserve	160,486	2	175,585	3
Special reserve	74,898	1	98,491	1
Unappropriated earnings (Accumulated deficit)	254,536	4	(41,547)	(1)
Other equity	(82,453)	(1)	(95,161)	(1)
Total equity	3,298,230	47	3,202,074	48
Total liabilities and equity	$7,060,456	100	$6,738,145	100

The accompanying notes constitute part of the parent company only financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 14, 2023.)

Integrated Service Technology Inc.

Parent Company Only Statements of Comprehensive Income

For the years ended Dec. 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, except for EPS in New Taiwan Dollar

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Notes 4, 20 and 27)	$ 3,213,134	100	$ 2,755,003	100
Operating cost (Notes 21 and 27)	2,228,240	69	1,892,591	69
Gross profit from operations	984,894	31	862,412	31
Operating expenses (Notes 21 and 27)				
Selling expenses	72,663	2	72,299	3
Administrative expenses	349,605	11	299,667	11
Research and development expenses	106,308	4	96,038	3
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	2,072	-	(1,327)	-
Total operating expenses	530,648	17	466,677	17
Net operating income	454,246	14	395,735	14
Non-operating income and expenses				
Interest income (Notes 21and 27)	647	-	333	-
Other income (Notes 21 and 27)	58,463	2	78,323	3
Other gains and losses, net (Notes 4 and 21)	21,536	-	(16,968)	(1)
Financial cost, net (Notes 4, 21 and 27)	(41,206)	(1)	(31,241)	(1)
Share of loss of subsidiaries and associates for using equity method, net (Notes 4 and 10)	(6,939)	-	(161,633)	(6)
Total non-operating income and expenses	32,501	1	(131,186)	(5)
Profit from continuing operations before tax	486,747	15	264,549	9
Income tax expense (Notes 4 and 22)	81,601	2	84,841	3
Profit	405,146	13	179,708	6

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	2022		2021	
	Amount	%	Amount	%
Other comprehensive incomes				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains on remeasurements of defined benefit plans (Notes 4 and 18)	$ 5,377	-	$ 2,266	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Notes 4 and 19)	-	-	(5,559)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 1n3 19)	155	-	22	-
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation (Notes 4 and 19)	10,777	-	(3,573)	-
Share of other comprehensive gain of subsidiaries and associates for using equity method (Notes 4 and 19)	1,931	-	705	-
Total other comprehensive income (Net after tax)	18,240	-	(6,139)	-
Total comprehensive income	$ 423,386	13	$ 173,569	6
Basic earnings per share (Note 23)				
Basic earnings per share	$ 5.33		$ 2.02	
Diluted earnings per share	$ 5.30		$ 2.01	

The accompanying notes constitute part of the parent company only financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 14, 2023.)

Integrated Service Technology Inc.

Parent Company Only Statements of Changes in Equity

For the years ended Dec. 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	Common shares			Retained earnings			Other equity			
	Number of shares (in thousands of shares)	Amount	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (Accumulated deficit)	Gain or loss on financial asset valuation at fair value through other comprehensive income	Exchange differences on translation of financial statements of foreign operations	Treasury shares	Total equity
Equity at beginning of period Jan. 1, 2021	93,575	$ 935,751	$ 2,630,865	$ 163,770	$ 99,815	$ 169,523	$ 499	($ 92,644)	$ -	$ 3,907,579
Appropriation and distribution of earnings										
Legal reserve appropriated	-	-	-	11,815	-	(11,815)	-	-	-	-
Special reserve allocated	-	-	-	-	(1,324)	1,324	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(185,150)	-	-	-	(185,150)
Share-based payments	-	-	9,999	-	-	-	-	-	-	9,999
Changes in equity of subsidiaries and associates for using equity method	-	-	-	-	-	-	-	351	-	351
Profit for 2021	-	-	-	-	-	179,708	-	-	-	179,708
Other comprehensive income for 2021	-	-	-	-	-	2,288	(5,559)	(2,868)	-	(6,139)
Total comprehensive income for 2021	-	-	-	-	-	181,996	(5,559)	(2,868)	-	173,569
Purchase of treasury shares	-	-	-	-	-	-	-	-	(730,808)	(730,808)
Retirement of treasury share	(13,800)	(138,000)	(400,443)	-	-	(192,365)	-	-	730,808	-
Changes in ownership interests in subsidiaries	-	-	26,534	-	-	-	-	-	-	26,534
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(5,060)	5,060	-	-	-
Equity at end of period	79,775	797,751	2,266,955	175,585	98,491	(41,547)	-	(95,161)	-	3,202,074
Appropriation and distribution of earnings										
Legal reserve appropriated	-	-	-	23,118	-	(23,118)	-	-	-	-
Legal reserve used to offset accumulated deficits	-	-	-	(38,217)	-	38,217	-	-	-	-
Reversal of special reserve	-	-	-	-	(23,593)	23,593	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(74,775)	-	-	-	(74,775)
Share-based payments	-	-	14,776	-	-	-	-	-	-	14,776
Profit for 2022	-	-	-	-	-	405,146	-	-	-	405,146
Other comprehensive income for 2022	-	-	-	-	-	5,532	-	12,708	-	18,240
Total comprehensive income for 2022	-	-	-	-	-	410,678	-	12,708	-	423,386
Purchase of treasury shares	-	-	-	-	-	-	-	-	(267,945)	(267,945)
Retirement of treasury share	(5,000)	(50,000)	(139,433)	-	-	(78,512)	-	-	267,945	-
Changes in ownership interests in subsidiaries	-	-	714	-	-	-	-	-	-	714
Equity at end of period	74,775	$ 747,751	$ 2,143,012	$ 160,486	$ 74,898	$ 254,536	$ -	($ 82,453)	$ -	$ 3,298,230

The accompanying notes constitute part of the parent company only financial statements.

(Please see the audit report made by Deloitte & Touche on Mar. 14, 2023.)

Integrated Service Technology Inc.
Parent Company Only Statements of Cash Flows
For the years ended Dec. 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	2022	2021
Cash flows from operating activities		
Profit before tax	$ 486,747	$ 264,549
Adjustments to reconcile profit (loss):		
Depreciation expense	682,036	658,125
Amortization expense	7,258	5,518
Expected credit loss (gain)	2,072	(1,327)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(6,886)	1,741
Interest expense	41,206	31,241
Interest income	(647)	(333)
Share-based payments	14,776	9,999
Share of loss of subsidiaries and associates for using equity method	6,939	161,633
Gain on disposal of property, plan and equipment	(15,140)	(2,317)
Gain on disposal of investments accounted for using equity method	-	(12,880)
Unrealized foreign exchange loss (gain)	3,101	(844)
Other adjustments to reconcile profit (loss)	(290)	(170)
Changes in operating assets and liabilities		
Contract assets	-	1,150
Notes and accounts receivable	(137,302)	(105,623)
Accounts receivable due from related parties	8,345	(3,266)
Other receivable due from related parties	(5,060)	42,466
Prepayments and other current assets	(55,195)	8,430
Other operating assets	(112)	(55)
Contract liabilities	45,672	(12,983)
Notes and accounts payable	58,083	(9,772)
Accounts payable to related parties	(5,319)	(2,850)
Adjustments for other current liabilities	125,577	(297,006)
Cash generated from operations	1,255,861	735,426
Interest paid	(40,181)	(31,044)
Income taxes paid	(97,117)	(41,629)
Net cash generated from operating activities	1,118,563	662,753

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	2022	2021
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	$ 1,016	$ 601
Acquisition of investments accounted for using equity method	(5,000)	(90,070)
Proceeds from disposal of investments accounted for using equity method	-	33,898
Acquisition of property, plant and equipment	(712,502)	(497,960)
Proceeds from disposal of property, plant and equipment	21,784	383,526
Decrease in refundable deposits	(2,168)	(1,355)
Acquisition of intangible assets	(7,796)	(6,231)
Proceeds from disposal of other intangible assets	-	3,282
Decrease in long-term lease and installment receivables	4,340	4,230
Increase in other financial assets	(974)	270
Interest received	647	333
Dividends received	6,630	3,050
Net cash used in investing activities	(694,023)	(166,426)
Cash flows from financing activities		
Increase in short-term loans	(2,296)	246,571
Proceeds from long-term debt	610,000	1,426,000
Repayment of long-term debt	(617,400)	(1,174,400)
Increase in guarantee deposits received	3,589	-
Repayment of principal portion of lease liabilities	(53,969)	(49,120)
Cash dividends paid	(35,430)	(383,658)
Purchase of treasury stock	(267,945)	(730,808)
Net cash used in financing activities	(363,451)	(665,415)
Effect of exchange rate changes on cash and cash equivalents	3,025	(583)
Net increase (decrease) in cash and cash equivalents	64,114	(169,671)
Cash and cash equivalents at beginning of period	361,968	531,639
Cash and cash equivalents at end of period	$ 426,082	$ 361,968

The accompanying notes constitute part of the parent company only financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 14, 2023.)

Integrated Service Technology Inc.

Notes to parent company only financial Statements

For the years ended Dec. 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

Integrated Service Technology Inc. (hereinafter referred to as IST) was incorporated in September 1994 after the approval of Ministry of Economic Affairs. Its main business activities include the R&D and manufacturing of integrated circuits, analysis, burn-in, testing, the import and export of semiconductor parts and relevant equipment, electronic parts, computer and computer components, and dealing with distribution, quotation and bidding activities concerning the aforementioned products as an agent on behalf of domestic and overseas companies.

Stocks of IST have been traded at Taipei Exchange since Dec. 28, 2004.

The New Taiwan Dollar, the functional currency adopted by IST, is used to express amounts indicated in the parent company only financial statements.

II. Date and Procedure of Adoption of Financial Statements

The parent company only financial statements were approved by the board of directors on Mar. 14, 2023.

III. Applicability of New and Amended Standards and Interpretations

(I) We initially apply International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (hereinafter referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the FSC).

Application of the IFRSs, which are recognized and published by the FSC, does not cause any significant change in accounting policies of IST.

(II) IFRSs Recognized by the FSC and Applied by IST for 2023

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 1 Disclosure of Accounting Policies	Jan. 1, 2023 (Note 1)
Amendments to IAS 8 Definition of Accounting Estimates	Jan. 1, 2023 (Note 2)
Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023 (Note 3)

Note 1 The amendments are applicable to any annual reporting period after Jan. 1, 2023.

Note 2 The amendments are applicable to changes in accounting estimates and in accounting policies to be made in any annual reporting period after Jan. 1, 2023.。

Note 3 The amendments are applicable to all transactions made after Jan. 1, 2022 except for the deferred income tax recognized based on the temporary differences of lease and decommissioning obligations on Jan. 1, 2022.

As of the date of publication of the parent company only financial statements, IST believes, after evaluation, the amendments to other standards and interpretations do not have a material impact on financial results.

(III) IFRSs Published by IASB already but Not Recognized or Published by FSC Yet:

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not decided yet
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
IFRS 17 Insurance Contracts	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	Jan. 1, 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	Jan. 1, 2024

Note 1 Except otherwise as indicated, the standards newly published/amended/revised or interpretations shall come into effect from the annual reporting period after the indicated date.

Note 2 The seller that is also a lessee shall adopt the amendments to IFRS 16 retroactively for the sale and leaseback transactions made after initially implementing IFRS 16.

As of the date of publication of the parent company only financial statements, IST still continued evaluating the impact of the amendments to other standards and interpretations on financial results. Relevant impacts will be disclosed after the evaluation is completed.

IV. Explanations of Material Accounting Policies

(I) Declaration of Compliance

The parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Preparation Basis

The parent company only financial statements are prepared on the basis of historical cost, except for the financial instruments at fair value, and the net defined benefit liability recognized based on the current value of defined benefit obligations less the fair value of plan assets.

Fair value measurement is classified from level 1 to level 3 based on observable level and importance of relevant inputs.

A. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).

B. Level 2 Inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.

C. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

In preparing its parent company only financial statements, IST uses the equity method to deal with investments in subsidiaries and associates. To ensure that the profit/loss of the current year, other comprehensive incomes and equity specified in the parent company only financial statements are the same as the profit/loss of the current year, other comprehensive incomes and equity attributed to owners of IST in the group's consolidated financial statements, IST adjusts the "investments accounted for using the equity method," "share of profit or loss of subsidiaries and associates accounted for using the equity method," "share of other comprehensive incomes of subsidiaries and associates accounted for using the equity method" and relevant equity items to respond to accounting treatment differences in preparation of the parent company only financial statements and consolidated financial statements.

(III) Standards of Distinguishing Current Assets and Liabilities from Non-current Assets and Liabilities

Current assets include:

A. Assets held primarily for sale;

B. Assets expected to be realized within 12 months after the balance sheet date; and

C. Cash and cash equivalents (not including the same that would be used to exchange or pay off liabilities 12 months after the balance sheet date and be therefore restricted).

Current liabilities include:

A. Liabilities held primarily for sale;

B. Liabilities due and repaid within 12 months after the balance sheet date, and

C. Liabilities for which the repayment period cannot be unconditionally postponed to at least 12 months after the balance sheet date.

The assets and liabilities which are not listed as current assets and current liabilities above are classified as non-current assets and non-current liabilities.

(IV) Foreign Currency

For the transactions completed by IST using a (foreign) currency rather than its functional currency, IST converts the foreign currency to the functional currency at the exchange rate prevailing on the date of transaction in preparing the parent company only financial report.

Foreign monetary items are converted at the closing rate on the balance sheet date. Exchange differences generated from the transfer or conversion of monetary items are recognized in profits or losses for the current year when the differences occur.

Foreign currency non-monetary items measured at fair value are converted at the exchange rate on the date when fair value is determined. Exchange differences generated are listed as current profits or losses. However, in case of changes in fair value that are recognized in other comprehensive incomes or losses, the exchange differences generated are listed as other comprehensive incomes or losses.

Foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction and will not be re-converted.

If IST disposes all equity of a subsidiary operating overseas, or disposes part of the equity of a subsidiary operating overseas but loses its control over the subsidiary, then the accumulate exchange differences that are attributable to the owners of IST and relevant to the entities operating overseas will be reclassified to profits/looses.

(V) Investments in Subsidiaries

IST uses the equity method to treat its investments in subsidiaries.

A subsidiary means an entity controlled by IST.

With the equity method, investments are originally recognized at cost. After the date of acquisition, the book amount increases or decreases correlatively subject to the share of the profits, losses, other comprehensive incomes and profit distribution enjoyed by IST from subsidiaries. Besides, changes in other equity of subsidiaries to be enjoyed by IST are recognized proportionally based on the ratio of shareholding.

When changes in IST's ownership interests in a subsidiary do not cause IST to lose its control over the subsidiary, the changes are treated as equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received is recognized directly as equity.

When IST's share of loss in a subsidiary equals or exceeds its interests in the subsidiary (including the book amount of investments in the subsidiary accounted for using the equity method, and other long-term interests substantially comprising IST's net investments in the subsidiary), IST shall recognize loss based on the ratio of shareholding.

Acquisition cost exceeding IST's share of the identifiable assets and liabilities of subsidiaries in fair value on the date of acquisition is recognized as goodwill. The goodwill is included in the book amount of the investments and shall not be amortized. When the share of the identifiable assets and liabilities of subsidiaries in fair value enjoyed by IST on the acquisition date exceeds the amount of the acquisition cost, such excess is recognized as profit for the current year.

In evaluating impairment, IST uses the financial statements as a whole to consider cash-generating units (CGUs) and compares the recoverable amount with the book amount. If the recoverable amount of the asset increases afterward, the reversal of impairment loss is recognized as profit. However, the book amount of the asset after the impairment loss is reversed shall not exceed the book amount of the asset from which the amortization to be allocated is subtracted before the impairment loss is recognized for the asset. Impairment loss attributed to goodwill shall not be reversed in a subsequent period.

When IST loses its control over a subsidiary, IST measures its remaining investment in the former subsidiary at the fair value effective on the date when IST loses its control over the subsidiary. The difference between the fair value of the remaining investment and any disposal proceeds and the book amount of the investment on the date when IST loses its control over the former subsidiary is listed in profits or losses for the current year. In addition, the accounting treatment of all amounts relevant to such subsidiary to be recognized in other comprehensive incomes is the same as the accounting base complied with by IST to directly dispose relevant assets or liabilities.

Unrealized profits or losses from downstream transactions between IST and a subsidiary are eliminated from the parent company only financial statements. Profits or losses generated from upstream, downstream and sidestream transactions between IST and a subsidiary are recognized in the parent company only financial statements only to the extent that the equity of the subsidiary owned by IST is not relevant.

(VI) Investments in Associates

An associate refers to an enterprise on which IST has a significant influence and that is not a subsidiary or joint venture of IST.

Investments made by IST in associates are measured by using the equity method.

With the equity method, investments in associates are originally recognized at cost. After the date of acquisition, the book amount increases or decreases correlatively subject to the share of the profits, losses, other comprehensive incomes and profit distribution enjoyed by IST from associates. Besides, changes in equity of associates are recognized proportionally based on the ratio of shareholding.

Acquisition cost exceeding IST's share of the identifiable assets and liabilities of associates in fair value on the date of acquisition is recognized as goodwill. The goodwill is included in the book amount of the investments and shall not be amortized.

If IST fails, when an associate issues new shares, to subscribe for shares proportionally at the rate of its shareholding so that the rate of its shareholding changes and the net equity of the investment increases or decreases accordingly, then capital reserve is adjusted by such increase or decrease – changes in net equity of associates accounted for using the equity method, and investments accounted for using the equity method. If IST fails to subscribe for or acquire shares at the rate of its shareholding so that its ownership interests in the associate decrease, then when all amounts relevant to such associate recognized in other comprehensive incomes are reclassified by their respective percentages of decrease, the accounting treatment of the reclassification is the same as the accounting base complied with by IST to directly dispose relevant assets or liabilities. If the aforementioned adjustment is debited to capital reserve and the balance of capital reserve generated from the investments accounted for using the equity method is not sufficient, then the difference id debited to retained earnings.

When IST's share of loss in an associate equals or exceeds its interests in the associate (including the book amount of investments in the associate accounted for using the equity method, and other long-term interests substantially comprising IST's net investments in the associate), no loss shall be further recognized. IST recognizes additional losses and liabilities only to the extent of legal obligations or constructive obligations incurred or payments made on behalf of the associate.

In evaluating impairment, IST regards the entire book amount of investments (including goodwill) as single assets and compares the recoverable amount with the book amount to perform the impairment test. The impairment loss recognized is not amortized to any assets (including goodwill) that constitute part of the book amount of investments. Any reversal of impairment loss is recognized to the extent of the subsequent increase in the recoverable amount of the investments.

IST stops using the equity method when it does not invest in the associate anymore. Its retained interests in the associate are measured at faire value. The difference between the faire value and disposal proceeds and the book amount of investments as of the date when it stops using the equity method is listed in current profits or losses.

Profits or losses generated from upstream, downstream and sidestream transactions between IST and an associate are recognized in the consolidated parent company only financial statements only to the extent that the equity of the associate owned by IST is not relevant.

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and measured subsequently based on the amount of cost less both accumulated depreciation and accumulated impairment loss.

No depreciation is allocated for self-owned land. Each important portion of other property, plant and equipment is depreciated within service life by using the straight line method. IST reviews the estimated service life, residual value and depreciation method at least at the end of every year and put off the impact on applicable changes in accounting estimates.

Upon derecognition of property, plant and equipment, the difference between the net proceeds on disposal and the book amount of the assets is recognized in profits or losses.

(VIII) Intangible Assets

A. Individual Acquisition

Intangible assets with limited service life acquired individually are originally measured at cost and measured subsequently based on the amount of cost less accumulated amortization. Intangible assets are amortized within service life by using the straight line method. Estimated service life, residual value and amortization method are reviewed at least at the end of every year and the impact on applicable changes in accounting estimates shall be put off.

B. Derecongition

Upon derecongition of intangible assets, the difference between the net disposal proceeds and the book amount of such assets is recognized in current profits or losses.

(IX) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

IST evaluates on every balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets or intangible assets may be impaired. In case of any sign of impairment, a recoverable amount is estimated for the assets. If a recoverable amount cannot be estimated for any individual asset, IST will estimate the recoverable amount of CGUs of the concerned asset.

The recoverable amount is the higher of fair value less costs to sell and use value. If the recoverable amount of individual assets or CGUs is less than the book amount thereof, then the book amount of the assets or CGUs will be reduced to the recoverable amount, and the impairment loss will be recognized in profits/losses.

Upon subsequent reverse of impairment loss, the book amount of the assets or CGUs is increased to the revised recoverable amount. However, the increased book amount shall not exceed the book value (less amortization or depreciation) determined if the impairment loss of the assets or CGUs was not recognized in the previous year. Reverse of impairment loss is recognized in profits/losses.

(X) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when IST becomes a party to the contract concerning the instruments.

If financial assets or financial liabilities are not measured at fair value through profit or loss (“FVTPL”), the financial assets or financial liabilities, upon original recognition, are measured at fair value plus transaction cost attributable directly to the obtained or issued financial assets or financial liabilities. Transaction cost attributable directly to the obtained or issued financial assets or financial liabilities at FVTPL is recognized as profits/losses immediately.

A. Financial Assets

Routine transactions of financial assets are recognized and derecognized on transaction date.

1. Type of Measurement

Financial assets held by IST are financial assets at FVTPL, and financial assets measured at amortized cost.

(1) Financial Assets at FVTPL

Financial assets at FVTPL include the financial assets that are enforced or designated to be measured at FVTPL. The financial assets enforced to be measured at FVTPL include the investments in equity instruments not designated to be measured at FVTPL.

Financial assets at FVTPL are measured at fair value while the dividends, interest and remeasured profits or losses thereof are recognized in other profits/losses. For the method used to determine fair value, please refer to Note 26.

(2) Financial Assets at Amortized Cost

Financial assets invested by IST are classified as the financial assets measured at amortized cost if both of the following conditions are satisfied simultaneously:

(A) The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and

(B) Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

After being recognized originally, the financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at mortised cost (including accounts receivable from related parties), other receivables (including receivables from related parties), limited bank deposits and refundable deposits) are measured at the amortized cost of the total book amount less any impairment loss determined by the effective interest method. Foreign exchange gains or losses are recognized in profits or losses.

Interest income is computed at the effective interest rate multiplied by the total book amount of financial assets.

Cash equivalents include the time deposits that are highly liquid and may be transferred to a fixed amount of cash any time with minimal risk of changes in value to fulfill short-term cash commitments.

2. Impairment of Financial Assets and Contract Assets

IST evaluates impairment loss of financial assets at amortized cost (including accounts receivable), finance leases receivable and contract assets based on the expected credit loss every balance sheet date.

Loss allowances for accounts receivable, finance leases receivable and contract assets are recognized based on the expected credit loss for the duration of accounts receivable, finance leases receivable and contract assets. As for other financial assets, IST determines whether credit risks increases significantly after the original recognition of such other financial assets. If the risk does not increase significantly, then loss allowances for other financial assets are recognized based on the expected credit loss for 12 months. If the risk increases significantly, loss allowances are recognized based on the expected credit loss for the duration of such other financial assets.

The expected credit loss refers to the weighted average credit loss computed by weighting the risk of a breach of contract. The expected credit loss for 12 months means the expected credit loss incurred due to violation of a financial instrument within 12 months after the date of reporting. The expected credit loss for the duration means the expected credit loss incurred due to all violations of a financial instrument for the duration of the financial instrument.

For all financial assets, impairment loss is reflected by reducing the book amount of the financial assets through the allowance account.

3. Derecognition of Financial Assets

IST derecognizes financial assets only when their rights to cash flows from financial assets under a contract expire or when financial assets have been transferred and almost all risks of ownership of the assets and payments of the assets have been transferred to other enterprises.

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in profits or losses. Upon derecognition of the entire investments in equity instruments measured at FVTOCI, the accumulated profits or losses of the investments in equity instruments are transferred to retained earnings directly instead of being reclassified as profits or losses.

B. Equity Instruments

The debt and equity instruments issued by IST are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

The equity instruments issued by IST are recognized based on the obtained consideration less the cost of direct issuance.

The equity instruments of IST taken back are recognized as and subtracted from equity. The book amount thereof is calculated based on weighted average subject to types of stocks. No purchase, sale, issuance or annulment of equity instruments of IST shall be recognized as profit or loss.

C. Financial Liabilities

1. Subsequent Measurement

All financial liabilities, except financial liabilities at FVTPL, are measured at amortized cost by using the effective interest method.

Financial liabilities at FVTPL are held for trading. Financial liabilities held for trading are measured at fair value. Gains or losses generated by remeasurement are recognized in other gains or losses. For the method used to determine fair value, please refer to Note 26.

2. Derecognition of Financial Liabilities

With respect to derecognition of financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

D. Derivatives

The derivatives contracted for by IST are forward exchange agreements, which are used to manage exchange rate risk of IST.

Derivatives are recognized at fair value originally upon execution of the contract of derivatives, and are remeasured at fair value subsequently on the balance sheet date. The gain or loss generated by the subsequent measurement is recognized directly as profit or loss. Derivatives are listed as financial assets if the fair value thereof is a positive value, and listed as financial liabilities if the fair value is a negative value.

(XI) Revenue Recognition

After identifying its obligations under a contract made with a customer, IST amortizes the transaction price to each obligation and recognizes revenue upon fulfillment of each obligation.

For a contract based on which merchandise or service is delivered within one year after or before receipt of consideration, the transaction price is not adjusted for the important compositions thereof.

Service income derives from the R&D, manufacturing, analysis, burn-in and testing of integrated circuits.

IST provides service for a customer and the customer obtains and consumes performance effect simultaneously. The related revenue is recognized upon provision of service. The contract stipulated that the customer should pay after receiving products, so IST recognized contract assets upon provision of service and listed them as accounts receivable upon actual shipping of products.

Customers were given gift vouchers upon sale of service under the customer loyalty program for their purchases to be made in the further. As the gift vouchers provided important rights, the transaction prices to which the gift vouchers were amortized were recognized as contract liabilities upon receipt of the gift vouchers and listed as revenue upon redemption or expiration of the gift vouchers.

(XII) Lease

Upon establishment of a contract, IST evaluates whether the contract is (or includes) a lease.

A. IST is a lessor.

If almost all of the risks pertaining to the ownership of the assets and the compensation are required to be transferred to the lessee in accordance with the terms of the lease, then the lease is classified as a financed lease. All other leases are classified as operating leases.

When subleasing right-of-use assets, IST determines the classification of the sublease (instead of the subject assets). However, if the master lease is applicable to the short-term leases for which IST recognizes exemptions, then the sublease is classified as an operating lease.

Lease payments under a finance lease include fixed payments. Net investment in the lease is measured at the current value of lease payments receivable and is expressed as finance leases receivable. Finance incomes are amortized to relevant accounting periods to reflect the fixed rate of return obtained for each accounting period based on the net of unexpired lease investments of IST.

Lease payments under the operating lease are recognized as incomes for the lease period on a straight-line basis.

B. IST is a lessee.

For other leases, right-of-use assets and lease liabilities are recognized on the date of lease commencement, except for leases of low-value assets for which exemptions can be recognized and short-term leases, in which case, lease payments are recognize as expenses for the lease period on a straight-line basis.

Right-of-use assets are originally measured at cost (including the amount of originally measured lease liabilities). They are subsequently measured based on the cost less accumulated depreciation and accumulated impairment loss, and the remeasured amount of lease liabilities is adjusted accordingly. Right-of-use assets are expressed separately in the parent company only balance sheets.

Right-of-use assets are depreciated on a straight-line basis between the date of lease commencement and the expiration of the service life or expiration of the lease period, whichever comes first.

Lease liabilities are originally measured based on the current value of lease payments (including periodical payments). If a lease implies an interest rate that can be determined easily, then lease payments are discounted at the interest rate. If the interest rate cannot be determined easily, then the lessee's incremental borrowing rate of interest is used.

After that, lease liabilities are measured at amortized cost by using the effective interest method, and interest expenses are amortized for the leasing. If the index or rate determined for lease payments changes during the lease period, then IST remeasures lease liabilities and adjusts right-of-use assets accordingly. However, if the book amount of right-of-use assets has been reduced to zero, then the rest of the remeasured amount is recognized in profits or losses. Lease liabilities are expressed separately in the parent company only balance sheets.

(XIII) Borrowing Cost

The borrowing cost directly attributable to the acquisition, construction or production of the assets that meet requirements is part of the cost of the assets until almost all activities necessary for the assets to be used or sold as expected have been completed.

If specific borrowings are used for temporary investments prior to occurrence of the capital expenditure that meets requirements, then any and all investment incomes earned accordingly are subtracted from the borrowing costs satisfying the condition of capitalization.

Except otherwise as stated above, all other borrowing costs are recognized as losses for the year when the costs occur.

(XIV) Government Subsidy

A government subsidy is recognized only when IST is reasonably believed to comply with the conditions attached to the government subsidy and will receive the subsidy.

Income-related government subsidies are recognized as other incomes on a systemic basis for the year in which IST recognizes as expenses the costs to be covered by the subsidies.

(XV) Employee Benefits

A. Short-term Employee Benefits

Liabilities relevant to short-term employee benefits are measured based on non-discounted amounts expected to pay to exchange for employees' service.

B. Post-employment Benefits

As for retirement pensions under the defined contribution plan, the pension amounts allocated for the period when employees provide service are recognized as expenses.

Defined costs (including service costs, net interest and remeasurements) of the defined benefit plan are calculated by using the projected unit credit method. Current service costs and net interest on defined benefit assets are recognized as employee benefit expenses upon their occurrence. Remeasurements (including actuarial gains and losses, and return on plan asset less interest) are recognized in retained earnings upon their occurrence, and will not be reclassified to profits or losses.

Net defined benefit assets are allocated surplus of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the refund of contributions from the plan or the reduction in future contributions.

(XVI) Share-based Payment Arrangement

Employee stock options are recognized as expenses on a straight-line basis for the given period based on the fair value of equity instrument on the grant date and the best estimate of the employee stock options expected and obtained, and the "capital reserve — employee stock option" is also adjusted simultaneously.

IST amends the estimate of the expected employee stock options on each balance sheet date. If an originally estimated amount is amended, then its effects are recognized as profits or losses so that accumulated expenses reflect the amended estimate, and the "capital reserve — employee stock option" is also adjusted accordingly.

(XVII) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

A. Current income tax

IST determines its incomes (losses) for the current period in accordance with the regulations enacted by the Republic of China and calculates income tax payable (refundable) based on such incomes (losses).

The income tax on unappropriated earnings computed in accordance with the Income Tax Act of the Republic of China is recognized for the year when the resolution is adopted at the shareholders' meeting.

Adjustment made for the previous year's income tax payable is listed in current income tax.

B. Deferred Income Tax

Deferred income tax is computed based on temporary differences generated from the book amounts of assets and liabilities and the tax base used to compute taxable income.

Deferred income tax liabilities are generally recognized based on taxable temporary differences. Deferred income tax assets are recognized when there may probably be taxable incomes from which the tax credits generated from temporary differences can be subtracted.

Taxable temporary differences relevant to investments in subsidiaries and associates are recognized as deferred income tax liabilities, except when IST is able to control the point of reverse of temporary differences and the taxable temporary differences will not be reversed in the foreseeable future. Deductible temporary differences relevant to the investments are recognized as deferred income tax assets only to the extent of the foreseeable reverse expected in the future when there is taxable income sufficient to realize temporary differences.

The book amount of deferred income tax assets is reviewed again on every balance sheet date. For all or part of assets that taxable income may probably not be sufficient to recover, the book value is reduced. Those that are not originally recognized as deferred income tax assets are also reviewed again on every balance sheet date. The book value is increased when there may be any taxable income used to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate applicable to the year when liabilities are expected to be repaid or assets are expected to be realized. The interest rate refers to the interest rate determined by the tax law that is enacted or substantially enacted as of the balance sheet date. Deferred income tax liabilities and assets are measured to reflect the tax consequences generated in the way that IST expects to recover or repay the book amount of its assets or liabilities as of the balance sheet date.

C. Current and Deferred Income Taxes

Current and deferred income taxes are recognized in profits or losses. However, the current and deferred income taxes relevant to the items recognized in other comprehensive incomes or losses or those included directly in equity are recognized in other comprehensive incomes or losses or included directly in equity respectively.

V. Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty

For relevant information not available by IST from other resources in applying accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. The actual result may probably differ from the estimate.

IST made material accounting estimates, such as cash flow projection, growth rate, discount rate and profitability, after taking into account the recent Covid-19 pandemic development and its possible impact on the economic environment. The management will review estimates and basic assumptions continuously. If a revised estimate only influences the current year, the estimate will be recognized in the year when it is revised. If a revised accounting estimate influences the current and future years, the estimate will be recognized in the year when it is revised and in the future year. As of the date of the financial report, no material impact was made on financial performance.

Main Sources of Estimates and Assumption Uncertainty

Impairment of Financial Asset Estimates

Accounts receivable were estimated based on the assumptions of probability of default and loss given default made by IST. IST considered historical experience and current market conditions to make its assumptions and choose input values for the impairment of estimates. For the important assumptions and input values used, please refer to Note 8. If the actual cash flows in the future are less than those expected, a material impairment loss may occur. Besides, due to the uncertainty of subsequent development of the Covid-19 pandemic and the impact of fluctuations in financial market on credit risk of financial assets in 2022, the estimate of probability of default is filled with higher uncertainty.

VI. Cash and Cash Equivalents

	Dec. 31, 2022	Dec. 31, 2021
Cash on hand and revolving funds	$ 125	$ 125
Bank checks and saving deposits of bank	425,957	361,843
	$426,082	$361,968

The interest rate range of time deposits as of the balance sheet date is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Bank deposits	0%~1.05%	0.001%~0.35%

VII. Financial Instruments at Fair Value through Profit and Loss

	Dec. 31, 2022	Dec. 31, 2021
Financial assets—Current		
Held for trading		
Derivatives (not designed for hedging)		
—Forward exchange agreement	$ 523	$ -
Financial assets—Non-current		
At fair value through profit or loss compulsorily—Not listed (non-OTC)		
Beneficiary certificates of funds	$ 27,282	$ 21,945
Financial liabilities—Current		
Held for trading		
Derivatives (not designed for hedging)		
—Forward exchange agreement	$ -	$ 10

The forward exchange agreements to which hedge accounting was not applied and were not mature on the balance sheet date are as follows:

Currency	Maturity Period	Contract Price (in thousands

			of NT dollars)
Dec. 31, 2022			
Forward foreign exchange purchase	TWD to JPY	February 2023 ~ July 2023	TWD 12,300 / JPY 55,100
Dec. 31, 2021			
Forward foreign exchange purchase	TWD to JPY	March 2022	TWD 723/ JPY 2,960

IST engaged in forward exchange transactions in 2022 and 2021 primarily for the purpose of avoiding the risk incurred from foreign exchange fluctuation for foreign currency assets and liabilities.

VIII. Notes and Accounts Receivable – Net

	Dec. 31, 2022	Dec. 31, 2021
Measured at amortized cost		
Notes receivable	$ 1,096	$ 1,523
Accounts receivable	1,251,791	1,115,643
Less: Loss allowance	(13,530)	(11,458)
	$1,239,357	$1,105,708

As for payments of the services sold by IST, the average credit period is between 30 and 120 days after the date of monthly settlement. No interest accrues for notes and accounts receivable. To reduce credit risk, the management of IST designates a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, IST reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of IST believes that IST's credit risk has significantly reduced.

IST recognizes, based on expected credit loss for the duration, the allowance for losses on accounts receivable. The expected credit loss for the duration is calculated by using the provision matrix, which considers the historical default records of customers, current financial conditions and the state of industrial economy. As shown in the history of credit loss incurred by IST, there is no significant difference between loss types in terms of different customer bases. Thus the provision matrix is not used to distinguish customer bases, but to determine expected credit loss rates based on the number of days the accounts receivable are past due.

If evidence shows that the counterparty encounters serious financial difficulties and IST is unable to reasonably expect a recoverable amount, then IST will write off relevant accounts receivable directly; however, claiming activities will still continue. Amounts claimed and recovered are recognized in profits.

The allowance for loss of accounts receivable loss measured by IST by using the provision matrix is as follows:

Dec. 31, 2022

	Not overdue	Overdue for 1～90 days	Overdue for 91～180 days	Overdue for 180～365 days	Overdue for over 365 days	Total
Total book amount	$1,108,185	$ 108,315	$ 22,591	$ 7,485	$ 5,215	$1,251,791
Loss allowance (Expected credit loss for the duration)	(330)	(1,514)	(2,527)	(3,944)	(5,215)	(13,530)
Amortized cost	$1,107,855	$ 106,801	$ 20,064	$ 3,541	$ -	$1,238,261

Dec. 31, 2021

	Not overdue	Overdue for 1～90 days	Overdue for 91～180 days	Overdue for 180～365 days	Overdue for over 365 days	Total
Total book amount	$ 952,632	$ 148,814	$ 7,969	$ 2,007	$ 4,221	$1,115,643
Loss allowance (Expected credit loss for the duration)	(1,809)	(2,262)	(1,874)	(1,292)	(4,221)	(11,458)
Amortized cost	$ 950,823	$ 146,552	$ 6,095	$ 715	$ -	$1,104,185

Information of changes in the allowance for loss of accounts receivable is as follows:

	2022	2021
Beginning balance	$ 11,458	$ 12,904
Less: Impairment loss allocated (reversed) for the year	2,072	(1,327)
Less: Amounts written off actually for the year	-	(119)
Ending balance	$ 13,530	$ 11,458

IX. Finance Leases Receivable

	Dec. 31, 2022	Dec. 31, 2021
Lease payments not discounted		
1st year	$ 4,392	$ 4,026
2nd year	-	-
	4,392	4,026
Less: Finance incomes not earned yet	(34)	(46)
Lease payments receivable	4,358	3,980
Net investment in the lease (expressed as finance leases receivable)	$ 4,358	$ 3,980

X. Investments Accounted for Using the Equity Method

	Dec. 31, 2022	Dec. 31, 2021
Investments in subsidiaries	$ 678,280	$ 739,076
Investments in associates	752,213	686,409
	$1,430,493	$1,425,485

(I) Investments in Subsidiaries

	Dec. 31, 2022	Dec. 31, 2021
Samoa Integrated Service Technology (Samoa IST)	$265,024	$268,599
Supreme Fortune Corp. (Supreme Corp.)	37,288	40,173
Pin Wen Corp. (Pin Wen Company)	54,675	54,798
Innovative Turnkey Solution (ITSCompany)	21,256	25,019
Prosperity Power Technology Inc.(PPT Company)	300,037	350,487
	$678,280	$739,076

	Percentage of stock rights and voting rights held	
Name of subsidiary	Dec. 31, 2022	Dec. 31, 2021
Samoa IST	100%	100%
Supreme Corp.	100%	100%
ITSCompany (Note 1)	38%	38%
Pin Wen Corp. (Pin Wen Company)	100%	100%
PPT Company (Note 2)	75%	75%

Note 1 IST held 51% of shares of ITSCompany as of Dec. 31, 2022 and 2021.

Note 2 IST failed to participate in PPT Company's seasoned equity offerings at the percentage of its shareholding so that the percentage of its shareholding reduced from 100% to 75%. IST held 81% of shares of PPT Company as of Dec. 31, 2022 and 2021.

For information relevant to investments in subsidiaries, please refer to Schedule 3 and Schedule 4.

(II) Investments in Associates

	Dec. 31, 2022	Dec. 31, 2021
Material associates		
Dekra iST (Dekra Company)	$631,647	$573,816
BTL Inc. (BTL Inc.)	120,566	112,593
Individual immaterial associates		
Global Social Inc. (Global Social Inc.)	-	-
	$752,213	$686,409

A. Material associates are as follows:

	Percentage of stock rights and voting rights held	
Company name	Dec. 31, 2022	Dec. 31, 2021
Dekra Company	49%	49%
BTL Inc.	11%	11%

IST resolved at the board meeting in July 2021 to sell 500 thousand shares of BTL Inc. at NTD 68 per share. The disposal proceeds were NTD 33,898 thousand, and the gain on disposal was NTD 12,880 thousand. After the sale, the percentage of the BTL Inc. shares held by IST reduced to 11%. Though the percentage of such shareholding was less than 20%, yet IST still had one seat on the board of directors of BTL Inc. and therefore had a significant impact on BTL Inc. based on the evaluation made by using the equity method.

For the business nature and main place of business of each of the aforementioned associates, and the country where it is registered, please refer to Schedule 3 "Information of Investee Companies, their Locations, etc."

The following compiled information was prepared based on the financial report made by each associate in compliance with IFRSs and has reflected the adjustment made upon application of the equity method.

	Dec. 31, 2022	Dec. 31, 2021
Dekra Company		
Current assets	$ 346,750	$ 321,243
Non-current assets	1,071,316	816,341
Current liabilities	(380,000)	(338,620)
Non-current liabilities	(193,264)	(78,972)
Equity	$ 844,802	$ 719,992
Percentage of shares held by IST	49%	49%
Equity enjoyed by IST	$ 413,953	$ 352,796
Goodwill	217,694	217,694
Customer relations	-	3,326
Book amount of investments	$ 631,647	$ 573,816

	2022	2021
Operating revenue	$617,477	$470,690
Net profit of the year	$121,694	$ 57,273
Other comprehensive incomes	3,117	406
Total comprehensive incomes	$124,811	$ 57,679

	Dec. 31, 2022	Dec. 31, 2021
BTL Inc.		
Current assets	$285,869	$351,559
Non-current assets	875,377	729,344
Current liabilities	(170,956)	(179,311)
Non-current liabilities	(236,878)	(228,367)

Equity	$753,412	$673,225
Percentage of shares held by IST	11%	11%
Equity enjoyed by IST	$ 83,567	$ 74,673
Goodwill	23,886	23,886
Customer relations	3,533	4,454
Land	9,580	9,580
Book amount of investments	$120,566	$112,593

	2022	2021
Operating revenue	$375,321	$407,845
Net profit of the year	$134,918	$129,165
Other comprehensive incomes	5,043	4,337
Total comprehensive incomes	$139,961	$133,502

B. Information on Individual Immaterial Associates

	Dec. 31, 2022	Dec. 31, 2021
Global Social Inc		
Share enjoyed by IST		
Net loss of the year	$ -	($ 5)
Other comprehensive incomes	-	-
Total comprehensive incomes	$ -	($ 5)

Investments accounted for using the equity method and the profits and other comprehensive incomes thereof enjoyed by IST, except those of Dekra Company and BTL Inc., are recognized based on the financial statements not audited by CPAs. However, the management of IST believes no material impact occurs even though the financial statements of the aforementioned investee companies were not audited by CPAs.

XI. Property, Plant and Equipment

	Dec. 31, 2022	Dec. 31, 2021
Self-used	$2,727,475	$2,545,100
Rented out under operating lease	731,884	800,925
	$3,459,359	$3,346,025

(I) Self-used

	Land	Building and structure	Mechanical equipment	Transportation equipment	Office equipment	Leased Improvements	Other equipment	Unfinished construction and equipments pending acceptance	Total
Cost									
Balance at Jan. 1, 2022	$ 30,852	$1,226,775	$2,564,221	$ 733	$ 20,748	$ 308,304	$ 215,780	$ 177,116	$4,544,529
Additions	-	3,740	111,321	-	-	1,800	4,425	628,982	750,268
Disposals	-	-	(636,797)	-	(2,820)	(25,347)	(7,082)	-	(672,046)
Reclassification	-	30,536	579,371	-	-	13,280	29,647	(652,834)	-
Balance at Dec. 31, 2022	$ 30,852	$1,261,051	$2,618,116	$ 733	$ 17,928	$ 298,037	$ 242,770	$ 153,264	$4,622,751
Accumulated depreciation									
Balance at Jan. 1, 2022	$ -	$ 129,634	$1,421,204	$ 122	$ 7,536	$ 243,897	$ 91,944	$ -	$1,894,337
Depreciation expense	-	76,551	439,379	122	5,873	5,133	34,191	-	561,249
Disposals	-	-	(525,061)	-	(2,820)	(25,347)	(7,082)	-	(560,310)
Balance at Dec. 31, 2022	$ -	$ 206,185	$1,335,522	$ 244	$ 10,589	$ 223,683	$ 119,053	$ -	$1,895,276
Accumulated impairment									
Balance at Jan. 1, 2022	$ -	$ -	$ 105,092	$ -	$ -	$ -	$ -	$ -	$ 105,092
Disposals	-	-	(105,092)	-	-	-	-	-	(105,092)
Balance at Dec. 31, 2022	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net at Dec. 31, 2022	$ 30,852	$1,054,866	$1,282,594	$ 489	$ 7,339	$ 74,354	$ 123,717	$ 153,264	$2,727,475
Cost									
Balance at Jan. 1, 2021	$ 30,852	$1,203,133	$3,112,240	$ 733	$ 19,934	$ 323,895	$ 213,353	$ 85,685	$4,989,825
Listed as assets rented out under operating leases	-	-	(48,000)	-	-	-	-	-	(48,000)
Additions	-	-	126,036	-	9,518	-	1,966	438,608	576,128
Disposals	-	-	(879,878)	-	(10,238)	(27,185)	(16,732)	(39,391)	(973,424)
Reclassification	-	23,642	253,823	-	1,534	11,594	17,193	(307,786)	-
Balance at Dec. 31, 2021	$ 30,852	$1,226,775	$2,564,221	$ 733	$ 20,748	$ 308,304	$ 215,780	$ 177,116	$4,544,529
Accumulated depreciation									
Balance at Jan. 1, 2021	$ -	$ 76,284	$1,515,934	$ -	$ 10,874	$ 239,967	$ 72,963	$ -	$1,916,022
Listed as assets rented out under operating leases	-	-	(3,333)	-	-	-	-	-	(3,333)
Depreciation expense	-	53,350	430,420	122	4,930	27,413	31,361	-	547,596
Disposals	-	-	(521,817)	-	(8,268)	(23,483)	(12,380)	-	(565,948)
Balance at Dec. 31, 2021	$ -	$ 129,634	$1,421,204	$ 122	$ 7,536	$ 243,897	$ 91,944	$ -	$1,894,337
Accumulated impairment									
Balance at Jan. 1, 2021	$ -	$ -	$ 131,359	$ -	$ -	$ -	$ -	$ -	$ 131,359
Disposals	-	-	(26,267)	-	-	-	-	-	(26,267)
Balance at Dec. 31, 2021	$ -	$ -	$ 105,092	$ -	$ -	$ -	$ -	$ -	$ 105,092
Net at Dec. 31, 2021	$ 30,852	$1,097,141	$1,037,925	$ 611	$ 13,212	$ 64,407	$ 123,836	$ 177,116	$2,545,100

Depreciation expenses are allocated based on the following service lives on a straight-line basis.

Building and structure	
Main buildings in the plant	35~50 years
Building renovation	6~20 years
Mechanical equipment	3~6 years
Transportation equipment	6 years
Office equipment	3~6 years
Leased Improvements	6~15 years
Other equipment	1~20 years

For the amounts of the property, plant and equipment pledged by IST, please refer to Note 28.

(II) Renting Out Under Operating Lease

	Land	Building and structure	Mechanical equipment	Other equipment	Total
Cost					
Balance at Jan. 1, 2022	$ 12,583	$ 941,721	$ 48,000	$ 81,443	$1,083,747
Disposals	-	(2,090)	-	-	(2,090)
Balance at Dec. 31, 2022	$ 12,583	$ 939,631	$ 48,000	$ 81,443	$1,081,657
Accumulated depreciation					
Balance at Jan. 1, 2022	$ -	$ 249,464	$ 3,333	$ 30,025	$ 282,822
Depreciation expense	-	51,674	8,000	9,367	69,041
Disposals	-	(2,090)	-	-	(2,090)
Balance at Dec. 31, 2022	$ -	$ 299,048	$ 11,333	$ 39,392	$ 349,773
Net at Dec. 31, 2022	$ 12,583	$ 640,583	$ 36,667	$ 42,051	$ 731,884
Cost					
Balance at Jan. 1, 2021	$ 12,583	$ 945,403	$ -	$ 81,443	$1,039,429
Derived from self-owned assets	-	-	48,000	-	48,000
Disposals	-	(3,682)	-	-	(3,682)
Balance at Dec. 31, 2021	$ 12,583	$ 941,721	$ 48,000	$ 81,443	$1,083,747
Accumulated depreciation					
Balance at Jan. 1, 2021	$ -	$ 199,473	$ -	$ 20,653	$ 220,126
Depreciation expense	-	53,673	3,333	9,372	66,378
Disposals	-	(3,682)	-	-	(3,682)
Balance at Dec. 31, 2021	$ -	$ 249,464	$ 3,333	$ 30,025	$ 282,822
Net at Dec. 31, 2021	$ 12,583	$ 692,257	$ 44,667	$ 51,418	$ 800,925

IST rented out land, building and structure as well as other equipment under operating leases and the lease periods were 5 to 10 years.

The total lease payments to be received in the future because of the property, plant and equipment rented out under operating leases are as follows:

	Dec. 31, 2022	Dec. 31, 2021
1st year	$ 68,556	$ 68,484
2nd year	70,656	68,556
3rd year	73,056	70,656
4th year	20,588	73,056
5th year	10,096	20,588
Over 5 years	-	10,096
	$242,952	$311,436

Depreciation expenses are allocated based on the following service lives on a straight-line basis.

Building and structure	
Main buildings in the plant	35~50 years
Building renovation	6~20 years
Mechanical equipment	6 years
Other equipment	3~20 years

XII. Lease Agreement

(I) Right-of-use Assets

	Dec. 31, 2022	Dec. 31, 2021
Book amount of right-of-use assets		
Land	$153,549	$157,660
Building	94,464	131,070
Transportation equipment	10,814	5,860
	$258,827	$294,590

	2022	2021
Added right-of-use assets	$ 24,315	$ 50,390
Expense of depreciation of right-of-use assets		
Land	$ 4,840	$ 4,825
Building	41,908	39,192
Transportation equipment	4,998	3,467
	$ 51,746	$ 47,484
Proceeds from sublease of right-of-use assets (listed as other incomes in the book)	($ 4,392)	($ 4,392)

(II) Lease Liabilities

	Dec. 31, 2022	Dec. 31, 2021
Book amount of lease liabilities		
Current	$ 45,709	$ 48,807
Non-current	$228,755	$259,215

The range of discount rates for lease liabilities is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Land	2.76%	2.76%
Building	1.62%~2.76%	1.66%~2.76%
Transportation equipment	4.97%~5.40%	4.97%~5.25%

(III) Important Lease Activities and Terms

IST as a lessee has leased some land, buildings and transportation equipment for its operating activities and the lease periods are from 1 to 40 years. IST does not have the right of first refusal for the land, buildings and transportation equipment that it has leased as a lessee upon expiration of a lease period.

(IV) Sublease

IST has the following sublease-related transactions except those explained in Note 11:

IST has subleased the right of use of some buildings under operating leases, and the lease period is 5 years.

The total lease payments to be received in the future because of the subleases under operating leases are as follows:

	Dec. 31, 2022	Dec. 31, 2021
1st year	$ 13,276	$ 12,169
2nd year	-	-
	$ 13,276	$ 12,169

(V) Other Lease Information

For the agreements concerning the assets that IST has rented out under finance leases, please refer to Note 9.

	Dec. 31, 2022	Dec. 31, 2021
Short-term lease expenses	$ 4,868	$ 5,466
Low-value asset lease expenses	$ 181	$ 295
Total cash (outflow) from leases	($ 66,777)	($ 63,151)

IST chose to recognize exemptions applicable to the building and transportation equipment leases that are in line with short-term leases and low-value asset leases, and did not recognize right-of-use assets or lease liabilities relevant to such leases.

XIII. Other Intangible Assets

	2022	2021
Computer software		
Cost		
Beginning balance	$ 16,494	$ 24,406
Additions for the year	7,796	6,231
Disposals for the year	(3,637)	(14,143)
Ending balance	20,653	16,494
Accumulated amortization		
Beginning balance	9,023	14,366
Amortization expense	7,258	5,518
Disposals for the year	(3,637)	(10,861)
Ending balance	12,644	9,023
Net	$ 8,009	$ 7,471

Amortization expenses are allocated based on the following service lives on a straight-line basis.

Computer software	3 years

XIV. Prepayments and Other Current Assets

	Dec. 31, 2022	Dec. 31, 2021
Prepaid materials stipulated in work order	$ 79,319	$ 28,570
Inventory of supplies	16,911	14,982
Prepaid expenses	11,037	7,374
Payment in advance	2,644	2,404
Tax overpaid retained for offsetting the future tax payable	110	-
Other receivables	16	2,837
Others	2,067	742
	$112,104	$ 56,909

XV. Short-term Borrowings

	Dec. 31, 2022	Dec. 31, 2021
Loans without collateral		
Working capital loan	$565,709	$567,533

Interest rates for the working capital loans provided by the bank were 1.75% ~ 6.14% and 0.80% ~ 1.15% on Dec. 31, 2022 and Dec. 31, 2021 respectively.

XVI. Long-term Borrowings

	Dec. 31, 2022	Dec. 31, 2021
Guaranteed loans		
Syndicated loans from the bank syndicate —A-1 (1)	$ 320,000	$ 360,000
Bank loans (2)	245,000	273,000
Loans without collateral		
Syndicated loans from the bank syndicate—A-2 (1)	160,000	180,000
Syndicated loans from the bank syndicate—B (1)	100,000	200,000
Credit loan (3)	980,000	800,000
	1,805,000	1,813,000
Less: Unamortized balance of the expenses incurred by the organizer of syndicated loans	(1,600)	(2,200)
Current portion of long-term borrowings	(128,000)	(88,000)
	$1,675,400	$1,722,800

(I) To improve its financial structure and obtain the funds needed for its mid-term business operation, IST made a 5-year joint credit loan contract for a loan limit of NTD one billion with Mega International Commercial Bank and other 5 financial institutions in September 2020. IST made a drawdown of the syndicated loan A in the 3rd quarter of 2020. The borrowed amount shall be repaid in installments of 5% of the capital every half a year (i.e. a term) for 10 terms from September 2020, and the rest of the capital shall be repaid on the maturity date. In addition, IST made a drawdown of the syndicated loan B in the 4th quarter of 2020. The loan shall be repaid in full upon maturity, and revolving drawdown is available before September 2025. Interest rates for the syndicated loan were 2.29%～2.49% and 1.8% on Dec. 31, 2022 and Dec. 31, 2021 respectively. For the aforementioned credit contract, certain buildings, mechanical equipment and bank deposits of IST have been mortgaged to the bank. (Please see Note 28.)

Applicable terms of the contract under which IST applies for loans from the bank syndicate: There shall be a debt burden ratio to be complied with in the first half year's and annual consolidated financial statements of IST, and the net worth of the tangible assets shall not be less than NTD 2,800,000 thousand. If IST violates its financial commitment and fails to correct during the period given for improvement, IST shall pay 0.1% of the unrepaid balance as compensation.

(II) For the bank loans, IST mortgaged its buildings to the bank. (Please see Note 28.) The maturity date on both Dec. 31, 2022 and Dec. 31, 2021 was March 2032 and the annual interest rates on Dec. 31, 2022 and Dec. 31, 2021 were 1.58% and 0.95% respectively.

(III) The maturity date of the credit loans on Dec. 31, 2022 and Dec. 31, 2021 was the end of May 2025 and the end of November 2023 respectively, and the annual interest rates on Dec. 31, 2022 and Dec. 31, 2021 were 1.61%～2.20% and 1.00% ~ 1.30% respectively.

Applicable terms of the contract under which IST applies for a long-term loan: There shall be a current ratio, a debt burden ratio, a financial debt ratio and a interest coverage ratio to be complied with in the first half year's and annual consolidated financial statements of IST, and the net worth of the tangible assets shall not be less than NTD 2,800,000 thousand. If IST violates any of the conditions of credit loan, the interest rate for any new drawdown shall be increased by 0.25%.

XVII. Other Current Liabilities

	Dec. 31, 2022	Dec. 31, 2021
Other payables		
Wages and bonuses payable	$235,887	$168,863
Remunerations payable to employees and directors	30,000	14,708
Bonus for unused leave	9,669	9,841
	275,556	193,412

Other current liabilities		
Other payables – Related parties	2,469	756
Others (Note)	169,054	126,355
	$447,079	$320,523

Note: It mainly includes business tax payable, receipts under custody, etc.

XVIII. Post-employment Benefit Plan

(I) Defined Contribution Plan

The retirement pension system provided in the Labor Pension Act, which is applicable to IST, refers to the defined contribution plan managed by the government. The 6% of the monthly wages of an employee is allocated to the specific account of the individual with Bureau of Labor Insurance.

(II) Defined Benefit Plan

The retirement pension system adopted by IST in accordance with the Labor Standards Act of the Republic of China refers to the defined benefit plan governed by the government. The retirement pension to an employee is computed based on the employee's service time and average wage of the 6 months immediately before the date of retirement approval. IST allocates the 2% of the monthly wages of an employee to be the employee's retirement fund and transfers it to Supervisory Committee of Business Entities' Labor Retirement Reserve. The committee then deposits it to the specific account with Bank of Taiwan in the name of the committee. If the balance of the specific account at the end of a fiscal year is estimated to be insufficient for the amount of retirement pensions to be paid to the employees who will meet the requirements of retirement in the next year, the difference will be allocated in full by the end of March in the next year. The specific account is entrusted to Bureau of Labor Funds, Ministry of Labor to manage. IST has no right to influence its investment and management strategies.

Amounts for the defined benefit plan in the parent company only balance sheets are listed as follows:

	Dec. 31, 2022	Dec. 31, 2021
Fair value of plan assets	$ 57,629	$ 53,132
Present value of defined benefit obligation	(36,169)	(37,161)
Net defined benefit assets	$ 21,460	$ 15,971

Changes in net defined benefit assets are as follows:

	Fair value of plan assets	Present value of defined benefit	Net defined benefit assets

		obligations	
Balance at Jan. 1, 2021	$ 52,184	($ 38,534)	$ 13,650
Interest income (expense)	208	(153)	55
Recognized in profit (loss)	208	(153)	55
Remeasurements			
Return on plan assets (except the amounts included in net interest)	740	-	740
Actuarial losses — Changes in demographic assumptions	-	(103)	(103)
Actuarial losses — Changes in financial assumptions	$ -	$ 1,346	$ 1,346
Actuarial losses — Experience adjustments	-	283	283
Recognized in other comprehensive incomes	740	1,526	2,266
Balance at Dec. 31, 2021	53,132	(37,161)	15,971
Interest income (expense)	370	(258)	112
Recognized in profit (loss)	370	(258)	112
Remeasurements			
Return on plan assets (except the amounts included in net interest)	4,127	-	4,127
Actuarial losses — Changes in demographic assumptions	-	(7)	(7)
Actuarial losses — Changes in financial assumptions	-	2,624	2,624
Actuarial losses — Experience adjustments	-	(1,367)	(1,367)
Recognized in other comprehensive incomes	4,127	1,250	5,377
Balance at Dec. 31, 2022	$ 57,629	($ 36,169)	$ 21,460

IST is exposed to the following risks with respect to the retirement pension system provided by the Labor Standards Act.

A. Investment Risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund, by itself or though an agent, in domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of IST's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.

B. Interest Rate Risk: Interest rates for government bonds are reduced so that the present value of defined benefit obligations increases. However, the return on debt investments with respect to plan assets increases accordingly. Both offset the impact on the net defined benefit liabilities partially.

C. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

The present value of defined benefit obligations of IST is calculated by a qualified actuary. Material assumptions on the measurement date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate	1.35%	0.70%
Expected rate of wage increments	2.00%	2.00%
Resignation rate	0.63%	0.67%

In case of a reasonable and possible change in any material actuarial assumption, the increase (decrease) in the present value of defined benefit obligations on the premise that other assumptions remain unchanged is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate		
Increased by 0.25%	($ 941)	($ 1,084)
Decreased by 0.25%	$ 978	$ 1,130
Increased by 0.1%	($ 381)	($ 439)
Decreased by 0.1%	$ 386	$ 446
Expected rate of wage increments		
Increased by 0.25%	$ 969	$ 1,112
Decreased by 0.25%	($ 938)	($ 1,073)
Resignation rate		
Increased by 110%	($ 34)	($ 52)
Decreased by 90%	$ 34	$ 52

The aforementioned sensitivity analysis may probably not reflect actual changes in the present value of defined benefit obligations as actuarial assumptions may correlate mutually and changes in only one assumption are not quite possible.

	Dec. 31, 2022	Dec. 31, 2021
Amount expected to be contributed in one year	$ -	$ -
Average expiration period of defined benefit obligations	10 years	11 years

XIX. Equity

(I) Common Stock

	Dec. 31, 2022	Dec. 31, 2021
Authorized number of shares (In thousands of shares)	200,000	200,000
Authorized capital stock	$2,000,000	$2,000,000
Number of issued and paid-in shares (In thousands of shares)	74,775	79,775
Capital stock issued	$ 747,751	$ 797,751

Changes in capital stock of IST were mainly due to cancellation of treasury stock.

(II) Capital Reserve

	Dec. 31, 2022	Dec. 31, 2021
Used to make good of loss, distribute cash or appropriate to be capital stock (Note 1)		
Stock issuance premium	$2,085,234	$2,224,667
Used to make good of losses only		
Recognized changes in ownership interests in subsidiaries (Note 2)	30,538	29,824
Changes in equity of associates accounted for using the equity method	2,465	2,465
Not used for any purpose		
Stock option	24,775	9,999
	$2,143,012	$2,266,955

Note 1 Such capital reserve may be used to make good of loss and may be used to distribute cash or expand capital stock when IST has no loss; however, the amount used to expend capital stock is limited to a certain percentage of the paid-in capital.

Note 2 Such capital reserve is the equity transaction effect recognized for changes in the equity of the subsidiary when IST does not acquire or dispose the equity in the subsidiary.

The balance of capital reserve was reconciled in 2022 and 2021 is as follows:

	Stock issuance	Treasury share	Stock option	Recognized	Changes in equity	Others

	premium	transaction		changes in ownership interests of subsidiaries	of associates accounted for using the equity method	
Balance at Jan. 1, 2021	$ 2,489,430	$ 15,607	$ -	$ 3,290	$ 2,465	$ 120,073
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	26,534	-	-
Share-based payment	-	-	9,999	-	-	-
Cancellation of treasury stock	(264,763)	(15,607)	-	-	-	(120,073)
Balance at Dec. 31, 2021	2,224,667	-	9,999	29,824	2,465	-
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	714	-	-
Share-based payment	-	-	14,776	-	-	-
Cancellation of treasury stock	(139,433)	-	-	-	-	-
Balance at Dec. 31, 2022	$ 2,085,234	$ -	$ 24,775	$ 30,538	$ 2,465	$ -

(III) Retained Earnings and Dividend Policies

According to IST's articles of incorporation, for any distribution of earnings, IST shall make good of the previous year's loss (including the adjusted amount of undistributed earnings) first, and allocate 10% of the rest of the earnings as legal reserve. However, if legal reserve reaches the amount of IST's total paid-in capital, no legal reserve shall be allocated. Then special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. After retaining such earnings as considered necessary by the board of directors for business operation, the board of directors shall prepare an earning distribution proposal for the rest of the earnings, together with the undistributed earnings at the beginning of the year (including the adjusted amount of undistributed earnings), and resolve to allocate dividends and bonuses to shareholders based on the proposal. For such policies concerning remunerations to employees and directors as provided in IST's articles of incorporation, please refer to Note 21-(7) Employees' Remuneration and Directors' Remuneration.

IST requires that earnings shall be distributed and losses shall be made good after the end of each quarter. Earnings to be distributed in cash shall be resolved by the board of directors and then reported at the shareholders' meeting. No proposal of such distribution of earnings shall be submitted at the shareholders' meeting for approval.

IST considers its financial environment and growth stage to meet the requirements for future funds and long-term financial plans and satisfy the needs of shareholders in terms of cash inflows. After deducting the items provided above from distributable earnings, IST shall allocate dividends to shareholders. For the dividends distributed to shareholders for the current year, cash dividends shall account for 10% to 100% of the total dividends while stock dividends shall account for 0% to 90% of the total dividends.

In case that IST has no earnings to be distributed for the current year, or the amount of earnings is far less than that of the earnings actually distributed for the previous year, or the entirety or part of the reserve shall be distributed, based on financial, business and operating factors of IST, in compliance with the law or as required by the competent authority, then earnings to be distributed in cash shall be resolved by the board of directors and reported at the shareholders' meeting, and no proposal of such distribution of earnings shall be submitted at the shareholders' meeting for approval.

Legal reserve shall be allocated until the balance thereof reaches the total paid-in capital of IST. Legal reserve may be used to make good of loss. When IST has no loss, the portion of legal reserve in excess of 25% of paid-in capital can be used to expand capital stock or be distributed in cash.

The earning distribution proposal of IST for each quarter of 2022, 2021 and 2020 and the cash dividends per share were resolved at the board meeting as follows:

	2022 Q4	2022 Q3
Date of resolution by the board of director	Mar. 14, 2023	Nov. 2, 2022
Legal reserve	$ 10,099	$ 23,118
Special reserve	$ 7,555	($ 20,263)
Cash dividends	$ 74,775	$ 74,775
Cash dividends per share (NTD)	$ 1	$ 1

	2021 Q4	2021 Q2	2021 Q1
Date of resolution by the board of director	Mar. 24, 2022	Aug. 5, 2021	Apr. 29. 2021
legal reserve	$ -	$ 3,264	$ 5,419
special reserve	($ 3,330)	$ 5,335	$ 1,011
Cash dividends	$ -	$ 35,430	$ 93,575
Cash dividends per share (NTD)	$ -	$ 0.4	$ 1

	2020 Q4	2020 Q3	2020 Q2
Date of resolution by the board of director	Mar. 5, 2021	Nov. 11, 2020	Aug. 6, 2020
legal reserve	$ 3,132	$ 8,413	$ 14,451
special reserve	($ 7,670)	($ 6,647)	$ 15,584
Cash dividends	$ 56,145	$ 93,575	$ 140,363
Cash dividends per share (NTD)	$ 0.6	$ 1	$ 1.5

IST held a board meeting on Nov. 9, 2021 where a resolution of not distributing earnings for 2021 Q3 was passed.

IST held a board meeting on Mar. 24, 2022 where a motion of making good of the loss NTD 38,217 thousand in use of legal reserve was proposed. The board of directors resolved at the board meetings of May 5 and Aug. 2, 2022 not to distribute earnings for 2022 Q1 and 2022 Q2.

The above cash dividends for each quarter of 2022 have been resolved to allocate by the board of directors, and the rest is expected to be resolved at the general meeting of shareholders held on June 14, 2023.

(IV) Special Reserve

	2022	2021
Beginning balance	$ 98,491	$ 99,815
Allocated special reserve		
Allocated deduction (reverse) of other equity items	(23,593)	(1,324)
Ending balance	$ 74,898	$ 98,491

When implementing IFRSs initially, IST shall reverse at the disposal percentage the special reserve allocated from the exchange difference between financial statements of foreign operations (including subsidiaries). After IST loses its material impact, IST shall reverse the entirety of such special reserve. Upon distribution of earnings, an additional special reserve is allocated from the difference between the net value of deductions of other shareholders' equity listed in the book at the end of the reporting period and the special reserve allocated upon initial implementation of IFRSs. In case of reverse of the net value of deductions of other shareholders' equity afterwards, the special reserve is reversed based on the reversed portion of such net value to distribute earnings.

(V) Other Equity

A. Exchange differences on translation of foreign financial statements:

	2022	2021
Beginning balance	($ 95,161)	($ 92,644)
Generated in the current year		
Exchange differences arising on translating financial statements of foreign operations	10,777	(3,573)
Share of translation differences of associates accounted for using the	$ 1,931	$ 705

equity method		
Generated from reclassification		
Share of disposal proceeds of associates accounted for using the equity method	-	351
Ending balance	($ 82,453)	($ 95,161)

B. Unrealized Gains (Losses) from Financial Assets at FVOCI

	2022	2021
Beginning balance	$ -	$ 499
Generated in the current year		
Unrealized gains (losses)		
Equity instrument	-	(5,559)
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	-	5,060
Ending balance	$ -	$ -

(VI) Treasury Shares

Reason of recall	Purchased back to be cancelled (In thousands of shares)
Number of shares at Jan. 1, 2021	-
Shares increased in the year	13,800
Shares decreased in the year	(13,800)
Number of shares at Dec. 31, 2021	-
Number of shares at Jan. 1, 2022	-
Shares increased in the year	5,000
Shares decreased in the year	(5,000)
Number of shares at Dec. 31, 2022	-

To maintain corporate credit and shareholders' equity, IST resolved at the board meeting of May 24, 2021 to purchase back treasury shares. The predetermined repurchase period was from May 25, 2021 to July 23, 2021 and the predetermined number of shares to be purchased back was 5,000 thousand. The range of repurchase prices was from NTD 34 to NTD 77. When the share price was less than the lower limit of the repurchase price, IST repurchased shares continuously. The upper limit for the total amount of the planned repurchased shares was NTD 385,000 thousand. The aforementioned 5,000 thousand treasury shares were repurchased before July 15, 2021 and the repurchase cost was NTD

264,811 thousand in total. IST resolved at the board meeting of Aug. 5, 2021 to cancel 5,000 thousand treasury shares. The record date for capital reduction was Aug. 10, 2021 and the registration of such change was completed on Sep. 22, 2021.

To maintain corporate credit and shareholders' equity, IST resolved at the board meeting of Aug. 5, 2021 to purchase back treasury shares. The predetermined repurchase period was from Aug. 6, 2021 to Oct. 5, 2021 and the predetermined number of shares to be purchased back was 4,000 thousand. The range of repurchase prices was from NTD 36 to NTD 78. When the share price was less than the lower limit of the repurchase price, IST repurchased shares continuously. The upper limit for the total amount of the planned repurchased shares was NTD 312,000 thousand. The aforementioned 4,000 thousand treasury shares were repurchased before Sep. 9, 2021 and the repurchase cost was NTD 202,945 thousand in total. IST resolved at the board meeting of Sep. 24, 2021 to cancel 4,000 thousand treasury shares. The record date for capital reduction was Oct. 4, 2021 and the registration of such change was completed on Oct. 22, 2021.

To maintain corporate credit and shareholders' equity, IST resolved at the board meeting of Oct. 14, 2021 to purchase back treasury shares. The predetermined repurchase period was from Oct. 15, 2021 to Dec. 14, 2021 and the predetermined number of shares to be purchased back was 4,800 thousand. The range of repurchase prices was from NTD 33 to NTD 73. When the share price was less than the lower limit of the repurchase price, IST repurchased shares continuously. The upper limit for the total amount of the planned repurchased shares was NTD 350,400 thousand. The aforementioned 4,800 thousand treasury shares were repurchased before Dec. 2, 2021 and the repurchase cost was NTD 263,052 thousand in total. IST resolved at the board meeting of Dec. 23, 2021 to cancel 4,800 thousand treasury shares. The record date for capital reduction was Dec. 27, 2021 and the registration of such change was completed on Jan. 12, 2022.

To maintain corporate credit and shareholders' equity, IST resolved at the board meeting of Mar. 15, 2022 to purchase back treasury shares. The predetermined repurchase period was from Mar. 16, 2022 to May 15, 2022 and the predetermined number of shares to be purchased back was 5,000 thousand. The range of repurchase prices was from NTD 34 to NTD 74. When the share price was less than the lower limit of the repurchase price, IST repurchased shares continuously. The upper limit for the total amount of the planned repurchased shares was NTD 370,000 thousand. The aforementioned 5,000 thousand treasury shares were repurchased before Apr. 15, 2022 and the repurchase cost was NTD 267,945 thousand in total. IST resolved at the board meeting of May 5, 2022 to cancel 5,000 thousand treasury shares. The record date for capital reduction was May 6, 2022 and the registration of such change was completed on May 17, 2022.

According to the Securities and Exchange Act, IST shall not pledge the treasury shares it holds and shall not have the right to allocation of dividends or the right to voting based on the treasury shares.

XX. Revenue

	2022	2021
Revenue from contracts with customers		
Revenue from inspection and testing services	$3,213,134	$2,755,003

(I) Contracts with Customers

The contract made by IST with a customer provides inspection and testing service obligations. The customer pays the contractual consideration during the credit period after inspecting and accepting the service. Because merchandise or service is delivered within one year after or before receipt of payment, the material financial compositions of the contractual consideration are not adjusted.

(II) Contract Balance

	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Accounts receivable (Note 8)	$ 1,238,261	$ 1,104,185	$ 996,075
Accounts receivable－Related parties (Note 27)	$ 20,575	$ 29,041	$ 25,815
Contract assets			
Labor service	$ -	$ -	$ 1,150
Contract liabilities			
Customer loyalty program	$ 62,145	$ 38,327	$ 47,915
Unearned sales revenue	55,190	33,336	36,731
	$ 117,335	$ 71,663	$ 84,646

Changes in contract assets and contract liabilities resulted mainly from the point of time when performance obligations were satisfied and the difference between the points of time when customers made payments.

Performance obligations from the contract liabilities at the beginning of the year that had been satisfied were recognized as revenue for the current year as follows:

	2022	2021
From contract liabilities at the beginning of the year		
Unearned sales revenue	$ 37,585	$ 24,221
Customer loyalty program	22,280	34,880
	$ 59,865	$ 59,101

(III) Itemized Revenue from Contracts with Customers

	2022	2021
Main regional markets		
Asia	$2,710,189	$2,256,429
America	429,725	400,129
Others	73,220	98,445
	$3,213,134	$2,755,003

(IV) Contracts with Customers Not Performed Completely

Transaction prices amortized based on the performance obligations not satisfied completely and the points of time when such prices were recognized as revenue are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Customer loyalty program		
—Performance in 2022	$ -	$ 38,327
—Performance in 2023	62,145	-
	$ 62,145	$ 38,327
Unearned sales revenue		
—Performance in 2022	$ -	$ 33,336
—Performance in 2023	55,190	-
	$ 55,190	$ 33,336

XXI. Net Profit of Continuing Operations

(I) Interest Income

	2022	2021
Bank deposits	$ 488	$ 68
Net investment in the lease	52	163
Others	107	102
	$ 647	$ 333

(II) Other Incomes

	2022	2021

Income from operating lease	$ 42,682	$ 69,339
Income from government subsidy	6,241	146
Profit from lease modification	290	170
Others	9,250	8,668
	$ 58,463	$ 78,323

(III) Other Gains and Losses

	2022	2021
Net proceeds from disposal of property, plant and equipment	$ 15,140	$ 2,317
Gain (loss) of financial assets and financial liabilities		
Financial assets at FVTPL	6,353	(1,758)
Financial liabilities at FVTPL	533	17
Net proceeds from disposal of intangible assets	-	12,880
Proceeds from disposal of investments accounted for using equity method	(490)	(2,438)
Others	-	(27,986)
	$ 21,536	($ 16,968)

(IV) Financial Cost

	2022	2021
Interest on bank loans	$ 38,801	$ 25,370
Interest on lease liabilities	7,759	8,271
Amortization of the expenses incurred by the organizer of syndicated loans	600	600
Computed interest on security deposits	75	100
Less: Amounts listed in cost of qualifying assets	(6,029)	(3,100)
	$ 41,206	$ 31,241

Information relevant to capitalization of interest is as follows:

	2022	2021
Capitalized interest	$ 6,029	$ 3,100
Interest rate for capitalization of interest	1.26%~1.99%	1.21%~1.50%

(V) Depreciation and Amortization

	2022	2021
Depreciation expenses by		

functions:		
Operating cots	$559,747	$542,379
Operating expenses	122,289	115,746
	$682,036	$658,125

Amortization expenses by function:		
Operating cost	$ 4,116	$ 3,702
Management expenses	3,142	1,816
	$ 7,258	$ 5,518

(VI) Employee Benefit Expenses

	2022	2021
Short-term employee benefits	$1,065,801	$ 839,422
Post-employment benefits		
Defined contribution plan	31,718	27,925
Defined benefit plan (Note 18)	(112)	(55)
Share-based payment		
Equity settlement	14,776	9,999
Total employee benefit expenses	$1,112,183	$ 877,291
Compiled by functions		
Operating cost	$ 810,166	$ 619,958
Operating expenses	302,017	257,333
	$1,112,183	$ 877,291

(VII) Employees' Remuneration and Directors' Remuneration

IST allocated employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate of no less than 3% and at a rate no more than 3% respectively. The employees' remuneration and directors' remuneration estimated for the years 2022 and 2021 were resolved at the board meetings of Mar. 14, 2023 and Mar. 24, 2022 as follows:

Estimated Percentage

	2022	2021
Employees' remuneration	5%	4%
Directors' remuneration	1%	2%

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Employees' remuneration	$ 24,000	$ -	$ 10,000	$ -

Directors' remuneration	6,000	-	4,708	-

If any amount is changed after the date when the annual parent company only financial statements are announced, then such change is treated as a change in accounting estimate and entered into the account for the following year after adjustment.

There is no difference between the actually distributed amounts of the employees' remuneration and directors' remuneration for the years 2021 and 2020 and the corresponding amounts recognized in the parent company only financial statements of 2021 and 2020.

For information of the employees' remuneration and directors' remuneration resolved by the board of directors of IST, please check at the market observatory post system of Taiwan Stock Exchange.

XXII.Income Tax

(I) Income Tax Recognized in Profit or Loss

The income tax expense mainly comprises the items listed as follows:

	2022	2021
Current income tax		
Incurred for the current year	$ 98,595	$ 84,881
Adjusted for the previous year	(17,783)	1,038
	80,812	85,919
Deferred income tax		
Incurred for the current year	789	(1,078)
Income tax expense recognized in profit or loss	$ 81,601	$ 84,841

The accounting income and the income tax expense are reconciled as follows:

	2022	2021
Net profit before tax	$486,747	$264,549
Income tax computed based on the net profit before tax at the legal tax rate	$ 97,349	$ 52,910
Expenses and losses not deductible from taxes	-	23,888
Temporary differences	2,035	7,005
Current adjustment of the current income tax expense of the previous year	(17,783)	1,038

Income tax expense recognized in profit or loss	$ 81,601	$ 84,841

(II) Current Tax Assets and Liabilities

	Dec. 31, 2022	Dec. 31, 2021
Current tax liabilities		
Income tax payable	$ 54,690	$ 70,995

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Beginning balance	Recognized in profit (loss)	Ending balance
Temporary difference	$ 169	($ 169)	$ -
Deferred income tax liabilities			
Temporary difference	$ -	($ 620)	($ 620)

2021

Deferred income tax assets	Beginning balance	Recognized in profit (loss)	Ending balance
Temporary difference	$ -	$ 169	$ 169
Deferred income tax liabilities			
Temporary difference	$ 909	($ 909)	$ -

(IV) Deductible Temporary Difference from Deferred Income Tax Assets Not Recognized in Parent Company Only Balance Sheets

	Dec. 31, 2022	Dec. 31, 2021
Deductible Temporary difference	$ 71,814	$ 48,168

(V) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by IST as of 2020 have been assessed by the tax authority.

XXIII. Earnings Per Share

Unit : NTD per share

	2022	2021
Basic earnings per share	$ 5.33	$ 2.02
Diluted earnings per share	$ 5.03	$ 2.01

The net profit and the number of weighted average common shares used to calculate earnings per share are disclosed as follows:

Net Profit of the year

	2022	2021
Net profit used to calculate basic and diluted earnings per share	$405,146	$179,708

Number of Shares

Unit: In Thousands of Shares

	2022	2021
Number of weighted average common shares used to calculate basic earnings per share	76,067	89,054
Impact of the common shares with dilution effect:		
Employees' remuneration	377	189
Number of weighted average common shares used to calculate diluted earnings per share	76,444	89,243

If IST chooses to distribute employees' remuneration by stock or cash, then for calculation of diluted earnings per share, employees' remuneration is assumed to be distributed by stock and the number of weighted average outstanding common shares is included when potential common shares have dilutive effect. When calculating diluted earnings per share before the number of shares distributed as employees' remuneration is resolved in the next year, IST shall continue to consider dilutive effect of the potential common shares.

XXIV. Share-based Payment Arrangement

Employee Stock Options

IST resolved at the board meeting of Mar. 5, 2021 to issue 2,000 thousand units of employee stock warrant for 2021. Each unit entitled its holder to subscribe one common share. The new shares issued were 2,000 thousand common shares in total, which were planned to be granted to full-time employees of IST. Subscribers may exercise their stock options in accordance with the Regulations of Employee Stock Options after 2 years from the date of grant of employee stock warrant. The duration of employee stock warrant is 5 years.

Information relevant to employee stock options is as follows:

Employee stock options	Jan. 1 ~ Dec. 31, 2022 Unit (In thousands)	Weighted average exercise price (NTD)
Outstanding at the beginning of the year	2,000	$ 54.28
Issued this year	-	-
Outstanding at the end of the year	2,000	53.81
Exercisable at the end of the year	-	

For the employee stock options granted on the grant date Apr. 29, 2021, IST used the Black-Scholes model. The parameters used in the evaluation model are as follows:

	Apr. 29, 2021
Stock price on grant date	NTD 56.20
Exercise price	NTD 56.20
Expected ratio of fluctuation	44.16%
Expected duration	3.88 years
Risk-free interest rate	0.26%
Fair value of stock options	NTD 19.03

The remuneration cost recognized by IST for the years 2022 and 2021 was NTD 14,776 thousand and NTD 9,999 thousand respectively.

XXV. Capital Risk Management

IST conducts capital management to ensure that enterprises in IST are able to maximize the shareholder return by optimizing debt and equity balances on the premise that the enterprises operate on an ongoing basis. The overall strategy of IST remains unchanged.

The capital structure of IST consists of its net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. capital stock, capital reserve, retained earnings and other equity items).

IST does not have to abide by other external capital rules.

The key management of IST reviews IST’s capital structure regularly and considers cost and relevant risks for capital. IST takes the suggestions given by the key management to balance its entire capital structure by paying dividends, issuing new shares, repurchasing shares, issuing new debts or repaying old debts.

XXVI. Financial Instruments

(I) Information of Fair Value — Financial instruments measured at fair value on the basis of repeatability

A. Hierarchy of Fair Value

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments in equity instruments				
—Beneficiary certificates of funds	$ -	$ -	$ 27,282	$ 27,282
Derivatives	$ -	$ 523	$ -	$ 523

Dec. 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments in equity instruments				
—Beneficiary certificates of funds	$ -	$ -	$ 21,945	$ 21,945
Financial liabilities at FVTPL				
Derivatives	$ -	$ 10	$ -	$ 10

There was no transfer between level 1 and level 2 fair value measurements in 2022 and 2021.

B. Valuation technique and input value measured at level 2 fair value

Category of financial instrument	Valuation technique and input value
Derivatives—Forward exchange agreement	Discounted cash flows: To estimate future cash flows by using the forward exchange rate observable at the end of the year and the exchange rate stipulated in a contract, and to discount separately at the discount rate that reflects the credit risk of each counterparty to the transaction

C. Reconciliation of financial instruments measured at level 3 fair value

2022

	Measured at fair value through profit or loss
Financial assets	Beneficiary certificates of funds

Beginning balance	$ 21,945
Recognized in profit (loss)	6,353
Disposals	(1,016)
Ending balance	$ 27,282
Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the year and recognized in profit or loss	$ 6,353

2021

Financial assets	Measured at fair value through profit or loss Beneficiary certificates of funds
Beginning balance	$ 24,304
Recognized in profit (loss)	(1,758)
Disposals	(601)
Ending balance	$ 21,945
Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the year and recognized in profit or loss	($ 1,758)

D. Valuation technique and input value measured at level 3 fair value

For domestically unlisted (non-OTC) beneficiary certificates of funds, the asset approach is used to evaluate the total value of individual assets and individual liabilities covered by the subject to reflect the value of the enterprise or business as a whole. The material unobservable input is listed below. When liquidity discount decreases, fair value of the investment increases.

	Dec. 31, 2022	Dec. 31, 2021
Liquidity discount	20%	20%

In case that the following input is changed for the purpose of reflecting a reasonable and possible alternative assumption, the amount of the increase (decrease) in fair value of equity investment, in the situation where all other inputs remain unchanged, is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Liquidity discount		
Increased by 1%	($ 341)	($ 274)
Decreased by 1%	$ 341	$ 274

(II) Type of Financial Instrument

	Dec. 31, 2022	Dec. 31, 2021
Financial assets		
Measured at fair value through profit or loss		
Measured at fair value through profit or loss compulsorily	$ 27,805	$ 21,945
Financial assets at amortized cost		
Cash and cash equivalents	426,082	361,968
Notes and accounts receivable – Net	1,239,357	1,105,708
Accounts receivable — Related parties	20,575	29,041
Other receivables (listed as repayments and other current assets in the book)	16	2,837
Other receivables -- Related parties	34,131	29,071
Refundable deposits	12,643	10,475
Other financial assets – Current	5,197	4,223
Financial liabilities		
Measured at fair value through profit or loss		
At fair value through profit or loss compulsorily	-	10
Financial assets at amortized cost		
Short-term borrowings	565,709	567,533
Notes and accounts payable	242,206	184,067
Accounts payable — Related parties	732	6,051
Payables on equipment	167,984	151,334
Other payables – Related parties (listed as other current liabilities in the book)	2,469	756
Long-term borrowings (including those due in a year)	1,803,400	1,810,800

(III) Purpose and Policy of Financial Risk Management

Financial management departments of IST provide service for each business, master and coordinate operations in domestic and international financial markets, and supervise and manage the financial risks relevant to business operation based on the level and extent of each risk and the internal risk report that analyzes risk exposure. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

IST avoids risk exposure through derivative financial instruments to reduce the impact of such risk. The use of derivative financial instruments is governed by the policy approved by the board of directors, which is the written principle for exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments made through current funds. Internal auditors review policy compliance and risk exposure limit continuously. IST does not speculate in financial instruments (including derivative financial instruments).

The financial management department submits reports to the board of directors of IST periodically.

A. Market Risks

Main market risks assumed by IST for its operating activities are exchange rate risk (as stated in the item (1) below) and interest rate risk (as stated in the item (2) below).

1. Exchange Rate Risk

IST conducts transactions in foreign currencies, so it is exposed to foreign exchange risk. IST manages its exchange rate exposure within the scope permitted by the policy. IST uses forward exchange agreements to manage risks.

For IST's book amounts of monetary assets and monetary liabilities and book amounts of derivatives exposed to exchange rate risk in non-functional currencies on the balance sheet date, please refer to Note 30.

Sensitivity Analysis

IST is mainly impacted by fluctuation of USD, JPY and CNY exchange rates.

The table below presents IST's sensitivity analysis for the situations when the exchange rate of NTD (the functional currency) to each foreign currency increases or decreases by 5%. The sensitivity ratio used in the report on exchange rate risk submitted to the management internally is 5%, which is also the estimate provided by the management for the range in which a foreign exchange rate changes. Sensitivity analysis only includes outstanding monetary items in foreign currencies, and the conversion made at the end of the period is adjusted by 5% exchange rate fluctuation. The table below shows the increase or decrease in the pretax net profit when NTD against each foreign currency depreciates/appreciates by 5%.

	Impact of USD		Impact of JPY		Impact of CNY	
	2022	2021	2022	2021	2022	2021
Gain (loss)	$ 3,645	$ 800	($ 727)	$ 52	$ 6	$ 5

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rate.

2. Interest Rate Risk

Since IST borrows funds at both the fixed interest rate and the floating interest rate simultaneously, IST is exposed to interest rate risk. IST tries to maintain a combination of fixed and floating interest rates to manage interest rate risk.

The book amounts of financial assets and financial liabilities of IST exposed to interest rate risk on the balance sheet date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
With fair value interest rate risk		
－Financial assets	$ -	$ -
－Financial liabilities	336,173	445,555
With cash flow interest rate risk		
－Financial assets	431,154	366,027
－Financial liabilities	2,307,400	2,240,800

Sensitivity Analysis

The following sensitivity analysis is determined based on interest rate exposure with respect to non-derivative instruments on the balance sheet date. For the assets and liabilities with floating interest rates, the analysis is made based on the assumption that the outstanding assets and liabilities on the balance sheet date are still outstanding during the reporting period. The rate of change used internally for interest rate related report to the key management is the interest rate plus or minus 1%, which is also the estimate provided by the management for the range in which the interest rate may reasonably change.

If the interest rate is increased/decreased by 1%, then in the situation where all other variables remain unchanged, IST's pretax profit for the years 2022 and 2021 would be decreased/increased by NTD 18,762 thousand and NTD 18,748 thousand respectively.

B. Credit Risk

Credit risk refers to the risk incurred when the counterparty to the transaction delays contractual obligations and thus causes a loss to IST. As of the balance sheet date, the greatest credit risk to which IST was exposed due to failure by any counterparty to a transaction to perform its obligations would probably come from the book value of financial assets recognized on the parent company only balance sheets.

To reduce credit risk, the management of IST has designated a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, IST reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of IST believes that IST's credit risk has significantly reduced.

Customers of IST are numerous and not related, so the credit risk concentration is not high.

C. Liquidity Risk

IST keeps successful business operation and mitigates the impact of cash flow fluctuation by managing and maintaining sufficient cash and cash equivalents. The management of IST supervises the status of loans within the credit limit and ensures compliance with the terms of each loan contract.

A bank loan is an important source of liquidity for IST. For the line of credit unused by IST as of Dec. 31, 2022 and 2021, please see the item (2) "Line of Credit" below.

1. Table of Liquidity of Non-derivative Financial Liabilities and Interest Rate Risk

The maturity analysis for the remaining contracts of non-derivative financial liabilities is conducted based on the undiscounted cash flows of financial liabilities on the earliest date that IST is requested to make the repayment.

Dec. 31, 2022

	To pay upon demand or less than 1 month	1 ~ 3 months	3 months ~ 1 year	1 ~ 5 years	Over 5 years
Non-derivative financial liabilities					
Liabilities without interest	$ 177,803	$ 161,778	$ 63,968	$ -	$ -
Lease liabilities	4,275	8,549	38,054	104,502	203,467
Floating rate instruments	-	237,000	395,000	1,572,000	103,400
Fixed rate instruments	32,135	11,989	17,585	-	-
	$ 214,213	$ 419,316	$ 514,607	$1,676,502	$ 306,867

Further information of the above maturity analysis for financial liabilities is as follows:

	Less than 1 year	1 ~ 5 years	5 ~ 10 years	10 ~ 15 years	15 ~ 20 years	Over 20years
Lease liabilities	$ 50,878	$ 104,502	$ 38,043	$ 38,043	$ 38,043	$ 89,338
Floating rate instruments	$ 632,000	$1,572,000	$ 103,400	$ -	$ -	$ -
Fixed rate instruments	$ 61,709	$ -	$ -	$ -	$ -	$ -

Dec. 31, 2021

	To pay upon demand or less than 1 month	1 ~ 3 months	3 months ~ 1 year	1 ~ 5 years	Over 5 years
Non-derivative financial liabilities					
Liabilities without interest	$ 168,727	$ 112,265	$ 58,225	$ -	$ -
Lease liabilities	5,049	9,770	42,055	131,208	212,827
Floating rate instruments	-	279,850	237,550	1,590,400	133,000
Fixed rate instruments	10,518	31,273	95,742	-	-
	$ 184,294	$ 433,158	$ 433,572	$1,721,608	$ 345,827

Further information of the above maturity analysis for financial liabilities is as follows:

	Less than 1 year	1 ~ 5 years	5 ~ 10 years	10 ~ 15 years	15 ~ 20 years	Over 20years
Lease liabilities	$ 56,874	$ 131,208	$ 40,557	$ 37,876	$ 37,876	$ 96,518
Floating rate instruments	$ 517,400	$1,590,400	$ 133,000	$ -	$ -	$ -
Fixed rate instruments	$ 137,533	$ -	$ -	$ -	$ -	$ -

2. Line of credit

	Dec. 31, 2022	Dec. 31, 2021
Unsecured bank loan commitment, reviewed regularly		
－Used within the credit line	$1,805,709	$1,747,533
－Unused within	981,337	1,059,513

the credit line	$2,787,046	$2,807,046
Secured bank loan commitment		
—Used within the credit line	$ 565,000	$ 633,000
—Unused within the credit line	-	-
	$ 565,000	$ 633,000

XXVII. Transactions with Related Parties

Transactions between IST and a related party are as follows:

A. Name of each Related Party and Relationship with the Related Party

Name of related party	Relationship with IST
ITSCompany	A subsidiary
PPT Company	A subsidiary
Samoa IST	A subsidiary
Integrated Service Technology USA Inc. (Integrated USA)	A subsidiary
System Integration Professional Technology(SIP KS Company)	A subsidiary
Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	A subsidiary
Dekra iST	An associate
DEKRA IST Reliability Services Limited(DEKRA IST KS Company)	An associate
BTL Inc.	An associate

B. Service Income

Item listed in the book	Type / name of related party	2022	2021
Service income	Associates	$ 79,892	$ 67,518
	Subsidiaries	35,213	40,977
		$ 115,105	$ 108,495

Prices of the services for which IST obtains incomes from related parties are determined on an arm’s length basis and there is no comparable price of identical service sufficiently for IST to make a comparison with the determined prices. The payment terms provided by IST are net 30 to 90 days from the date of invoice every month or quarter or under a project.

C. Accounts Receivable from Related Parties

Item listed in the book	Type / name of related party	Dec. 31, 2022	Dec. 31, 2021

Accounts receivable — Related parties	Associates		
	Dekra iST	$ 16,404	$ 19,421
	DEKRA IST Reliability Services Limited (DEKRA IST KS Company)	43	10
	BTL Inc.	189	-
	Subsidiaries		
	Integrated USA	2,976	9,230
	PPT Company	957	367
	ITSCompany	6	13
		$ 20,575	$ 29,041
Other receivable — Related parties	Subsidiaries		
	PPT Company	$ 10,317	$ 6,150
	ITSCompany	2,549	-
	Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	1,444	1,220
	System Integration Professional Technology (SIP KS Company)	-	720
	Associates		
	Dekra iST	19,821	20,981
		$ 34,131	$ 29,071
Other current assets	Subsidiaries	$ 646	$ 646
	Associates	-	27
		$ 646	$ 673

No guarantee was received for “Accounts receivable — Related parties”. No loss allowance was allocated for the accounts receivable from related parties for 2022 and 2021 respectively.

“Other receivables – Related parties” refer to the technical service incomes, rent incomes and advances receivable from related parties.

D. Accounts Payable to Related Parties

Item listed in the book	Type / name of related party	Dec. 31, 2022	Dec. 31, 2021
Accounts payable — Related parties	Associates		
	Dekra iST	$ 642	$ 6,024

	BTL Inc.	-	11
	Subsidiaries		
	PPT Company	-	16
	ITSCompany	90	-
		$ 732	$ 6,051
Payables on equipment	Subsidiaries		
	Integrated USA	$ 7,298	$ 6,578
Other payables—Related parties	Associates		
	Dekra iST	$ 1,535	$ -
	Subsidiaries		
	PPT Company	535	220
	Others	399	536
		$ 2,469	$ 756
Other current liabilities	Subsidiaries	$ 110	$ -

E. Acquisition of Property, Plant and Equipment

Type / name of related party	Amount acquired	
	2022	2021
Subsidiaries	$ 7,990	$ 2,223

The price and payment terms based on which a related party acquires property, plant and equipment are determined in the manner agreed by both sides.

F. Disposal of Property, Plant and Equipment

Type / name of related party	Disposal proceeds		Gains (losses) on disposal	
	2022	2021	2022	2021
Subsidiaries	$ -	$318,527	$ -	$ -

The price and payment terms based on which property, plant and equipment are sold to a related party are determined in the manner agreed by both sides.

G. Lease / Sublease Agreement

Renting Out and Subleasing under Operating Lease

IST rented out land, building and structure as well as other equipment under operating leases and subleased the right of use of the building and structure to the associate Dekra iST, and the lease periods were 5 to 10 years. Rents were determined based on the rents for similar assets, and fixed lease payments were collected pursuant to lease agreements quarterly. The total lease payments to be collected as of Dec. 31, 2022 and Dec. 31, 2021 were NTD 48,124 thousand and NTD 54,104 thousand. Lease incomes recognized for the years 2022 and 2021 were NTD 22,268 thousand and NTD 23,558 thousand respectively.

IST rented out building, structure and mechanical equipment to PPT Company under operating leases, and the lease periods were 5 to 5.5 years. The total lease payments to be collected as of Dec. 31, 2022 and Dec. 31, 2021 were NTD 208,105 thousand and NTD 269,501 thousand. Rents were determined based on the rents for similar assets, and fixed lease payments were collected pursuant to lease agreements quarterly. Lease incomes recognized for the years 2022 and 2021 were NTD 16,968 thousand and NTD 41,847 thousand respectively.

Subleasing under Finance Lease

IST subleased the building and structure, which were originally listed as right-of-use assets in the book, to the associate Dekra iST under finance leases in 2022 and 2021. The net investment in the lease at the lease commencement date was NTD 4,718 thousand and NTD 16,326 thousand respectively, and the lease period was 1.08 years and 1～5 years respectively. The balance of finance leases receivable as of Dec. 31, 2022 and Dec. 31, 2021 was NTD 4,358 thousand and NTD 3,980 thousand respectively.

H. Disposal of Intangible Assets

Type / name of related party	Disposal proceeds		Gains (losses) on disposal	
	2022	2021	2022	2021
Subsidiaries	$ -	$ 3,282	$ -	$ -

The price and payment terms based on which intangible assets are sold to a related party are determined in the manner agreed by both sides.

I. Disposal of Other Current Assets

Type / name of related party	Disposal proceeds		Gains (losses) on disposal	
	2022	2021	2022	2021
Subsidiaries	$ -	$ 7,393	$ -	$ -

The price and payment terms based on which the inventory of suppliers is sold to a related party are determined in the manner agreed by both sides.

J. Guarantee Deposits Received

Item listed in the book	Type / name of related party	Dec. 31, 2022	Dec. 31, 2021

Guarantee deposits received	Associates		
	Dekra iST	$ 2,005	$ 2,005
	Subsidiaries		
	PPT Company	7,638	7,638
	ITSCompany	3,589	-
		$ 13,232	$ 9,643

K. Manufacturing Expenses and Operating Expenses

Item listed in the book	Type / name of related party	2022	2021
Manufacturing expenses	Associates	$ 10,328	$ 14,548
	Subsidiaries	1,202	672
		$ 11,530	$ 15,220
Operating expenses	Associates	$ 397	$ 710
	Subsidiaries	-	24
		$ 397	$ 734

The amounts of manufacturing expenses and operating expenses and the payment terms between IST and its related parties are negotiated and agreed by both sides.

L. Non-operating Incomes and Expenses

Item listed in the book	Type / name of related party	2022	2021
Lease incomes	Associates		
	Dekra iST	$ 22,268	$ 23,558
	Subsidiaries		
	PPT Company	16,968	41,847
	ITSCompany	18	-
		$ 39,254	$ 65,405
Other incomes	Associates		
	Dekra iST	$ 6,639	$ 6,967
	Subsidiaries	1,218	1,126
		$ 7,857	$ 8,093
Interest expenses	Associates	$ 16	$ 21
	Subsidiaries	60	79
		$ 76	$ 100

Rents and collection methods under the lease contract between IST and its related parties are determined based on lease contracts.

The amounts of other incomes and the collection conditions between IST and its related parties are negotiated and agreed by both sides.

Interest on a security deposit incurred from the lease between IST and its related parties is determined based on lease contracts.

M. Remunerations to Main Managements

	2022	2021
Short-term benefits	$ 35,711	$ 34,057
Post-employment benefits	400	449
Share-based payment	1,108	850
	$ 37,219	$ 35,356

The remunerations to directors and main managements are determined by the remuneration committee based on individual performance and market trends.

XXVIII. Pledged Assets

The following assets of IST were provided as guarantees for issuing of L/Cs, bank loans, and line of credit.

	Dec. 31, 2022	Dec. 31, 2021
Property, plant and equipment	$824,670	$912,224
Demand deposit (listed as “other financial assets – current” in the book)	5,197	4,223
	$829,867	$916,447

XXIX. Material Contingent Liabilities and Unrecognized Contractual Commitments

Contingencies

Phoenix Silicon International Corporation (”Phoenix Silicon”) brought a suit in September 2019 against IST for patent infringement and requested the court to give a ruling requiring IST to compensate Phoenix Silicon for its loss and not to use the patented process any more. Intellectual Property Court gave a ruling on June 23, 2020 dismissing the patent infringement litigation brought by Phoenix Silicon. The court found that the patent right stated in Phoenix Silicon’s patent certificate No. I588880 was the combination with general knowledge and did not have the nature of obviousness, so it ruled that the patent was invalid and litigation costs should be paid by the plaintiff Phoenix Silicon. However, Phoenix Silicon still had the right to appeal. In August 2020, IST received the appeal made by Phoenix Silicon. For the civil case, Intellectual Property Court ruled on June 4, 2021 that it was invalid and rejected the claim made by Phoenix Silicon. In October 2021, IST received the original copy of the civil judgment No. Tai-Shang-Zi-2700 of 2021 from the supreme court, which dismissed the appeal made by Phoenix Silicon. The judgment was final. This event did not have a significant effect on IST's financial conditions. Relevant operating activates were conducted normally.

Phoenix Silicon previously accused an employee of IST of misappropriating the trade secrets of Phoenix Silicon. After the investigation concluded, IST received on Feb. 24, 2021 the indictment from Taiwan Hsinchu District Prosecutors Office against the employee and his/her employer IST, and also received in March 2021 the criminal and civil complaint submitted by Phoenix Silicon to Taiwan Hsinchu District Court. In the complaint, Phoenix Silicon claimed that its trade secrets were reproduced and used by IST and its employee without authorization and the concerned parties should compensate Phoenix Silicon for its loss. IST believed that the aforementioned lawsuit did not have significant effect on its financial conditions. Relevant operating activates were conducted normally.

XXX. Information of Foreign Currency Assets and Liabilities that Have Material Impacts

The following information presents foreign currencies, rather than the functional currency, used by IST. The disclosed exchange rate refers to the exchange rate of the foreign currency to the functional currency. Foreign currency assets and liabilities that have material impacts are as follows:

	Dec. 31, 2022			Dec. 31, 2021		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Foreign currency assets						
Monetary item						
USD	$ 6,115	30.7100 (USD：NTD)	$ 187,792	$ 7,439	27.6800 (USD：NTD)	$ 205,917
CNY	27	4.4094 (CNY：NTD)	119	21	4.3415 (CNY：NTD)	90
JPY	10,211	0.2324 (JPY：NTD)	2,373	9,021	0.2405 (JPY：NTD)	2,169
EUR	-	-	-	223	31.3200 (EUR：NTD)	6,985
			$ 190,284			$ 215,161
Investments accounted for using the equity method						
USD	8,593	30.7100 (USD：NTD)	$ 304,891	11,155	27.6800 (USD：NTD)	$ 308,772
Non- monetary item						
JPY	2,252	0.2324 (JPY：NTD)	$ 523	-	-	$ -
Foreign currency liabilities						
Monetary item						
USD	3,741	30.7100 (USD：NTD)	$ 114,886	6,861	27.6800 (USD：NTD)	$ 189,925
JPY	72,759	0.2324 (JPY：NTD)	16,909	4,676	0.2405 (JPY：NTD)	1,125
EUR	-	-	-	223	31.3200 (EUR：NTD)	6,984
			$ 131,795			$ 198,034
Non- monetary item						
JPY	-	-	$ -	42	0.2405	$ 10

Unrealized foreign currency exchange gains and losses which have material impacts are as follows:

	2022		2021	
Foreign currency	Exchange rate	Net foreign exchange loss	Exchange rate	Net foreign exchange loss
USD	30.7100（USD：NTD）	($ 2,574)	27.6800（USD：NTD）	$ 744
JPY	0.2324（JPY：NTD）	(520)	0.2405（JPY：NTD）	32
CNY	4.4094（CNY：NTD）	(7)	4.3415（CNY：NTD）	(8)
EUR	32.7200（EUR：NTD）	-	31.3200（EUR：NTD）	76
		($ 3,101)		$ 844

XXXI. Disclosures in the Notes

A. Information Relevant to Material Transactions and B. Information Relevant to Reinvestments:

1. Funds lent to others (Schedule 1)
2. Enforcement and guarantee for others (None)
3. Negotiable securities held at the end of the year (not including investments in subsidiaries and associates and joint ventures) (Schedule 2)
4. Accumulated purchases or sales of negotiable securities up to NTD 300 million or 20% of the paid-in capital (None)
5. Acquisition cost of real estate up to NTD 300 million or 20% of the paid-in capital (None)
6. Proceeds up to NTD 300 million or 20% of the paid-in capital from disposal of real estate (None)
7. Purchases from or sales to related parties up to NTD 100 million or 20% of the paid-in capital (None)
8. Receivables from related parties up to NTD 100 million or 20% of the paid-in capital (None)
9. Transactions of derivatives (Notes 7 and 26)
10. Name and location of each investee company (not including investee companies in Mainland China) and other relevant information (Schedule 3)

C. Information of Investments in Mainland China:

1. Name of each investee company in Mainland China and its main business activities, paid-in capital, investment method, funds remitted in and out, shareholding, investment gain or loss, book value of investments at the end of the year, investment gain remitted back already, and limit of investments in Mainland China (Schedule 4)

2. Material transactions with investee companies in Mainland China directly or through a third region, and price, payment terms and unrealized gain/loss with respect to the transactions, and other information helpful to understand the impact of investments in Mainland China to the financial statements: No material transaction

D. Information of Main Shareholders: Name of each shareholder holding over 5% of equity, number of shares held, and ratio of shareholding (None)

Integrated Service Technology Inc.

Funds lent to others

2022

Schedule 1

Unit: In Thousands of New Taiwan Dollars／Thousands in Foreign Currency

No.	Company lending funds	Company receiving the loan	Account	Maximum balance of the year	Ending balance	Drawdown	Interest rate range	Nature of lending	Amount of business	Reason of short-term financing	Allocated amount of allowance for bad debts	Security		Limit of funds lent to an individual entity	Total limit of lending	Remarks
												Name	Value			
0	IST	ITSCompany	Other receivables – Related parties	$ 40,000	$ 40,000	$ -	2.500%	Necessity to have a short-term financing	$ -	Capital turnover	$ -	None	$ -	$ 329,823	$ 1,319,292	(Note 1)

Note 1: A loan to a single enterprise is limited to 10% of the net worth of the lending company. The total funds lent to other entities shall not exceed 40% of the net worth of the lending company.

Integrated Service Technology Inc.

Marketable Securities Held at the End of the Year

Dec. 31, 2022

Schedule 2

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Holding company	Type and name of marketable securities	Relation with the issuer of marketable securities	Items in the book	End of the year				Remarks
				Number of shares	Book amount	Ratio of shareholding	Fair value	
IST	Funds							
	TIEF FUND,L.P	—	Financial assets at FVTPL－Non-current	-	$ 27,282	4.35%	$ 27,282	Note
Pin Wen Corp. (Pin Wen Company)	Stocks							
	Frame Magic Studios Co., Ltd.	—	Financial assets at FVTPL－Non-current	242,105	-	10.53%	-	Note

Note: It was calculated at fair value on Dec. 31, 2022.

Integrated Service Technology Inc.

Information of Investee Companies (Excluding Investee Companies in Mainland China), their Locations, etc.

2022

Schedule 3

Unit: In Thousands of New Taiwan Dollars／Thousands in Foreign Currency

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company for the year	Investment gain (loss) recognized for the year	Remarks
				End of the year	End of last year	Number of shares	Ratio (%)	Book amount			
IST	Samoa IST	Samoa	Investment	USD 10,000	USD 10,000	4,916,770	100	$ 265,024	($ 13,783)	($ 13,783)	A subsidiary (Note 1)
	Dekra Company	Hsinchu City	Product testing and relevant business	$ 192,624	$ 192,624	19,262,390	49	631,647	121,694	56,304	An associate (Note 2)
	BTL Inc.	Taipei City	Product testing and relevant business	95,225	95,225	2,550,000	11	120,566	134,918	14,044	An associate (Note 1)
	Pin Wen Corp. (Pin Wen Company)	Hsinchu City	Investment	197,000	192,000	5,841,258	100	54,675	(5,837)	(5,837)	A subsidiary (Note 1)
	Supreme Fortune corp.	Belize	Investment	USD 1,655	USD 1,655	1,655,000	100	37,288	(3,454)	(3,454)	A subsidiary (Note 1)
	Global Social Inc.	Taipei City	Advertising production, media planning, public relations and relevant business	$ 25,200	$ 25,200	8,487	30	-	-	-	An associate (Notes 3 and 4)
	ITSCompany	Hsinchu City	Electronic product testing and relevant business	267,278	267,278	22,728,603	38	21,256	(2,522)	(3,763)	A subsidiary (Note 1)
	PPT Company	Hsinchu City	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	450,000	450,000	45,000,000	75	300,037	(70,259)	(50,450)	A subsidiary (Note 1)
Samoa IST	Seychelles IST	Seychelles	Investment	USD 6,159	USD 6,159	6,158,575	100	USD 6,156	(USD 505)	(USD 505)	A sub-subsidiary (Note 1)
	Integrated USA	USA	R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.	USD 3,130	USD 3,130	3,130,000	100	USD 392	USD 36	USD 36	A sub-subsidiary (Note 1)）
Supreme Fortune corp.	Hot Light Co., Ltd.	Seychelles	Investment	USD 1,655	USD 1,655	1,655,000	100	USD 1,214	(USD 116)	(USD 116)	A sub-subsidiary (Note 1)
Pin Wen Corp. (Pin Wen Company)	ITSCompany	Hsinchu City	Electronic product testing and relevant business	$ 186,038	$ 186,038	7,892,000	13	$ 7,381	($ 2,522)	($ 1,307)	A subsidiary (Note 1)
	PPT Company	Hsinchu City	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	49,500	49,500	3,300,033	6	21,447	(70,259)	(3,863)	A subsidiary (Note 1)
	EFUN Technology Inc.(EFUN Company)	Hsinchu City	Information software service	3,700	3,700	370,000	26	821	928	245	An associate (Note 3)
	Green Innovation Technology	Hsinchu City	Information software management service and relevant business	5,100	5,100	510,000	29	3,390	1,520	342	An associate (Note 3)
Hot Light Co., Ltd.	Elitist Design	Hsinchu City	Circuit design service	USD 125	USD 125	400,000	100	USD 166	USD 4	USD 4	A sub-subsidiary (Note 1)

Note 1: It was calculated based on the financial statements of the same accounting period audited by CPAs.
Note 2: It was calculated based on the financial statements of the same accounting period audited by other CPAs.
Note 3: It was calculated based on the financial statements of the same accounting period that were not audited by CPAs.
Note 4: Liquidation was applied for in February 2022

Integrated Service Technology Inc.

Information of Investments in Mainland China

2022

Schedule 4

Unit: In Thousands of New Taiwan Dollars／Thousands in Foreign Currency

Name of invested company in Mainland China	Min business activities	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan as of the beginning of the period	Investment amount remitted or recovered in the period		Accumulated investment amount remitted from Taiwan as of the end of the period	Investee company's profit (loss) of the period	Ratio of shares held by the Company through direct or indirect investment	Investment gain (loss) recognized for the period	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the period	Remarks
					Remitted	Recovered							
Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	Product testing and relevant business	$ 113,627 (USD 3,700)	Note 1	$ 290,916 (USD 9,473) （Note 4）	$ -	$ -	$ 290,916 (USD 9,473) （Note 4）	$ 2,712 (USD 91)	100%	$ 2,712 (USD 91)	$ 168,506 (USD 5,487)	$ -	Note 2
System Integration Professional Technology (SIP KS Company)	Circuit design service	96,737 (USD 3,150)	Note 1	46,986 (USD 1,530)	-	-	46,986 (USD 1,530)	(7,243) (USD (243))	100%	(7,243) (USD (243))	66,426 (USD 2,163)	-	Note 2
Instrument Supply Technology (Kunshan) Co., Ltd. (IST-trade KS Company)	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	11,024 (CNY 2,500)	Note 1	- （Note 5）	-	-	- （Note 5）	438 (CNY 99)	100%	438 (CNY 99)	11,403 (CNY 2,586)	-	Note 2

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the period	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs
$ 337,902 （USD 11,003）	$ 564,388 （USD 18,378）	$1,978,938

Note 1: The company in Mainland China was invested through a third-area investee company.

Note 2: It was calculated based on the financial statements of the same accounting period audited by CPAs.

Note 3: The figures in a foreign currency were converted into NT dollars at the exchange rate announced on the reporting date.

Note 4: An amount of USD 980 thousand in the investment is a reinvestment by Samoa IST using its own funds, so the limit of investments in Mainland China provided by Investment Commission, MOEA is not applicable here.

Note 5: It is a reinvestment by Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company) using its own funds, so the limit of investments in Mainland China provided by Investment Commission, MOEA is not applicable here.

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Integrated Service Technology Inc.

Schedule of Cash and Cash Equivalents

Dec. 31, 2022

Table 1

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Item	Description	Amount
Bank deposits		
Checking and demand deposits	—	$410,293
Foreign currency demand deposits	i.e. USD 623 thousand (exchange rate US$1：NT$30.71); JPY 7,010 thousand (exchange rate JPY$1：NT$0.2324); RMB 23 thousand (exchange rate RMB$1：NT$4.4094)	20,861
Limited deposits	Listed as "Other financial assets —Current" in the book	(5,197)
		425,957
Petty cash	—	125
		$426,082

Integrated Service Technology Inc.

Schedule of Notes and Accounts Receivable

Dec. 31, 2022

Table 2 Unit: In Thousands of New Taiwan Dollar

Customer name	Amount
Customer A	$ 219,641
Customer B	195,390
Customer C	129,699
Others (Note 1)	708,157
	1,252,887
Loss allowance	(13,530)
	$1,239,357

Note 1 The balance of each customer in the "Others" item does not exceed 5% of the total balance of the item.

Note 2 The accounts receivables NTD 5,215 thousand have been due for over a year, and IST has allocated a proper loss allowance for the amount that cannot be collected successfully.

Integrated Service Technology Inc.

Schedule of Changes in Non-current Financial Assets at Fair Value through Profit or Loss

For the year ended Dec. 31, 2022

Table 3

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Name of investee company	Beginning balance		Increase in the year		Decrease in the year		Ending balance		
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Ratio of shareholding %	Fair value
Funds									
TIEF FUND,L.P	-	$ 21,945	-	$ -	-	($ 5,337)	-	4.35	$ 27,282

Integrated Service Technology Inc.

Schedule of Changes in Investments Accounted for Using the Equity Method

For the year ended Dec. 31, 2022

Table 4

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Name of investee company	Beginning balance		Increase in the year		Decrease in the year		Changes in the owned equity of subsidiaries and associates	Investment gain (loss) recognized by using the equity method	Exchange differences on translation of foreign financial statements of foreign operations	Ending balance			Net equity	Remarks
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Ratio of shareholding (%)	Amount		
Samoa IST	4,916,770	$ 268,599	-	$ -	-	$ -	$ -	($ 13,783)	$ 10,208	4,916,770	100	$ 265,024	$ 265,024	Note 1
Dekra Company	19,262,390	573,816	-	-	-	-	-	56,304	1,527	19,262,390	49	631,647	413,953	Note 2
BTL Inc.	2,550,000	112,593	-	-	-	(6,630)	155	14,044	404	2,550,000	11	120,566	83,567	Notes 1 and 4
Pin Wen Corp. (Pin Wen Company)	6,841,258	54,798	500,000	5,000	(1,500,000)	-	714	(5,837)	-	5,841,258	100	54,675	54,675	Notes 1 and 5
Global Social Inc.	8,487	-	-	-	-	-	-	-	-	8,487	30	-	-	Note 3
Supreme Corp.	1,655,000	40,173	-	-	-	-	-	(3,454)	569	1,655,000	100	37,288	37,288	Note 1
ITSCompany	22,728,603	25,019	-	-	-	-	-	(3,763)	-	22,728,603	38	21,256	24,072	Note 1
PPT Company	45,000,000	350,487	-	-	-	-	-	(50,450)	-	45,000,000	75	300,037	292,457	Note 1
		$1,425,485		$ 5,000		($ 6,630)	$ 869	($ 6,939)	$ 12,708			$1,430,493	$1,171,036	

Note 1: It was calculated based on the investee company's financial statements of the same accounting period audited by CPAs

Note 2: It was calculated based on the investee company's financial statements of the same accounting period audited by other CPAs

Note 3: It was calculated based on the financial statements that were not audited by CPAs

Note 4: The increase in the year refers to the dividends NTD 6,630 thousand received from associates.

Note 5: The decrease in the year refers to the capital reduction of 1,500 thousand shares for making good of loss.

Integrated Service Technology Inc.

Schedule of Changes in Right-of-Use Assets and Changes in Accumulated Depreciation of Right-of-Use Assets

For the year ended Dec. 31, 2022

Table 5 Unit: In Thousands of New Taiwan Dollars

	Land	Building	Transportation equipment	Total
Cost				
Balance at Jan. 1, 2022	$ 172,236	$ 207,653	$ 10,824	$ 390,713
Addition	729	13,230	10,356	24,315
Decrease	-	(42,320)	(4,817)	(47,137)
Balance at Dec. 31, 2022	172,965	178,563	16,363	367,891
Accumulated depreciation				
Balance at Jan. 1, 2022	14,576	76,583	4,964	96,123
Depreciation	4,840	41,908	4,998	51,746
Decrease	-	(34,392)	(4,413)	(38,805)
Balance at Dec. 31, 2022	19,416	84,099	5,549	109,064
Net at Dec. 31, 2022	$ 153,549	$ 94,464	$ 10,814	$ 258,827

Integrated Service Technology Inc.

Schedule of Short-term Borrowings

Dec. 31, 2022

Table 6 Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Creditor	Loan period	Annual interest rate (%)	Balance	Line of credit (Note)	Mortgage or guarantee
Yuanta Bank	2022/11/07~2023/04/03	1.75	$ 80,000	$ -	None
Taipei Fubon Commercial Bank	2022/08/15~2023/05/21	2.21~2.27	100,000	-	None
Cathay United Bank	2022/12/30~2023/01/03	1.77	80,000	-	None
First Bank	2022/12/07~2023/02/04	1.86	100,000	-	None
Land Bank of Taiwan	2022/09/23~2023/03/22	1.88	50,000	20,000	None
Taiwan Business Bank	2022/12/24~2023/06/14	1.83	50,000	-	None
Chang Hwa Commercial Bank	2022/07/21~2023/05/16	2.20~6.14	105,709	94,291	None
Total short-term borrowings			$ 565,709	$ 114,291	

Note: As of the end of 2022, the amount unused within the line of credit was NTD 94,291 thousand.

Integrated Service Technology Inc.

Schedule of Notes and Accounts Payable

Dec. 31, 2022

Table 7 Unit: In Thousands of New Taiwan Dollars

Name of Supplier	Amount
Supplier A	$ 50,500
Supplier B	19,332
Supplier C	17,463
Supplier D	14,356
Supplier E	13,717
Others (Note)	126,838
	$242,206

The amount of each supplier in the “Others” item does not exceed 5% of the total amount of the item.

Integrated Service Technology Inc.

Schedule of Long-term Borrowings

Dec. 31, 2022

Table 8

Unit: In Thousands of New Taiwan Dollars

Creditor	Term of contract	Repayment terms	Annual interest rate (%)	Borrowed amount	Mortgage or guarantee	Remarks
Credit loans						
Bank SinoPac	Mar. 24, 2017 ~ Mar. 24, 2032	From May 24, 2017, interest shall be paid during the credit period. The grace period is 2 years. After that, NTD 7 million shall be repaid every quarter before full repayment by March 2032.	1.58	$ 245,000	Note 1	To supplement working capital
Bank SinoPac	Mar. 25, 2022 ~ Mar. 31, 2024	From Mar. 25, 2022, interest shall be paid during the credit period. A principal shall be repaid upon maturity. The loan shall be completely repaid by March 2024.	1.78	80,000	None	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. From the date of drawdown, the principal shall be repaid in installments every 6 months, which shall be regarded as a repayment term, for 10 terms. From the 1st term to the 9th term, the 5% of the principal shall be repaid. For the 10th term, the 55% of the principal shall be repaid. The loan shall be completely repaid by September 2025.	2.39	320,000	Note 2	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. From the date of drawdown, the principal shall be repaid in installments every 6 months, which shall be regarded as a repayment term, for 10 terms. From the 1st term to the 9th term, the 5% of the principal shall be repaid. For the 10th term, the 55% of the principal shall be repaid. The loan shall be completely repaid by September 2025.	2.49	160,000	None	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by September 2025.	2.29	100,000	None	To supplement working capital
Hua Nan Bank	Nov. 24, 2022 ~ Nov. 24, 2024	From Nov. 24, 2022, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2024.	1.76	100,000	Note 3	To supplement working capital
CTBC Bank	May 6, 2022 ~ May 6, 2025	From May 6, 2022, interest shall be paid during the credit period. The grace period is 9 months. After that, NTD 10 million shall be repaid every quarter before full repayment by May 2025.	1.63	200,000	None	To supplement working capital
CTBC Bank	Nov. 25, 2022 ~ Nov. 25, 2024	From Nov. 25, 2022, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2024.	1.83	200,000	None	To supplement working capital
Agricultural Bank of Taiwan	May 13, 2021 ~ May 13, 2024	From May 13, 2021, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by May 2024.	1.61	200,000	None	To supplement working capital
Bank of Taiwan	Nov. 14, 2022 ~ Nov. 14, 2024	From Nov. 14, 2022, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2024.	2.20	100,000	None	To supplement working capital
Far Eastern International Bank	Sep. 12, 2022 ~ Sep. 12, 2024	From Sep. 12, 2022, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by September 2024.	2.00	100,000	None	To supplement working capital
				1,805,000		
Current portion of long-term borrowings				(128,000)		
Expenses incurred by the organizer of syndicated loans				(1,600)		
				$ 1,675,400		

Note 1: The building and structure of a net amount NTD 357,356 thousand have been provided for the bank as security for the long-term loan.

Note 2: The building and structure of a net amount NTD 430,198 thousand and a bank deposit of NTD 5,197 thousand have been provided for the bank as security for the long-term loan.

Note 3: The building and structure of a net amount NTD 37,116 thousand have been provided for the bank as secondary security for the long-term loan.

Integrated Service Technology Inc.

Schedule of Lease Liabilities

Dec. 31, 2022

Table 9

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Item	Lease period	Discount rate	Amount
Land	October 2017 ~ September 2057	2.76%	$ 160,878
Building	March 2007 ~ August 2026	1.62%~2.76%	102,570
Transportation equipment	April 2020 ~ October 2025	4.97%~5.40%	11,016
Total			274,464
Less: Lease liabilities—Current			(45,709)
Lease liabilities—Non-current			$ 228,755

Integrated Service Technology Inc.

Schedule of Operating Revenue

For the year ended Dec. 31, 2022

Table 10 Unit: In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Service of integrated circuit testing	Note	$3,215,859
Sales discount	—	(2,725)
		$3,213,134

Note: Not all the prices are calculated based on quantity, so the quantity cannot be estimated reasonably.

Integrated Service Technology Inc.

Schedule of Operating Cost

For the year ended Dec. 31, 2022

Table 11 Unit: In Thousands of New Taiwan Dollars

Item	Operating cost
Salary expense	$ 680,921
Depreciation expense	559,747
Miscellaneous purchases	481,569
Consumables	115,459
Others (Note)	390,544
	$2,228,240

Note: The amount of each component in the "Others" item does not exceed 5% of the total amount of the item.

Integrated Service Technology Inc.

Schedule of Operating Expenses

For the year ended Dec. 31, 2022

Table 12 Unit: In Thousands of New Taiwan Dollars

Item	Selling expense	Management expense	R&D expense
Salary expense	$ 48,953	$137,653	$ 50,897
Insurance premium	3,971	11,864	3,940
Depreciation expense	2,293	74,252	45,744
Service expense	-	19,354	-
Miscellaneous expenses	1,932	26,253	-
Others (Note)	15,514	80,229	5,727
	$ 72,663	$349,605	$106,308

Note: The amount of each component in the "Others" item does not exceed 5% of the total amount of the item.

Integrated Service Technology Inc.

Summary Statement of the Year's Employee Benefits, Depreciation and Amortization Expenses Classified by Functions

For the years ended Dec. 31, 2022 and 2021

Table 13 Unit: In Thousands of New Taiwan Dollars

	2022			2021		
	In operating cost	In operating expenses	Total	In operating cost	In operating expenses	Total
Employee benefit expenses						
Salary expense	$ 680,921	$ 237,503	$ 918,424	$ 529,622	$ 206,314	$ 735,936
Labor and national health insurance premium expense	53,307	18,388	71,695	45,234	17,117	62,351
Retirement pension expense	22,735	8,871	31,606	19,433	8,437	27,870
Remuneration to directors	-	6,000	6,000	-	4,708	4,708
Other employee benefit expenses	53,203	31,255	84,458	25,669	20,757	46,426
	$ 810,166	$ 302,017	$1,112,183	$ 619,958	$ 257,333	$ 877,291
Depreciation expense	$ 559,747	$ 122,289	$ 682,036	$ 542,379	$ 115,746	$ 658,125
Amortization expense	$ 4,116	$ 3,142	$ 7,258	$ 3,702	$ 1,816	$ 5,518

Note 1 The average number of IST employees per month in 2022 and 2021 was 949 and 870 respectively and there were 8 directors that were not employees in 2022 and 2021.

Note 2 Exchange-listed and OTC-listed companies are required to disclose the following information:

(1) Average employee benefit expenses of the current year NTD 1,176 thousand: (Total employee benefit expenses of the current year —Total remuneration to directors) / (Number of employees for the current year —Number of directors who are not employees)

Average employee benefit expenses of the previous year NTD 1,012 thousand : (Total employee benefit expenses of the previous year —Total remuneration to directors for the previous year) / (Number of employees for the previous year —Number of directors who were not employees for the previous year)

(2) Average employee salary expenses of the year NTD 976 thousand: Total employee salary expenses of the current year / (Number of employees for the current year —Number of directors who are not employees)

Average employee salary expenses of the previous year NTD 854 thousand : Total employee salary expenses of the previous year / (Number of employees for the previous year —Number of directors who were not employees for the previous year)

(3) Adjustment or change of average employee salary expenses 14% : (Average employee salary expenses of the year —Average employee salary expenses of the previous year) / Average employee salary expenses of the previous year

(4) The remuneration to independent directors for 2022 and 2021 has been included into the remuneration to directors for the purpose of disclosure.

(5) Please specify the remuneration policy of IST (including remunerations to directors, supervisors, managers and employees):

(A) Remunerations to directors, remuneration committee members and managers are allocated pursuant to the IST Policy of Remunerations to Directors, Remuneration Committee Members and Managers. When IST has earnings, remunerations are allocated in compliance with its articles of incorporation. Allocated remunerations shall be resolved by the board of directors and reported at the shareholders' meeting.

(B) With respect to remunerations to managers, the fixed salary is determined based on length of service, job value and salary structure while a variable pay is provided reasonably based on performance, the competitive environment where managers in relevant fields are paid, and standards of salaries paid in the same industry after personal performance, corporate performance and correlation to future risks are taken into account. Such remunerations shall be reviewed and approved by the remuneration committee and approved by the board of directors.

(C) The salary structure used by IST includes the fixed salary, variable bonuses and a bonus from earnings. The fixed salary is approved based on relevant work experience, job structure, and salary level in the industry. Variable bonuses and the bonus from earnings are subject to the status of IST's profitability, and departmental and personal performance. IST shares business results with employees.