

Integrated Service Technology
Inc. and Subsidiaries

Consolidated Financial
Statements for the Six Months
Ended June 30, 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 June 30, 2023 and 2022, the consolidated statement of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended June 30, 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 June 30, 2023 and June 30, 2022 were NTD 1,197,864 thousand and NTD 833,217 thousand respectively, which accounted for 16% and 11% of the total consolidated assets. Their liabilities in total were NTD 66,383 thousand and NTD 4,510 thousand respectively, which accounted for 2% and 0% of the total consolidated liabilities. Their comprehensive income in total for 2023 Q2, 2022 Q2, 2023 H1 and 2022 H1 was NTD 1,187 thousand, NTD 764 thousand, NTD 857 thousand and NTD 4 thousand respectively, which accounted for 1%, 0%, 0% and 0% 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 June 30, 2023 and June 30, 2022 was NTD 812,762 thousand and NTD 715,449 thousand respectively. The share of the comprehensive income of associates accounted for using the equity method recognized for 2023 Q2, 2022 Q2, 2023 H1 and 2022 H1 was NTD 6,900 thousand, NTD 18,243 thousand, NTD 12,100 thousand and NTD 32,046 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 June 30, 2023 and June 30, 2022, the consolidated financial

performance for 2023 Q2 and 2022 Q2, or the consolidated financial performance and consolidated cash flows for 2023 H1 and 2022 H1.

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

Aug. 4, 2023

Integrated Service Technology Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2023, and Dec. 31 and June 30, 2022

Unit: In Thousands of New Taiwan Dollars

Assets	June 30, 2023		Dec. 31, 2022		June 30, 2022		Liabilities and Equity	June 30, 2023		Dec. 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets							Current liabilities						
Cash and cash equivalents (Note 6)	\$ 774,420	10	\$ 875,347	12	\$ 818,780	11	Current borrowings (Note 16)	\$ 669,282	9	\$ 648,500	9	\$ 569,239	8
Current financial assets at fair value through profit or loss (Note 7)	-	-	523	-	-	-	Current financial liabilities at fair value through profit or loss (Note 7)	67	-	-	-	1,753	-
Current contract assets (Note 21)	9,288	-	11,620	-	4,770	-	Current contract liabilities (Note 21)	102,322	1	117,829	1	86,087	1
Notes and accounts receivable, net (Note 8)	1,551,106	21	1,311,491	18	1,219,817	17	Notes and accounts payable	232,322	3	270,621	4	240,031	3
Finance lease receivables (Notes 9 and 28)	2,188	-	4,358	-	1,822	-	Accounts payable to related parties (Note 28)	3,174	-	692	-	1,186	-
Accounts receivable due from related parties (Note 28)	14,967	-	17,316	-	15,994	-	Payable on machinery and equipment	127,911	2	167,477	2	324,245	4
Other receivables	1,295	-	1,298	-	1,008	-	Dividends payable, non-cash assets distributions	149,550	2	74,775	1	-	-
Other receivables due from related parties (Note 28)	25,992	-	19,821	-	27,300	1	Current tax liabilities (Notes 4 and 23)	38,224	-	54,690	1	55,500	1
Prepayments and other current assets (Note 15)	128,635	2	152,335	2	87,272	1	Current lease liabilities (Note 13)	57,021	1	53,276	1	78,339	1
Other financial assets (Note 29)	16,757	-	16,633	-	15,667	-	Long-term borrowings, current portion (Notes 17 and 29)	193,891	3	145,486	2	145,486	2
Total current assets	2,524,648	33	2,410,742	32	2,192,430	30	Other current liabilities, others (Notes 18 and 28)	544,099	7	535,688	7	412,713	6
							Total current liabilities	2,117,863	28	2,069,034	28	1,914,579	26
Non-current assets							Non-current liabilities						
Non-current financial assets at fair value through profit or loss (Note 7)	32,361	1	27,282	1	29,751	-	Non-current portion of non-current borrowings (Notes 17 and 29)	1,724,920	23	1,697,982	23	1,920,425	26
Investments accounted for using equity method (Note 11)	812,762	11	756,424	10	715,449	10	Deferred tax liabilities (Notes 4 and 23)	3,969	-	5,056	-	3,551	-
Property, plant and equipment (Notes 12 and 29)	3,867,320	51	3,881,876	52	3,973,814	54	Non-current lease liabilities (Note 13)	252,063	3	247,886	3	306,714	4
Right-of-use assets (Note 13)	295,834	4	288,884	4	373,388	5	Guarantee deposits received (Note 28)	2,005	-	2,005	-	2,005	-
Other intangible assets (Note 14)	11,810	-	14,280	-	14,749	-	Total non-current liabilities	1,982,957	26	1,952,929	26	2,232,695	30
Deferred tax assets (Notes 4 and 23)	346	-	541	-	543	-	Total liabilities	4,100,820	54	4,021,963	54	4,147,274	56
Prepayments for business facilities	11,297	-	56	-	55,020	1	Equity attributed to owners of parent (Notes 20 and 24)						
Guarantee deposits paid	20,712	-	22,611	1	20,835	-	Ordinary share	747,751	10	747,751	10	747,751	10
Net defined benefit asset, non-current (Notes 4 and 19)	21,605	-	21,460	-	16,027	-	Capital collected in advance	28,292	-	-	-	-	-
Other non-current financial assets (Note 29)	200	-	-	-	-	-	Total capital surplus	2,157,803	28	2,143,012	29	2,135,624	29
Total non-current assets	5,074,247	67	5,013,414	68	5,199,576	70	Retained earnings						
							Legal reserve	180,380	3	160,486	2	137,368	2
							Special reserve	79,013	1	74,898	1	95,161	1
							Unappropriated retained earnings	330,139	4	254,536	4	94,686	1
							Other equity, others	(86,562)	(1)	(82,453)	(1)	(82,296)	(1)
							Total equity attributable to owners of parent	3,436,816	45	3,298,230	45	3,128,294	42
							Non-controlling interests	61,259	1	103,963	1	116,438	2
							Total equity	3,498,075	46	3,402,193	46	3,244,732	44
Total assets	\$7,598,895	100	\$7,424,156	100	\$7,392,006	100	Total liabilities and equity	\$7,598,895	100	\$7,424,156	100	\$7,392,006	100

The accompanying notes constitute part of the consolidated financial statements.
(Please see the audit report made by Deloitte & Touche on Aug. 4, 2023.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the quarters ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022

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

	2023 Q2		2022 Q2		2023 H1		2022 H1	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Notes 21 and 28)	\$ 973,048	100	\$ 910,982	100	\$1,954,366	100	\$1,785,753	100
Operating costs (Notes 22 and 28)	<u>696,578</u>	<u>71</u>	<u>672,665</u>	<u>74</u>	<u>1,398,316</u>	<u>72</u>	<u>1,306,562</u>	<u>73</u>
Gross profit (loss) from operations	<u>276,470</u>	<u>29</u>	<u>238,317</u>	<u>26</u>	<u>556,050</u>	<u>28</u>	<u>479,191</u>	<u>27</u>
Operating expenses (Notes 22 and 28)								
Selling expenses	30,194	3	26,439	3	58,947	3	49,874	3
Administrative expenses	107,161	11	109,947	12	218,129	11	212,985	12
Research and development expenses	33,846	4	29,948	3	69,170	4	58,006	3
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	<u>945</u>	<u>-</u>	<u>(2,121)</u>	<u>-</u>	<u>1,054</u>	<u>-</u>	<u>(578)</u>	<u>-</u>
Total operating expenses	<u>172,146</u>	<u>18</u>	<u>164,213</u>	<u>18</u>	<u>347,300</u>	<u>18</u>	<u>320,287</u>	<u>18</u>
Net operating income	<u>104,324</u>	<u>11</u>	<u>74,104</u>	<u>8</u>	<u>208,750</u>	<u>10</u>	<u>158,904</u>	<u>9</u>
Non-operating income and expenses								
Interest income (Note 22)	2,227	-	1,006	-	4,382	-	1,250	-
Other income, others (Notes 22 and 28)	11,519	1	10,835	1	21,576	1	21,176	1
Other gains and losses, net (Notes 22 and 28)	7,014	1	12,389	2	2,385	-	15,348	1
Finance costs, net (Notes 22 and 28)	(14,485)	(1)	(11,009)	(1)	(28,188)	(1)	(21,171)	(1)
Share of profit of associates for using equity method, net (Note 11)	<u>11,564</u>	<u>1</u>	<u>19,750</u>	<u>2</u>	<u>17,257</u>	<u>1</u>	<u>28,672</u>	<u>1</u>
Total non-operating income and expenses	<u>17,839</u>	<u>2</u>	<u>32,971</u>	<u>4</u>	<u>17,412</u>	<u>1</u>	<u>45,275</u>	<u>2</u>
Profit from continuing operations before tax	122,163	13	107,075	12	226,162	11	204,179	11
Total tax expense (income) (Notes 4 and 23)	<u>(8,481)</u>	<u>(1)</u>	<u>19,190</u>	<u>2</u>	<u>19,704</u>	<u>1</u>	<u>37,150</u>	<u>2</u>
Profit (loss)	<u>130,644</u>	<u>14</u>	<u>87,885</u>	<u>10</u>	<u>206,458</u>	<u>10</u>	<u>167,029</u>	<u>9</u>
Other comprehensive income (Note 20)								
Components of other comprehensive income that will be reclassified to profit or loss:								

Exchange differences on translation	(2,885)	-	(1,847)	(1)	1,048	-	9,491	1
Share of other comprehensive income of associates accounted for using equity method	(4,664)	(1)	(1,407)	-	(5,157)	-	3,374	-
Total other comprehensive income	(7,549)	(1)	(3,254)	(1)	(4,109)	-	12,865	1
Total comprehensive income	<u>\$ 123,095</u>	<u>13</u>	<u>\$ 84,631</u>	<u>9</u>	<u>\$ 202,349</u>	<u>10</u>	<u>\$ 179,894</u>	<u>10</u>
Profit attributable to:								
Owners of parent	\$ 151,206	15	\$ 91,466	10	\$ 249,162	13	\$ 173,198	10
Non-controlling interests	(20,562)	(2)	(3,581)	-	(42,704)	(2)	(6,169)	(1)
	<u>\$ 130,644</u>	<u>13</u>	<u>\$ 87,885</u>	<u>10</u>	<u>\$ 206,458</u>	<u>11</u>	<u>\$ 167,029</u>	<u>9</u>
Comprehensive income attributable to:								
Owners of parent	\$ 143,657	15	\$ 88,212	10	\$ 245,053	12	\$ 186,063	10
Non-controlling interests	(20,562)	(2)	(3,581)	(1)	(42,704)	(2)	(6,169)	-
	<u>\$ 123,095</u>	<u>13</u>	<u>\$ 84,631</u>	<u>9</u>	<u>\$ 202,349</u>	<u>10</u>	<u>\$ 179,894</u>	<u>10</u>
Earnings per share (Note 24)								
Total basic earnings per share	<u>\$ 2.02</u>		<u>\$ 1.22</u>		<u>\$ 3.33</u>		<u>\$ 2.24</u>	
Total diluted earnings per share	<u>\$ 1.98</u>		<u>\$ 1.22</u>		<u>\$ 3.26</u>		<u>\$ 2.23</u>	

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Aug. 4, 2023.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	Equity attributed to owners of parent											
	Ordinary share		Capital collected in advance	Capital surplus	Retained earnings			Other equity	Treasury shares	Total owners' equity	Non-controlling interests	Total equity
	Number of shares (in thousands of shares)	Amount			Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Exchange differences on translation of financial statements of overseas operations				
Equity 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												
Legal reserve used to offset accumulated deficits	-	-	-	-	(38,217)	-	38,217	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(3,330)	3,330	-	-	-	-	-
Share-based payments	-	-	-	7,388	-	-	-	-	-	7,388	-	7,388
Profit (loss) for 2022 H1	-	-	-	-	-	-	173,198	-	-	173,198	(6,169)	167,029
Other comprehensive income after tax for 2022 H1	-	-	-	-	-	-	-	12,865	-	12,865	-	12,865
Total comprehensive income for 2022 H1	-	-	-	-	-	-	173,198	12,865	-	186,063	(6,169)	179,894
Purchase of treasury shares	-	-	-	-	-	-	-	-	(267,945)	(267,945)	-	(267,945)
Retirement of treasury share	(5,000)	(50,000)	-	(139,433)	-	-	(78,512)	-	267,945	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	714	-	-	-	-	-	714	-	714
Equity at June 30, 2022	<u>74,775</u>	<u>\$ 747,751</u>	<u>\$ -</u>	<u>\$ 2,135,624</u>	<u>\$ 137,368</u>	<u>\$ 95,161</u>	<u>\$ 94,686</u>	<u>(\$ 82,296)</u>	<u>\$ -</u>	<u>\$ 3,128,294</u>	<u>\$ 116,438</u>	<u>\$ 3,244,732</u>
Equity 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	-	-	-	-	19,894	-	(19,894)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	4,115	(4,115)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(149,550)	-	-	(149,550)	-	(149,550)
Changes in associated accounted for using the equity method	-	-	-	11,222	-	-	-	-	-	11,222	-	11,222
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	19	-	-	-	-	-	19	-	19
Ordinary shares issued under the Employee stock option plan	-	-	28,292	-	-	-	-	-	-	28,292	-	28,292
Share-based payments	-	-	-	3,550	-	-	-	-	-	3,550	-	3,550
Profit (loss) of 2023 H1	-	-	-	-	-	-	249,162	-	-	249,162	(42,704)	206,458
Other comprehensive income after tax for 2023 H1	-	-	-	-	-	-	-	(4,109)	-	(4,109)	-	(4,109)
Total comprehensive income for 2023 H1	-	-	-	-	-	-	249,162	(4,109)	-	245,053	(42,704)	202,349
Equity at June 30, 2023	<u>74,775</u>	<u>\$ 747,751</u>	<u>\$ 28,292</u>	<u>\$ 2,157,803</u>	<u>\$ 180,380</u>	<u>\$ 79,013</u>	<u>\$ 330,139</u>	<u>(\$ 86,562)</u>	<u>\$ -</u>	<u>\$ 3,436,816</u>	<u>\$ 61,259</u>	<u>\$ 3,498,075</u>

The accompanying notes constitute part of the consolidated financial statements.
(Please see the audit report made by Deloitte & Touche on Aug. 4, 2023.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	2023 H1	2022 H1
Cash flows from operating activities, indirect method		
Profit before tax	\$ 226,162	\$ 204,179
Adjustments to reconcile profit (loss)		
Depreciation expense	387,263	388,218
Amortization expense	5,232	5,335
Expected credit loss (gain on reversal of expected credit loss)	1,054	(578)
Net gain on financial assets or liabilities at fair value through profit or loss	(4,489)	(5,836)
Financial cost	28,188	21,171
Interest income	(4,382)	(1,250)
Share-based payments	3,550	7,388
Share of profit of associates for using equity method, net	(17,257)	(28,672)
Gain on disposal of property, plant and equipment	-	(700)
Unrealized foreign exchange gain	(2,941)	(5,191)
Total changes in operating assets and liabilities		
Contract assets	2,332	133
Notes and accounts receivable	(236,656)	3,412
Accounts receivable due from related parties	2,364	4,052
Other receivables	3	2,961
Other receivables due from related parties	787	311
Prepayments and other current assets	23,719	18,626
Defined benefit assets, net	(145)	(56)
Contract liabilities	(15,507)	13,912
Notes and accounts payable	(38,280)	28,555
Accounts payable to related parties	2,482	(5,017)
Other current liabilities	<u>7,755</u>	<u>26,092</u>
Cash inflow generated from operations	371,234	677,045
Interest paid	(31,547)	(23,694)
Income tax paid	<u>(37,150)</u>	<u>(53,218)</u>
Net cash flows from operating activities	<u>302,537</u>	<u>600,133</u>

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	<u>2023 H1</u>	<u>2022 H1</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(\$ 39,974)	\$ -
Acquisition of property, plant and equipment	(388,637)	(406,597)
Proceeds from disposal of property, plant and equipment	-	3,400
Decrease (increase) in refundable deposits	1,899	(374)
Acquisition of other intangible assets	(2,846)	(4,957)
Decrease in long-term lease and installment receivables	2,170	2,158
Increase in other financial assets	(324)	(3,236)
Interest received	<u>4,382</u>	<u>1,250</u>
Net cash used in investing activities	<u>(423,330)</u>	<u>(408,356)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans	18,838	(89,323)
Proceeds from long-term debts	450,000	413,340
Repayments of long-term debts	(374,657)	(204,067)
Payments of lease liabilities	(33,565)	(42,427)
Cash dividends paid	(74,775)	(35,430)
Exercise of employee stock options	28,292	-
Purchase of treasury shares	-	(267,945)
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	<u>19</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>14,152</u>	<u>(225,852)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,714</u>	<u>7,976</u>
Net decrease in cash and cash equivalents	(100,927)	(26,099)
Cash and cash equivalents at beginning of period	<u>875,347</u>	<u>844,879</u>
Cash and cash equivalents at end of period	<u>\$ 774,420</u>	<u>\$ 818,780</u>

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Aug. 4, 2023.)

Integrated Service Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the six months ended June 30, 2023 and 2022

(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 Aug. 4, 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)
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Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not decided yet
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
IFRS 17 Insurance Contracts	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	Jan. 1, 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	Jan. 1, 2024
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	Note 3

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.

Note 2: After the amendment is published, the exceptions and disclosures that have been applicable shall be applied immediately and shall be applied retroactively pursuant to IAS 8. Other provisions for disclosure shall be applicable from the reporting period beginning on Jan. 1, 2023. In case that the end of an interim reporting period is before Dec. 31, 2023, such other provisions for disclosure shall not be applicable to the interim financial reporting for that period.

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 asset 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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand and revolving funds	\$ 228	\$ 210	\$ 188
Bank checks and saving deposits of bank	579,758	630,272	543,517
Cash equivalents			
Time deposits	<u>194,434</u>	<u>244,865</u>	<u>275,075</u>
	<u>\$ 774,420</u>	<u>\$ 875,347</u>	<u>\$ 818,780</u>

VII. Financial Instruments at Fair Value through Profit and Loss

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets – Current</u>			
Held for trading			
Derivatives (not designed for hedging)			
– Forward exchange agreement	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ -</u>
<u>Financial assets – Non-current</u>			
At fair value through profit or loss compulsorily – Not listed (non-OTC)			
Domestic shares	\$ -	\$ -	\$ 215
Beneficiary certificates of funds	<u>32,361</u>	<u>27,282</u>	<u>29,536</u>
	<u>\$ 32,361</u>	<u>\$ 27,282</u>	<u>\$ 29,751</u>
<u>Financial liabilities – Current</u>			
Held for trading			
Derivatives (not designed for hedging)			
– Forward	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 1,753</u>

exchange agreement

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)
<u>June 30, 2023</u>			
Forward foreign exchange purchase	TWD to JPY	July 2023	TWD 734/ JPY 3,100
<u>Dec. 31, 2022</u>			
Forward foreign exchange purchase	TWD to JPY	February 2023 ~ July 2023	TWD 12,300/ JPY 55,100
<u>June 30, 2022</u>			
Forward foreign exchange purchase	TWD to JPY	July 2022	TWD 32,396/ JPY142,400
Forward foreign exchange purchase	TWD to JPY	September 2022	TWD 8,120/ JPY 35,600

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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Notes and Accounts Receivable</u>			
Measured at amortized cost			
Notes receivable	\$ 550	\$ 1,096	\$ 1,019
Accounts receivable	1,565,622	1,324,447	1,230,199
Less: Loss allowance	(<u>15,066</u>)	(<u>14,052</u>)	(<u>11,401</u>)
	<u>\$1,551,106</u>	<u>\$1,311,491</u>	<u>\$1,219,817</u>

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:

June 30, 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	\$ 1,405,135	\$ 139,599	\$ 8,798	\$ 1,998	\$ 10,092	\$ 1,565,622
Loss allowance (Expected credit loss for the duration)	(1,898)	(1,299)	(513)	(1,264)	(10,092)	(15,066)
Amortized cost	<u>\$ 1,403,237</u>	<u>\$ 138,300</u>	<u>\$ 8,285</u>	<u>\$ 734</u>	<u>\$ -</u>	<u>\$ 1,550,556</u>

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	<u>\$ 1,157,043</u>	<u>\$ 127,448</u>	<u>\$ 21,989</u>	<u>\$ 3,915</u>	<u>\$ -</u>	<u>\$ 1,310,395</u>

June 30, 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	\$ 1,056,535	\$ 158,141	\$ 1,183	\$ 9,513	\$ 4,827	\$ 1,230,199
Loss allowance (Expected credit loss for the duration)	(1,283)	(1,308)	(122)	(3,861)	(4,827)	(11,401)
Amortized cost	<u>\$ 1,055,252</u>	<u>\$ 156,833</u>	<u>\$ 1,061</u>	<u>\$ 5,652</u>	<u>\$ -</u>	<u>\$ 1,218,798</u>

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

	2023 H1	2022 H1
Beginning balance	\$ 14,052	\$ 12,114
Add: Impairment loss allocated for the period	1,054	-
Less: Loss on reversal of impairment loss for the period	-	(578)
Less: Amounts written off actually for the period	(35)	(142)
Foreign exchange differences	(5)	7
Ending balance	<u>\$ 15,066</u>	<u>\$ 11,401</u>

IX. Finance Leases Receivable

	June 30, 2023	Dec. 31, 2022	June 30, 2022
Lease payments not discounted			
1 st year	\$ 2,196	\$ 4,392	\$ 1,830
2 nd year	-	-	-
	<u>2,196</u>	<u>4,392</u>	<u>1,830</u>
Less: Finance incomes not earned yet	(8)	(34)	(8)
Lease payments receivable	<u>2,188</u>	<u>4,358</u>	<u>1,822</u>
Net investment in the lease (expressed as finance leases receivable)	<u>\$ 2,188</u>	<u>\$ 4,358</u>	<u>\$ 1,822</u>

X. Subsidiaries

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding			Explanation
			June 30, 2023	Dec. 31, 2022	June 30, 2022	
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 3
	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 June 30, 2023, Dec. 31, 2022 and June 30, 2022, the percentage of the total ITS shares possessed by the Company was 51%.

Note 2. As of June 30, 2023, Dec. 31, 2022 and June 30, 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 June 30, 2023, Dec. 31, 2022 and June 30, 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 H1, except ITS Company and PPT Company, and in 2022 H1 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

	June 30, 2023	Dec. 31, 2022	June 30, 2022
Investments in Associates			
Dekra iST (Dekra Company)	\$ 648,311	\$ 631,647	\$ 598,792
BTL Inc. (BTL Inc.)	122,484	120,566	113,726
Motor Semiconductor Co., Ltd. (MS Company)	39,116		
Individual immaterial associates			
EFUN Technology Inc. (EFUN Company)	897	821	617
Huan Ying Sustainable Development Technology (Huan Ying Company) (Note)	1,954	3,390	2,314
	<u>\$ 812,762</u>	<u>\$ 756,424</u>	<u>\$ 715,449</u>

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 ownership and voting rights held by the Company		
	June 30, 2023	Dec. 31, 2022	June 30, 2022
Dekra Company	49%	49%	49%
BTL Inc.	10%	11%	11%
MS Company	21%	-	-

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.

Motor Semiconductor Co., Ltd. (MS Company), an IC design company, engages in the business ranging from microcontroller, power management to power MOSFET. As a designated party, the Company participated in the cash capital increase plan of MS Company and held 21% of its shares accordingly.

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	June 30, 2023	Dec. 31, 2022	June 30, 2022
BTL Inc.	<u>\$ 170,850</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Self-used	\$ 3,829,038	\$ 3,838,661	\$ 3,926,554
Rented out under operating lease	<u>38,282</u>	<u>43,215</u>	<u>47,260</u>
	<u>\$ 3,867,320</u>	<u>\$ 3,881,876</u>	<u>\$ 3,973,814</u>

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	-	12,020	35,530	-	23	853	5,409	285,989	339,824
Disposals	-	(770)	(439,495)	-	(1,310)	(8,524)	(5,142)	-	(455,241)
Reclassification	-	50,270	148,001	-	-	3,327	16,608	(209,935)	8,271
Net exchange difference	-	(1,012)	(2,539)	(82)	(70)	-	(29)	-	(3,732)
Balance at June 30, 2023	<u>\$ 30,852</u>	<u>\$ 2,182,209</u>	<u>\$ 3,849,847</u>	<u>\$ 4,239</u>	<u>\$ 34,474</u>	<u>\$ 318,807</u>	<u>\$ 350,646</u>	<u>\$ 232,359</u>	<u>\$ 7,003,433</u>
Accumulated depreciation									
Balance at Jan. 1, 2023	\$ -	\$ 424,756	\$ 2,386,855	\$ 2,135	\$ 26,371	\$ 238,225	\$ 162,727	\$ -	\$ 3,241,069
Depreciation expenses	-	67,965	253,875	320	3,248	3,167	24,570	-	353,145
Disposals	-	(770)	(439,451)	-	(1,310)	(8,524)	(5,142)	-	(455,197)
Reclassification	-	-	3,308	-	-	-	-	-	3,308
Net exchange difference	-	(345)	(1,767)	(48)	(52)	-	(8)	-	(2,220)
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ 491,606</u>	<u>\$ 2,202,820</u>	<u>\$ 2,407</u>	<u>\$ 28,257</u>	<u>\$ 232,868</u>	<u>\$ 182,147</u>	<u>\$ -</u>	<u>\$ 3,140,105</u>
Accumulated impairment									
Balance at Jan. 1, 2023	\$ -	\$ -	\$ 34,445	\$ -	\$ 136	\$ -	\$ -	\$ -	\$ 34,581
Disposals	-	-	(44)	-	-	-	-	-	(44)
Net exchange difference	-	-	(244)	-	(3)	-	-	-	(247)
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,157</u>	<u>\$ -</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,290</u>
Net at June 30, 2023	<u>\$ 30,852</u>	<u>\$ 1,690,603</u>	<u>\$ 1,612,870</u>	<u>\$ 1,832</u>	<u>\$ 6,084</u>	<u>\$ 85,939</u>	<u>\$ 168,499</u>	<u>\$ 232,359</u>	<u>\$ 3,829,038</u>
Net at Dec. 31, 2022 and Jan. 1, 2023	<u>\$ 30,852</u>	<u>\$ 1,696,945</u>	<u>\$ 1,687,050</u>	<u>\$ 2,186</u>	<u>\$ 9,324</u>	<u>\$ 84,926</u>	<u>\$ 171,073</u>	<u>\$ 156,305</u>	<u>\$ 3,838,661</u>
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	-	10,207	52,830	-	83	494	1,386	460,231	525,231
Disposals	-	-	(245,318)	-	(915)	(14,941)	(1,435)	-	(262,609)
Reclassification	-	18,084	278,552	-	-	4,181	10,220	(306,304)	4,733
Net exchange difference	-	820	2,008	70	64	-	12	-	2,974
Balance at June 30, 2022	<u>\$ 30,852</u>	<u>\$ 2,113,158</u>	<u>\$ 4,316,178</u>	<u>\$ 4,336</u>	<u>\$ 37,886</u>	<u>\$ 370,693</u>	<u>\$ 315,709</u>	<u>\$ 415,577</u>	<u>\$ 7,604,389</u>
Accumulated depreciation									
Balance at Jan. 1, 2022	\$ -	\$ 303,613	\$ 2,632,492	\$ 1,450	\$ 21,990	\$ 310,789	\$ 125,520	\$ -	\$ 3,395,854
Depreciation expenses	-	61,627	251,716	344	3,766	3,031	22,148	-	342,632
Disposals	-	-	(241,784)	-	(915)	(14,941)	(1,435)	-	(259,075)
Reclassification	-	-	1,893	-	-	-	-	-	1,893
Net exchange difference	-	222	1,074	28	33	-	3	-	1,360
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 365,462</u>	<u>\$ 2,645,391</u>	<u>\$ 1,822</u>	<u>\$ 24,874</u>	<u>\$ 298,879</u>	<u>\$ 146,236</u>	<u>\$ -</u>	<u>\$ 3,482,664</u>
Accumulated impairment									
Balance at Jan. 1, 2022	\$ -	\$ -	\$ 195,642	\$ -	\$ 134	\$ -	\$ -	\$ -	\$ 195,776
Disposals	-	-	(834)	-	-	-	-	-	(834)
Net exchange difference	-	-	226	-	3	-	-	-	229
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,034</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,171</u>
Net at June 30, 2022	<u>\$ 30,852</u>	<u>\$ 1,747,696</u>	<u>\$ 1,475,753</u>	<u>\$ 2,514</u>	<u>\$ 12,875</u>	<u>\$ 71,814</u>	<u>\$ 169,473</u>	<u>\$ 415,577</u>	<u>\$ 3,926,554</u>

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	3~20 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

	<u>Land</u>	<u>Building and structure</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance at Jan. 1, 2023	\$ 12,583	\$ 123,664	\$ 278	\$ 136,525
Disposals	<u>-</u>	<u>(2,193)</u>	<u>(278)</u>	<u>(2,471)</u>
Balance at June 30, 2023	<u>\$ 12,583</u>	<u>\$ 121,471</u>	<u>\$ -</u>	<u>\$ 134,054</u>
<u>Accumulated depreciation</u>				
Balance at Jan. 1, 2023	\$ -	\$ 93,049	\$ 261	\$ 93,310
Depreciation expenses	-	4,916	17	4,933
Disposals	<u>-</u>	<u>(2,193)</u>	<u>(278)</u>	<u>(2,471)</u>
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ 95,772</u>	<u>\$ -</u>	<u>\$ 95,772</u>
Net at June 30, 2023	<u>\$ 12,583</u>	<u>\$ 25,699</u>	<u>\$ -</u>	<u>\$ 38,282</u>
Net at Dec. 31, 2022 and Jan. 1, 2023	<u>\$ 12,583</u>	<u>\$ 30,615</u>	<u>\$ 17</u>	<u>\$ 43,215</u>
<u>Cost</u>				
Balance at Jan. 1, 2022	\$ 12,583	\$ 125,754	\$ 278	\$ 138,615
Disposals	<u>-</u>	<u>(2,090)</u>	<u>-</u>	<u>(2,090)</u>
Balance at June 30, 2022	<u>\$ 12,583</u>	<u>\$ 123,664</u>	<u>\$ 278</u>	<u>\$ 136,525</u>
<u>Accumulated depreciation</u>				
Balance at Jan. 1, 2022	\$ -	\$ 86,630	\$ 203	\$ 86,833
Depreciation expenses	-	4,490	32	4,522
Disposals	<u>-</u>	<u>(2,090)</u>	<u>-</u>	<u>(2,090)</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 89,030</u>	<u>\$ 235</u>	<u>\$ 89,265</u>
Net at June 30, 2022	<u>\$ 12,583</u>	<u>\$ 34,634</u>	<u>\$ 43</u>	<u>\$ 47,260</u>

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:

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
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	2,952	6,496	7,088
Over 5 years	<u>-</u>	<u>-</u>	<u>2,952</u>
	<u>\$ 31,304</u>	<u>\$ 34,848</u>	<u>\$ 38,392</u>

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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Book amount of right-of-use assets			
Land	\$ 151,125	\$ 153,549	\$ 155,972
Building	128,977	113,215	162,891
Transportation equipment	10,484	11,215	9,937
Mechanical equipment	<u>5,248</u>	<u>10,905</u>	<u>44,588</u>
	<u>\$ 295,834</u>	<u>\$ 288,884</u>	<u>\$ 373,388</u>
	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>
Added right-of-use assets			<u>\$ 41,487</u>
Expense of depreciation of right-of-use assets			<u>\$ 13,897</u>
Land	\$ 1,212	\$ 1,210	\$ 2,424
Building	11,833	15,413	23,044
Transportation equipment	1,537	1,390	3,023
Mechanical equipment	<u>140</u>	<u>2,670</u>	<u>694</u>
	<u>\$ 14,722</u>	<u>\$ 20,683</u>	<u>\$ 29,185</u>
Proceeds from sublease of right-of-use assets (listed as other incomes in the book)	(\$ <u>1,098</u>)	(\$ <u>1,098</u>)	(\$ <u>2,196</u>)

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 H1 or 2022 H1.

B. Lease Liabilities

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Book amount of lease liabilities			
Current	\$ <u>57,021</u>	\$ <u>53,276</u>	\$ <u>78,339</u>
Non-current	<u>\$ 252,063</u>	<u>\$ 247,886</u>	<u>\$ 306,714</u>

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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Land	2.76%	2.76%	2.76%

Building	1.62%~4.75%	1.62%~4.75%	1.62%~4.75%
Transportation equipment	2.50%~5.78%	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:

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
1 st year	\$ 6,638	\$ 13,276	\$ 5,531
2 nd year	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,638</u>	<u>\$ 13,276</u>	<u>\$ 5,531</u>

E. Other Lease Information

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Short-term lease expenses	<u>\$ 1,141</u>	<u>\$ 1,487</u>	<u>\$ 2,263</u>	<u>\$ 3,437</u>
Low-value asset lease expenses	<u>\$ 38</u>	<u>\$ 166</u>	<u>\$ 90</u>	<u>\$ 345</u>
Total cash (outflow) from leases			<u>(\$ 40,267)</u>	<u>(\$ 51,480)</u>

XIV. Other Intangible Assets

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Computer software	\$ 10,877	\$ 13,418	\$ 13,783
Others	<u>933</u>	<u>862</u>	<u>966</u>
	<u>\$ 11,810</u>	<u>\$ 14,280</u>	<u>\$ 14,749</u>

No material acquisition, disposal or impairment occurred with respect to other intangible assets of the Company, except the additions and amortization

expenses recognized, in either 2023 H1 or 2022 H1. 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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Prepaid materials stipulated in work order	\$ 54,223	\$ 79,319	\$ 20,328
Inventory of supplies	38,057	36,059	31,520
Tax overpaid retained for offsetting the future tax payable	16,531	14,352	10,190
Prepaid expenses	16,365	15,276	18,812
Payment in advance	1,830	4,761	5,485
Others	<u>1,629</u>	<u>2,568</u>	<u>937</u>
	<u>\$ 128,635</u>	<u>\$ 152,335</u>	<u>\$ 87,272</u>

XVI. Current Borrowings

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Loans without collateral</u>			
Working capital loan	<u>\$ 669,282</u>	<u>\$ 648,500</u>	<u>\$ 569,239</u>

Interest rates for the working capital loans provided by the bank were 1.82% ~ 6.26%, 1.75% ~ 6.14% and 1.00% ~ 3.55% on June 30, 2023, Dec. 31, 2022 and June 30, 2022 respectively.

XVII. Non-current Portion of Non-current Borrowings

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Guaranteed loans</u>			
Syndicated bank loans - A-1 (1)	\$ 300,000	\$ 320,000	\$ 340,000
Bank loans (2)	269,386	245,000	259,000
<u>Loans without collateral</u>			
Syndicated bank loans - A-2 (1)	150,000	160,000	170,000
Syndicated bank loans - B (1)	-	100,000	100,000
Credit loan (3)	<u>1,200,725</u>	<u>1,020,068</u>	<u>1,198,811</u>
	1,920,111	1,845,068	2,067,811
Less: Unamortized balance of the expenses incurred by the organizer of syndicated loans	(1,300)	(1,600)	(1,900)
Current portion of non-current	<u>(193,891)</u>	<u>(145,486)</u>	<u>(145,486)</u>

borrowings Non-current portion of non-current borrowings	<u>\$1,724,920</u>	<u>\$1,697,982</u>	<u>\$1,920,425</u>
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- 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 2.53% ~ 2.64%, 2.29% ~ 2.49% and 1.83% ~ 1.97% respectively on June 30, 2023, Dec. 31, 2022 and June 30, 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 June 30, 2023, Dec. 31, 2022 and June 30, 2022 was March 2032 and the annual interest rates on June 30, 2023, Dec. 31, 2022 and June 30, 2022 were 1.70% ~ 2.25%, 1.58% and 1.33% respectively.
- C. The maturity date of the credit loans as of June 30, 2023, Dec. 31, 2022 and June 30, 2022 were the end of March 2028, May 2026 and May 2026, and the annual interest rates on June 30, 2023, Dec. 31, 2022 and June 30, 2022 were 1.86% ~ 3.81%, 1.61% ~ 3.56% and 1.30% ~ 3.31% 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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Other payables</u>			
Wages and bonuses payable	\$ 252,972	\$ 271,338	\$ 203,771
Remunerations payable to employees and directors	50,240	30,000	26,408
Bonus for unused leave	<u>15,100</u>	<u>14,629</u>	<u>14,479</u>
	318,312	315,967	244,658
<u>Other current liabilities</u>			
Others (Note)	<u>225,787</u>	<u>219,721</u>	<u>168,055</u>
	<u>\$ 544,099</u>	<u>\$ 535,688</u>	<u>\$ 412,713</u>

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 Q2, 2022 Q2 and 2023H1,2022 H1 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 (73) thousand, NTD (28) thousand, NTD (145) thousand and NTD (56) thousand respectively.

XX. Equity

A. Ordinary Share

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Authorized number of shares (In thousands of shares)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (In thousands of shares)	<u>74,775</u>	<u>74,775</u>	<u>74,775</u>
Capital stock issued	<u>\$ 747,751</u>	<u>\$ 747,751</u>	<u>\$ 747,751</u>

The Company employees exercised stock options in June 2023 to subscribe 532,000 shares and a total amount of NTD 28,292 thousand paid for the shares was received. The record date for capital increase was resolved to be Aug. 4, 2023 at the board meeting on Aug. 4, 2023. As of June 30, 2023, the amount was listed as “capital collected in advance” because the procedure of alteration registration had not been completed.

B. Capital Reserve

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>May be used to offset</u> <u>deficits, distribute cash</u> <u>or transfer to share</u> <u>capital (Note 1)</u>			
Additional paid-in capital	\$ 2,085,234	\$ 2,085,234	\$ 2,085,234
<u>May be Used to offset</u> <u>deficits only</u>			
Recognized changes in ownership interests in subsidiaries (Note 2)	30,538	30,538	29,824
Changes in equity of associates accounted for using the equity method	13,687	2,465	3,179
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	19	-	-
<u>Not used for any purpose</u>			
Stock option	<u>28,325</u>	<u>24,775</u>	<u>17,387</u>
	<u>\$ 2,157,803</u>	<u>\$ 2,143,012</u>	<u>\$ 2,135,624</u>

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 reconciled in 2023 H1 and 2022 H1 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	Others
Balance at Jan. 1, 2022	\$ 2,224,667	\$ 9,999	\$ 29,824	\$ 2,465	\$ -
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	714	-
Share-based payment	-	7,388	-	-	-
Treasury shares retired	(<u>139,433</u>)	-	-	-	-
Balance at June 30, 2022	<u>\$ 2,085,234</u>	<u>\$ 17,387</u>	<u>\$ 29,824</u>	<u>\$ 3,179</u>	<u>\$ -</u>
Balance at Jan. 1, 2023	\$ 2,085,234	\$ 24,775	\$ 30,538	\$ 2,465	\$ -
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	11,222	-
Share-based payment	-	3,550	-	-	-
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	-	19
Balance at June 30, 2023	<u>\$ 2,085,234</u>	<u>\$ 28,325</u>	<u>\$ 30,538</u>	<u>\$ 13,687</u>	<u>\$ 19</u>

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:

	<u>2023 Q2</u>	<u>2023 Q1</u>
Date of resolution by the board of director	Aug. 4, 2023	Apr. 28, 2023
Legal reserve	<u>\$ 15,120</u>	<u>\$ 9,795</u>
Special reserve	<u>\$ 7,549</u>	<u>(\$ 3,440)</u>
Cash dividends	<u>\$ 75,503</u>	<u>\$ 74,775</u>
Cash dividends per share (NTD)	\$ 1	\$ 1
	<u>2022 Q4</u>	<u>2022 Q3</u>
Date of resolution by the board of director	Mar. 14, 2023	Nov. 2, 2022
Legal reserve	<u>\$ 10,099</u>	<u>\$ 23,118</u>
Special reserve	<u>\$ 7,555</u>	<u>(\$ 20,263)</u>
Cash dividends	<u>\$ 74,775</u>	<u>\$ 74,775</u>
Cash dividends per share	\$ 1	\$ 1

(NTD)

	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	<u>\$ -</u>	<u>\$ 3,264</u>	<u>\$ 5,419</u>
Special reserve	<u>(\$ 3,330)</u>	<u>\$ 5,335</u>	<u>\$ 1,011</u>
Cash dividends	<u>\$ -</u>	<u>\$ 35,430</u>	<u>\$ 93,575</u>
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.

IST held the general meeting of shareholders on June 14, 2023 and June 14, 2022 to resolve on distribution of earnings for 2022 and 2021 respectively.

D. Special Reserve

	2023 H1	2022 H1
Beginning balance	\$ 74,898	\$ 98,491
Allocated (reversed) special reserve		
Allocated deduction (reversal) of other equity items	<u>4,115</u>	<u>(3,330)</u>
Ending balance	<u>\$ 79,013</u>	<u>\$ 95,161</u>

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:

	<u>2023 H1</u>	<u>2022 H1</u>
Beginning balance	(\$ 82,453)	(\$ 95,161)
Generated in the current period		
Exchange differences arising on translating financial statements of foreign operations	1,048	9,491
Share of translation differences of associates accounted for using the equity method	(5,157)	3,374
Ending balance	<u>(\$ 86,562)</u>	<u>(\$ 82,296)</u>

F. Non-controlling Interests

	<u>2023 H1</u>	<u>2022 H1</u>
Beginning balance	\$103,963	\$122,607
Net loss of the period	(42,704)	(6,169)
Ending balance	<u>\$ 61,259</u>	<u>\$116,438</u>

G. Treasury Shares

<u>Reason of recall</u>	<u>Purchased back to be cancelled (In thousands of shares)</u>
Number of shares at Jan. 1, 2022	-
Shares increased in the period	5,000
Shares decreased in the period	(5,000)
Number of shares at June 30, 2022	<u> -</u>

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 June 30, 2022, the Company purchased 5,000 thousand treasury shares and the

repurchase cost was NTD 267,945 thousand in total. The Company 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

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Revenue from contracts with customers				
Revenue from inspection and testing services	<u>\$ 973,048</u>	<u>\$ 910,982</u>	<u>\$ 1,954,366</u>	<u>\$ 1,785,753</u>

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

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>	<u>Jan. 1, 2022</u>
Accounts receivable (Note 8)	<u>\$ 1,550,556</u>	<u>\$ 1,310,395</u>	<u>\$ 1,218,798</u>	<u>\$ 1,214,494</u>
Accounts receivable due from related parties (Note 28)	<u>\$ 14,967</u>	<u>\$ 17,316</u>	<u>\$ 15,994</u>	<u>\$ 19,802</u>
Contract assets				
Labor service	<u>\$ 9,288</u>	<u>\$ 11,620</u>	<u>\$ 4,770</u>	<u>\$ 4,903</u>
Contract liabilities				
Customer loyalty program	\$ 58,497	\$ 62,145	\$ 42,258	\$ 38,327
Unearned sales revenue	<u>43,825</u>	<u>55,684</u>	<u>43,829</u>	<u>33,848</u>
	<u>\$ 102,322</u>	<u>\$ 117,829</u>	<u>\$ 86,087</u>	<u>\$ 72,175</u>

C. Itemized Revenue from Contracts with Customers

	<u>2023 H1</u>	<u>2022 H1</u>
<u>Main regional markets</u>		
Asia	\$1,608,517	\$1,453,582
America	300,744	284,536
Others	<u>45,105</u>	<u>47,635</u>

\$1,954,366

\$1,785,753

XXII. Net Profit of Continuing Operations

A. Interest Income

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Bank deposits	\$ 2,178	\$ 972	\$ 4,289	\$ 1,179
Net investment in the lease	11	16	26	38
Others	<u>38</u>	<u>18</u>	<u>67</u>	<u>33</u>
	<u>\$ 2,227</u>	<u>\$ 1,006</u>	<u>\$ 4,382</u>	<u>\$ 1,250</u>

B. Other Incomes

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Income from operating lease	\$ 7,012	\$ 6,407	\$ 13,556	\$ 12,826
Income from government subsidy	2,535	1,728	3,824	3,455
Others	<u>1,972</u>	<u>2,700</u>	<u>4,196</u>	<u>4,895</u>
	<u>\$ 11,519</u>	<u>\$ 10,835</u>	<u>\$ 21,576</u>	<u>\$ 21,176</u>

C. Other Gains and Losses

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Gain (loss) of financial assets and financial liabilities				
Financial assets at FVTPL	\$ 5,310	\$ 6,841	\$ 4,556	\$ 7,579
Financial liabilities at FVTPL	(49)	(1,753)	(67)	(1,743)
Net foreign exchange (loss) gain	1,769	7,319	(2,084)	8,839
Proceeds from disposal of property, plant and equipment	-	-	-	700
Others	<u>(16)</u>	<u>(18)</u>	<u>(20)</u>	<u>(27)</u>
	<u>\$ 7,014</u>	<u>\$ 12,389</u>	<u>\$ 2,385</u>	<u>\$ 15,348</u>

D. Financial Cost

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Interest on bank loans	\$ 14,201	\$ 9,985	\$ 27,446	\$ 18,207
Interest on lease liabilities	2,151	2,595	4,349	5,271
Amortization of the expenses incurred by the organizer of syndicated loans	150	150	300	300
Computed interest on security deposits	7	4	15	7
Other interest expenses	111	27	111	94
Less: Amounts listed in cost of qualifying assets	<u>(2,135)</u>	<u>(1,752)</u>	<u>(4,033)</u>	<u>(2,708)</u>

\$ 14,485 \$ 11,009 \$ 28,188 \$ 21,171

Information relevant to capitalization of interest is as follows:

	2023 Q2	2022 Q2	2023 H1	2022 H1
Capitalized interest	\$ 2,135	\$ 1,752	\$ 4,033	\$ 2,708
Interest rate for capitalization of interest	2.25%~2.31%	1.42%~1.52%	1.93%~2.35%	1.26%~1.52%

E. Depreciation and Amortization

	2023 Q2	2022 Q2	2023 H1	2022 H1
Depreciation expenses by functions:				
Operating cost	\$ 156,028	\$ 164,052	\$ 316,044	\$ 326,304
Operating expenses	<u>35,637</u>	<u>30,836</u>	<u>71,219</u>	<u>61,914</u>
	<u>\$ 191,665</u>	<u>\$ 194,888</u>	<u>\$ 387,263</u>	<u>\$ 388,218</u>
Amortization expenses by function:				
Operating cost	\$ 1,460	\$ 1,437	\$ 2,897	\$ 2,981
Management expenses	<u>1,185</u>	<u>1,227</u>	<u>2,335</u>	<u>2,354</u>
	<u>\$ 2,645</u>	<u>\$ 2,664</u>	<u>\$ 5,232</u>	<u>\$ 5,335</u>

F. Employee Benefit Expenses

	2023 Q2	2022 Q2	2023 H1	2022 H1
Short-term employee benefits	\$ 365,609	\$ 326,877	\$ 726,424	\$ 630,890
Post-employment benefits				
Defined contribution plan	11,246	10,146	22,242	20,122
Defined benefit plan (Note 19)	(73)	(28)	(145)	(56)
Share-based payment				
Equity settlement	<u>1,412</u>	<u>3,694</u>	<u>3,550</u>	<u>7,388</u>
Total employee benefit expenses	<u>\$ 378,194</u>	<u>\$ 340,689</u>	<u>\$ 752,071</u>	<u>\$ 658,344</u>
Compiled by functions				
Operating cost	\$ 277,053	\$ 246,036	\$ 550,917	\$ 474,912
Operating expenses	<u>101,141</u>	<u>94,653</u>	<u>201,154</u>	<u>183,432</u>
	<u>\$ 378,194</u>	<u>\$ 340,689</u>	<u>\$ 752,071</u>	<u>\$ 658,344</u>

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 Q2, 2022 Q2, 2023 H1 and 2022 H1 are listed as follows:

Estimated Percentage

	<u>2023 H1</u>	<u>2022 H1</u>
Employees' remuneration	5%	4%
Directors' remuneration	2%	1%

Amount

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Employees' remuneration	\$ <u>7,660</u>	\$ <u>6,000</u>	\$ <u>14,460</u>	\$ <u>9,200</u>
Directors' remuneration	\$ <u>3,050</u>	\$ <u>1,250</u>	\$ <u>5,780</u>	\$ <u>2,500</u>

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

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
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:

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Current income tax				
Incurred for the				
current period	\$ 9,282	\$ 19,659	\$ 38,219	\$ 37,438
Adjustments for				
previous years	(17,623)	-	(17,623)	-
Deferred income tax				
Incurred for the				
current period	(<u>140</u>)	(<u>469</u>)	(<u>892</u>)	(<u>288</u>)
Income tax expense				
recognized in profit				
or loss	(<u>\$ 8,481</u>)	\$ <u>19,190</u>	\$ <u>19,704</u>	\$ <u>37,150</u>

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

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Basic earnings per share	<u>\$ 2.02</u>	<u>\$ 1.22</u>	<u>\$ 3.33</u>	<u>\$ 2.24</u>
Diluted earnings per share	<u>\$ 1.98</u>	<u>\$ 1.22</u>	<u>\$ 3.26</u>	<u>\$ 2.23</u>

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

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Net profit used to calculate basic earnings per share	<u>\$ 151,206</u>	<u>\$ 91,466</u>	<u>\$ 249,162</u>	<u>\$ 173,198</u>
Net profit used to calculate diluted earnings per share	<u>\$ 151,206</u>	<u>\$ 91,466</u>	<u>\$ 249,162</u>	<u>\$ 173,198</u>

Number of Shares

Unit: In Thousands of Shares

	<u>2023 Q2</u>	<u>2022 Q2</u>	<u>2023 H1</u>	<u>2022 H1</u>
Number of weighted average common shares used to calculate basic earnings per share	74,775	75,089	74,775	77,380
Impact of the common shares with dilution effect:				
Employee stock options	1,315	-	1,328	-
Employees' remuneration	<u>149</u>	<u>183</u>	<u>253</u>	<u>255</u>
Number of weighted average common shares used to calculate diluted earnings per share	<u>76,239</u>	<u>75,272</u>	<u>76,356</u>	<u>77,635</u>

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.

The exercise price for outstanding stock warrants of IST was higher than the average market price calculated from 2022 Q2 and 2022 H1. As a result of

anti-dilution, such warrants were therefore not included in calculation of diluted earnings per 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 H1		2022 H1	
	Unit (In thousands)	Exercise price (NTD)	Unit (In thousands)	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	<u>2,000</u>	53.22	<u>2,000</u>	53.81
Exercisable at the end of the period	<u>1,000</u>		<u>-</u>	

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:

	<u>Apr. 29, 2021</u>
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 Q2, 2022 Q2, 2023 H1 and 2022 H1 was NTD 1,412 thousand, NTD 3,694 thousand, NTD 3,550 thousand and NTD 7,388 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

June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments – Not listed (non-OTC)				
– Domestic shares	\$ -	\$ -	\$ -	\$ -
– Beneficiary certificates of funds	<u>-</u>	<u>-</u>	<u>32,361</u>	<u>32,361</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,361</u>	<u>\$ 32,361</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 67</u>

Dec. 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments – Not listed (non-OTC)				
– Domestic shares	\$ -	\$ -	\$ -	\$ -

– Beneficiary certificates of funds	-	-	<u>27,282</u>	<u>27,282</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,282</u>	<u>\$ 27,282</u>
Derivatives	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ -</u>	<u>\$ 523</u>

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments – Not listed (non-OTC)				
– Domestic shares	\$ -	\$ -	\$ 215	\$ 215
– Beneficiary certificates of funds	<u>-</u>	<u>-</u>	<u>29,536</u>	<u>29,536</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,751</u>	<u>\$ 29,751</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 1,753</u>	<u>\$ -</u>	<u>\$ 1,753</u>

There was no transfer between level 1 and level 2 fair value measurements in either 2023 H1 or 2022 H1.

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

<u>Category of financial instrument</u>	<u>Valuation technique and input value</u>
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 H1

Financial assets	<u>Measured at fair value through profit or loss</u>		<u>Total</u>
	<u>Equity instrument</u>	<u>Beneficiary certificates of funds</u>	
Beginning balance	\$ -	\$ 27,282	\$ 27,282
Recognized in profit (loss)	<u>-</u>	<u>5,079</u>	<u>5,079</u>
Ending balance	<u>\$ -</u>	<u>\$ 32,361</u>	<u>\$ 32,361</u>

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	\$ <u> -</u>	\$ <u> 5,079</u>	\$ <u> 5,079</u>
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2022 H1

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)	(<u>12</u>)	<u>7,591</u>	<u>7,579</u>
Ending balance	\$ <u>215</u>	\$ <u>29,536</u>	\$ <u>29,751</u>

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	(\$ <u>12</u>)	\$ <u>7,591</u>	\$ <u>7,579</u>
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4. 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.

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
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:

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Liquidity discount			
Increased by 1%	(\$ 405)	(\$ 341)	(\$ 372)
Decreased by 1%	\$ 405	\$ 341	\$ 372

B. Type of Financial Instrument

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Measured at fair value through profit or loss compulsorily	\$ 32,361	\$ 27,805	\$ 29,751
Financial assets at amortized cost			
Cash and cash equivalents	774,420	875,347	818,780
Notes and accounts receivable, net	1,551,106	1,311,491	1,219,817
Accounts receivable due from related parties	14,967	17,316	15,994
Other receivables	1,295	1,298	1,008
Other receivables due from related parties	25,992	19,821	27,300
Other financial assets	16,957	16,633	15,667
Guarantee deposits paid	20,712	22,611	20,835
<u>Financial liabilities</u>			
Measured at fair value through profit or loss			
At fair value through profit or loss compulsorily	67	-	1,753
Measured at amortized cost			
Current borrowings	669,282	648,500	569,239
Short-term notes and accounts payable	232,322	270,621	240,031

Accounts payable to related parties	3,174	692	1,186
Payable on machinery and equipment	127,911	167,477	324,245
Long-term borrowings (including the current portion thereof)	1,918,811	1,843,468	2,065,911

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.

Sensitivity Analysis

The Company is mainly impacted by fluctuation of USD, CNY and JPY 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	
	2023 H1	2022 H1	2023 H1	2022 H1	2023 H1	2022 H1
Gain (loss)	<u>\$ 3,617</u>	<u>\$ 1,391</u>	<u>\$ 14</u>	<u>\$ 8</u>	<u>(\$ 230)</u>	<u>(\$ 2,590)</u>

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:

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
With fair value			
interest rate risk			
– Financial			
assets	\$ 194,434	\$ 244,865	\$ 275,075
– Financial			
liabilities	446,751	382,871	471,313
With cash flow			
interest rate risk			
– Financial			
assets	591,064	640,977	549,506
– Financial			
liabilities	2,450,426	2,410,259	2,554,521

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 H1 and 2022 H1 would be decreased/increased by NTD 9,297 thousand and NTD 10,025 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 June 30, 2023, Dec. 31, 2022 and June 30, 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.

June 30, 2023

	To pay upon demand or less than 1 month	1 ~ 3 months	3 months ~ 1 year	1 ~ 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>					
Liabilities without interest	\$ 178,704	\$ 199,671	\$ 129,393	\$ -	\$ -
Lease liabilities	7,663	16,246	64,956	205,914	199,663
Floating rate instruments	132,620	214,556	378,330	1,635,220	89,700
Fixed rate instruments	-	71,862	65,805	-	-
	<u>\$ 318,987</u>	<u>\$ 502,335</u>	<u>\$ 638,484</u>	<u>\$1,841,134</u>	<u>\$ 289,363</u>

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	<u>\$ 88,865</u>	<u>\$ 205,914</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 85,534</u>
Floating rate instruments	<u>\$ 725,506</u>	<u>\$1,635,220</u>	<u>\$ 89,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 137,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
<u>Non-derivative financial liabilities</u>					
Liabilities without interest	\$ 197,703	\$ 171,320	\$ 142,476	\$ -	\$ -
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	-	-
	<u>\$ 287,013</u>	<u>\$ 457,018</u>	<u>\$ 641,405</u>	<u>\$1,805,971</u>	<u>\$ 306,867</u>

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	<u>\$ 79,951</u>	<u>\$ 211,389</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 89,338</u>
Floating rate instruments	<u>\$ 712,277</u>	<u>\$1,594,582</u>	<u>\$ 103,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 81,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2022

	To pay upon	1 ~ 3 months	3 months ~ 1	1 ~ 5 years	Over 5 years
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	demand or less than 1 month		year		
<u>Non-derivative financial liabilities</u>					
Liabilities without interest	\$ 358,255	\$ 121,170	\$ 81,234	\$ -	\$ -
Lease liabilities	7,734	16,412	63,865	181,439	207,271
Floating rate instruments	54,035	99,996	480,065	1,803,325	117,100
Fixed rate instruments	-	27,846	52,783	-	-
	<u>\$ 420,024</u>	<u>\$ 265,424</u>	<u>\$ 677,947</u>	<u>\$1,984,764</u>	<u>\$ 324,371</u>

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	<u>\$ 88,011</u>	<u>\$ 181,439</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 93,142</u>
Floating rate instruments	<u>\$ 634,096</u>	<u>\$1,803,325</u>	<u>\$ 117,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 80,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Line of Credit

	June 30, 2023	Dec. 31, 2022	June 30, 2022
Unsecured bank loan commitment, reviewed regularly — Used within the credit line	\$ 2,020,007	\$ 1,928,568	\$ 2,038,050
— Unused within the credit line	<u>1,992,887</u>	<u>1,084,331</u>	<u>989,700</u>
	<u>\$ 4,012,894</u>	<u>\$ 3,012,899</u>	<u>\$ 3,027,750</u>
Secured bank loan commitment — Used within the credit line	\$ 569,386	\$ 565,000	\$ 599,000
— Unused within the credit line	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
	<u>\$ 609,386</u>	<u>\$ 605,000</u>	<u>\$ 639,000</u>

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 of Related Party	2023 Q2	2022 Q2	2023 H1	2022 H1
Service income	Associates	<u>\$ 14,151</u>	<u>\$ 15,232</u>	<u>\$ 37,490</u>	<u>\$ 30,467</u>

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	June 30, 2023	Dec. 31, 2022	June 30, 2022
Accounts receivable due from related parties	Associates			
	Dekra Company	\$ 14,587	\$ 16,404	\$ 15,823
	Dekra IST KS Company	380	723	171
	BTL Inc.	-	189	-
		<u>\$ 14,967</u>	<u>\$ 17,316</u>	<u>\$ 15,994</u>
Other receivable from related parties	Associates			
	Dekra Company	\$ 19,034	\$ 19,821	\$ 20,670
	BTL Inc.	6,958	-	6,630
		<u>\$ 25,992</u>	<u>\$ 19,821</u>	<u>\$ 27,300</u>

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 H1 and 2022 H1 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	June 30, 2023	Dec. 31, 2022	June 30, 2022
Accounts payable to related parties	Associates			
	Dekra Company	\$ 3,158	\$ 642	\$ 1,185
	Dekra IST KS Company	<u>16</u>	<u>50</u>	<u>1</u>
		<u>\$ 3,174</u>	<u>\$ 692</u>	<u>\$ 1,186</u>
Other current liabilities	Associates	<u>\$ 1,798</u>	<u>\$ 1,535</u>	<u>\$ 1,062</u>

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 June 30, 2023, Dec. 31, 2022 and June 30, 2022 were NTD 37,942 thousand, NTD 48,124 thousand and NTD 43,923 thousand respectively. Lease incomes recognized for 2023 Q2, 2022 Q2, 2023 H1 and 2022 H1 were NTD 6,034 thousand, NTD 5,567 thousand, NTD 11,604 thousand and NTD 11,134 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 H1 and 2022 H1. 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 June 30, 2023, Dec. 31, 2022 and June 30, 2022 was NTD 2,188 thousand, NTD 4,358 thousand and NTD 1,822 thousand respectively.

F. Guarantee Deposits Received

Item Listed in the Book	Type / Name of Related Party	June 30, 2023	Dec. 31, 2022	June 30, 2022
Guarantee deposits received	Associates			

Dekra Company	<u>\$ 2,005</u>	<u>\$ 2,005</u>	<u>\$ 2,005</u>
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G. Manufacturing Expenses and Operating Expenses

Item Listed in the Book	Type / Name of Related Party	2023 Q2	2022 Q2	2023 H1	2022 H1
Manufacturing expenses	Associates	<u>\$ 3,667</u>	<u>\$ 1,951</u>	<u>\$ 6,386</u>	<u>\$ 4,784</u>
Operating expenses	Associates	<u>\$ 1,154</u>	<u>\$ 263</u>	<u>\$ 3,254</u>	<u>\$ 317</u>

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 Q2	2022 Q2	2023 H1	2022 H1
Lease incomes	Associates				
	Dekra Company	<u>\$ 6,034</u>	<u>\$ 5,567</u>	<u>\$ 11,604</u>	<u>\$ 11,134</u>
Other incomes	Associates				
	Dekra Company	<u>\$ 1,834</u>	<u>\$ 1,635</u>	<u>\$ 3,508</u>	<u>\$ 3,306</u>
Interest expenses	Associates	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 15</u>	<u>\$ 8</u>

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 Q2	2022 Q2	2023 H1	2022 H1
Short-term benefits	\$ 8,283	\$ 6,213	\$ 29,942	\$ 14,667
Share-based payment	161	240	321	554
Post-employment benefits	<u>100</u>	<u>100</u>	<u>200</u>	<u>200</u>
	<u>\$ 8,544</u>	<u>\$ 6,553</u>	<u>\$ 30,463</u>	<u>\$ 15,421</u>

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.

	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>	<u>June 30, 2022</u>
Property, plant and equipment	\$ 822,327	\$ 824,670	\$ 871,889
Demand deposit (listed as other financial assets in the book)	16,757	16,433	15,667
Time deposit (listed as other financial assets in the book)	<u>200</u>	<u>200</u>	<u>-</u>
	<u>\$ 839,284</u>	<u>\$ 841,303</u>	<u>\$ 887,556</u>

XXX. Material Contingent Liabilities and Unrecognized Contractual Commitments
Contingencies

Phoenix Silicon International Corporation ("Phoenix Silicon") 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 activities 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:

	June 30, 2023			Dec. 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Unit: In thousands in foreign currency									
Foreign currency assets									
<u>Monetary item</u>									
USD	\$ 8,281	31.1400 (USD : NTD)	\$ 257,870	\$ 7,233	30.7100 (USD : NTD)	\$ 222,125	\$ 8,936	29.7200 (USD : NTD)	\$ 265,578
JPY	6,383	0.2150 (JPY : NTD)	1,372	10,211	0.2324 (JPY : NTD)	2,373	52,170	0.2182 (JPY : NTD)	11,383
CNY	65	4.3096 (CNY : NTD)	<u>280</u>	27	4.4094 (CNY : NTD)	<u>119</u>	37	4.4283 (CNY : NTD)	<u>164</u>
			<u>\$ 259,522</u>			<u>\$ 224,617</u>			<u>\$ 277,125</u>
<u>Non-monetary item</u>									
JPY	-	-	<u>\$ -</u>	2,552	0.2324 (JPY : NTD)	<u>\$ 523</u>	-	-	<u>\$ -</u>
Foreign currency liabilities									
<u>Monetary item</u>									
USD	5,958	31.1400 (USD : NTD)	\$ 185,532	3,799	30.7100 (USD : NTD)	\$ 116,667	8,000	29.7200 (USD : NTD)	\$ 237,760
JPY	27,753	0.2150 (JPY : NTD)	<u>5,967</u>	75,020	0.2324 (JPY : NTD)	<u>17,435</u>	289,589	0.2182 (JPY : NTD)	<u>63,188</u>
			<u>\$ 191,499</u>			<u>\$ 134,102</u>			<u>\$ 300,948</u>
<u>Non-monetary item</u>									
JPY	309	0.2150 (JPY : NTD)	<u>\$ 67</u>	-	-	<u>\$ -</u>	8,034	0.2182 (JPY : NTD)	<u>\$ 1,753</u>

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

Foreign currency	2023 Q2		2022 Q2	
	Functional currency against representation currency	Net foreign exchange gain (loss)	Functional currency against representation currency	Net foreign exchange gain (loss)
USD	31.1400 (USD : NTD)	\$ 1,938	29.7200 (USD : NTD)	(\$ 601)
JPY	0.2150 (JPY : NTD)	133	0.2182 (JPY : NTD)	3,572
CNY	4.3096 (CNY : NTD)	<u>1</u>	4.4283 (CNY : NTD)	(<u>3</u>)
		<u>\$ 2,072</u>		<u>\$ 2,968</u>

Foreign currency	2023 H1		2022 H1	
	Functional currency against representation currency	Net foreign exchange gain (loss)	Functional currency against representation currency	Net foreign exchange gain (loss)
USD	31.1400 (USD : NTD)	\$ 2,743	29.7200 (USD : NTD)	\$ 1,700
JPY	0.2150 (JPY : NTD)	203	0.2182 (JPY : NTD)	3,496
CNY	4.3096 (CNY : NTD)	(<u>5</u>)	4.4283 (CNY : NTD)	(<u>5</u>)
		<u>\$ 2,941</u>		<u>\$ 5,191</u>

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. The Company 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 Q2, 2022 Q2, 2023 H1 and 2022 H1, please refer to the Consolidated Statement of Comprehensive Income for 2023 Q2, 2022 Q2, 2023 H1 and 2022 H1. For the reportable segment assets and liabilities of June 30, 2023, Dec. 31, 2022 and June 30, 2022, please refer to the Consolidated Balance Sheet of June 30, 2023, Dec. 31, 2022 and June 30, 2022.

Integrated Service Technology Inc. and Subsidiaries
Funds Lent to Other Entities
June 30, 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	\$ -	\$ 343,682	\$ 1,374,726	(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
 June 30, 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	<u>Funds</u> TIEF FUND,L.P.	—	Non-current financial assets at fair value through profit or loss	-	\$ 32,361	4.35%	\$ 32,361	Note
Pin Wen Company	<u>Stocks</u> 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 June 30, 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 H1

Schedule 3

Unit: In Thousands of New Taiwan Dollars

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	\$ 1,572	—	-					
				Rent income	7,259	—	-					
				Other non-operating incomes	1,527	—	-					
				Interest expense	29	—	-					
				Accounts receivable from related parties	1,651	—	-					
				Other receivables from related parties	3,277	—	-					
				Guarantee deposits received	3,589	—	-					
				Net operating revenue	22,999	—	1%					
				Accounts receivable from related parties	1,034	—	-					
				Payable on machinery and equipment	7,400	—	-					
		Integrated USA	1	IST KS Company	1	Other receivables from related parties	1,734	—	-			
						Samoa IST	1	Other payables to related parties	369	—	-	
								SIP KS Company	1	Inventory of supplies	646	—
						PPT Company	1	1	Net operating revenue	1,534	—	-
									Manufacturing expenses	38	—	-
									Rent income	14,907	—	-
									Other incomes	2,739	—	-
									Interest expenses	56	—	-
									Accounts receivable from related parties	731	—	-
						PPT Company	1	ITS Company	2	Other receivables from related parties	11,876	—
Accounts payable to related parties	226	—	-									
Other payables to related parties	40	—	-									
Other current liabilities	110	—	-									
Guarantee deposits received	7,638	—	-									
Other incomes	2	—	-									
Other receivables from related parties	81	—	-									
IST KS Company	2	SIP KS Company	2	Net operating revenue	261					—	-	
				Accounts receivable from related parties	136					—	-	

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. Other receivables from related parties refer to rent incomes and advances.
4. 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 H1

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	\$ 252,027	\$ 1,343	\$ 1,343	A subsidiary (Note 2)
	Dekra Company	Hsinchu City	Product testing and relevant business	\$ 192,624	\$ 192,624	19,262,390	49	648,311	42,523	20,837	An associate (Note 2)
	BTL Inc.	Taipei City	Product testing and relevant business	95,225	95,225	2,550,000	10	122,484	(8,068)	(1,362)	An associate (Note 2)
	Pin Wen Company	Hsinchu City	Investment	237,000	197,000	9,841,258	100	80,209	(14,466)	(14,466)	A subsidiary (Note 2)
	Supreme Fortune corp.	Belize	Investment	USD 1,655	USD 1,655	1,655,000	100	52,842	166	166	A subsidiary (Note 2)
	ITS Company	Hsinchu City	Electronic product testing and relevant business	\$ 267,278	\$ 267,278	7,695,963	38	5,437	(52,301)	(15,819)	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	234,633	(89,112)	(65,404)	A subsidiary (Note 1)
Samoa IST	Seychelles IST	Seychelles	Investment	USD 6,159	USD 6,159	6,158,575	100	USD 5,544	(USD 32)	(USD 32)	A sub-sub-sidiary (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 443	USD 51	USD 51	A sub-sub-sidiary (Note 2)
Supreme Fortune corp.	Hot Light Co., Ltd.	Seychelles	Investment	USD 1,655	USD 1,655	1,655,000	100	USD 1,697	USD 5	USD 5	A sub-sub-sidiary (Note 2)
Pin Wen Company	ITS Company	Hsinchu City	Electronic product testing and relevant business	\$ 186,038	\$ 186,038	2,672,199	13	\$ 686	(\$ 52,301)	(\$ 6,695)	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	16,546	(89,112)	(4,901)	A subsidiary (Note 1)
	EFUN Company	Hsinchu City	Information software service	3,700	3,700	370,000	26	897	288	76	An associate (Note 2)
	Huan Ying Company	Hsinchu City	Information software management service and relevant business	5,100	5,100	510,000	29	1,954	(4,928)	(1,436)	An associate (Note 2)
	MS Company	Hsinchu County	IC design	39,974	-	1,738,000	21	39,116	(9,005)	(858)	An associate (Note 2)

Hot Light Co., Ltd	He Chou Company	Hsinchu City	Circuit design service	USD	125	USD	125	400,000	100	USD	154	(USD	10)	(USD	10)	A sub-subsidiary (Note 2)
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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 H1

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	\$ 115,218 (USD 3,700)	Note 1	\$ 294,989 (USD 9,473) (Note 4)	\$ -	\$ -	\$ 294,989 (USD 9,473) (Note 4)	\$ 5,468 (USD 179)	100%	\$ 5,468 (USD 179)	\$ 170,024 (USD 5,460)	\$ -	Note 2
SIP KS Company	Circuit design service	50,447 (USD 1,620)	Note 1	47,644 (USD 1,530)	-	(47,644) (USD (1,530))	- (USD -)	(3,605) (USD (118))	100%	(3,605) (USD (118))	19,307 (USD 620)	-	Note 2
IST-trade KS Company	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	10,774 (CNY 2,500)	Note 1	- (Note 5)	-	-	- (Note 5)	(101) (CNY (23))	100%	(101) (CNY (23))	11,050 (CNY 2,564)	-	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
\$ 342,633 (USD11,003)	\$ 572,291 (USD18,378)	\$ 2,062,090

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.