Integrated Service Technology Inc. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2023 and 2022 and Independent Auditors' Review Report

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Independent Auditors' Review Report

To Integrated Service Technology Inc.:

Introduction

We have reviewed the financial statements of Integrated Service Technology Inc. and its subsidiaries, which comprise the consolidated balance sheet as of Mar. 31, 2023 and 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the quarters ended Mar. 31, 2023 and 2022, and the notes to the consolidated financial statements (including a summary of material accounting policies). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, and the Statement No. 34 "Interim Financial Reporting" of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission. Our responsibilities are to draw a conclusion, based on the results of the review, on the consolidated financial statements.

Scope of Review

Except what has been stated in the "Basis for Qualified Conclusion" below, we conducted our review of the consolidated financial statements in accordance with the Statement No. 2410 "Review of Financial Statement" of the Standards on Review Engagements. The procedures performed in review of the consolidated financial statements included inquiries (mainly to personnel in charge of financial and accounting affairs), analytical procedure and other review procedures. The scope of review tasks was obviously narrower than that of audit tasks, so we might be unable detect all material matters identifiable through audit tasks. As a result, we are unable to issue our audit opinion.

Basis for Qualified Conclusion

As stated in Note 10 to the consolidated financial statements, the financial statements of the same period of some non-material subsidiaries included in the consolidated financial statements were not reviewed by CPAs. Their assets in total as of Mar. 31, 2023 and Mar. 31, 2022 were NTD 1,161,462 thousand and NTD 812,328 thousand respectively, which accounted for 16% and 11% of the total consolidated assets. Their liabilities in total were NTD 63,397 thousand and NTD 4,520 thousand respectively, which accounted for 2% and 0% of the total consolidated liabilities. Their comprehensive income in total as of 2023 Q1 and 2022 Q1 was NTD (330) thousand and NTD (760) thousand, which accounted for 0% and (1)% of the total consolidated comprehensive income. In addition, as stated in Note 11 to the consolidated statements, the amount of investments accounted for using the equity method as of Mar. 31, 2023 and Mar. 31, 2022 was NTD 772,846 thousand and NTD 703,022 thousand respectively. The share of the comprehensive income of associates accounted for using the equity method recognized as of 2023 Q1 and 2022 Q1 was NTD 5,200 thousand and NTD 13,703 thousand respectively; however, it was recognized based on those investee companies' financial statements of the same period that were not reviewed by CPAs. Besides, such information relevant to aforementioned subsidiaries and investee companies as stated in the reinvestment-related information in Note 32 "Disclosures" to the consolidated financial statements has not been reviewed by CPAs yet.

Qualified Conclusion

Except for some adjustments that would have been made to the consolidated financial statements if both the financial statements of those non-material subsidiaries and associates stated in the Basis for Qualified Conclusion below and the information disclosed in Note 32 to the consolidated financial statements had been reviewed by CPAs, we have not found, based on our reviews, such non-compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers or the Statement No. 34 "Interim Financial Reporting" of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission that resulted in the consolidated financial statements not presenting fairly the consolidated financial conditions of Integrated Service Technology Inc. and its subsidiaries as of Mar. 31, 2023 and Mar. 31, 2022 or the consolidated financial performance and consolidated cash flows for the quarters ended Mar. 31, 2023 and 2022.

Deloitte & Touche

Huang Yu-Feng, CPA	Chang Ya-Yun, CPA
Securities and Futures Bureau Approval No.: Tai-Cai-Zheng-6-Zi-0920123784	Financial Supervisory Commission Approval No.: Jin-Guan-Zheng-Shen-Zi-1110348898

Apr. 28, 2023

Integrated Service Technology Inc. and Subsidiaries

Consolidated Balance Sheets

Mar. 31, 2023 and Dec. 31 and Mar. 31, 2022

Unit: In Thousands of New Taiwan Dollars

Assets	Mar. 31, 2023 (Reviewed) Amount	%	Dec. 31, 2022 (Audited) Amount	%	Mar. 31, 2022 (Reviewed) Amount	%
Current assets						
Cash and cash equivalents (Note 6)	$ 760,370	10	$ 875,347	12	$ 879,740	12
Current financial assets at fair value through profit or loss (Note 7)	-	-	523	-	-	-
Current contract assets (Note 21)	13,323	-	11,620	-	4,374	-
Notes and accounts receivable, net (Note 8)	1,303,901	18	1,311,491	18	1,298,373	18
Finance lease receivables (Notes 9 and 28)	3,276	-	4,358	-	2,905	-
Accounts receivable due from related parties (Note 28)	24,680	1	17,316	-	16,018	-
Other receivables	1,266	-	1,298	-	1,631	-
Other receivables due from related parties (Note 28)	17,911	-	19,821	-	19,726	-
Prepayments and other current assets (Note 15)	141,142	2	152,335	2	101,403	2
Other financial assets (Note 29)	16,259	-	16,633	-	12,296	-
Total current assets	2,282,128	31	2,410,742	32	2,336,466	32
Non-current assets						
Non-current financial assets at fair value through profit or loss (Note 7)	27,051	-	27,282	1	22,910	-
Investments accounted for using equity method (Note 11)	772,846	11	756,424	10	703,022	10
Property, plant and equipment (Notes 12 and 29)	3,952,399	54	3,881,876	52	3,823,739	52
Right-of-use assets (Note 13)	307,492	4	288,884	4	395,734	5
Other intangible assets (Note 14)	12,564	-	14,280	-	15,308	-
Deferred tax assets (Notes 4 and 23)	356	-	541	-	553	-
Prepayments for business facilities	9	-	56	-	48,931	1
Guarantee deposits paid	23,608	-	22,611	1	20,840	-
Net defined benefit asset, non-current (Notes 4 and 19)	21,532	-	21,460	-	15,999	-
Other non-current financial assets (Note 29)	200	-	-	-	-	-
Total non-current assets	5,118,057	69	5,013,414	68	5,047,036	68
Total assets	$7,400,185	100	$7,424,156	100	$7,383,502	100

Liabilities and Equity	Mar. 31, 2023 (Reviewed) Amount	%	Dec. 31, 2022 (Audited) Amount	%	Mar. 31, 2022 (Reviewed) Amount	%
Current liabilities						
Current borrowings (Note 14)	$ 640,936	9	$ 648,500	9	$ 804,679	11
Current financial liabilities at fair value through profit or loss (Note 7)	18	-	-	-	-	-
Current contract liabilities (Note 21)	88,344	1	117,829	1	64,481	1
Notes and accounts payable	250,705	4	270,621	4	222,287	3
Accounts payable to related parties (Note 28)	1,190	-	692	-	2,275	-
Payable on machinery and equipment	164,304	2	167,477	2	229,267	3
Dividends payable, non-cash assets distributions	149,550	2	74,775	1	-	-
Current tax liabilities (Notes 4 and 23)	83,586	1	54,690	1	88,891	1
Current lease liabilities (Note 13)	59,510	1	53,276	1	82,876	1
Long-term borrowings, current portion (Notes 17 and 29)	167,412	2	145,486	2	107,315	2
Other current liabilities, others (Notes 18 and 28)	431,530	6	535,688	7	362,907	5
Total current liabilities	2,037,085	28	2,069,034	28	1,964,978	27
Non-current liabilities						
Non-current portion of non-current borrowings (Notes 17 and 29)	1,674,735	23	1,697,982	23	1,769,800	24
Deferred tax liabilities (Notes 4 and 23)	4,119	-	5,056	-	4,030	-
Non-current lease liabilities (Note 13)	262,209	3	247,886	3	322,163	4
Guarantee deposits received (Note 28)	2,005	-	2,005	-	2,005	-
Total non-current liabilities	1,943,068	26	1,952,929	26	2,097,998	28
Total liabilities	3,980,153	54	4,021,963	54	4,062,976	55
Equity attributed to owners of parent (Notes 20 and 24)						
Ordinary share	747,751	10	747,751	10	797,751	11
Capital surplus	2,156,372	29	2,143,012	29	2,270,649	31
Retained earnings						
Legal reserve	170,585	2	160,486	2	175,585	2
Special reserve	82,453	1	74,898	1	95,161	1
Unappropriated retained earnings	260,063	4	254,536	4	43,515	1
Other equity, others	(79,013)	(1)	(82,453)	(1)	(79,042)	(1)
Treasury shares	-	-	-	-	(103,112)	(2)
Total equity attributable to owners of parent	3,338,211	45	3,298,230	45	3,200,507	43
Non-controlling interests	81,821	1	103,963	1	120,019	2
Total equity	3,420,032	46	3,402,193	46	3,320,526	45
Total liabilities and equity	$7,400,185	100	$7,424,156	100	$7,383,502	100

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Apr. 28, 2023.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the quarters ended Mar. 31, 2023 and 2022

(Reviewed only, not audited in accordance with the Auditing Standards)

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

	2023 Q1		2022 Q1	
	Amount	%	Amount	%
Operating revenue (Notes 21 and 28)	$ 981,318	100	$ 874,771	100
Operating costs (Notes 22 and 28)	701,738	71	633,897	72
Gross profit (loss) from operations	279,580	29	240,874	28
Operating expenses (Notes 22 and 28)				
Selling expenses	28,753	3	23,435	3
Administrative expenses	110,968	11	103,038	12
Research and development expenses	35,324	4	28,058	3
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	109	-	1,543	-
Total operating expenses	175,154	18	156,074	18
Net operating income	104,426	11	84,800	10
Non-operating income and expenses				
Interest income (Notes 22)	2,155	-	244	-
Other income, others (Notes 22 and 28)	10,057	1	10,341	1
Other gains and losses, net (Note 22)	(4,629)	(1)	2,959	-
Finance costs, net (Notes 22 and 28)	(13,703)	(1)	(10,162)	(1)
Share of profit of associates for using equity method, net (Note 11)	5,693	1	8,922	1
Total non-operating income and expenses	(427)	-	12,304	1

Profit from continuing operations before tax	103,999	11	97,104	11
Tax expense (Notes 4 and 23)	28,185	3	17,960	2
Profit (loss)	75,814	8	79,144	9

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	2023 Q1		2022 Q1	
	Amount	%	Amount	%
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss	$ -	-	$ -	-
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation (Note 20)	3,933	-	11,338	1
Share of other comprehensive income of associates accounted for using equity method	(493)	-	4,781	1
Total other comprehensive income	3,440	-	16,119	2
Total comprehensive income	$ 79,254	8	$ 95,263	11
Profit, attributable to:				
Owners of parent	$ 97,956	10	$ 81,732	9
Non-controlling interests	(22,142)	(2)	(2,588)	-
	$ 75,814	8	$ 79,144	9
Comprehensive income attributable to:				
Owners of parent	$ 101,396	10	$ 97,851	11
Non-controlling interests	(22,142)	(2)	(2,588)	-
	$ 79,254	8	$ 95,263	11
Earnings per share (Note 24)				
Total basic earnings per share	$ 1.31		$ 1.03	
Total diluted earnings per share	$ 1.31		$ 1.02	

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Apr. 28, 2023.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the quarters ended Mar. 31, 2023 and 2022

(Reviewed only, not audited in accordance with the Auditing Standards)

Unit: In Thousands of New Taiwan Dollars

	Equity attributed to owners of parent										
	Ordinary share			Retained earnings			Other equity				
	Number of shares (in thousands of shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Exchange differences on translation of financial statements of foreign operations	Treasury shares	Total owners' equity	Non-controlling interests	Total equity
Balance at Jan. 1, 2022	79,775	$ 797,751	$ 2,266,955	$ 175,585	$ 98,491	($ 41,547)	($ 95,161)	$ -	$ 3,202,074	$ 122,607	$ 3,324,681
Appropriation and distribution of earnings											
Special reserve appropriated	-	-	-	-	(3,330)	3,330	-	-	-	-	-
Share-based payments	-	-	3,694	-	-	-	-	-	3,694	-	3,694
Profit (loss) of 2022 Q1	-	-	-	-	-	81,732	-	-	81,732	(2,588)	79,144
Other comprehensive income after tax for 2022 Q1	-	-	-	-	-	-	16,119	-	16,119	-	16,119
Total comprehensive income for 2022 Q1	-	-	-	-	-	81,732	16,119	-	97,851	(2,588)	95,263
Purchase of treasury shares	-	-	-	-	-	-	-	(103,112)	(103,112)	-	(103,112)
Balance at Mar. 31, 2022	79,775	$ 797,751	$ 2,270,649	$ 175,585	$ 95,161	$ 43,515	($ 79,042)	($ 103,112)	$ 3,200,507	$ 120,019	$ 3,320,526
Balance at Jan. 1, 2023	74,775	$ 747,751	$ 2,143,012	$ 160,486	$ 74,898	$ 254,536	($ 82,453)	$ -	$ 3,298,230	$ 103,963	$ 3,402,193
Appropriation and distribution of earnings											
Legal reserve appropriated	-	-	-	10,099	-	(10,099)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	7,555	(7,555)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(74,775)	-	-	(74,775)	-	(74,775)
Changes in associated accounted for using the equity method	-	-	11,222	-	-	-	-	-	11,222	-	11,222
Share-based payments	-	-	2,138	-	-	-	-	-	2,138	-	2,138
Profit (loss) of 2023 Q1	-	-	-	-	-	97,956	-	-	97,956	(22,142)	75,814
Other comprehensive income after tax for 2023 Q1	-	-	-	-	-	-	3,440	-	3,440	-	3,440
Total comprehensive income for 2023 Q1	-	-	-	-	-	97,956	3,440	-	101,396	(22,142)	79,254
Balance at Mar. 31, 2023	74,775	$ 747,751	$ 2,156,372	$ 170,585	$ 82,453	$ 260,063	($ 79,013)	$ -	$ 3,338,211	$ 81,821	$ 3,420,032

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Apr. 28, 2023.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the quarters ended Mar. 31, 2023 and 2022

(Reviewed only, not audited in accordance with the Auditing Standards)

Unit: In Thousands of New Taiwan Dollars

	2023 Q1	2022 Q1
Cash flows from operating activities, indirect method		
Profit before tax	$ 103,999	$ 97,104
Adjustments to reconcile profit (loss)		
Depreciation expense	195,598	193,330
Amortization expense	2,587	2,671
Expected credit loss (gain)	109	1,543
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	772	(748)
Interest expense	13,703	10,162
Interest income	(2,155)	(244)
Share-based payments	2,138	3,694
Share of profit (loss) of associates for using equity method, net	(5,693)	(8,922)
Loss (gain) on disposal of property, plant and equipment	-	(700)
Unrealized foreign exchange loss (gain)	(869)	(5,847)
Total changes in operating assets and liabilities		
Contract assets	(1,703)	529
Notes and accounts receivable	6,729	(77,551)
Accounts receivable due from related parties	(7,369)	3,904
Other receivable	32	2,338
Other receivables due from related parties	1,910	1,255
Prepayments and other current assets	11,193	4,495
Other operating assets	(72)	(28)
Contract liabilities	(29,485)	(7,694)
Notes and accounts payable	(19,905)	10,478
Accounts payable to related parties	498	(3,928)
Adjustments for other current liabilities	(104,876)	(23,599)
Cash generated from operations	167,141	202,242
Interest paid	(14,824)	(11,073)
Income tax returned	2	-
Net cash generated from operating activities	152,319	191,169

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	2023 Q1	2022 Q1
Cash flows from investing activities		
Acquisition of property, plant and equipment	($ 248,709)	($ 174,959)
Proceeds from disposal of property, plant and equipment	-	3,400
Decrease in refundable deposits	(997)	(379)
Acquisition of other intangible assets	(850)	(2,768)
Decrease in long-term lease and installment receivables	1,082	1,075
Decrease in other financial assets	174	135
Interest received	2,155	244
Net cash used in investing activities	(247,145)	(173,252)
Cash flows from financing activities		
Increase in short-term loans	(7,829)	144,564
Proceeds from long-term debt	100,000	63,340
Repayments of long-term debt	(101,321)	(42,863)
Payments of lease liabilities	(17,383)	(20,882)
Cash dividends paid	-	(35,430)
Capital reduction payments to shareholders	-	(103,112)
Net cash used in financing activities	(26,533)	5,617
Effect of exchange rate changes on cash and cash equivalents	6,382	11,327
Net increase (decrease) in cash and cash equivalents	(114,977)	34,861
Cash and cash equivalents at beginning of period	875,347	844,879
Cash and cash equivalents at end of period	$ 760,370	$ 879,740

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Apr. 28, 2023.)

Integrated Service Technology Inc. and its Subsidiaries

Notes to Consolidated Financial Statements

For the quarters ended Mar. 31, 2023 and 2022

(Reviewed only, not audited in accordance with the Auditing Standards)

(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 consolidated financial statements.

II. Date and Procedure of Adoption of Financial Statements

The consolidated financial statements were approved by the board of directors on Apr. 28, 2023.

III. Applicability of New and Amended Standards and Interpretations

A. 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 and its subsidiaries (hereinafter referred to as the Company).

B. IFRSs Published by International Accounting Standards Board (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

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Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
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 consolidated financial statements, the Company 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

A. Declaration of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting recognized and published by the FSC. Not all information required to be disclosed in annual financial statements in accordance with IFRSs is disclosed in the consolidated financial statements.

B. Preparation Basis

The consolidated 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.

1. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. 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.
3. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

C. Consolidation Basis

The consolidated financial statements include the financial statements of IST and the entities that it controls (subsidiaries). The consolidated statement of comprehensive income has included the operating profit (loss) of any acquired or disposed subsidiary from the date of acquisition or till the date of disposal during the current period. The financial statements of subsidiaries have been adjusted in order to cause the accounting policies used by the subsidiaries to be consistent with those used by IST. The transactions, account balances, incomes and expenses among individual entities were deleted completely during the preparation of the consolidated financial statements. The total comprehensive income of subsidiaries was attributed to owners of IST and non-controlling interests, notwithstanding any loss of non-controlling interests.

If the Company does not lose control over a subsidiary after the Company has made some changes in the subsidiary's equity held by the Company, then the changes are treated as equity transactions. Book amounts of the Company and non-controlling interests have been adjusted to reflect the changes in the corresponding equity held by the Company. The difference between the adjusted amount of non-controlling interests and the fair value of the paid or received consideration was recognized as equity directly and attributed to owners of the Company.

If the Company loses control over the subsidiary, then the disposal gain (loss) is the difference between (1) the sum of fair value of the consideration received and fair value of the remaining investment in the former subsidiary on the date when the Company loses control over the subsidiary and (2) the sum of book amounts of the assets (including goodwill), liabilities and non-controlling interests of the former subsidiary on the date when the Company loses control over the subsidiary. For all amounts concerning the subsidiary that are recognized in other comprehensive incomes, the Company adopts the accounting treatment consistent with the basis complied with by the Company to dispose relevant assets or liabilities.

As for the remaining investment in the former subsidiary, its fair value on the date when the Company loses control over the subsidiary is taken as the originally recognized amount of investment in the associate.

Please refer to Note 10 and Schedules 4 and 5 for the detailed information, shareholding and business activities of each subsidiary.

D. Other Material Accounting Policies

For further information beyond the following explanations, please refer to the Explanations of Material Accounting Policies stated in the consolidated financial statements of 2022.

1. Defined-benefit Postemployment Benefit

For the pension cost for the interim period, the pension cost rate is determined actuarially at the end of the previous fiscal year, which is calculated on a periodical basis from the beginning of the year till the end of the period and adjusted based on material market fluctuations during the period, amendments to material plans, repayments or other material one-time matters.

2. Income Tax Expense

The income tax expense is the sum of the current income tax and deferred income tax for the period. The income tax for the interim period is evaluated on an annual basis and calculated based on the interim pretax income at a tax rate applicable to the expected total profit for the year.

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

For the main sources of material accounting judgments, estimates and assumption uncertainty adopted in the consolidated financial statements, please refer to the consolidated financial statements of 2022.

VI. Cash and Cash Equivalents

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Cash on hand and revolving funds	$ 223	$ 210	$ 193
Bank checks and saving deposits of bank	548,603	630,272	604,559
Cash equivalents			
Time deposits	211,544	244,865	274,988
	$ 760,370	$ 875,347	$ 879,740

VII. Financial Instruments at Fair Value through Profit and Loss

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Financial assets－			

Non-current			
At fair value through profit or loss compulsorily－Not listed (non-OTC)			
Domestic shares	$ -	$ -	$ 216
Beneficiary certificates of funds	27,051	27,282	22,694
	$ 27,051	$ 27,282	$ 22,910
Financial assets－Current			
Held for trading			
Derivatives (not designed for hedging) －Forward exchange agreement	$ -	$ 523	$ -
Financial liabilities－Current			
Held for trading			
Derivatives (not designed for hedging) －Forward exchange agreement	$ 18	$ -	$ -

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)
Mar. 31, 2023			
Forward foreign exchange purchase	TWD to JPY	July 2023	TWD 734/ JPY 3,100
Dec. 31, 2022			
Forward foreign exchange purchase	TWD to JPY	February 2023 ~ July 2023	TWD 12,300/ JPY 55,100

The Company engages in forward exchange transactions 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

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Notes and Accounts Receivable			
Measured at amortized cost			
Notes receivable	$ 833	$ 1,096	$ 1,017
Accounts receivable	1,317,047	1,324,447	1,310,877
Less: Loss allowance	(13,979)	(14,052)	(13,521)
	$ 1,303,901	$ 1,311,491	$ 1,298,373

As for payments of the services sold by the Company, 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 the Company 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, the Company 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 the Company believes that the Company's credit risk has significantly reduced.

The Company 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 the Company, 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 the Company is unable to reasonably expect a recoverable amount, then the Company 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 the Company by using the provision matrix is as follows:

Mar. 31, 2023

	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	$1,167,467	$ 133,173	$ 3,269	$ 3,195	$ 9,943	$1,317,047
Loss allowance (Expected credit loss for the duration)	(1,346)	(913)	(123)	(1,654)	(9,943)	(13,979)
Amortized cost	$1,166,121	$ 132,260	$ 3,146	$ 1,541	$ -	$1,303,068

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	$1,157,373	$ 128,962	$ 24,516	$ 7,859	$ 5,737	$1,324,447
Loss allowance (Expected credit loss for the duration)	(330)	(1,514)	(2,527)	(3,944)	(5,737)	(14,052)
Amortized cost	$1,157,043	$ 127,448	$ 21,989	$ 3,915	$ -	$1,310,395

Mar. 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	$1,146,528	$ 120,043	$ 40,832	$ 1,188	$ 2,286	$1,310,877
Loss allowance (Expected credit loss for the duration)	(1,998)	(1,358)	(7,181)	(698)	(2,286)	(13,521)
Amortized cost	$1,144,530	$ 118,685	$ 33,651	$ 490	$ -	$1,297,356

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

	2023 Q1	2022 Q1
Beginning balance	$ 14,052	$ 12,114
Add: Impairment loss allocated for the period	109	1,543
Less: Amounts written off actually for the period	(182)	(139)
Foreign exchange differences	-	3
Ending balance	$ 13,979	$ 13,521

IV. Finance Leases Receivable

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Lease payments not discounted			
1st year	$ 3,294	$ 4,392	$ 2,928
2nd year	-	-	-
	3,294	4,392	2,928

Less: Finance incomes not earned yet	(18)	(34)	(23)
Lease payments receivable	3,276	4,358	2,905
Net investment in the lease (expressed as finance leases receivable)	$ 3,276	$ 4,358	$ 2,905

X. Subsidiaries

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding Mar. 31, 2023	Shareholding Dec. 31, 2022	Shareholding Mar. 31, 2022	Explanation
IST	Samoa IST	Investment	100%	100%	100%	—
	Innovative Turnkey Solution (ITS Company)	Electronic product testing and relevant business	38%	38%	38%	Note 1
	Pin Wen Corp. (Pin Wen Company)	Investment	100%	100%	100%	—
	Supreme Fortune Corp.	Investment	100%	100%	100%	—
	Prosperity Power Technology Inc. (PPT Company)	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	75%	75%	75%	Note 2
Samoa IST	Seychelles IST	Investment	100%	100%	100%	—
	Integrated Service Technology USA Inc. (Integrated USA)	R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.	100%	100%	100%	—
Pin Wen Company	Innovative Turnkey Solution (ITS Company)	Electronic product testing and relevant business	13%	13%	13%	Note 1
	Prosperity Power Technology Inc. (PPT Company)	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	6%	6%	6%	Note 2
Seychelles IST	Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	Product testing and relevant business	100%	100%	100%	—
	System Integration Professional Technology (SIP KS Company)	Circuit design service	100%	51%	51%	Note 3
Supreme Fortune Corp.	Hot Light Co., Ltd.	Investment	100%	100%	100%	—
IST KS Company	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	100%	100%	100%	—
Hot Light Co., Ltd.	System Integration Professional Technology (SIP KS Company)	Circuit design service	-	49%	49%	Note 2
	He Chou Technology Inc. (He Chou Company)	Circuit design service	100%	100%	100%	Note 4

Note 1. Innovative Turnkey Solution (ITS Company) is listed as a subsidiary because the Company is able to control the composition of the board of directors of ITS Company. As of Mar. 31, 2023 and Dec. 31, 2022 and Mar. 31, 2022, the percentage of the total ITS shares possessed by the Company was 51%.

Note 2. As of Mar. 31, 2023 and Dec. 31, 2022 and Mar. 31, 2022, the percentage of the total PPT shares possessed by the Company was 81%.

Note 3. An amount of capital stock of SIP KS Company was returned to Hot Light Co., Ltd. for capital reduction in January 2023, so the percentage of the shares held by Hot Light Co., Ltd. was reduced from 49% to 0%. The percentage of the shares held by Seychelles IST rose from 51% to 100%. As of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022, the Company held 100% shares of SIP KS Company.

Note 4. Elitist Design Technology Inc. was renamed to He Chou Technology Inc. in April 2023.

The aforementioned subsidiaries did not meet the definition of important subsidiaries provided in Article 2-1 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants revised and published on Jan. 24, 2019 by Financial Supervisory Commission in 2023 Q1, except ITS Company and PPT Company, and in 2022 Q1 except Samoa IST, Seychelles IST, IST KS Company, ITS Company and PPT Company. Their financial statements have not been reviewed by CPAs.

XI. Investments Accounted for Using the Equity Method

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Investments in Associates			
Dekra iST (Dekra Company)	$ 639,082	$ 631,647	$ 583,757
BTL Inc. (BTL Inc.)	131,013	120,566	116,583
Individual immaterial associates			
EFUN Technology Inc. (EFUN Company)	697	821	493
Huan Ying Sustainable Development Technology (Huan Ying Company) (Note)	2,054	3,390	2,189
	$ 772,846	$ 756,424	$ 703,022

Note: Green Innovation Technology was renamed to Huan Ying Sustainable Development Technology in February 2023.

Material associates are listed as follows:

Company name	Percentage of owenership and voting rights held by the Company: Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Dekra Company	49%	49%	49%

BTL Inc.	10%	11%	11%

The OTC-listed BTL Inc. conducted a follow-on offering in March 2023 and IST did not participate in the follow-on offering proportionally based on the percentage of its shareholding. After the participation, the percentage of the BTL shares held by the Company reduced from 11% to 10%. Though the percentage of such shareholding was less than 20%, yet the Company 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.

The market price of the equity of primary exchange (or OTC) listed associates held by the Company as of the end of the reporting period was calculated at closing price. Such equity had level 1 fair value that was quoted in the open market. Relevant information is provided as follows:

Company name	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
BTL Inc.	$ 228,225	$ -	$ -

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 4 "Information of Investee Companies, their Locations, etc."

Investments accounted for using the equity method and the Company's share of profits, losses and other comprehensive incomes thereof were calculated based on their financial statements not reviewed by CPAs.

XII. Property, Plant and Equipment

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Self-used	$ 3,911,663	$ 3,838,661	$ 3,774,528
Rented out under operating lease	40,736	43,215	49,211
	$ 3,952,399	$ 3,881,876	$ 3,823,739

A. Self-used

	Land	Building and structure	Mechanical equipment	Transportation equipment	Office equipment	Leased improvements	Other equipment	Equipment under Installation and Construction in Progress	Total
Cost									
Balance at Jan. 1, 2023	$ 30,852	$2,121,701	$4,108,350	$ 4,321	$ 35,831	$ 323,151	$ 333,800	$ 156,305	$7,114,311
Additions	-	7,460	3,226	-	23	853	6,033	228,765	246,360
Disposals	-	-	(264,773)	-	(601)	(7,309)	(3,815)	-	(276,498)
Reclassification	-	31,140	31,441	-	-	3,327	3,369	(61,006)	8,271
Net exchange difference	-	221	552	18	16	-	2	-	809
Balance at Mar. 31, 2023	$ 30,852	$2,160,522	$3,878,796	$ 4,339	$ 35,269	$ 320,022	$ 339,389	$ 324,064	$7,093,253
Accumulated depreciation									
Balance at Jan. 1, 2023	$ -	$ 424,756	$2,386,855	$ 2,135	$ 26,371	$ 238,225	$ 162,727	$ -	$3,241,069
Depreciation expense	-	33,432	129,775	162	1,652	1,569	12,066	-	178,656
Disposals	-	-	(264,729)	-	(601)	(7,309)	(3,815)	-	(276,454)
Reclassification	-	-	3,308	-	-	-	-	-	3,308
Net exchange difference	-	60	341	9	10	-	1	-	421

Balance at Mar. 31, 2023	$ -	$ 458,248	$2,255,550	$ 2,306	$ 27,432	$ 232,485	$ 170,979	$ -	$3,147,000
Accumulated impairment									
Balance at Jan. 1, 2023	$ -	$ -	$ 34,445	$ -	$ 136	$ -	$ -	$ -	$ 34,581
Disposals	-	-	(44)	-	-	-	-	-	(44)
Net exchange difference	-	-	52	-	1	-	-	-	53
Balance at Mar. 31, 2023	$ -	$ -	$ 34,453	$ -	$ 137	$ -	$ -	$ -	$ 34,590
Net at Mar. 31, 2023	$ 30,852	$1,702,274	$1,588,793	$ 2,033	$ 7,700	$ 87,537	$ 168,410	$ 324,064	$3,911,663
Net at Dec. 31, 2022 and Jan. 1, 2023	$ 30,852	$1,696,945	$1,687,050	$ 2,186	$ 9,324	$ 84,926	$ 171,073	$ 156,305	$3,838,661
Cost									
Balance at Jan. 1, 2022	$ 30,852	$2,084,047	$4,228,106	$ 4,266	$ 38,654	$ 380,959	$ 305,526	$ 261,650	$7,334,060
Additions	-	6,432	10,187	-	83	365	450	184,888	202,405
Disposals	-	-	(206,931)	-	(521)	(4,814)	(378)	-	(212,644)
Reclassification	-	1,916	162,197	-	-	1,760	5,304	(171,177)	-
Net exchange difference	-	1,743	3,959	136	119	-	23	-	5,980
Balance at Mar. 31, 2022	$ 30,852	$2,094,138	$4,197,518	$ 4,402	$ 38,335	$ 378,270	$ 310,925	$ 275,361	$7,329,801
Accumulated depreciation									
Balance at Jan. 1, 2022	$ -	$ 303,613	$2,632,492	$ 1,450	$ 21,990	$ 310,789	$ 125,520	$ -	$3,395,854
Depreciation expense	-	30,907	125,001	177	1,901	1,424	10,968	-	170,378
Disposals	-	-	(203,397)	-	(521)	(4,814)	(378)	-	(209,110)
Net exchange difference	-	455	2,182	55	66	-	8	-	2,766
Balance at Mar. 31, 2022	$ -	$ 334,975	$2,556,278	$ 1,682	$ 23,436	$ 307,399	$ 136,118	$ -	$3,359,888
Accumulated impairment									
Balance at Jan. 1, 2022	$ -	$ -	$ 195,642	$ -	$ 134	$ -	$ -	$ -	$ 195,776
Disposals	-	-	(834)	-	-	-	-	-	(834)
Net exchange difference	-	-	437	-	6	-	-	-	443
Balance at Mar. 31, 2022	$ -	$ -	$ 195,245	$ -	$ 140	$ -	$ -	$ -	$ 195,385
Net at Mar. 31, 2022	$ 30,852	$1,759,163	$1,445,995	$ 2,720	$ 14,759	$ 70,871	$ 174,807	$ 275,361	$3,774,528

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	5~20 years
Mechanical equipment	1~10 years
Transportation equipment	2~6 years
Office equipment	2~6 years
Leased improvements	2~15 years
Other equipment	1~20 years

For the amounts of the property, plant and equipment pledged by the Company, please refer to Note 29.

B. Renting Out Under Operating Lease

	Land	Building and structure	Other equipment	Total
Cost				
Balance at Jan. 1, 2023	$ 12,583	$ 123,664	$ 278	$ 136,525
Disposals	-	(2,193)	(81)	(2,274)
Balance at Mar. 31, 2023	$ 12,583	$ 121,471	$ 197	$ 134,251

Accumulated depreciation				
Balance at Jan. 1, 2023	$ -	$ 93,049	$ 261	$ 93,310
Depreciation expense	-	2,471	8	2,479
Disposals	-	(2,193)	(81)	(2,274)
Balance at Mar. 31, 2023	$ -	$ 93,327	$ 188	$ 93,515
Net at Mar. 31, 2023	$ 12,583	$ 28,144	$ 9	$ 40,736
Net at Dec. 31, 2022 and Jan. 1, 2023	$ 12,583	$ 30,615	$ 17	$ 43,215
Cost				
Balance at Jan. 1, 2022	$ 12,583	$ 125,754	$ 278	$ 138,615
Disposals	-	(1,392)	-	(1,392)
Balance at Mar. 31, 2022	$ 12,583	$ 124,362	$ 278	$ 137,223
Accumulated depreciation				
Balance at Jan. 1, 2022	$ -	$ 86,630	$ 203	$ 86,833
Depreciation expense	-	2,555	16	2,571
Disposals	-	(1,392)	-	(1,392)
Balance at Mar. 31, 2022	$ -	$ 87,793	$ 219	$ 88,012
Net at Mar. 31, 2022	$ 12,583	$ 36,569	$ 59	$ 49,211

The Company 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:

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
1st year	$ 7,088	$ 7,088	$ 7,088
2nd year	7,088	7,088	7,088
3rd year	7,088	7,088	7,088
4th year	7,088	7,088	7,088
5th year	4,724	6,496	7,088
Over 5 years	-	-	4,724
	$ 33,076	$ 34,848	$ 40,164

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

Building and structure

Main buildings in the plant	50 years
Building renovation	6~20 years
Other equipment	3~20 years

XIII. Lease Agreement

A. Right-of-use Assets

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Book amount of right-of-use assets			
Land	$ 152,337	$ 153,549	$ 156,453
Building	139,571	113,215	178,686
Transportation equipment	10,196	11,215	10,497
Mechanical equipment	5,388	10,905	50,098
	$ 307,492	$ 288,884	$ 395,734

	2023 Q1	2022 Q1
Added right-of-use assets	$ 37,940	$ 12,338
Expense of depreciation of right-of-use assets		
Land	$ 1,212	$ 1,207
Building	11,211	15,404
Transportation equipment	1,486	1,100
Mechanical equipment	554	2,670
	$ 14,463	$ 20,381
Proceeds from sublease of right-of-use assets (listed as other incomes in the book)	($ 1,098)	($ 1,098)

Except the depreciation expenses added and recognized above, neither material sublease nor material impairment occurred with respect to the right-of-use assets of the Company in either 2023 Q1 or 2022 Q1.

B. Lease Liabilities

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Book amount of lease liabilities			
Current	$ 59,510	$ 53,276	$ 82,876
Non-current	$ 262,209	$ 247,886	$ 322,163

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

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Land	2.76%	2.76%	2.76%
Building	1.62%~4.75%	1.62%~4.75%	1.62%~4.75%
Transportation equipment	1.76%~5.53%	2.50%~5.40%	2.00%~5.25%
Mechanical equipment	1.56%~2.00%	1.56%~2.00%	1.56%~2.88%

C. Important Lease Activities and Terms

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

D. Sublease

The Company has the following sublease-related transactions except those explained in Notes 9 and 12.

The Company 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:

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
1st year	$ 9,957	$ 13,276	$ 8,850
2nd year	-	-	-
	$ 9,957	$ 13,276	$ 8,850

E. Other Lease Information

	2023 Q1	2022 Q1
Short-term lease expenses	$ 1,122	$ 1,950
Low-value asset lease expenses	$ 52	$ 179
Total cash (outflow) from leases	($ 20,755)	($ 25,687)

XIV. Other Intangible Assets

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Computer software	$ 11,746	$ 13,418	$ 14,266
Others	818	862	1,042
	$ 12,564	$ 14,280	$ 15,308

No material acquisition, disposal or impairment occurred with respect to other intangible assets of the Company, except the amortization expenses recognized, in either 2023 Q1 or 2022 Q1. Amortization expenses were allocated based on the following service lives on a straight-line basis.

Computer software	2~10 years
Others	3 years

XV. Prepayments and Other Current Assets

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Prepaid materials stipulated in work order	$ 72,731	$ 79,319	$ 18,466
Inventory of supplies	35,258	36,059	27,972
Tax overpaid retained for offsetting the future tax payable	15,607	14,352	22,245
Prepaid expenses	15,519	15,276	20,384
Payment in advance	1,323	4,761	11,622
Others	704	2,568	714
	$ 141,142	$ 152,335	$ 101,403

XVI. Current Borrowings

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Loans without collateral			
Working capital loan	$ 640,936	$ 648,500	$ 804,679

Interest rates for the working capital loans provided by the bank were 1.85%～6.14%, 1.75%～6.14 and 0.92%～2.12% on Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 respectively.

XVII. Non-current Portion of Non-current Borrowings

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Guaranteed loans			
Syndicated bank loans - A-1 (1)	$ 300,000	$ 320,000	$ 340,000
Bank loans (2)	248,000	245,000	268,715
Loans without collateral			
Syndicated bank loans - A-2 (1)	150,000	160,000	170,000
Syndicated bank loans - B (1)	100,000	100,000	200,000
Credit loan (3)	1,045,597	1,020,068	900,450
	1,843,597	1,845,068	1,879,165
Less: Unamortized balance	(1,450)	(1,600)	(2,050)

of the expenses incurred by the organizer of syndicated loans			
Current portion of non-current borrowings	(167,412)	(145,486)	(107,315)
Non-current portion of non-current borrowings	$ 1,674,735	$ 1,697,982	$ 1,769,800

A. 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 1 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%～2.50%, 2.29%～2.49% and 1.8% respectively on Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022. For the aforementioned credit contract, certain buildings, mechanical equipment and bank deposits of IST have been mortgaged to the bank. (Please see Note 29.)

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.

B. For the bank loans, the Company mortgaged its buildings to the bank. (Please see Note 29.) The maturity date as of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 was March 2032 and the annual interest rates on Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 were 1.58%～2.25%, 1.58% and 0.95%～2.90% respectively.

C. The maturity date of the credit loans as of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 were the end of March 2028, May 2026 and May 2026, and the annual interest rates on Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 were 1.73%～3.69%, 1.61%～3.56% and 1.00%～3.06% 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%.

XVIII. Other Current Liabilities

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Other payables			
Wages and bonuses payable	$ 163,250	$ 271,338	$ 180,100
Remunerations payable to employees and directors	39,530	30,000	19,158
Bonus for unused leave	14,965	14,629	14,642
	217,745	315,967	213,900
Other current liabilities			
Others (Note)	213,785	219,721	149,007
	$ 431,530	$ 535,688	$ 362,907

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

XIX. Post-employment Benefit Plan

The defined benefit plan related pension benefits recognized in 2023 Q1 and 2022 Q1 were calculated at the pension cost rate determined actuarially on Dec. 31, 2022 and Dec. 31, 2021 respectively, and the amount of such pension benefits was NTD (72) thousand and NTD (28) thousand respectively.

XX. Equity

A. Ordinary share

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Authorized number of shares (In thousands of shares)	200,000	200,000	200,000
Authorized capital stock	$ 2,000,000	$ 2,000,000	$ 2,000,000
Number of issued and paid-in shares (In thousands of shares)	74,775	74,775	79,775
Capital stock issued	$ 747,751	$ 747,751	$ 797,751

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

B. Capital Reserve

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
May be used to offset deficits, distribute cash or transfer to share capital (Note 1)			
Additional paid-in capital	$ 2,085,234	$ 2,085,234	$ 2,224,667
May be Used to offset deficits only			
Recognized changes in	30,538	30,538	29,824

ownership interests in subsidiaries (Note 2)			
Changes in equity of associates accounted for using the equity method	13,687	2,465	2,465
Not used for any purpose			
Stock option	26,913	24,775	13,693
	$ 2,156,372	$ 2,143,012	$ 2,270,649

Note 1: Such capital reserve may be used to offset deficits of loss and may be used to distribute cash or expand capital stock when the Company 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 the Company does not acquire or dispose the equity in the subsidiary.

The balance of capital reserve was reconciled in 2023 Q1 and 2022 Q1 is as follows:

	Stock issuance premium	Stock option	Recognized changes in ownership interests of subsidiaries	Changes in equity of associates accounted for using the equity method
Balance at Jan. 1, 2022	$ 2,224,667	$ 9,999	$ 29,824	$ 2,465
Changes in equity of associates accounted for using the equity method	-	3,694	-	-
Balance at Mar. 31, 2022	$ 2,224,667	$ 13,693	$ 29,824	$ 2,465
Balance at Jan. 1, 2023	$ 2,085,234	$ 24,775	$ 30,538	$ 2,465
Changes in equity of associates accounted for using the equity method	-	2,138	-	11,222
Balance at Mar. 31, 2023	$ 2,085,234	$ 26,913	$ 30,538	$ 13,687

C. 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 22-(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 2023, 2022 and 2021 and the cash dividends per share were resolved at the board meeting as follows:

	2023 Q1
Date of resolution by the board of director	Apr. 28, 2023
Legal reserve	$ 9,795
Special reserve	($ 3,440)
Cash dividends	$ 74,775
Cash dividends per share (NTD)	$ 1

	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

IST held a board meeting on Mar. 24, 2022 where a motion of offset deficits 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.

D. Special Reserve

	2023 Q1	2022 Q1
Beginning balance	$ 74,898	$ 98,491
Allocated special reserve		
Allocated deduction (reversal) of other equity items	7,555	(3,330)
Ending balance	$ 82,453	$ 95,161

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.

E. Other Equity

Exchange differences on translation of foreign financial statements:

	2023 Q1	2022 Q1
Beginning balance	($ 82,453)	($ 95,161)
Generated in the current period		
Exchange differences arising on translating financial statements of foreign operations	3,933	11,338
Share of translation differences of associates accounted for using the equity method	(493)	4,781
Ending balance	($ 79,013)	($ 79,042)

F. Non-controlling Interests

	2023 Q1	2022 Q1
Beginning balance	$103,963	$122,607
Net loss of the period	(22,142)	(2,588)
Ending balance	$ 81,821	$120,019

G. Treasury Shares

Reason of recall	Purchased back to be cancelled (In thousands of shares)
Number of shares at Jan. 1, 2022	-
Shares increased in the period	1,916
Number of shares at Mar. 31, 2022	1,916

To maintain corporate credit and shareholders' equity, The Company 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 per share. When the share price was less than the lower limit of the repurchase price, The Company repurchased shares continuously. The upper limit for the total amount of the planned repurchased shares was NTD 370,000 thousand. As of Mar. 31, 2022, The Company purchased 1,916 thousand treasury shares and the repurchase cost was NTD 103,112 thousand in total. The aforementioned 5,000 thousand shares were repurchased already before Apr. 15, 2022 and the repurchase cost was NTD 267,946 thousand. 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, The Company 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.

XXI. Revenue

	2023 Q1	2022 Q1
Revenue from contracts with customers		
Revenue from inspection and testing services	$981,318	$874,771

A. Contracts with Customers

The contract made by the Company 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.

B. Contract Balance

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022	Jan. 1, 2022
Accounts receivable (Note 8)	$ 1,303,068	$ 1,310,395	$ 1,297,356	$ 1,214,494
Accounts receivable due from related parties (Note 28)	$ 24,680	$ 17,316	$ 16,018	$ 19,802
Contract assets				
Labor service	$ 13,323	$ 11,620	$ 4,374	$ 4,903
Contract liabilities				
Customer loyalty program	$ 39,062	$ 62,145	$ 27,716	$ 38,327
Unearned sales revenue	49,282	55,684	36,765	33,848
	$ 88,344	$ 117,829	$ 64,481	$ 72,175

C. Itemized Revenue from Contracts with Customers

	2023 Q1	2022 Q1
Main regional markets		
Asia	$809,156	$714,078
America	152,335	133,310
Others	19,827	27,383
	$981,318	$874,771

XXII. Net Profit of Continuing Operations

A. Interest Income

	2023 Q1	2022 Q1
Bank deposits	$ 2,111	$ 207
Net investment in the lease	15	22
Others	29	15
	$ 2,155	$ 244

B. Other Incomes

	2023 Q1	2022 Q1
Income from operating lease	$ 6,544	$ 6,419
Income from government subsidy	1,289	1,727

Others	2,224	2,195
	$ 10,057	$ 10,341

C. Other Gains and Losses

	2023 Q1	2022 Q1
Net foreign exchange (loss) gain	($ 3,853)	$ 1,520
Gain (loss) of financial assets and financial liabilities		
Financial assets at FVTPL	(754)	738
Financial liabilities at FVTPL	(18)	10
Proceeds from disposal of property, plant and equipment	-	700
Others	(4)	(9)
	($ 4,629)	$ 2,959

D. Financial Cost

	2023 Q1	2022 Q1
Interest on bank loans	$ 13,245	$ 8,222
Interest on lease liabilities	2,198	2,676
Amortization of the expenses incurred by the organizer of syndicated loans	150	150
Computed interest on security deposits	8	3
Other interest expenses	-	67
Less: Amounts listed in cost of qualifying assets	(1,898)	(956)
	$ 13,703	$ 10,162

Information relevant to capitalization of interest is as follows:

	2023 Q1	2022 Q1
Capitalized interest	$ 1,898	$ 956
Interest rate for capitalization of interest	1.93%~2.35%	1.26%~1.32%

E. Depreciation and Amortization

	2023 Q1	2022 Q1
Depreciation expenses by functions:		
Operating cost	$160,016	$162,252
Operating expenses	35,582	31,078
	$195,598	$193,330

Amortization expenses by

function:		
Operating cost	$ 1,437	$ 1,544
Management expenses	1,150	1,127
	$ 2,587	$ 2,671

F. Employee Benefit Expenses

	2023 Q1	2022 Q1
Short-term employee benefits	$360,815	$304,013
Post-employment benefits		
Defined contribution plan	10,996	9,976
Defined benefit plan (Note 19)	(72)	(28)
Share-based payment	2,138	3,694
Total employee benefit expenses	$373,877	$317,655
Compiled by functions		
Operating cost	$273,864	$228,876
Operating expenses	100,013	88,779
	$373,877	$317,655

G. 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 2023 Q1 and 2022 Q1 are listed as follows:

Estimated Percentage

	2023 Q1	2022 Q1
Employees' remuneration	5%	3%
Directors' remuneration	2%	1%

Amount

	2023 Q1		2022 Q1	
	Cash	Stock	Cash	Stock
Employees' remuneration	$ 6,800	$ -	$ 3,200	$ -
Directors' remuneration	2,730	-	1,250	-

If any amount is changed after the date when the annual consolidated 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.

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:

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Employees' remuneration	$ 24,000	$ -	$ 10,000	$ -
Directors' remuneration	6,000	-	4,708	-

There is no difference between the actually distributed amounts of the employees' remuneration and directors' remuneration for the years 2022 and 2021 and the corresponding amounts recognized in the consolidated financial statements of 2022 and 2021.

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.

XXIII. Income Tax

A. Income Tax Recognized in Profit or Loss

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

	2023 Q1	2022 Q1
Current income tax		
Incurred for the current period	$ 28,937	$ 17,779
Deferred income tax		
Incurred for the current period	(752)	181
Income tax expense recognized in profit or loss	$ 28,185	$ 17,960

B. Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by IST as of 2021 have been assessed by the tax authority.

XXIV. Earnings Per Share

Unit : NTD per share

	2023 Q1	2022 Q1
Basic earnings per share	$ 1.31	$ 1.03
Diluted earnings per share	$ 1.31	$ 1.02

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 period

	2023 Q1	2022 Q1
Net profit used to calculate basic earnings per share	$ 97,956	$ 81,732
Net profit used to calculate diluted earnings per share	$ 97,956	$ 81,732

Number of Shares

Unit: In Thousands of Shares

	2023 Q1	2022 Q1
Number of weighted average common shares used to calculate basic earnings per share	74,775	79,696
Impact of the common shares with dilution effect:		
Employees’ remuneration	285	205
Number of weighted average common shares used to calculate diluted earnings per share	75,060	79,901

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.

XXV. 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	2023 Q1 Unit (In thousands)	2023 Q1 Exercise price (NTD)	2022 Q1 Unit (In thousands)	2022 Q1 Exercise price (NTD)
Outstanding at the beginning of the period	2,000	$ 53.81	2,000	$ 54.28
Issued this period	-	-	-	-
Outstanding at the end of the period	2,000	53.81	2,000	53.81
Exercisable at the end of the period	-		-	

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 2023 Q1 and 2022 Q1 was NTD 2,138 thousand and NTD 3,694 thousand respectively.

XXVI. Capital Risk Management

The Company conducts capital management to ensure that enterprises in the Company 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 the Company remains unchanged.

The capital structure of the Company consists of its net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. capital stock, capital reserve, retained earnings other equity items and non-controlling interests).

The Company does not have to abide by other external capital rules.

The key management of the Company reviews the Company's capital structure regularly and considers cost and relevant risks for capital. The Company 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.

XXVII. Financial Instruments

A. Information of Fair Value — Financial instruments measured at fair value on the basis of repeatability

1. Hierarchy of Fair Value

Mar. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments in equity instruments—Not listed (non-OTC)				
—Domestic shares	$ -	$ -	$ -	$ -
—Beneficiary certificates of funds	-	-	27,051	27,051
	$ -	$ -	$ 27,051	$ 27,051
Financial liabilities at FVTPL				
Derivatives	$ -	$ 18	$ -	$ 18

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments in equity instruments—Not listed (non-OTC)				
—Domestic shares	$ -	$ -	$ -	$ -
—Beneficiary certificates of funds	-	-	27,282	27,282
	$ -	$ -	$ 27,282	$ 27,282
Derivatives	$ -	$ 523	$ -	$ 523

Mar. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investments in equity instruments—Not listed (non-OTC)				
—Domestic shares	$ -	$ -	$ 216	$ 216
—Beneficiary certificates of funds	-	-	22,694	22,694
	$ -	$ -	$ 22,910	$ 22,910

There was no transfer between level 1 and level 2 fair value measurements in either 2023 Q1 or 2022 Q1.

2. 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

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

2023 Q1

Financial assets	Measured at fair value through profit or loss		
	Equity Instrument	Beneficiary certificates of funds	Total
Beginning balance	$ -	$ 27,282	$ 27,282
Recognized in profit (loss)	-	(231)	(231)
Ending balance	$ -	$ 27,051	$ 27,051
Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the period and recognized in profit or loss	$ -	($ 231)	($ 231)

2022 Q1

Financial assets	Measured at fair value through profit or loss		
	Equity Instrument	Beneficiary certificates of funds	Total
Beginning balance	$ 227	$ 21,945	$ 22,172
Recognized in profit (loss)	(11)	749	738
Ending balance	$ 216	$ 22,694	$ 22,910
Changes in the current unrealized profit or loss that are relevant to the	($ 11)	$ 749	$ 738

assets held at the end of the period and recognized in profit or loss

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

(1) For domestically unlisted (non-OTC) equity investments and 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.

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Liquidity discount	20%	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:

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Liquidity discount			
Increased by 1%	($ 338)	($ 341)	($ 287)
Decreased by 1%	$ 338	$ 341	$ 287

B. Type of Financial Instrument

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Financial assets			
Measured at fair value through profit or loss			
Measured at fair value through profit or loss compulsorily	$ 27,051	$ 27,805	$ 22,910
Financial assets at amortized cost			
Cash and cash equivalents	760,370	875,347	879,740
Notes and accounts receivable, net	1,303,901	1,311,491	1,298,373

Accounts receivable due from related parties	24,680	17,316	16,018
Other receivables	1,266	1,298	1,631
Other receivables due from related parties	17,911	19,821	19,726
Other financial assets	16,459	16,633	12,296
Guarantee deposits paid	23,608	22,611	20,840
Financial liabilities			
Measured at fair value through profit or loss			
At fair value through profit or loss compulsorily	18	-	-
Measured at amortized cost			
Current borrowings	640,936	648,500	804,679
Short-term notes and accounts payable	250,705	270,621	222,287
Accounts payable to related parties	1,190	692	2,275
Payable on machinery and equipment	164,304	167,477	229,267
Long-term borrowings (including the current portion thereof)	1,842,147	1,843,468	1,877,115

C. Purpose and Policy of Financial Risk Management

Financial management departments of the Company 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.

The Company 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. The Company does not speculate in financial instruments (including derivative financial instruments).

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

1. Market Risks

Main market risks assumed by the Company 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

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

For the Company's book amounts of monetary assets and monetary liabilities (including the monetary items at non-functional currencies and written off already in the consolidated financial statements) and book amounts of derivatives exposed to exchange rate risk in non-functional currencies on the balance sheet date, please refer to Note 31.

<u>Sensitivity Analysis</u>

The Company is mainly impacted by fluctuation of USD, JPY, CNY and HKD exchange rates.

The table below presents the Company's sensitivity analysis for the situations when the exchange rate of 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 the functional currency against each foreign currency depreciates/appreciates by 5%.

	Impact of USD		Impact of CNY		Impact of JPY		Impact of HKD	
	2023 Q1	2022 Q1	2023 Q1	2022 Q1	2023 Q1	2022 Q1	2023 Q1	2022 Q1
Gain (loss)	($ 1,853)	$ 80	$ 3	$ 8	($ 75)	$ 232	$ -	$ 1

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

(2) Interest Rate Risk

Since entities in the Company borrow funds at both the fixed interest rate and the floating interest rate simultaneously, the Company is exposed to interest rate risk. The Company 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 the Company exposed to interest rate risk on the balance sheet date are as follows:

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
With fair value interest rate risk			
—Financial assets	$ 211,544	$ 244,865	$ 274,988
—Financial liabilities	481,347	382,871	567,873
With cash flow interest rate risk			

—Financial assets	558,851	640,977	611,012
—Financial liabilities	2,323,455	2,410,259	2,518,960

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, the pretax profit for 2023 Q1 and 2022 Q1 would be decreased/increased by NTD 4,412 thousand and NTD 4,770 thousand respectively.

2. Credit Risk

Credit risk refers to the risk incurred when the counterparty to the transaction delays contractual obligations and thus causes a loss to the Company. As of the balance sheet date, the greatest credit risk to which the Company 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 consolidated balance sheet.

To reduce credit risk, the management of the Company 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, the Company 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 the Company believes that the Company's credit risk has significantly reduced.

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

3. Liquidity Risk

The Company keeps successful business operation and mitigates the impact of cash flow fluctuation by managing and maintaining sufficient cash and cash equivalents. The management of the Company 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 the Company. For the line of credit unused by the Company as of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022, 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 the Company is requested to make the repayment.

<u>Mar. 31, 2023</u>

	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	$ 218,365	$ 116,335	$ 75,492	$ -	$ -
Lease liabilities	5,600	12,093	49,787	137,204	201,565
Floating rate instruments	62,704	114,301	471,715	1,571,185	103,550
Fixed rate instruments	-	37,436	122,192	-	-
	$ 286,669	$ 280,165	$ 719,186	$1,708,389	$ 305,115

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	$ 67,480	$ 137,204	$ 38,043	$ 38,043	$ 38,043	$ 87,436
Floating rate instruments	$ 648,720	$1,571,185	$ 103,550	$ -	$ -	$ -
Fixed rate instruments	$ 159,628	$ -	$ -	$ -	$ -	$ -

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	$ 197,703	$ 171,320	$ 67,701	$ -	$ -
Lease liabilities	5,799	13,104	61,048	211,389	203,467
Floating rate instruments	51,376	240,605	420,296	1,594,582	103,400
Fixed rate instruments	32,135	31,989	17,585	-	-
	$ 287,013	$ 457,018	$ 566,630	$1,805,971	$ 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	$ 79,951	$ 211,389	$ 38,043	$ 38,043	$ 38,043	$ 89,338
Floating rate instruments	$ 712,277	$1,594,582	$ 103,400	$ -	$ -	$ -
Fixed rate instruments	$ 81,709	$ -	$ -	$ -	$ -	$ -

Mar. 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	$ 253,955	$ 120,206	$ 72,013	$ -	$ -

Lease liabilities	7,770	16,476	66,553	193,640	208,252
Floating rate instruments	53,102	99,849	596,209	1,645,850	123,950
Fixed rate instruments	901	100,940	60,993	-	-
	$ 315,728	$ 337,471	$ 795,768	$1,839,490	$ 332,202

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	$ 90,799	$ 193,640	$ 37,876	$ 37,876	$ 37,876	$ 94,624
Floating rate instruments	$ 749,160	$1,645,850	$ 123,950	$ -	$ -	$ -
Fixed rate instruments	$ 162,834	$ -	$ -	$ -	$ -	$ -

(2) Line of Credit

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Unsecured bank loan commitment, reviewed regularly			
—Used within the credit line	$ 1,936,533	$ 1,928,568	$ 2,075,129
—Unused within the credit line	1,025,066	1,084,331	1,088,679
	$ 2,961,599	$ 3,012,899	$ 3,163,808
Secured bank loan commitment			
—Used within the credit line	$ 548,000	$ 565,000	$ 608,715
—Unused within the credit line	30,040	40,000	40,000
	$ 578,040	$ 605,000	$ 648,715

XXVIII. Transactions with Related Parties

Transactions, account balances, incomes and expenses among IST and its subsidiaries have been eliminated completely upon consolidation, so they are not disclosed in the Notes. Transactions between the Company and other related parties are as follows:

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

Name of related party	Relationship with the Company
Dekra iST (Dekra Company)	An associate

Dekra IST Reliability Services Limited (Dekra IST KS Company)	An associate
BTL Inc. (BTL Inc.)	An associate

B. Service Income

Item listed in the book	Type / name of related party	2023 Q1	2022 Q1
Service income	Associates	$ 23,339	$ 15,235

Prices of the services for which the Company obtains incomes from related parties are determined on an arm's length basis and there is no comparable price of identical service sufficiently for the Company to make a comparison with the determined prices. The payment terms provided by the Company 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	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Accounts receivable due from related parties	Associates			
	Dekra Company	$ 24,217	$ 16,404	$ 15,655
	Dekra IST KS Company	463	723	363
	BTL Inc.	-	189	-
		$ 24,680	$ 17,316	$ 16,018
Other receivable from related parties	Associates			
	Dekra Company	$ 17,911	$ 19,821	$ 19,726

No guarantee was received for the accounts receivable from related parties. No loss allowance was allocated for the accounts receivable from related parties for 2023 Q1 and 2022 Q1 respectively.

"Other receivables from related parties" refer to the technical service incomes and rent incomes receivable from related parties.

D. Accounts Payable to Related Parties

Item listed in the book	Type / name of related party	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Accounts payable to related parties	Associates			

	Dekra Company	$ 1,133	$ 642	$ 2,197
	Dekra IST KS Company	57	50	78
		$ 1,190	$ 692	$ 2,275
Other current liabilities	Associates	$ 3,686	$ 1,535	$ 300

E. 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 Company, 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 Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 were NTD 43,033 thousand, NTD 48,124 thousand and NTD 49,014 thousand respectively. Lease incomes recognized for 2023 Q1 and 2022 Q1 were NTD 5,570 thousand and NTD 5,567 thousand respectively.

Subleasing under Finance Lease

The Company subleased the building and structure, which were originally listed as right-of-use assets in the book, to the associate Dekra Company under finance leases in 2023 Q1 and 2022 Q1. 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 Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022 was NTD 3,276 thousand, NTD 4,358 thousand and NTD 2,905 thousand respectively.

F. Guarantee Deposits Received

Item listed in the book	Type / name of related party	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Guarantee deposits received	Associates			
	Dekra Company	$ 2,005	$ 2,005	$ 2,005

G. Manufacturing Expenses and Operating Expenses

Item listed in the book	Type / name of related party	2023 Q1	2022 Q1
Manufacturing expenses	Associates	$ 2,719	$ 2,833
Operating expenses	Associates	$ 2,100	$ 54

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

H. Non-operating Incomes and Expenses

Item listed in the book	Type / name of related party	2023 Q1	2022 Q1
Lease incomes	Associates		
	Dekra Company	$ 5,570	$ 5,567
Other incomes	Associates		
	Dekra Company	$ 1,674	$ 1,671
Interest expenses	Associates	$ 7	$ 4

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

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

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

I. Remunerations to Main Managements

	2023 Q1	2022 Q1
Short-term benefits	$ 21,659	$ 8,454
Share-based payment	160	314
Post-employment benefits	100	100
	$ 21,919	$ 8,868

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

XXIX. Pledged Assets

The following assets of the Company were provided as guarantees for issuing of L/Cs, bank loans, short-term notes and line of credit.

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Property, plant and equipment	$ 814,752	$ 824,670	$ 898,204
Demand deposit (listed as other financial assets in the book)	16,259	16,433	12,296
Time deposit (listed as other financial assets in the book)	200	200	-
	$ 831,211	$ 841,303	$ 910,500

XXX. 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.

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

The following information presents foreign currencies, rather than the functional currency, used by each entity in the Company. 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:

Unit: In thousands in foreign currency

	Mar. 31, 2023			Dec. 31, 2022			Mar. 31, 2022		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Foreign currency assets									
Monetary item									
USD	$ 7,492	30.4500 (USD：NTD)	$228,131	$ 7,233	30.7100 (USD：NTD)	$222,125	$ 10,116	28.6250 (USD：NTD)	$289,571
JPY	55,813	0.2288 (JPY：NTD)	12,770	10,211	0.2324 (JPY：NTD)	2,373	88,770	0.2353 (JPY：NTD)	20,888
CNY	14	4.4312 (CNY：NTD)	62	27	4.4094 (CNY：NTD)	119	37	4.5092 (CNY：NTD)	167
HKD	-	-	-	-	-	-	7	3.6560 (HKD：NTD)	26
			$240,963			$224,617			$310,652
Non-monetary item									
JPY	-	-	$ -	2,252	0.2324 (USD：NTD)	$ 523	-	-	$ -
Foreign currency liabilities									
Monetary item									
USD	8,709	30.4500 (USD：NTD)	$265,189	3,799	30.7100 (USD：NTD)	$116,667	10,060	28.6250 (USD：NTD)	$287,968
JPY	62,357	0.2288 (JPY：NTD)	14,267	75,020	0.2324 (JPY：NTD)	17,435	69,079	0.2353 (JPY：NTD)	16,254
			$279,456			$134,102			$304,222
Non-monetary item									
JPY	78	0.2288	$ 18	-	-	$ -	-	-	$ -

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

	2023 Q1		2022 Q1	
Functional currency	Functional currency against representation currency	Net foreign exchange gain (loss)	Functional currency against representation currency	Net foreign exchange gain (loss)
JPY	0.2288 (JPY：NTD)	$ 70	0.2353 (JPY：NTD)	($ 76)
USD	30.4500 (USD：NTD)	805	28.6250 (USD：NTD)	2,301
CNY	4.4312 (CNY：NTD)	(6)	4.5092 (CNY：NTD)	(2)
		$ 869		$ 2,223

XXXII. 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 period (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 27)
10. Others: Business relationship between the parent company and its subsidiaries and between the subsidiaries, and important transactions among them and transaction amounts (Schedule 3)
11. Name and location of each investee company (not including investee companies in Mainland China) and other relevant information (Schedule 4)

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 period, investment gain remitted back already, and limit of investments in Mainland China (Schedule 5)
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)

XXXIII. Information of Segments

The information given by the Company to its main decision makers for allocation of resources and evaluation of departmental performance focuses on types of the products delivered or services provided each time. The measurement base of the information concerning financial statements is the same as that of the consolidated financial statements. IST is a single operating segment. The measurement base of the losses, profits, assets and liabilities of the operating segment is the same as the preparation basis of the consolidated financial statements. As the result, for the reportable segment revenue and operating result for 2023 Q1 and 2022 Q1, please refer to the Consolidated Statement of Comprehensive Income for 2023 Q1 and 2022 Q1. For the reportable segment assets and liabilities of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022, please refer to the Consolidated Balance Sheet of Mar. 31, 2023, Dec. 31, 2022 and Mar. 31, 2022.

Integrated Service Technology Inc. and Subsidiaries

Funds Lent to Other Entities

Mar. 31, 2023

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 period	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	ITS Company	Other receivables from related parties	$ 40,000	$ 40,000	$ -	2.500%	Necessity to have a short-term financing	$ -	Capital turnover	$ -	None	$ -	$ 333,821	$ 1,335,284	(Note)

Note: 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. and Subsidiaries

Marketable Securities Held at the End of the Period

Mar. 31, 2023

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 period				Remarks
				Number of shares	Book amount	Ratio of shareholding	Fair value	
IST	Funds							
	TIEF FUND,L.P.	—	Non-current financial assets at fair value through profit or loss	-	$ 27,051	4.35%	$ 27,051	Note
Pin Wen Company	Stocks							
	Frame Magic Studios Co., Ltd.	—	Non-current financial assets at fair value through profit or loss	242,105	-	10.53%	-	Note

Note: It was calculated at fair value on Mar. 31, 2023.

Integrated Service Technology Inc. and Subsidiaries

Business Relations and Important Transactions between Parent Company and Each Subsidiary and between Subsidiaries, and Transaction Amounts

2023 Q1

Schedule 3

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

No.	Name of trading party	Counterparty to the transaction	Relation with trading party (Note 1)	Transaction details			
				Account	Amount	Transaction conditions (Note 2)	Ratio to total consolidated revenue or total assets
0	IST	ITS Company	1	Net operating revenue	$ 678	—	-
				Rent income	1,834	—	-
				Other non-operating incomes	873	—	-
				Interest expense	13	—	-
				Accounts receivable from related parties	711	—	-
				Other receivables from related parties	3,215	—	-
				Guarantee deposits received	3,589	—	-
		Integrated USA	1	Net operating revenue	20,103	—	2%
				Accounts receivable from related parties	5,530	—	-
				Payable on machinery and equipment	7,236	—	-
		IST KS Company	1	Other receivables from related parties	1,004	—	-
		Samoa IST	1	Other payables to related parties	393	—	-
		SIP KS Company	1	Inventory of supplies	646	—	-
		PPT Company	1	Net operating revenue	729	—	-
				Rent income	7,299	—	-
				Other incomes	1,077	—	-
				Interest expenses	28	—	-
				Accounts receivable from related parties	765	—	-
				Other receivables from related parties	9,647	—	-
				Accounts payable to related parties	918	—	-
				Other current liabilities	110	—	-
				Guarantee deposits received	7,638	—	-
1	PPT Company	ITS Company	2	Other incomes	1	—	-
				Other receivables from related parties	396	—	-
2	IST KS Company	SIP KS Company	2	Net operating revenue	131	—	-
				Accounts receivable from related parties	138	—	-

(Continued on next page)

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Note 1: 1. Transactions between the parent company and a subsidiary

2. Transactions between a subsidiary and a subsidiary

Note 2: 1. Prices of the services for which the company obtained incomes from related parties were determined on an arm's length basis and there was no comparable price of identical service sufficiently for the company to make a comparison with the determined prices. The payment terms provided by IST were net 30 to 90 days from the date of invoice every month or quarter or under a project; however, payments might be collected subject to the subsidiary's need of funds.

2. For a lease agreement between the company and a related party, the rent and the collection method were determined pursuant to the lease agreement.

3. For the property, plant and equipment sold by the company to a related party, transaction conditions were dealt with based on the price agreed by both parties.

4. Other receivables from related parties refer to rent incomes and advances.

5. Except for the aforementioned situations, other transactions between the company and a related party were conducted on an arm's length basis.

Integrated Service Technology Inc. and Subsidiaries

Information of Investee Companies, their Locations, etc.

2023 Q1

Schedule 4

Unit: In thousands of New Taiwan Dollars/Thousands in Foreign Currency, except as otherwise indicated herein

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the period			Profit (loss) of the investee company for the period	Investment gain (loss) recognized for the period	Remarks
				End of the period	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	$ 254,833	$ 201	$ 201	A subsidiary (Note 2)
	Dekra Company	Hsinchu City	Product testing and relevant business	$ 192,624	$ 192,624	19,262,390	49	639,082	16,504	8,087	An associate (Note 2)
	BTL Inc.	Taipei City	Product testing and relevant business	95,225	95,225	2,550,000	10	131,013	(6,098)	(934)	An associate (Note 2)
	Pin Wen Company	Hsinchu City	Investment	197,000	197,000	5,841,258	100	46,938	(7,737)	(7,737)	A subsidiary (Note 2)
	Supreme Fortune corp.	Belize	Investment	USD 1,655	USD 1,655	1,655,000	100	51,530	(83)	(83)	A subsidiary (Note 2)
	ITS Company	Hsinchu City	Electronic product testing and relevant business	$ 267,278	$ 267,278	22,728,603	38	15,479	(25,083)	(5,777)	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	262,438	(51,305)	(37,599)	A subsidiary (Note 1)
Samoa IST	Seychelles IST	Seychelles	Investment	USD 6,159	USD 6,159	6,158,575	100	USD 5,803	(USD 85)	(USD 85)	A sub-subsidiary (Note 2)
	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 467	USD 75	USD 75	A sub-subsidiary (Note 2)
Supreme Fortune corp.	Hot Light Co., Ltd.	Seychelles	Investment	USD 1,655	USD 1,655	1,655,000	100	USD 1,692	(USD 3)	(USD 3)	A sub-subsidiary (Note 2)
Pin Wen Company	ITS Company	Hsinchu City	Electronic product testing and relevant business	$ 186,038	$ 186,038	7,892,000	13	$ 4,173	($ 25,083)	($ 3,208)	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	18,625	(51,305)	(2,822)	A subsidiary (Note 1)
	EFUN Company	Hsinchu City	Information software service	3,700	3,700	370,000	26	697	(469)	(124)	An associate (Note 2)
	Huan Ying Company	Hsinchu City	Information software management service and relevant business	5,100	5,100	510,000	29	2,054	(4,583)	(1,336)	An associate (Note 2)
Hot Light Co., Ltd.	He Chou Company	Hsinchu City	Circuit design service	USD 125	USD 125	400,000	100	USD 167	-	-	A sub-subsidiary (Note 2)

Note 1: It was calculated based on the financial statements of the same accounting period reviewed by CPAs
Note 2: It was calculated based on the financial statements of the same accounting period that were not reviewed by CPAs

Integrated Service Technology Inc. and Subsidiaries

Information of Investments in Mainland China

2023 Q1

Schedule 5

Unit: In Thousands of NTD/USD/CNY

Name of investee company in Mainland China	Main 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							
IST KS Company	Product testing and relevant business	$ 112,665 (USD 3,700)	Note 1	$ 288,453 (USD 9,473) (Note 4)	$ -	$ -	$ 288,453 (USD 9,473) (Note 4)	$ 2,492 (USD 82)	100%	$ 2,492 (USD 82)	$ 171,829 (USD 5,643)	$ -	Note 2
SIP KS Company	Circuit design service	49,329 (USD 1,620)	Note 1	46,589 (USD 1,530)	-	(46,589) (USD(1,530))	- (USD -)	(3,161) (USD (104))	100%	(3,161) (USD (104))	20,310 (USD 667)	-	Note 2
IST-trade KS Company	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	11,078 (CNY 2,500)	Note 1	(Note 5)	-	-	(Note 5)	(40) (CNY (9))	100%	(40) (CNY (9))	11,419 (CNY 2,577)	-	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
$ 335,041 (USD 11,003)	$ 559,610 (USD 18,378)	$ 2,002,927

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 that have not been reviewed 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.