

Integrated Service Technology
Inc. and Subsidiaries

Consolidated Financial
Statements for the Years Ended
Dec. 31, 2023 and 2022 and
Independent Auditors'
Report

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Statement on Consolidated Financial Report of Affiliated Enterprises

The entities that are required to be included in the consolidated financial statements of affiliated enterprises for the fiscal year 2023 (from Jan. 1 to Dec. 31, 2023) pursuant to the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Report, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of IST and its subsidiaries prepared in compliance with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the consolidated financial statements of affiliated enterprises is included in the aforementioned consolidated financial statements of IST and its subsidiaries. Therefore, IST does not prepare a separate set of consolidated financial statements of affiliated enterprises.

Company Name: Integrated Service Technology Inc.

Person in charge: Yu Wei-Pin

Mar. 6, 2024

Independent Auditors' Report

To Integrated Service Technology Inc.:

Opinion

We have audited the financial statements of Integrated Service Technology Inc. and its subsidiaries, which comprise the consolidated balance sheet as of Dec. 31, 2023 and 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes to the consolidated financial statements (including a summary of material accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial conditions of Integrated Service Technology Inc. and its subsidiaries as of Dec. 31, 2023 and 2022 and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission.

Basis of Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section below. We are independent of Integrated Service Technology Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public

Accountant and have fulfilled our other responsibilities in accordance with the Norm. Based on our audit results and the audit reports certified by other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Integrated Service Technology Inc. and its subsidiaries for the year ended Dec. 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters with respect to the consolidated financial statements of Integrated Service Technology Inc. and its subsidiaries for the year ended Dec. 31, 2023 are stated as follows:

Recognition of Revenue

The consolidated operating revenue of Integrated Service Technology Inc. and its subsidiaries for 2023 was NTD 3,811,719 thousand, mainly generated from service incomes for providing customers with product verification and analysis service. Please refer to Notes 4 and 21 to the consolidated financial statements for the details on accounting policies and information relevant to revenue recognition.

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

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

1. We understood the internal controls for the procedure of operating revenue recognition, tested and assessed the effectiveness of the internal controls.

2. We verified the authenticity of the customers, analyzed changes in each of the customers for the latest two years, and reviewed reasonableness of receivables turnover ratio.
3. We took adequate transactions from the whole year's operating revenue account as samples to review corresponding sales vouchers, documents signed by the customers for receipt of products, and record of receiving payments in order to confirm the authenticity and accuracy of recognized revenue.
4. We reviewed after the balance sheet date whether any material return and allowance for revenue was attributed to an event taking place in 2023 in order to confirm whether misstatements existed for the annual operating revenue of 2023.

Evaluation on Impairment of Accounts Receivable

The total amount of accounts receivable by Integrated Service Technology Inc. and its subsidiaries as of Dec. 31, 2023 was NTD 1,484,874 thousand. For accounting policies and information regarding accounts receivable, please refer to Notes 4 and 8 to the consolidated financial statements.

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

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

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

Other Matters

As stated in Note 11 to the consolidated financial statements, the financial statements of some investee companies accounted for using the equity method, which have been included in the consolidated financial statements of Integrated Service

Technology Inc. and its subsidiaries, were audited by other auditors instead of us. In our opinion expressed in the aforementioned consolidated financial statements, the amounts listed in the financial statements of such investee companies accounted for using the equity method were recognized based on the audit reports of other CPAs. As of Dec. 31, 2023 and 2022, the aforementioned investments accounted for using the equity method were NTD 711,812 thousand and NTD 631,647 thousand, respectively, which accounted for 9% of the total consolidated assets. For the years ended Dec. 31, 2023 and 2022, the comprehensive incomes of the aforementioned associates accounted for using the equity method were NTD 40,181 thousand and NTD 57,831 thousand, which accounted for 13% and 14% of the total consolidated comprehensive incomes, respectively.

Integrated Service Technology Inc. has prepared its separate financial statements for the years ended Dec. 31 2023 and 2022. For the financial statements, we have issued an audit report containing our unqualified opinion with other explanations stated in the Other Matters section for reference.

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

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, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is also responsible for assessing the ability of Integrated Service Technology Inc. and its subsidiaries to continue as a going concern, disclosing relevant matters and using the going concern basis of accounting unless the management intends to liquidate Integrated Service Technology Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards always detects any existing material misstatement in the consolidated financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In conducting the audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism. We also –

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Integrated Service Technology Inc. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude, based on the audit evidence obtained, on the appropriateness of the management's use of the going concern basis of accounting, and whether a material uncertainty exists in respect of any event or situation that may cast

significant doubt on the ability of Integrated Service Technology Inc. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or situations may cause Integrated Service Technology Inc. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the Notes) and whether the financial statements represent the underlying transactions and events fairly.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of Integrated Service Technology Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the corporate audit, and also responsible for issuing our opinion based on our corporate audit.

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

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

From the matters communicated with the units charged with governance, we determine the key audit matters in the audit of the consolidated financial statements of Integrated Service Technology Inc. and its subsidiaries for the year ended Dec. 31, 2023. We describe these matters in our audit report unless any law or regulation precludes public disclosure of any of these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in the audit report because the

adverse consequences of such communication are reasonably expected to outweigh any public interest to be promoted.

Deloitte & Touche

Huang Yu-Feng, CPA

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

Mar. 6, 2024

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

Unit: In Thousands of New Taiwan Dollars

Assets	Dec. 31, 2023		Dec. 31, 2022		Liabilities and Equity	Dec. 31, 2023		Dec. 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents (Notes 4 and 6)	\$ 928,238	12	\$ 875,347	12	Current borrowings (Notes 4 and 16)	\$ 961,126	13	\$ 648,500	9
Current financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	523	-	Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	236	-	-	-
Current contract assets (Notes 4 and 21)	5,963	-	11,620	-	Current contract liabilities (Notes 4 and 21)	134,493	2	117,829	1
Notes and accounts receivable, net (Notes 4, 5 and 8)	1,468,385	19	1,311,491	18	Notes and accounts payable	184,209	2	270,621	4
Finance lease receivables					Accounts payable to related parties (Note 29)	4,696	-	692	-
(Notes 4, 9 and 29)	-	-	4,358	-	Payable on machinery and equipment	149,777	2	167,477	2
Accounts receivable due from related parties (Note 29)	19,140	-	17,316	-	Dividends payable, non-cash assets distributions	151,065	2	74,775	1
Other receivables	11,696	-	1,298	-	Current tax liabilities (Notes 4 and 23)	-	-	54,690	1
Other receivables due from related parties (Note 29)	23,188	1	19,821	-	Current lease liabilities (Notes 4 and 23)	59,353	1	53,276	1
Prepayments and other current assets (Notes 15 and 23)	145,646	2	152,335	2	Long-term borrowings, current portion (Notes 4, 17 and 30)	131,199	2	145,486	2
Other current financial assets (Note 30)	15,010	-	16,633	-	Other current liabilities, others (Notes 4, 18 and 29)	574,526	7	535,688	7
Total current assets	2,617,266	34	2,410,742	32	Total current liabilities	2,350,680	31	2,069,034	28
Non-current assets					Non-current liabilities				
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)	27,692	1	27,282	1	Non-current portion of non-current borrowings (Notes 4, 17 and 30)	1,718,942	23	1,697,982	23
Investments accounted for using equity method (Notes 4 and 11)	833,830	11	756,424	10	Deferred tax liabilities (Notes 4 and 23)	4,903	-	5,056	-
Property, plant and equipment					Lease liabilities -Non-current (Notes 4 and 23)	258,396	3	247,886	3
(Notes 4, 5, 12 and 30)	3,820,524	50	3,881,876	52	Guarantee deposits received (Note 29)	2,005	-	2,005	-
Right-of-use assets (Notes 4 and 13)	306,669	4	288,884	4	Total non-current liabilities	1,984,246	26	1,952,929	26
Other intangible assets (Notes 4 and 14)	10,800	-	14,280	-	Total liabilities	4,334,926	57	4,021,963	54
Deferred tax assets (Notes 4 and 23)	348	-	541	-	Equity attributed to owners of parent (Notes 4, 20 and 26)				
Prepayments for business facilities	5,676	-	56	-	Ordinary share	755,409	10	747,751	10
Guarantee deposits paid	24,444	-	22,611	1	Capital collected in advance	1,577	-	-	-
Net defined benefit asset, non-current (Notes 4 and 19)	19,579	-	21,460	-	Capital reserve	2,172,448	28	2,143,012	29
Other financial assets - Non-current (Note 30)	200	-	-	-	Retained earnings				
Total non-current assets	5,049,762	66	5,013,414	68	Legal reserve	204,651	3	160,486	2
					Special reserve	69,941	1	74,898	1
					Unappropriated retained earnings	298,129	4	254,536	4
					Other equity, others	(85,830)	(1)	(82,453)	(1)
					Treasury shares	(139,797)	(2)	-	-
					Total equity attributable to owners of parent	3,276,528	43	3,298,230	45
					Non-controlling interests (Notes 20 and 26)	55,574	-	103,963	1
					Total equity	3,332,102	43	3,402,193	46
Total assets	\$ 7,667,028	100	\$ 7,424,156	100	Total liabilities and equity	\$ 7,667,028	100	\$ 7,424,156	100

The accompanying notes constitute part of the consolidated financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 6, 2024.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended Dec. 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
Operating revenue (Notes 4, 21 and 29)	\$ 3,811,719	100	\$ 3,742,682	100
Operating costs (Notes 4, 22 and 29)	<u>2,793,861</u>	<u>73</u>	<u>2,726,860</u>	<u>73</u>
Gross profit from operations	<u>1,017,858</u>	<u>27</u>	<u>1,015,822</u>	<u>27</u>
Operating expenses (Notes 22 and 29)				
Selling expenses	124,992	3	106,933	3
Administrative expenses	447,890	12	444,823	12
Research and development expenses	138,314	4	127,111	3
Expected credit impairment loss determined in accordance with IFRS 9	<u>2,865</u>	<u>-</u>	<u>2,072</u>	<u>-</u>
Total operating expenses	<u>714,061</u>	<u>19</u>	<u>680,939</u>	<u>18</u>
Net operating income	<u>303,797</u>	<u>8</u>	<u>334,883</u>	<u>9</u>
Non-operating income and expenses				
Interest income (Note 22)	8,982	-	2,737	-
Other income, others (Notes 22 and 29)	47,932	1	47,445	1
Other gains and losses, net (Notes 4 and 22)	9,008	-	58,428	1
Finance cost, net (Notes 4, 22 and 29)	(59,295)	(1)	(46,315)	(1)
Share of profit (loss) of associates for using equity method, net (Notes 4 and 11)	<u>36,991</u>	<u>1</u>	<u>70,935</u>	<u>2</u>
Total non-operating income and expenses	<u>43,618</u>	<u>1</u>	<u>133,230</u>	<u>3</u>
Profit from continuing operations before tax	347,415	9	468,113	12
Total tax expense (Notes 4 and 23)	<u>33,601</u>	<u>1</u>	<u>81,611</u>	<u>2</u>
Profit	<u>313,814</u>	<u>8</u>	<u>386,502</u>	<u>10</u>

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	2023		2022	
	Amount	%	Amount	%
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains on remeasurements of defined benefit plans (Notes 4 and 19)	(\$ 2,171)	-	\$ 5,377	-
Share of other comprehensive income of associates accounted for using equity method (Note 4)	33	-	155	-
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 20)	489	-	10,777	1
Share of other comprehensive income of associates for using equity method (Notes 4 and 20)	(3,866)	-	1,931	-
Other comprehensive income (loss) (Net after tax)	(5,515)	-	18,240	1
Total comprehensive income	<u>\$ 308,299</u>	<u>8</u>	<u>\$ 404,742</u>	<u>11</u>
Profit, attributable to:				
Owners of parent	\$ 385,554	10	\$ 405,146	11
Non-controlling interests	(71,740)	(2)	(18,644)	(1)
	<u>\$ 313,814</u>	<u>8</u>	<u>\$ 386,502</u>	<u>10</u>
Comprehensive income attributable to:				
Owners of parent	\$ 380,039	10	\$ 423,386	11
Non-controlling interests	(71,740)	(2)	(18,644)	-
	<u>\$ 308,299</u>	<u>8</u>	<u>\$ 404,742</u>	<u>11</u>
Earnings per share (Note 24)				
Total basic earnings per share	<u>\$ 5.15</u>		<u>\$ 5.33</u>	
Total diluted earnings per share	<u>\$ 5.06</u>		<u>\$ 5.30</u>	

The accompanying notes constitute part of the consolidated financial statements.

(Please see the audit report made by Deloitte & Touche on Mar. 6, 2024.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended Dec. 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	Interests attributed to owners of IST											
	Ordinary shares				Retained earnings			Other equity	Treasury shares	Total owners' equity	Non-controlling interests	Total equity
					Legal reserve	Special reserve	Undistributed earnings (Accumulated deficit)	Exchange differences on translation of financial statements of foreign operations				
	Number of shares (in thousands of shares)	Amount	Capital collected in advance	Capital reserve	Legal reserve	Special reserve	Undistributed earnings (Accumulated deficit)	Exchange differences on translation of financial statements of foreign operations	Treasury shares	Total owners' equity	Non-controlling interests	Total equity
Balance at Jan. 1, 2022	79,775	\$ 797,751	\$ -	\$ 2,266,955	\$ 175,585	\$ 98,491	(\$ 41,547)	(\$ 95,161)	\$ -	\$ 3,202,074	\$ 122,607	\$ 3,324,681
Appropriation and distribution of earnings												
Legal reserve appropriated	-	-	-	-	23,118	-	(23,118)	-	-	-	-	-
Legal reserve used to offset accumulated deficits	-	-	-	-	(38,217)	(23,593)	38,217	-	-	(23,593)	-	(23,593)
Reversal of special reserve	-	-	-	-	-	-	23,593	-	-	23,593	-	23,593
Cash dividends of ordinary shares	-	-	-	-	-	-	(74,775)	-	-	(74,775)	-	(74,775)
Net profit (loss) for 2022	-	-	-	-	-	-	405,146	-	-	405,146	(18,644)	386,502
Other comprehensive income after tax for 2022	-	-	-	-	-	-	5,532	12,708	-	18,240	-	18,240
Total comprehensive income for 2022	-	-	-	-	-	-	410,678	12,708	-	423,386	(18,644)	404,742
Purchase of treasury shares	-	-	-	-	-	-	-	-	(267,945)	(267,945)	-	(267,945)
Cancellation of treasury share	(5,000)	(50,000)	-	(139,433)	-	-	(78,512)	-	267,945	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	714	-	-	-	-	-	714	-	714
Share-based payments	-	-	-	14,776	-	-	-	-	-	14,776	-	14,776
Balance at Dec. 31, 2022	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	-	-	-	-	44,165	-	(44,165)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(4,957)	4,957	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	(300,615)	-	-	(300,615)	-	(300,615)
Changes in associated accounted for using the equity method	-	-	-	11,232	-	-	-	-	-	11,232	-	11,232
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	19	-	-	-	-	-	19	-	19
Net profit (loss) for 2023	-	-	-	-	-	-	385,554	-	-	385,554	(71,740)	313,814
Other comprehensive income after tax for 2023	-	-	-	-	-	-	(2,138)	(3,377)	-	(5,515)	-	(5,515)
Total comprehensive income for 2023	-	-	-	-	-	-	383,416	(3,377)	-	380,039	(71,740)	308,299
Purchase of treasury shares	-	-	-	-	-	-	-	-	(139,797)	(139,797)	-	(139,797)
Changes in ownership interests in subsidiaries	-	-	-	(22,616)	-	-	-	-	-	(22,616)	22,616	-
Share-based payments	-	-	-	7,720	-	-	-	-	-	7,720	-	7,720
Ordinary shares issued under the Employee stock option plan	766	7,658	1,577	33,081	-	-	-	-	-	42,316	-	42,316
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	735	735
Balance at Dec. 31, 2023	75,541	\$ 755,409	\$ 1,577	\$ 2,172,448	\$ 204,651	\$ 69,941	\$ 298,129	(\$ 85,830)	(\$ 139,797)	\$ 3,276,528	\$ 55,574	\$ 3,332,102

The accompanying notes constitute part of the consolidated financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 6, 2024.)

Integrated Service Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended Dec. 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	2023	2022
Cash flows from operating activities		
Profit before tax	\$ 347,415	\$ 468,113
Adjustments to reconcile profit (loss):		
Depreciation expense	769,919	800,966
Amortization expense	9,871	11,121
Expected credit impairment loss	2,865	2,072
Net gain on financial assets or liabilities at fair value through profit or loss	(6,103)	(6,659)
Financial cost	59,295	46,315
Interest income	(8,982)	(2,737)
Compensation cost for share-based payments	7,720	14,776
Share of profits of associates accounted for using equity method	(36,991)	(70,935)
Gain on disposal of property, plant and equipment	(8,474)	(43,904)
Gain on disposal of intangible assets	-	(97)
Unrealized foreign exchange loss	3,216	1,898
Profit from lease modification	(27)	(1,702)
Changes in operating assets and liabilities		
Contract assets	5,657	(6,717)
Notes and accounts receivable	(167,969)	(99,563)
Accounts receivable due from related parties	(1,911)	2,365
Other receivable	(10,159)	2,671
Other receivable due from related parties	(3,367)	1,160
Prepayments and other current assets	6,689	(46,437)
Defined benefit assets, net	(290)	(112)
Contract liabilities	16,664	45,654
Notes and accounts payable	(86,058)	58,972
Accounts payable to related parties	4,004	(5,511)
Other current liabilities	37,116	148,176
Cash generated from operations	940,100	1,319,885
Interest paid	(65,103)	(51,274)
Income taxes paid	(88,489)	(97,127)
Net cash generated from operating activities	786,508	1,171,484

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	2023	2022
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	\$ 6,452	\$ 1,016
Acquisition of investments accounted for using equity method	(39,974)	-
Acquisition of property, plant and equipment	(659,140)	(798,469)
Proceeds from disposal of property, plant and equipment	8,900	56,456
Increase in refundable deposits	(1,833)	(2,150)
Acquisition of intangible assets	(6,444)	(10,376)
Proceeds from disposal of intangible assets	-	183
Decrease in long-term lease and installment receivables	4,358	4,340
Decrease (increase) in other financial assets	1,423	(4,202)
Interest received	8,982	2,737
Dividends received from the investments accounted for using equity method	6,958	6,630
Net cash used in investing activities	(670,318)	(743,835)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	317,187	(8,404)
Proceeds from long-term debt	1,191,000	630,650
Repayments of long-term debt	(1,184,327)	(643,820)
Payments of lease liabilities	(67,089)	(86,537)
Cash dividends paid	(224,325)	(35,430)
Exercise of employee stock options	42,316	-
Capital reduction payments to shareholders	(139,797)	(267,945)
Changes in non-controlling interests (Note 26)	735	-
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	19	-
Net cash used in financing activities	(64,281)	(411,486)
Effect of exchange rate changes on cash and cash equivalents	982	14,305
Net increase in cash and cash equivalents for the year	52,891	30,468
Cash and cash equivalents at beginning of year	875,347	844,879
Cash and cash equivalents at end of year	\$ 928,238	\$ 875,347

The accompanying notes constitute part of the consolidated financial statements.
(Please see the audit report made by Deloitte & Touche on Mar. 6, 2024.)

Integrated Service Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended Dec. 31, 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 Mar. 6, 2024.

III. Applicability of New and Amended Standards and Interpretations

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

Application of the IFRSs, which are recognized and published by the FSC, does not cause any significant change in accounting policies of IST and its subsidiaries (hereinafter referred to as the Company).

- (II) IFRSs Recognized by the FSC and Applied in 2024

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
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 (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 3: For initial application of these amendments, information is exempted from partial exposure.

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

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

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not decided yet
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 21 Lack of Exchangeability	Jan. 1, 2025 (Note 2)

Note1: 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.

Note2: These amendments are applicable for the annual reporting periods beginning on and after Jan. 1, 2025. For initial implementation of these amendments, effects are recognized in the retained earnings at the date of initial application. If the Company uses a non-functional currency as presentation currency, effects are used to adjust the exchange differences arising on translating financial statements of foreign operations, which are listed in equity, at the date of initial application.

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

(I) 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 IFRSs recognized and published by the FSC.

(II) 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 fair value of plan assets less the current value of defined benefit obligations.

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.

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

Current assets include:

1. Assets held primarily for sale;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including the same that would be used to exchange or pay off liabilities 12 months after the balance sheet date and be therefore restricted).

Current liabilities include:

1. Liabilities held primarily for sale;
2. Liabilities due and repaid within 12 months after the balance sheet date; and
3. Liabilities for which the repayment period cannot be unconditionally postponed to at least 12 months after the balance sheet date.

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

(IV) 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 year. 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.

(V) Foreign Currency

For the transactions completed by an entity of the Company using a (foreign) currency rather than its functional currency, the entity converts the

foreign currency to the functional currency at the exchange rate prevailing on the date of transaction in preparing the financial statements.

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

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

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

In preparing the consolidated financial statements, the Company converts the assets and liabilities of its foreign operations (including the subsidiaries and associates using, and the subsidiaries and associates operating in the countries using, any currency that differs from the currency used by IST) to the amounts in NT dollar at the exchange rate on the balance sheet date. Incomes and expenses are converted at the average exchange rate of the current year. Exchange differences generated are recognized as other comprehensive incomes or losses (and are attributed to the Company's owners and non-controlling interests respectively).

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

(VI) Investments in Associates

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

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

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

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

If the Company fails, when an associate issues new shares, to subscribe for shares proportionally at the rate of its shareholding so that the rate of its shareholding changes and the net equity of the investment increases or decreases accordingly, then capital reserve is adjusted by such increase or decrease – changes in net equity of associates accounted for using the equity method, and investments accounted for using the equity method. If the aforementioned adjustment is debited to capital reserve and the balance of capital reserve generated from the investments accounted for using the equity method is not sufficient, then the difference is debited to retained earnings.

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

constructive obligations incurred or payments made on behalf of the associate.

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

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

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

(VII) Property, Plant and Equipment

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

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

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

(VIII) Intangible Assets

1. Individual Acquisition

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

2. Derecognition

Upon derecognition of intangible assets, the difference between the net disposal proceeds and the book amount of such assets is recognized in current profit or loss.

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

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

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

Upon subsequent reverse of impairment loss, the book amount of the assets or CGUs is increased to the revised recoverable amount. However, the increased book amount shall not exceed the book amount (less amortization or depreciation) determined if the impairment loss of the assets or CGUs was

not recognized in the previous year. Reverse of impairment loss is recognized in profit and loss.

(X) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Company becomes a party to the contract concerning the instruments.

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

1. Financial Assets

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

(1) Type of Measurement

Financial assets held by the Company are financial assets at FVTPL and financial assets measured at amortized cost.

A. Financial Assets at FVTPL

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

Financial assets at FVTPL are measured at fair value while the dividends, interest and remeasured profits or losses thereof are recognized in other profits and losses. For the method used to determine fair value, please refer to Note 28.

B. Financial Assets at Amortized Cost

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

- a. The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and
- b. Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

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

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

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

(2) Impairment of Financial Assets and Contract Assets

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

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

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

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

(3) Derecognition of Financial Assets

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

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in

profit or loss. Upon derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the accumulated profits or losses of the investments in equity instruments are transferred to retained earnings directly instead of being reclassified as profit or loss.

2. Equity Instruments

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

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

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

3. Financial Liabilities

(1) Subsequent Measurement

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

Financial liabilities at FVTPL are held for trading. Financial liabilities held for trading are measured at fair value. Interest accrued is recognized in financial cost, and other gains or losses generated by remeasurement are recognized in other gains or losses. For the method used to determine fair value, please refer to Note 28.

(2) Derecognition of Financial Liabilities

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

4. Derivatives

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

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

(XI) Revenue Recognition

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

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

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

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

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

(XII) Lease

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

1. The Company is a lessor.

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

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

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

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

2. The Company is a lessee.

For other leases, right-of-use assets and lease liabilities are recognized on the date of lease commencement, except for leases of low-value assets for which exemptions can be recognized and

short-term leases, in which case, lease payments are recognize as expenses for the lease period on a straight-line basis.

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

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

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

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

(XIII) Borrowing Cost

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

If specific borrowings are used for temporary investments prior to occurrence of the capital expenditure that meets requirements, then any and

all investment incomes earned accordingly are subtracted from the borrowing costs satisfying the condition of capitalization.

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

(XIV) Government Subsidy

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

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

(XV) Employee Benefits

1. Short-term Employee Benefits

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

2. Post-employment Benefits

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

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

Net defined benefit assets are allocated surplus of the defined benefit plan. Net defined benefit assets shall not exceed the current

value of the refund of contributions from the plan or the reduction in future contributions.

(XVI) Share-based Payment Arrangement

Employee stock options are recognized as expenses on a straight-line basis for the vesting period based on the fair value of equity instrument on the grant date and the best estimate of the employee stock options expected and obtained, and the “capital reserve—employee stock option” is also adjusted simultaneously. If employee stock options are vested immediately on the grant date, then all such options shall be recognized as expenses on the grant date.

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

(XVII) Income Tax

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

1. Current Income Tax

The Company determines its incomes (losses) for the current period in accordance with the regulations enacted in the applicable tax jurisdiction and calculates income tax payable (refundable) based on such incomes (losses).

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

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

2. Deferred Income Tax

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

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

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

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

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

3. Current and Deferred Income Taxes

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

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

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

Main Sources of Estimates and Assumption Uncertainty

Impairment of Financial Asset and Contract Asset Estimates

Impairment of accounts receivable and contract assets was estimated based on the assumptions of probability of default and loss given default made by the Company. The Company considered historical experience and current market conditions to make its assumptions and choose input values for the impairment of estimates. For the important assumptions and input values used, please refer to Note 8. If the actual cash flows in the future are less than those expected, a material impairment loss may occur.

Service Lives of Property, Plant and Equipment

The Company reviews the estimated service lives of property, plant and equipment on each balance sheet date. According to the evaluation report issued by China Property Appraising Center Co., Ltd., the actual service life of existing equipment of Prosperity Power Technology Inc. (PPT Company), a subsidiary of the Company, exceeded the service life determined originally. After the processes of comprehensive industry analysis, functional analysis and economical analysis, the management decided to extend, from Jan. 1, 2022, the service life of some mechanical equipment from 6 years to 10 years.

If it is assumed that the assets are held till the end of the estimated service life, the amounts of increases (decreases) in consolidated depreciation expenses for 2022 and future years are as follows:

	<u>Amount</u>
2022	(\$ 45,231)
2023	(45,231)
2024	(23,170)
2025	15,829
2026	32,002
2027 and after 2027	65,801

VI. Cash and Cash Equivalents

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash on hand and revolving funds	\$ 225	\$ 210
Bank checks and saving deposits of bank	737,667	630,272
Cash equivalents		
Time deposits	<u>190,346</u>	<u>244,865</u>
	<u>\$928,238</u>	<u>\$875,347</u>

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Bank deposits	0%~4.75%	0%~2.00%

VII. Financial Instruments at Fair Value through Profit and Loss

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial assets – Current</u>		
Held for trading		
Derivatives (not designed for hedging)		
– Forward exchange agreement	<u>\$ -</u>	<u>\$ 523</u>
<u>Financial assets – Non-current</u>		
At fair value through profit or loss compulsorily – Not listed (non-OTC)		
Beneficiary certificates of funds	<u>\$ 27,692</u>	<u>\$ 27,282</u>

Financial liabilities – Current

Held for trading

Derivatives (not designed
for hedging)

– Forward exchange
agreement

\$ 236

\$ -

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>Dec. 31, 2023</u>			
Forward foreign exchange purchase	TWD to JPY	January 2024 ~ July 2024	TWD 13,367/JPY 85,610
<u>Dec. 31, 2022</u>			
Forward foreign exchange purchase	TWD to JPY	February 2023 ~ July 2023	TWD 12,300/JPY 55,100

The Company engaged in forward exchange transactions in 2023 and 2022 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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Measured at amortized cost		
Notes receivable	\$ 387	\$ 1,096
Accounts receivable	1,484,874	1,324,447
Less: Loss allowance	(<u>16,876</u>)	(<u>14,052</u>)
	<u>\$ 1,468,385</u>	<u>\$ 1,311,491</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 profit.

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

Dec. 31, 2023

	Not overdue	Overdue for 1~90 days	Overdue for 91~180 days	Overdue for 180~365 days	Overdue for over 365 days	Total
Total book amount	\$1,194,891	\$ 186,352	\$ 95,639	\$ 1,629	\$ 6,363	\$1,484,874
Loss allowance (Expected credit loss for the duration)	(1,949)	(1,810)	(5,688)	(1,066)	(6,363)	(16,876)
Amortized cost	\$1,192,942	\$ 184,542	\$ 89,951	\$ 563	\$ -	\$1,467,998

Dec. 31, 2022

	Not overdue	Overdue for 1~90 days	Overdue for 91~180 days	Overdue for 180~365 days	Overdue for over 365 days	Total
Total book amount	\$1,157,373	\$ 128,962	\$ 24,516	\$ 7,859	\$ 5,737	\$1,324,447
Loss allowance (Expected credit loss for the duration)	(330)	(1,514)	(2,527)	(3,944)	(5,737)	(14,052)
Amortized cost	\$1,157,043	\$ 127,448	\$ 21,989	\$ 3,915	\$ -	\$1,310,395

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

	2023	2022
beginning balance	\$ 14,052	\$ 12,114
Add: impairment loss allocated for the year	2,865	2,072
Less: Amounts written off actually for the year	(36)	(148)
Foreign exchange differences	(5)	14
ending balance	\$ 16,876	\$ 14,052

IX. Finance Leases Receivable

	Dec. 31, 2023	Dec. 31, 2022
Lease payments not discounted		
1 st year	\$ -	\$ 4,392
Less: Finance incomes not earned yet	-	(34)
Lease payments receivable	-	4,358
Net investment in the lease (Expressed as finance leases receivable)	\$ -	\$ 4,358

X. Subsidiaries

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding		Explanation
			Dec. 31, 2023	Dec. 31, 2022	
IST	Samoa IST	Investment	100%	100%	-
	Innovative Turnkey Solution (ITS Company)	Electronic product testing and relevant business	51%	38%	Notes 1 and 5
	Pin Wen Corp. (Pin Wen Company)	Investment	100%	100%	-

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Name of investing company	Name of subsidiary	Nature of business	Shareholding		Explanation
			Dec. 31, 2023	Dec. 31, 2022	
IST	Supreme Fortune Corp.	Investment	100%	100%	—
	Prosperity Power Technology Inc. (PPT Company)	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	75%	75%	Notes 2 and 5
Samoa IST	Seychelles IST	Investment	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%	—
Pin Wen Company	ITS Company	Electronic product testing and relevant business	10%	13%	Notes 1 and 5
	PPT Company	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	6%	6%	Notes 2 and 5
Seychelles IST	Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	Product testing and relevant business	100%	100%	—
	System Integration Professional Technology (SIP KS Company)	Circuit design service	100%	51%	Note 3
Supreme Fortune Corp.	Hot Light Co., Ltd.	Investment	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%	—
Hot Light Co., Ltd.	System Integration Professional Technology (SIP KS Company)	Circuit design service	-	49%	Note 3
	He Chou Technology Inc. (He Chou Company)	Circuit design service	100%	100%	Note 4

Note 1: As of Dec. 31, 2022, the percentage of the total ITS shares possessed by the Company was 51%. In August 2023, the Company did not participate in the follow-on offering of ITS Company proportionally based on the percentage of its shareholding. IST acquired 13% of equity at NTD 59,265 thousand and the percentage of the ITS shares held by IST rose from 38% to 51%. Pin Wen Company did not participate in the follow-on offering of ITS Company proportionally based on the percentage of its shareholding and the percentage of the ITS shares held by Pin Wen Company reduced from 13% to 10%. The Company held 61% of ITS shares aggregately as of Dec. 31, 2023.

- Note 2: The percentage of the total PPT shares possessed by the Company was 81% as of Dec. 31, 2023 and 2022.
- 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%. The Company held 100% shares of SIP KS Company as of Dec. 31, 2023 and 2022.
- Note 4: Elitist Design Technology Inc. was renamed to He Chou Technology Inc. in April 2023.
- Note 5: To integrate operation resources effectively and, with shared operation management, technology, talents and resources, optimize resource allocation to enhance overall operation efficiency and strengthen competitiveness, the board of directors resolved on Nov. 3, 2023 to merge Innovative Turnkey Solution and Prosperity Power Technology Inc. in accordance with the Business Mergers and Acquisitions Act. (PPT Company is the surviving company while ITS Company is the dissolved company.) To conduct the merger, PPT Company will issue new shares and one ordinary share of PPT Company is changed to 3.7921 ordinary shares of the Company. The new shares will be issued to shareholders of the Company at the aforementioned exchange ratio. As for fractional shares, an amount calculated proportionally based on the par value of the new shares and rounded down to an integer is distributed in cash. Chairman of PPT Company has been authorized to contact specific persons and have them subscribe shares at par value. The merger was resolved at the extraordinary meeting of shareholders held on Dec. 8, 2023. Matters not provided for therein, such as exchange ratio to be adjusted pursuant to the merger contract or due to other factors and other relevant matters, are handled by the board of directors, which has been authorized at the shareholders' meeting to handle such matters. The record date for the merger is temporarily determined to be Mar. 31, 2024. In case that the record date for the merger needs to be changed due to any uncertain factors, such as process of merger, the board of directors has been authorized at the shareholders' meeting to determine a proper date accordingly.

XI. Investments Accounted for Using the Equity Method

(I) Investments in Associates

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Investments in Associates		
Dekra iST (Dekra Company)	\$678,942	\$631,647
BTL Inc. (BTL Inc.)	117,647	120,566
Motor Semiconductor Co., Ltd. (MS Company)	32,870	-
Individual immaterial associates		
EFUN Technology Inc. (EFUN Company)	947	821
Huan Ying Sustainable Development Technology (Huan Ying Company) (Note)	<u>3,424</u>	<u>3,390</u>
	<u>\$833,830</u>	<u>\$756,424</u>

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

1. Material Associates

	<u>Percentage of ownership and voting rights held by the Company</u>	
<u>Company Name</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Dekra Company	49%	49%
BTL Inc.	10%	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 in May 2023 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:

<u>Company Name</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
BTL Inc.	<u>\$184,620</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 (Not Including Investee Companies in Mainland China), their Locations, etc.”

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Dekra iST</u>		
Current assets	\$ 366,818	\$ 346,750
Non-current assets	1,228,701	1,071,316
Current liabilities	(403,842)	(380,000)
Non-current liabilities	(250,355)	(193,264)
Equity	<u>\$ 941,322</u>	<u>\$ 844,802</u>
Percentage of shares held by the Company	49%	49%

Equity enjoyed by the Company	\$ 461,248	\$ 413,953
Goodwill	217,694	217,694
Customer relations	<u>-</u>	<u>-</u>
Book amount of investments	<u>\$ 678,942</u>	<u>\$ 631,647</u>

	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$647,498</u>	<u>\$617,477</u>
Profit of the current year	\$102,749	\$121,694
Other comprehensive incomes (losses)	(<u>6,229</u>)	<u>3,117</u>
Total comprehensive incomes	<u>\$ 96,520</u>	<u>\$124,811</u>

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>BTL Inc.</u>		
Current assets	\$289,163	\$285,869
Non-current assets	957,718	875,377
Current liabilities	(202,363)	(170,956)
Non-current liabilities	(<u>235,913</u>)	(<u>236,878</u>)
Equity	<u>\$808,605</u>	<u>\$753,412</u>

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	Dec. 31, 2023	Dec. 31, 2022
Percentage of shares held by the Company	10%	11%
Equity enjoyed by the Company	\$ 81,570	\$ 83,567
Goodwill	23,886	23,886
Customer relations	2,611	3,533
Land	<u>9,580</u>	<u>9,580</u>
Book amount of investments	<u>\$117,647</u>	<u>\$120,566</u>
	2023	2022
Operating revenue	<u>\$250,604</u>	<u>\$375,321</u>
Profit (loss) of the current year	(\$ 53,455)	\$134,918
Other comprehensive incomes (losses)	(<u>7,581</u>)	<u>5,043</u>
Total comprehensive incomes (losses)	(<u>\$ 61,036</u>)	<u>\$139,961</u>
		Dec. 31, 2023
<u>Motor Semiconductor Co., Ltd.</u>		
Current assets		\$127,113
Non-current assets		19,196
Current liabilities		(10,525)
Non-current liabilities		(<u>28,230</u>)
Equity		<u>\$107,554</u>
Percentage of shares held by the Company		21%
Equity enjoyed by the Company		\$ 22,691
Goodwill		<u>10,179</u>
Book amount of investments		<u>\$ 32,870</u>
		2023
Operating revenue		<u>\$ 8,656</u>
Loss of the current year		(\$ 38,655)
Other comprehensive		<u>-</u>

incomes	
Total comprehensive	
incomes (losses)	(\$ <u>38,655</u>)

2. Information on Individual Immaterial Associates

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Huan Ying Sustainable</u>		
<u>Development</u>		
<u>Technology</u>		
Share enjoyed by the		
Company		
Profit of the		
current year	\$ 34	\$ 342
Other		
comprehensive		
incomes	<u>-</u>	<u>-</u>
Total		
comprehensive		
incomes	<u>\$ 34</u>	<u>\$ 342</u>

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	Dec. 31, 2023	Dec. 31, 2022
<u>EFUN Technology Inc.</u>		
Share enjoyed by the		
Company		
Profit of the		
current year	\$ 126	\$ 245
Other		
comprehensive		
incomes	<u>-</u>	<u>-</u>
Total		
comprehensive		
incomes	<u>\$ 126</u>	<u>\$ 245</u>

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

XII. Property, Plant and Equipment

	Dec. 31, 2023	Dec. 31, 2022
Self-used	\$ 3,786,941	\$ 3,838,661
Rented out under operating		
lease	<u>33,583</u>	<u>43,215</u>
	<u>\$ 3,820,524</u>	<u>\$ 3,881,876</u>

(I) Self-used

	Land	Building and structure	Mechanical equipment	Transportation equipment	Office equipment	Leased improvements	Other equipment	Equipment under installation and construction in progress	Total
<u>Cost</u>									
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	-	12,728	62,034	-	145	973	7,039	561,224	644,143
Disposals	-	(6,270)	(1,217,483)	-	(11,522)	(68,198)	(40,137)	-	(1,343,610)
Reclassification	-	50,270	334,802	-	-	15,148	42,971	(434,920)	8,271
Net exchange difference	-	(766)	(1,950)	(60)	(51)	-	(24)	-	(2,851)
Balance at Dec. 31, 2023	<u>\$ 30,852</u>	<u>\$ 2,177,663</u>	<u>\$ 3,285,753</u>	<u>\$ 4,261</u>	<u>\$ 24,403</u>	<u>\$ 271,074</u>	<u>\$ 343,649</u>	<u>\$ 282,609</u>	<u>\$ 6,420,264</u>
<u>Accumulated depreciation</u>									
Balance at Jan. 1, 2023	\$ -	\$ 424,756	\$ 2,386,855	\$ 2,135	\$ 26,371	\$ 238,225	\$ 162,727	\$ -	\$ 3,241,069
Depreciation expenses	-	137,507	499,589	643	6,247	6,347	49,252	-	699,585
Disposals	-	(6,270)	(1,216,984)	-	(11,522)	(68,198)	(40,137)	-	(1,343,111)
Reclassification	-	-	3,308	-	-	-	-	-	3,308
Net exchange difference	-	(320)	(1,439)	(42)	(43)	-	(8)	-	(1,852)

Balance at Dec. 31, 2023	\$ -	\$ 555,673	\$ 1,671,329	\$ 2,736	\$ 21,053	\$ 176,374	\$ 171,834	\$ -	\$ 2,598,999
<u>Accumulated impairment</u>									
Balance at Jan. 1, 2023	\$ -	\$ -	\$ 34,445	\$ -	\$ 136	\$ -	\$ -	\$ -	\$ 34,581
Disposals	-	-	(73)	-	-	-	-	-	(73)
Net exchange difference	-	-	(182)	-	(2)	-	-	-	(184)
Balance at Dec. 31, 2023	\$ -	\$ -	\$ 34,190	\$ -	\$ 134	\$ -	\$ -	\$ -	\$ 34,324
Net at Dec. 31, 2023	\$ 30,852	\$ 1,621,990	\$ 1,580,234	\$ 1,525	\$ 3,216	\$ 94,700	\$ 171,815	\$ 282,609	\$ 3,786,941
<u>Cost</u>									
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	-	10,353	131,554	-	83	4,994	4,561	662,990	814,535
Disposals	-	(3,866)	(945,192)	-	(2,959)	(80,331)	(8,934)	-	(1,041,282)
Reclassification	-	30,536	692,365	-	-	17,529	32,638	(768,335)	4,733
Net exchange difference	-	631	1,517	55	53	-	9	-	2,265
Balance at Dec. 31, 2022	\$ 30,852	\$ 2,121,701	\$ 4,108,350	\$ 4,321	\$ 35,831	\$ 323,151	\$ 333,800	\$ 156,305	\$ 7,114,311
<u>Accumulated depreciation</u>									
Balance at Jan. 1, 2022	\$ -	\$ 303,613	\$ 2,632,492	\$ 1,450	\$ 21,990	\$ 310,789	\$ 125,520	\$ -	\$ 3,395,854
Depreciation expenses	-	124,842	522,977	666	7,313	7,767	46,139	-	709,704
Disposals	-	(3,866)	(771,261)	-	(2,959)	(80,331)	(8,934)	-	(867,351)
Reclassification	-	-	1,893	-	-	-	-	-	1,893
Net exchange difference	-	167	754	19	27	-	2	-	969
Balance at Dec. 31, 2022	\$ -	\$ 424,756	\$ 2,386,855	\$ 2,135	\$ 26,371	\$ 238,225	\$ 162,727	\$ -	\$ 3,241,069
<u>Accumulated impairment</u>									
Balance at Jan. 1, 2022	\$ -	\$ -	\$ 195,642	\$ -	\$ 134	\$ -	\$ -	\$ -	\$ 195,776
Disposals	-	-	(161,379)	-	-	-	-	-	(161,379)
Net exchange difference	-	-	182	-	2	-	-	-	184
Balance at Dec. 31, 2022	\$ -	\$ -	\$ 34,445	\$ -	\$ 136	\$ -	\$ -	\$ -	\$ 34,581
Net at Dec. 31, 2022	\$ 30,852	\$ 1,696,945	\$ 1,687,050	\$ 2,186	\$ 9,324	\$ 84,926	\$ 171,073	\$ 156,305	\$ 3,838,661

No impairment loss was recognized by the Company in either 2023 or 2022.

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

Building and structure	
Main buildings in the plant	35~50 years
Building renovation	6~20 years
Mechanical equipment	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 30.

(II) Renting Out Under Operating Lease

	Land	Building and structure	Other equipment	Total
<u>Cost</u>				
Balance at Jan. 1, 2023	\$ 12,583	\$ 123,664	\$ 278	\$ 136,525
Disposals	-	(39,262)	(278)	(39,540)
Balance at Dec. 31, 2023	\$ 12,583	\$ 84,402	\$ -	\$ 96,985

Accumulated
depreciation

Balance at Jan. 1, 2023	\$ -	\$ 93,049	\$ 261	\$ 93,310
Depreciation expenses	-	9,615	17	9,632
Disposals	-	(39,262)	(278)	(39,540)
Balance at Dec. 31, 2023	<u>\$ -</u>	<u>\$ 63,402</u>	<u>\$ -</u>	<u>\$ 63,402</u>
Net at Dec. 31, 2023	<u>\$ 12,583</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ 33,583</u>

Cost

Balance at Jan. 1, 2022	\$ 12,583	\$ 125,754	\$ 278	\$ 138,615
Disposals	-	(2,090)	-	(2,090)
Balance at Dec. 31, 2022	<u>\$ 12,583</u>	<u>\$ 123,664</u>	<u>\$ 278</u>	<u>\$ 136,525</u>

Accumulated
depreciation

Balance at Jan. 1, 2022	\$ -	\$ 86,630	\$ 203	\$ 86,833
Depreciation expenses	-	8,509	58	8,567
Disposals	-	(2,090)	-	(2,090)
Balance at Dec. 31, 2022	<u>\$ -</u>	<u>\$ 93,049</u>	<u>\$ 261</u>	<u>\$ 93,310</u>
Net at Dec. 31, 2022	<u>\$ 12,583</u>	<u>\$ 30,615</u>	<u>\$ 17</u>	<u>\$ 43,215</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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
1st year	\$ 7,088	\$ 7,088
2nd year	7,088	7,088
3rd year	7,088	7,088
4th year	6,496	7,088
5th year	-	6,496
	<u>\$ 27,760</u>	<u>\$ 34,848</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

(I) Right-of-use Assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Book amount of right-of-use assets		
Land	\$148,700	\$153,549
Building	142,776	113,215
Transportation equipment	9,581	11,215
Mechanical equipment	4,966	10,905
Office equipment	646	-
	<u>\$306,669</u>	<u>\$288,884</u>
	<u>2023</u>	<u>2022</u>
Added right-of-use assets	<u>\$ 85,077</u>	<u>\$ 29,938</u>
Expense of depreciation of right-of-use assets		
Land	\$ 4,849	\$ 4,840
Building	48,663	70,304
Transportation equipment	6,194	5,330
Mechanical equipment	976	2,221
Office equipment	20	-
	<u>\$ 60,702</u>	<u>\$ 82,695</u>
Proceeds from sublease of right-of-use assets (Listed as other incomes in the books)	<u>(\$ 4,392)</u>	<u>(\$ 4,392)</u>

(II) Lease Liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Book amount of lease liabilities		
Current	<u>\$ 59,353</u>	<u>\$ 53,276</u>
Non-current	<u>\$258,396</u>	<u>\$247,886</u>

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Land	2.76%	2.76%
Building	1.62%~4.75%	1.62%~4.75%
Transportation equipment	2.50%~5.78%	2.50%~5.40%
Mechanical equipment	1.56%~2.00%	1.56%~2.00%
Office equipment	5.78%	-

(III) Important Lease Activities and Terms

The Company as a lessee has leased some land, buildings, transportation equipment, mechanical equipment and office 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, mechanical equipment and office equipment that it has leased as a lessee upon expiration of a lease period.

(IV) 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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
1 st year	<u>\$ -</u>	<u>\$ 13,276</u>

(V) Other Lease Information

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

	2023	2022
Short-term lease expenses	<u>\$ 5,023</u>	<u>\$ 6,265</u>
Low-value asset lease expenses	<u>\$ 183</u>	<u>\$ 520</u>
Total cash provided from (used in) leases	<u>(\$ 80,873)</u>	<u>(\$103,495)</u>

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

XIV. Other Intangible Assets

	Computer software	Others	Total
<u>Cost</u>			
Balance at Jan. 1, 2023	\$ 60,994	\$ 3,982	\$ 64,976
Individual acquisitions	5,315	1,129	6,444
Disposals	(27,511)	(3,456)	(30,967)
Net exchange differences	(101)	(20)	(121)
Balance at Dec. 31, 2023	<u>38,697</u>	<u>1,635</u>	<u>40,332</u>
<u>Accumulated amortization</u>			
Balance at Jan. 1, 2023	47,576	3,120	50,696
Amortization expenses	8,728	1,143	9,871
Disposals	(27,511)	(3,456)	(30,967)
Net exchange differences	(62)	(6)	(68)
Balance at Dec. 31, 2023	<u>28,731</u>	<u>801</u>	<u>29,532</u>
Net at Dec. 31, 2023	<u>\$ 9,966</u>	<u>\$ 834</u>	<u>\$ 10,800</u>
<u>Cost</u>			
Balance at Jan. 1, 2022	\$ 64,132	\$ 4,515	\$ 68,647
Individual acquisitions	9,500	876	10,376
Disposals	(12,731)	(1,483)	(14,214)
Net exchange differences	93	74	167
Balance at Dec. 31, 2022	<u>60,994</u>	<u>3,982</u>	<u>64,976</u>
<u>Accumulated amortization</u>			
Balance at Jan. 1, 2022	50,160	3,457	53,617
Amortization expenses	10,031	1,090	11,121
Disposals	(12,645)	(1,483)	(14,128)
Net exchange differences	30	56	86
Balance at Dec. 31, 2022	<u>47,576</u>	<u>3,120</u>	<u>50,696</u>
Net at Dec. 31, 2022	<u>\$ 13,418</u>	<u>\$ 862</u>	<u>\$ 14,280</u>

No material disposal or impairment occurred with respect to the Company's intangible assets as of Dec. 31, 2023 and 2022.

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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Current</u>		
Prepaid materials stipulated in work order	\$ 66,159	\$ 79,319
Inventory of supplies	36,623	36,059
Tax overpaid retained for offsetting the future tax payable	19,473	14,352
Payment in advance	10,671	4,761
Prepaid expenses	10,577	15,276
Others	<u>2,143</u>	<u>2,568</u>
	<u>\$145,646</u>	<u>\$152,335</u>

XVI. Current Borrowings

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Loans without collateral</u>		
Working capital loan	<u>\$961,126</u>	<u>\$648,500</u>

Interest rates for the working capital loans provided by the bank were 1.82% ~ 6.74% and 1.75% ~ 6.14% on Dec. 31, 2023 and Dec. 31, 2022, respectively.

XVII. Non-current Portion of Non-current Borrowings

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Guaranteed loans</u>		
Syndicated bank loans - A-1 (1)	\$ 140,000	\$ 320,000
Bank loans (2)	263,160	245,000
<u>Loans without collateral</u>		
Syndicated bank loans - A-2 (1)	30,000	160,000
Syndicated bank loans - B (1)	100,000	100,000
Credit loan (3)	<u>1,317,981</u>	<u>1,020,068</u>

	1,851,141	1,845,068
Less: Unamortized balance of the expenses incurred by the organizer of syndicated loans	(1,000)	(1,600)
Current portion of non-current borrowings	(<u>131,199</u>)	(<u>145,486</u>)
Non-current portion of non-current borrowings	<u>\$ 1,718,942</u>	<u>\$ 1,697,982</u>

- (I) To improve its financial structure and obtain the funds needed for its mid-term business operation, IST made a 5-year joint credit loan contract for a loan limit of NTD 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% and 2.29%~2.49% on Dec. 31, 2023 and Dec. 31, 2022, respectively. For the aforementioned credit contract, certain buildings, mechanical equipment and bank deposits of IST have been mortgaged to the bank. (Please see Note 30.)

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

- (II) For the bank loans, the Company mortgaged its buildings to the bank. (Please see Note 30.) The maturity date as of Dec. 31, 2023 and Dec. 31, 2022

was March 2032 and the annual interest rates on Dec. 31, 2023 and Dec. 31, 2022 were 1.70%~2.45% and 1.58% respectively.

- (III) The maturity date of the credit loans as of Dec. 31, 2023 and Dec. 31, 2022 were the end of November 2030 and May 2026, and the annual interest rates on Dec. 31, 2023 and Dec. 31, 2022 were 1.52%~3.81% and 1.61%~3.56% 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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Other payables</u>		
Wages and bonuses payable	\$300,179	\$271,338
Remunerations payable to employees and directors	30,920	30,000
Bonus for unused leave	<u>16,544</u>	<u>14,629</u>
	347,643	315,967
<u>Other current liabilities —</u>		
<u>Others</u>		
Others (Note)	<u>226,883</u>	<u>219,721</u>
	<u>\$574,526</u>	<u>\$535,688</u>

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

XIX. Post-employment Benefit Plan

(I) Defined Contribution Plan

The retirement pension system provided in the Labor Pension Act, which is applicable to IST, ITS Company, PPT Company and He Chou Company, refers to the defined contribution plan managed by the government. The 6% of the monthly wages of an employee is allocated to the specific account of the individual with Bureau of Labor Insurance. The subsidiaries of the Company registered in the People's Republic of China ("PRC") adopt the endowment insurance system provided by the government of the PRC. They contribute a certain percentage of the total monthly wages of each local employee each month towards the endowment insurance funds. The retirement pension of each employee is managed and arranged by the government. The subsidiaries have no further obligation except the monthly contribution.

(II) Defined Benefit Plan

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

Amounts for the defined benefit plan in the consolidated balance sheet are listed as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Fair value of plan assets	\$ 58,855	\$ 57,629
Present value of defined benefit obligation	(<u>39,276</u>)	(<u>36,169</u>)
Net defined benefit assets	<u>\$ 19,579</u>	<u>\$ 21,460</u>

Changes in net defined benefit assets are as follows:

	<u>Fair value of plan assets</u>	<u>Present value of defined benefit obligations</u>	<u>Net defined benefit assets</u>
Balance at Jan. 1, 2022	<u>\$ 53,132</u>	(<u>\$ 37,161</u>)	<u>\$ 15,971</u>
Interest income (expense)	<u>370</u>	(<u>258</u>)	<u>112</u>
Recognized in profit (loss)	<u>370</u>	(<u>258</u>)	<u>112</u>

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	Fair value of plan assets	Present value of defined benefit obligations	Net defined benefit assets
Remeasurements			
Return on plan assets (except the amounts included in net interest)	\$ 4,127	\$ -	\$ 4,127
Actuarial losses — Changes in demographic assumptions	-	(7)	(7)
Actuarial losses — Changes in financial assumptions	-	2,624	2,624
Actuarial losses — Experience adjustments	<u>-</u>	<u>(1,367)</u>	<u>(1,367)</u>
Recognized in other comprehensive incomes	<u>4,127</u>	<u>1,250</u>	<u>5,377</u>
Balance at Dec. 31, 2022	<u>57,629</u>	<u>(36,169)</u>	<u>21,460</u>
Interest income (expense)	<u>775</u>	<u>(485)</u>	<u>290</u>
Recognized in profit (loss)	<u>775</u>	<u>(485)</u>	<u>290</u>
Remeasurements			
Return on plan assets (except the amounts included in net interest)	451	-	451
Actuarial losses — Changes in demographic assumptions	-	(49)	(49)
Actuarial losses — Changes in financial assumptions	-	(382)	(382)
Actuarial losses —	<u>-</u>	<u>(2,191)</u>	<u>(2,191)</u>

Experience adjustments Recognized in other comprehensive incomes	451	(2,622)	(2,171)
Balance at Dec. 31, 2023	<u>\$ 58,855</u>	<u>(\$ 39,276)</u>	<u>\$ 19,579</u>

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

1. Investment Risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund, by itself or through an agent, in domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of IST's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.
2. Interest Rate Risk: Interest rates for government bonds are reduced so that the present value of defined benefit obligations increases. However, the return on debt investments with respect to plan assets increases accordingly. Both offset the impact on the net defined benefit liabilities partially.
3. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Discount rate	1.25%	1.35%
Expected rate of wage increments	2.00%	2.00%

In case of a reasonable and possible change in any material actuarial assumption, the increase (decrease) in the present value of defined benefit

obligations on the premise that other assumptions remain unchanged is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Discount rate		
Increased by 0.25%	<u>(\$ 945)</u>	<u>(\$ 941)</u>
Decreased by 0.25%	<u>\$ 980</u>	<u>\$ 978</u>
Increased by 0.1%	<u>(\$ 382)</u>	<u>(\$ 381)</u>
Decreased by 0.1%	<u>\$ 388</u>	<u>\$ 386</u>
Expected rate of wage increments		
Increased by 0.25%	<u>\$ 971</u>	<u>\$ 969</u>
Decreased by 0.25%	<u>(\$ 940)</u>	<u>(\$ 938)</u>

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Amount expected to be contributed in one year	<u>\$ -</u>	<u>\$ -</u>
Average expiration period of defined benefit obligations	9 years	10 years

XX. Equity

(I) Ordinary Share

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Authorized number of shares (In thousands of shares)	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (In thousands of shares)	<u>75,541</u>	<u>74,775</u>
Capital stock issued	<u>\$ 755,409</u>	<u>\$ 747,751</u>

IST resolved at the board meeting of Aug. 4, 2023 to approve conversion of employee stock warrants into 532 thousand shares with par value NTD 10. The subscription price per share was NTD 53.22. After the cash capital increase, the paid-in capital was NTD 753,067 thousand. The date of capital increase was Aug. 4, 2023. Procedures for registration of relevant changes were completed. Date of registration of changes was Sep. 21, 2023.

IST resolved at the board meeting held at Nov. 3, 2023 to approve that employee stock options should be converted to 234 thousand ordinary shares, with par value of NTD 10, and the offering price was NTD 53.22 per share. After the capital increase, the paid-in capital was NTD 755,409 thousand. The record date for the capital increase was determined to be Nov. 3, 2023. Relevant procedures for registration of the change were completed, and the change registration date was Dec. 4, 2023.

IST employees exercised stock options during the period between October and December 2023 to subscribe 30 thousand shares and a total amount of NTD 1,577 thousand paid for the shares was received. The record date for capital increase was resolved to be Mar. 6, 2024 at the board meeting on Mar. 6, 2024. As of Dec. 31, 2023, the amount was listed as “capital collected in advance” because the procedure of alteration registration had not been completed.

(II) Capital Reserve

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>May be used to offset</u> <u>deficits, distribute cash or</u> <u>transfer to share capital</u> <u>(Note 1)</u>		
Additional paid-in capital	\$ 2,132,703	\$ 2,085,234
<u>May be Used to offset</u> <u>deficits only</u>		
Changes in equity of associates accounted for using the equity method	13,697	2,465
Recognized changes in ownership interests in subsidiaries (Note 2)	7,922	30,538
Exercise of the right to	19	-

obtain gains on the sale of shares held by their holders for less than 6 months		
<u>Not used for any purpose</u>		
Stock option	18,107	24,775
	<u>\$ 2,172,448</u>	<u>\$ 2,143,012</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 for 2023 and 2022 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	-	14,776	-	-	-
Treasury shares retired	(139,433)	-	-	-	-
Balance at Dec. 31, 2022	2,085,234	24,775	30,538	2,465	-
Recognized changes in ownership interests of subsidiaries	-	-	(22,616)	-	-
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	11,232	-
Share-based payment	-	7,720	-	-	-
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	-	19
Share premium of ordinary shares issued under employee stock option plan	47,469	(14,388)	-	-	-
Balance at Dec. 31, 2023	<u>\$ 2,132,703</u>	<u>\$ 18,107</u>	<u>\$ 7,922</u>	<u>\$ 13,697</u>	<u>\$ 19</u>

(III) Retained Earnings and Dividend Policies

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

directors as provided in IST's articles of incorporation, please refer to Note 22(VII) Employees' Remuneration and Directors' Remuneration.

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

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

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

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

The earning distribution proposal of IST for each quarter of 2023, 2022 and 2021 and the cash dividends per share were resolved at the board meeting as follows:

	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Date of resolution by the board of director	Mar. 6, 2024	Nov. 3, 2023	Aug. 4, 2023	Apr. 28, 2023
Legal reserve	\$ <u>4,274</u>	\$ <u>9,151</u>	\$ <u>15,120</u>	\$ <u>9,795</u>
Special reserve	\$ <u>15,889</u>	(\$ <u>16,621</u>)	\$ <u>7,549</u>	(\$ <u>3,440</u>)
Cash dividends	\$ <u>51,810</u>	\$ <u>75,562</u>	\$ <u>75,503</u>	\$ <u>74,775</u>
Cash dividends per share (NTD)	\$ 0.7	\$ 1	\$ 1	\$ 1

	2022 Q4	2022 Q3
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 (NTD)	\$ 1	\$ 1

	2021 Q4	2021 Q2	2021 Q1
Date of resolution by the board of director	Mar. 24, 2022	Aug. 5, 2021	Apr. 29, 2021
Legal reserve	\$ <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.

The above cash dividends for each quarter of 2023 have been resolved to allocate by the board of directors, and the rest is expected to be resolved at the general meeting of shareholders held on June 14, 2024.

(IV) Special Reserve

	2023	2022
Beginning balance	\$ 74,898	\$ 98,491
Reversed special reserve		
(Reversed) deduction of		
other equity items	(4,957)	(23,593)
Ending balance	<u>\$ 69,941</u>	<u>\$ 74,898</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 books at the end of the reporting period and the special reserve allocated upon initial implementation of IFRSs. In case of reverse of the net value of deductions of other shareholders' equity afterwards, the special reserve is reversed based on the reversed portion of such net value to distribute earnings.

(V) Other Equity

Exchange Differences on Translation of Financial Statements of Foreign Operations

	2023	2022
Beginning balance	(\$ 82,453)	(\$ 95,161)
Generated in the current period		
Exchange differences		
arising on translating		
financial statements		
of foreign operations	489	10,777
Share of translation		
differences of		
associates accounted		
for using the equity		
method	(3,866)	1,931
Ending balance	<u>(\$ 85,830)</u>	<u>(\$ 82,453)</u>

(VI) Non-controlling Interests

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$103,963	\$122,607
Net loss of the year	(71,740)	(18,644)
Non-controlling interests increasing due to cash capital increase (Note 26)	<u>23,351</u>	<u>-</u>
Balance at end of the year	<u>\$ 55,574</u>	<u>\$103,963</u>

(VII) Treasury Shares

<u>Reason of recall</u>	<u>Purchased back to be retired (In thousands of shares)</u>
Number of shares at Jan. 1, 2022	-
Shares increased in the year	5,000
Shares decreased in the year	(<u>5,000</u>)
Number of shares at Dec. 31, 2022	<u>-</u>
Number of shares at Jan. 1, 2023	-
Shares increased in the year	<u>1,562</u>
Number of shares at Dec. 31, 2023	<u>1,562</u>

To maintain corporate credit and shareholders' equity, the Company resolved at the board meeting of Mar. 15, 2022 to buy back treasury shares. The predetermined buyback 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 buyback prices was from NTD 34 to NTD 74 per share. When the share price was less than the lower limit of the buyback price, the Company bought back shares continuously. The upper limit for the total amount of the shares planned to be bought back was NTD 370,000 thousand (estimated based on the expected price range of the shares to be bought back). As of June 30, 2022, the Company purchased back 5,000 thousand treasury shares and the buyback cost was NTD 267,945 thousand in total. The Company resolved at the board meeting of May 5, 2022 to retire

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.

To maintain corporate credit and shareholders' equity, the Company resolved at the board meeting of Nov. 3, 2023 to purchase back treasury shares. The predetermined buyback period was from Nov. 6, 2023 to Jan. 5, 2024 and the predetermined number of shares to be purchased back was 2,000 thousand. The range of buyback prices was from NTD 61 to NTD 133 per share. When the share price was less than the lower limit of the buyback price, the Company bought back shares continuously. The upper limit for the total amount of the shares planned to be bought back was NTD 266,000 thousand (estimated based on the expected price range of the shares to be bought back). As of Dec. 31, 2023, the Company bought back a total of 1,562 thousand treasury shares, and the payment to redeem such treasury shares was NTD 139,797 thousand in total. The Company resolved at the board meeting of Mar. 6, 2024 to retire 1,562 thousand treasury shares. The record date for capital reduction was Mar. 8, 2024 and the payment to redeem such treasury shares was NTD 139,797 thousand in total.

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

XXI. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from inspection and testing services	<u>\$ 3,811,719</u>	<u>\$ 3,742,682</u>

(I) 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 service is delivered within one year after or before receipt of payment, the material financial compositions of the contractual consideration are not adjusted.

(II) Contract Balance

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
Accounts receivable (Note 8)	<u>\$ 1,467,998</u>	<u>\$ 1,310,395</u>	<u>\$ 1,214,494</u>
Accounts receivable due from related parties (Note 29)	<u>\$ 19,140</u>	<u>\$ 17,316</u>	<u>\$ 19,802</u>
Contract assets			
Labor service	<u>\$ 5,963</u>	<u>\$ 11,620</u>	<u>\$ 4,903</u>
Contract liabilities			
Customer loyalty program	\$ 87,570	\$ 62,145	\$ 38,327
Unearned sales revenue	<u>46,923</u>	<u>55,684</u>	<u>33,848</u>
	<u>\$ 134,493</u>	<u>\$ 117,829</u>	<u>\$ 72,175</u>

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

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

	<u>2023</u>	<u>2022</u>
<u>Contract liabilities at</u>		
<u>beginning of the year</u>		
Unearned sales revenue	\$ 26,721	\$ 37,585
Customer loyalty program	<u>41,558</u>	<u>22,280</u>
	<u>\$ 68,279</u>	<u>\$ 59,865</u>

(III) Itemized Revenue from Contracts with Customers

	<u>2023</u>	<u>2022</u>
<u>Main regional markets</u>		
Asia	\$ 3,079,444	\$ 3,052,945
America	618,838	616,027
Others	<u>113,437</u>	<u>73,710</u>
	<u>\$ 3,811,719</u>	<u>\$ 3,742,682</u>

(IV) Contracts with Customers Not Performed Completely

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Customer loyalty program		
— Performed in 2023	\$ -	\$ 62,145
— Performed in 2024	<u>87,570</u>	<u>-</u>
	<u>\$ 87,570</u>	<u>\$ 62,145</u>
Unearned sales revenue		
— Performed in 2023	\$ -	\$ 55,684
— Performed in 2024	<u>46,923</u>	<u>-</u>
	<u>\$ 46,923</u>	<u>\$ 55,684</u>

XXII. Net Profit of Continuing Operations

(I) Interest Income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 8,727	\$ 2,524
Net investment in the lease	34	52
Other interest incomes	<u>221</u>	<u>161</u>
	<u>\$ 8,982</u>	<u>\$ 2,737</u>

(II) Other Incomes

	<u>2023</u>	<u>2022</u>
Income from operating lease	\$ 27,054	\$ 25,878
Income from government subsidy	9,235	6,723

Profit from lease modification	27	1,702
Others	<u>11,616</u>	<u>13,142</u>
	<u>\$ 47,932</u>	<u>\$ 47,445</u>
(III) Other Gains and Losses		
	<u>2023</u>	<u>2022</u>
Gain on disposal of property, plant and equipment	\$ 8,474	\$ 43,904
Gain (loss) of financial assets and financial liabilities		
Financial assets at fair value through profit or loss	6,339	6,649
Financial liabilities at fair value through profit or loss	(236)	10
Net foreign exchange gain (loss)	(5,527)	7,808
Gain on disposal of intangible assets	-	97
Others	<u>(42)</u>	<u>(40)</u>
	<u>\$ 9,008</u>	<u>\$ 58,428</u>
(IV) Financial Cost		
	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ 57,305	\$ 41,461
Interest on lease liabilities	8,578	10,173
Amortization of the expenses incurred by the organizer of syndicated loans	600	600
Computed interest on security deposits	30	15
Other interest expenses	496	95
Less: Amounts listed in cost of qualifying assets	<u>(7,714)</u>	<u>(6,029)</u>
	<u>\$ 59,295</u>	<u>\$ 46,315</u>
Information relevant to capitalization of interest is as follows:		
	<u>2023</u>	<u>2022</u>
Capitalized interest	\$ 7,714	\$ 6,029
Interest rate for capitalization of interest	1.93%~2.38%	1.26%~1.99%

(V) Depreciation and Amortization

	<u>2023</u>	<u>2022</u>
Depreciation expenses by functions:		
Operating cost	\$625,763	\$672,165
Operating expenses	<u>144,156</u>	<u>128,801</u>
	<u>\$769,919</u>	<u>\$800,966</u>
Amortization expenses by function:		
Operating cost	\$ 5,236	\$ 5,667
Management expenses	<u>4,635</u>	<u>5,454</u>
	<u>\$ 9,871</u>	<u>\$ 11,121</u>

(VI) Employee Benefit Expenses

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 1,488,556	\$ 1,346,910
Post-employment benefits		
Defined contribution plan	46,118	41,807
Defined benefit plan (Note 19)	(290)	(112)
Share-based payment		
Equity settlement	<u>7,720</u>	<u>14,776</u>
Total employee benefit expenses	<u>\$ 1,542,104</u>	<u>\$ 1,403,381</u>
Compiled by functions		
Operating cost	\$ 1,131,407	\$ 1,016,052
Operating expenses	<u>410,697</u>	<u>387,329</u>
	<u>\$ 1,542,104</u>	<u>\$ 1,403,381</u>

(VII) Employees' Remuneration and Directors' Remuneration

IST allocated employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate of no less than 3% and at a rate no more than 3% respectively. The employees' remuneration and directors'

remuneration estimated for 2023 and 2022 were resolved at the board meeting on Mar. 6, 2024 and Mar. 14, 2023 as follows:

Estimated Percentage

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

Amount

	2023		2022	
	Cash	Stock	Cash	Stock
Employees' remuneration	\$ 22,070	\$ -	\$ 24,000	\$ -
Directors' remuneration	8,850	-	6,000	-

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.

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

(I) Income Tax Recognized in Profit or Loss

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

	2023	2022
Current income tax		
Incurred for the current year	\$ 51,184	\$ 98,175
Adjustments for previous years	(17,623)	(17,783)

	33,561	80,392
Deferred income tax		
Incurred for the current		
year	<u>40</u>	<u>1,219</u>
Income tax expense		
recognized in profit or		
loss	<u>\$ 33,601</u>	<u>\$ 81,611</u>

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

	<u>2023</u>	<u>2022</u>
Net profit before tax of		
continuing operations	<u>\$347,415</u>	<u>\$468,113</u>
Income tax computed based		
on the net profit before		
tax at the legal tax rate	\$ 32,593	\$ 62,497
Temporary differences	18,631	36,897
Current adjustment of the		
current income tax		
expense of the previous		
year	(<u>17,623</u>)	(<u>17,783</u>)
Income tax expense		
recognized in profit or		
loss	<u>\$ 33,601</u>	<u>\$ 81,611</u>

(II) Current Tax Assets and Liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current tax assets		
Income tax refund		
receivable (Listed as		
repayments and other		
current assets in the		
books)	<u>\$ 234</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 54,690</u>

(III) Deferred Income Tax Assets and Liabilities

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

2023

<u>Deferred income tax</u>	<u>Beginning</u>	<u>Recognized in</u>	<u>Ending balance</u>
<u>assets</u>	<u>balance</u>	<u>profit (loss)</u>	

Temporary difference	<u>\$ 541</u>	<u>(\$ 193)</u>	<u>\$ 348</u>
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Deferred income tax liabilities	Beginning balance	Recognized in profit (loss)	Ending balance
Temporary difference	<u>(\$ 5,056)</u>	<u>\$ 153</u>	<u>(\$ 4,903)</u>

2022

Deferred income tax assets	Beginning balance	Recognized in profit (loss)	Ending balance
Temporary difference	<u>\$ 702</u>	<u>(\$ 161)</u>	<u>\$ 541</u>

Deferred income tax liabilities	Beginning balance	Recognized in profit (loss)	Ending balance
Temporary difference	<u>(\$ 3,998)</u>	<u>(\$ 1,058)</u>	<u>(\$ 5,056)</u>

(IV) Deductible Temporary Difference from Deferred Income Tax Assets Not Recognized in Consolidated Balance Sheet, and Amount of Loss Carryforwards Not Used

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Loss carryforwards		
Due in 2023	\$ -	\$ 26,410
Due in 2024	22	22
Due in 2025	96,928	96,928
Due in 2026	125,528	125,528
Due in 2027	115,500	115,500
Due in 2028	100,807	100,807
Due in 2029	107,387	107,387
Due in 2030	100,456	100,456
Due in 2031	231,350	231,350
Due in 2032	71,933	71,933
Due in 2033	<u>386,630</u>	<u>-</u>
	<u>\$ 1,336,541</u>	<u>\$ 976,321</u>
Deductible Temporary difference	<u>\$ 100,016</u>	<u>\$ 71,814</u>

(V) Income Tax Assessment

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

XXIV. Earnings Per Share

	Unit : NTD per share	
	2023	2022
Basic earnings per share	<u>\$ 5.15</u>	<u>\$ 5.33</u>
Diluted earnings per share	<u>\$ 5.06</u>	<u>\$ 5.30</u>

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

Net Profit of the Year

	2023	2022
Net profit used to calculate basic and diluted earnings per share	<u>\$385,554</u>	<u>\$405,146</u>

Number of Shares

Unit: In Thousands of Shares

	2023	2022
Number of weighted average ordinary shares used to calculate basic earnings per share	74,841	76,067
Impact of the ordinary shares with dilution effect:		
Employee stock options	1,044	-
Employees' remuneration	<u>290</u>	<u>377</u>
Number of weighted average ordinary shares used to calculate diluted earnings per share	<u>76,175</u>	<u>76,444</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 ordinary shares is included when potential ordinary 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 ordinary shares.

The exercise price for outstanding stock warrants of IST was higher than the average market price calculated for the year ended Dec. 31, 2022. 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 ordinary share. The new shares issued were 2,000 thousand ordinary shares in total, which were planned to be granted to full-time employees of IST. Subscribers may exercise their stock options in accordance with the Regulations of Employee Stock Options after 2 years from the date of grant of employee stock warrant. The duration of employee stock warrant is 5 years.

Information relevant to employee stock options is as follows:

Employee stock options	Jan. 1 to Dec. 31, 2023		Jan. 1 to Dec. 31, 2022	
	Unit (In thousands)	Exercise price (NTD)	Unit (In thousands)	Exercise price (NTD)
Outstanding at the beginning of the year	2,000	\$ 53.81	2,000	\$ 54.28
Issued this year	(766)	52.76~53.22	-	-
Outstanding at the end of the year	<u>1,234</u>	52.14	<u>2,000</u>	53.81
Exercisable at the end of the year	<u>234</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:

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

The compensation cost recognized by IST for 2023 and 2022 was NTD 7,720 thousand and NTD 14,776 thousand respectively.

XXVI. Equity Transactions with Non-controlling Interests

In August 2023, IST did not participate in the follow-on offering of ITS Company proportionally based on the percentage of its shareholding. After the participation, IST acquired the ITS shares at NTD 59,265 thousand and the percentage of the ITS shares held by IST rose from 38% to 51%. Besides, Pin Wen Company did not participate in the follow-on offering proportionally based on the percentage of its shareholding and the percentage of the ITS shares held by Pin Wen Company reduced from 13% to 10%. The Company held 61% of ITS shares aggregately as of Dec. 31, 2023.

As the aforementioned transactions did not change the control of the Company over ITS Company, the Company treated the transactions as equity transactions.

	<u>ITS Company</u>
Received cash considerations	\$ 735
Amount of non-controlling interests transferred from the book value of net assets of subsidiaries calculated based on relative changes in equity	(23,351)
Differences in equity transactions	(\$ 22,616)
<u>Adjustments for differences in equity transactions</u>	
Capital reserve	(\$ 22,616)

XXVII. Capital Risk Management

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

XXVIII. Financial Instruments

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

1. Hierarchy of Fair Value

Dec. 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Investments in equity instruments — Not listed (non-OTC) — Beneficiary certificates of funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,692</u>	\$ <u>27,692</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivatives	\$ <u>-</u>	\$ <u>236</u>	\$ <u>-</u>	\$ <u>236</u>

Dec. 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Investments in equity instruments — Not listed (non-OTC) — Beneficiary certificates of funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,282</u>	\$ <u>27,282</u>
Derivatives	\$ <u>-</u>	\$ <u>523</u>	\$ <u>-</u>	\$ <u>523</u>

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

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	Discounted cash flows: To estimate future

exchange agreement	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
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3. Reconciliation of Financial Instruments Measured at Level 3 Fair Value
2023

Financial assets	Measured at fair value through profit or loss		Total
	Equity instrument	Beneficiary certificates of funds	
Beginning balance	\$ -	\$ 27,282	\$ 27,282
Recognized in profit (loss)	-	6,862	6,862
Disposal	-	(6,452)	(6,452)
Ending balance	<u>\$ -</u>	<u>\$ 27,692</u>	<u>\$ 27,692</u>
Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the year and recognized in profit or loss	<u>\$ -</u>	<u>\$ 6,862</u>	<u>\$ 6,862</u>

2022

Financial assets	Measured at fair value through profit or loss		Total
	Equity instrument	Beneficiary certificates of funds	
Beginning balance	\$ 227	\$ 21,945	\$ 22,172
Recognized in profit (loss)	(227)	6,353	6,126
Disposal	-	(1,016)	(1,016)
Ending balance	<u>\$ -</u>	<u>\$ 27,282</u>	<u>\$ 27,282</u>
Changes in the current	<u>(\$ 227)</u>	<u>\$ 6,353</u>	<u>\$ 6,126</u>

unrealized
profit or loss
that are relevant
to the assets
held at the end
of the year and
recognized in
profit or loss

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>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Liquidity discount	20%	20%

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Liquidity discount		
Increased by 1%	(\$ <u>346</u>)	(\$ <u>341</u>)
Decreased by 1%	<u>\$ 346</u>	<u>\$ 341</u>

(II) Type of Financial Instrument

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value		
through profit or loss		
Measured at fair value		
through profit or loss		
compulsorily	\$ 27,692	\$ 27,805

Financial assets at amortized cost

Cash and cash equivalents	928,238	875,347
Notes and accounts receivable, net	1,468,385	1,311,491
Accounts receivable due from related parties	19,140	17,316
Other receivables	11,696	1,298
Other receivables due from related parties	23,188	19,821
Other current financial assets	15,210	16,633
Guarantee deposits paid	24,444	22,611

Financial liabilities

Measured at fair value

through profit or loss

Measured at fair value

through profit or loss

compulsorily

236

-

Measured at amortized cost

Current borrowings

961,126

648,500

Notes and accounts payable

184,209

270,621

Accounts payable to related parties

4,696

692

Payable on machinery and equipment

149,777

167,477

Long-term borrowings (including the current portion thereof)

1,850,141

1,843,468

(III) 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 32.

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 JPY		Impact of CNY	
	2023	2022	2023	2022	2023	2022
Gain (loss)	\$ 6,001	\$ 5,273	(\$ 983)	(\$ 753)	\$ 2	\$ 6

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:

	Dec. 31, 2023	Dec. 31, 2022
With fair value interest rate risk		
— Financial assets	\$ 190,346	\$ 244,865

— Financial liabilities	480,225	382,871
With cash flow interest rate risk		
— Financial assets	749,887	640,977
— Financial liabilities	2,648,791	2,410,259

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 and 2022 would be decreased/increased by NTD 18,989 thousand and NTD 17,693 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 group. 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 amount 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 Dec. 31, 2023 and Dec. 31, 2022, please see the item (2) "Line of Credit" below.

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

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

Dec. 31, 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	\$ 204,294	\$ 160,133	\$ 128,068	\$ -	\$ -
Lease liabilities	5,731	11,857	49,526	138,120	195,859
Floating rate instruments	102,904	203,594	623,351	1,476,861	242,081
Fixed rate instruments	-	109,823	52,653	-	-

\$ 312,929 \$ 485,407 \$ 853,598 \$1,614,981 \$ 437,940

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>\$ 67,114</u>	<u>\$ 138,120</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 81,730</u>
Floating rate instruments	<u>\$ 929,849</u>	<u>\$1,476,861</u>	<u>\$ 242,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 162,476</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	<u>32,135</u>	<u>31,989</u>	<u>17,585</u>	<u>-</u>	<u>-</u>
	<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>

(2) Line of Credit

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Unsecured bank loan commitment, reviewed regularly		
— Used within the credit line	\$ 2,409,107	\$ 1,928,568
— Unused within the credit line	<u>2,039,260</u>	<u>1,084,331</u>
	<u>\$ 4,448,367</u>	<u>\$ 3,012,899</u>

Secured bank loan commitment		
— Used within the credit line	\$ 403,160	\$ 565,000
— Unused within the credit line	<u>6,000</u>	<u>40,000</u>
	<u>\$ 409,160</u>	<u>\$ 605,000</u>

XXIX. 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:

(I) Name of each Related Party and Relationship with the Related Party

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Dekra iST (Dekra Company)	An associate
Dekra IST Reliability Services Limited (Dekra IST KS Company)	An associate
BTL Inc. (BTL Inc.)	An associate

(II) Service Income

<u>Item Listed in the Books</u>	<u>Type / Name of Related Party</u>	<u>2023</u>	<u>2022</u>
Service income	Associates	<u>\$ 81,040</u>	<u>\$ 81,026</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.

(III) Accounts Receivable from Related Parties

<u>Item Listed in the Books</u>	<u>Type / Name of Related Party</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Accounts receivable due from related	Associates		

parties			
	Dekra Company	\$ 18,516	\$ 16,404
	Dekra IST KS		
	Company	624	723
	BTL Inc.	<u>-</u>	<u>189</u>
		<u>\$ 19,140</u>	<u>\$ 17,316</u>
Other receivables due from related parties	Associates		
	Dekra Company	<u>\$ 23,188</u>	<u>\$ 19,821</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 and 2022 respectively.

“Other receivables due from related parties” refer to the technical service incomes and rent incomes receivable from related parties.

(IV) Accounts Payable to Related Parties

Item Listed in the Books	Type / Name of Related Party	Dec. 31, 2023	Dec. 31, 2022
Accounts payable to related parties	Associates		
	Dekra Company	\$ 4,693	\$ 642
	Dekra IST KS		
	Company	<u>3</u>	<u>50</u>
		<u>\$ 4,696</u>	<u>\$ 692</u>

(V) Other Current Liabilities

Item Listed in the Books	Type / Name of Related Party	Dec. 31, 2023	Dec. 31, 2022
Other current liabilities	Associates	<u>\$ -</u>	<u>\$ 1,535</u>

(VI) Lease / Sublease Agreement

Renting Out and Subleasing under Operating Lease

IST rented out land, building and structure as well as other equipment under operating leases and subleased the right of use of the building and structure to the associate Dekra 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 Dec. 31, 2023 and Dec. 31, 2022 were NTD 27,760 thousand and NTD 48,124 thousand respectively. Lease incomes recognized for 2023 and 2022 were NTD 23,019 thousand and NTD 22,268 thousand respectively.

Subleasing under Finance Lease

The Company subleased the building and structure, which were originally listed as right-of-use assets in the books, to the associate Dekra Company under finance leases in 2023 and 2022. The net investment in the lease at the lease commencement date was NTD 4,718 thousand and the lease period was 1.08 years. The balance of finance leases receivable as of Dec. 31, 2023 and Dec. 31, 2022 was NTD 0 and NTD 4,358 thousand respectively.

(VII) Guarantee Deposits Received

Item Listed in the Books	Type / Name of Related Party	Dec. 31, 2023	Dec. 31, 2022
Guarantee deposits received	Associates Dekra Company	\$ 2,005	\$ 2,005

(VIII) Manufacturing Expenses and Operating Expenses

Item Listed in the Books	Type / Name of Related Party	2023	2022
Manufacturing expenses	Associates	\$ 11,333	\$ 10,522
Operating expenses	Associates	\$ 5,486	\$ 397

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.

(IX) Non-operating Incomes and Expenses

Item Listed in the Books	Type / Name of Related Party	2023	2022
Lease incomes	Associates Dekra Company	<u>\$ 23,019</u>	<u>\$ 22,268</u>
Other incomes	Associates Dekra Company	<u>\$ 7,015</u>	<u>\$ 6,639</u>
Interest expenses	Associates	<u>\$ 30</u>	<u>\$ 16</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.

(X) Remunerations to Main Managements

	2023	2022
Short-term benefits	\$ 54,729	\$ 35,759
Post-employment benefits	400	400
Share-based payment	<u>579</u>	<u>1,108</u>
	<u>\$ 55,708</u>	<u>\$ 37,267</u>

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

XXX. 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.

	Dec. 31, 2023	Dec. 31, 2022
Property, plant and equipment	\$807,715	\$824,670
Demand deposit (Listed as other financial assets in the books)	15,010	16,433
Time deposit (Listed as other financial assets in the books)	<u>200</u>	<u>200</u>
	<u>\$822,925</u>	<u>\$841,303</u>

XXXI. 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 activates were conducted normally.

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

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

Unit: In thousands in foreign currency						
	Dec. 31, 2023			Dec. 31, 2022		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
<u>Foreign currency assets</u>						
<u>Monetary item</u>						
USD	\$ 10,122	30.7050 (USD : NTD)	\$ 310,796	\$ 7,233	30.7100 (USD : NTD)	\$ 222,125
JPY	6,000	0.2172 (JPY : NTD)	1,303	10,211	0.2324 (JPY : NTD)	2,373
CNY	9	4.3352 (CNY : NTD)	39	27	4.4094 (CNY : NTD)	119
			<u>\$ 312,138</u>			<u>\$ 224,617</u>
<u>Non-monetary item</u>						
JPY	-	-	<u>\$ -</u>	2,252	0.2324 (JPY : NTD)	<u>\$ 523</u>
<u>Foreign currency liabilities</u>						
<u>Monetary item</u>						
USD	6,213	30.7050 (USD : NTD)	\$ 190,770	3,799	30.7100 (USD : NTD)	\$ 116,667
JPY	96,469	0.2172 (JPY : NTD)	20,953	75,020	0.2324 (JPY : NTD)	17,435
			<u>\$ 211,723</u>			<u>\$ 134,102</u>
<u>Non-monetary item</u>						
JPY	1,088	0.2172 (JPY : NTD)	<u>\$ 236</u>	-	-	<u>\$ -</u>

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

Foreign currency	2023		2022	
	Exchange rate	Net foreign exchange gain (loss)	Exchange rate	Net foreign exchange gain (loss)
JPY	0.2172 (JPY : NTD)	\$ 427	0.2324 (JPY : NTD)	(\$ 588)
CNY	4.3352 (CNY : NTD)	(4)	4.4094 (CNY : NTD)	(7)
USD	30.7050 (USD : NTD)	(<u>3,663</u>)	30.7100 (USD : NTD)	(<u>1,303</u>)
		(<u>\$ 3,240</u>)		(<u>\$ 1,898</u>)

XXXIII. Disclosures in the Notes

(I) Information Relevant to Material Transactions, and (II) 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 due from related parties up to NTD 100 million or 20% of the paid-in capital (None)
9. Transactions of derivatives (Notes 7 and 28)
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)

(III) 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 prices, payment terms and unrealized gains or losses with respect to the transactions, and other information helpful to understand the impact of investments in Mainland China on the financial statements: No material transaction

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

XXXIV. Information of Segments

(I) Revenue of Segments and Business Results

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

(II) Incomes from Main Products and Services:

The incomes from main products and services of the Company's continuing operations are analyzed as follows:

	2023	2022
Inspection and testing service incomes	<u>\$ 3,811,719</u>	<u>\$ 3,742,682</u>

(III) Information about Geographical Areas:

The incomes of the Company's continuing operations from external customers are listed, by the countries where the customers are located and by the areas where non-current assets are located, as follows:

	Incomes from external customers		Non-current assets	
	2023	2022	Dec. 31, 2023	Dec. 31, 2022
Asia	\$ 3,079,444	\$ 3,052,945	\$ 4,143,669	\$ 4,185,096
America	618,838	616,027	-	-
Others	113,437	73,710	-	-
	<u>\$ 3,811,719</u>	<u>\$ 3,742,682</u>	<u>\$ 4,143,669</u>	<u>\$ 4,185,096</u>

Non-current assets do not include financial instruments, investments accounted for using the equity method, deferred income tax assets, refundable deposits or net defined benefit assets.

(IV) Information of Main Customers

The customers from each of which the revenue reached more than 10% of the total revenue of the Company are as follows:

2023			2022		
Name of customer	Sales amount	Percentage of net operating revenue %	Name of customer	Sales amount	Percentage of net operating revenue %
Customer A	\$ 439,791	12	Customer A	\$ 648,088	17

Integrated Service Technology Inc. and Subsidiaries
Funds Lent to Other Entities
2023

Schedule 1

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

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 due from related parties	\$ 40,000	\$ -	\$ -	2.500%	Necessity to have a short-term financing	\$ -	Capital turnover	\$ -	None	\$ -	\$ 327,653	\$ 1,310,611	(Note 1)

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

Integrated Service Technology Inc. and Subsidiaries
Marketable Securities Held at the End of the Period
Dec. 31, 2023

Schedule 2

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

Holding company	Type and name of marketable securities	Relation with the issuer of marketable securities	Items in the books	End of the year				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	-	\$ 27,692	4.35%	\$ 27,692	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 Dec. 31, 2023.

Integrated Service Technology Inc. and Subsidiaries
Business Relations and Important Transactions between Parent Company and Each Subsidiary and between Subsidiaries, and Transaction Amounts
2023

Schedule 3

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

No.	Name of trading party	Counterparty to the transaction	Relation with trading party (Note 1)	Transaction details			
				Account	Amount	Transaction conditions (Note 2)	Ratio to total consolidated revenue or total assets
0	IST	ITS Company	1	Net operating revenue	\$ 3,681	—	-
				Management expenses	2	—	-
				Rent income	18,106	—	-
				Other incomes	2,836	—	-
				Interest expense	55	—	-
				Accounts receivable due from related parties	1,413	—	-
				Other receivables due from related parties	2,598	—	-
				Guarantee deposits received	3,589	—	-
				Net operating revenue	43,808	—	1%
				Accounts receivable due from related parties	4,823	—	-
		Integrated USA	1	Payable on machinery and equipment	7,297	—	-
				Other receivables due from related parties	1,800	—	-
		IST KS Company	1	Other payables to related parties	373	—	-
		Samoa IST	1	Inventory of supplies	646	—	-
		SIP KS Company	1	Net operating revenue	2,683	—	-
		PPT Company	1	Manufacturing expenses	155	—	-
				Management expenses	3	—	-
				Rent income	30,160	—	1%
				Other incomes	4,502	—	-
				Interest expense	113	—	-
				Accounts receivable due from related parties	349	—	-
				Other receivables due from related parties	10,681	—	-
				Payables to related parties	664	—	-
				Other current liabilities	110	—	-
				Guarantee deposits received	7,638	—	-
1	PPT Company	He Chou Company	1	Rent income	34	—	-
		ITS Company	2	Other incomes	20	—	-
				Other receivables due from related parties	88	—	-
2	IST KS Company	SIP KS Company	2	Net operating revenue	530	—	-
				Accounts receivable due from related parties	139	—	-

(Continued on next page)

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

2. Transactions between a subsidiary and a subsidiary

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

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

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

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

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

Integrated Service Technology Inc. and Subsidiaries
Information of Investee Companies (Not Including Investee Companies in Mainland China), their Locations, etc.
2023

Schedule 4

Unit: In thousands of New Taiwan Dollars, 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 year			Profit (loss) of the investee company for the year	Investment gain (loss) recognized for the year	Remarks
				End of the year	End of last year	Number of shares	Ratio (%)	Book amount			
IST	Samoa IST	Samoa	Investment	USD 10,000	USD 10,000	4,916,770	100	\$ 257,882	\$ 7,060	\$ 7,060	A subsidiary (Note 1)
	Dekra Company	Hsinchu City	Product testing and relevant business	\$ 192,624	\$ 192,624	19,262,390	49	678,942	102,749	50,347	An associate (Note 2)
	BTL Inc.	Taipei City	Product testing and relevant business	95,225	95,225	2,550,000	10	117,647	(53,455)	(6,402)	An associate (Note 1)
	Pin Wen Company	Hsinchu City	Investment	237,000	197,000	9,841,258	100	73,228	(27,587)	(27,587)	A subsidiary (Note 1)
	Supreme Fortune corp.	Belize	Investment	USD 1,655	USD 1,655	1,655,000	100	51,310	(669)	(669)	A subsidiary (Note 1)
	ITS Company	Hsinchu City	Electronic product testing and relevant business	326,543	267,278	13,622,442	51	18,722	(90,466)	(33,053)	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	29,250,292	75	184,882	(156,803)	(115,155)	A subsidiary (Note 1)
Samoa IST	Seychelles IST	Seychelles	Investment	USD 6,159	USD 6,159	6,158,575	100	USD 5,807	USD 109	USD 109	A sub-subsidiary (Note 1)
	Integrated USA	USA	R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.	USD 3,130	USD 3,130	3,130,000	100	USD 446	USD 54	USD 54	A sub-subsidiary (Note 1)
Supreme Fortune corp.	Hot Light Co., Ltd.	Seychelles	Investment	USD 1,655	USD 1,655	1,655,000	100	USD 1,671	(USD 21)	(USD 21)	A sub-subsidiary (Note 1)
Pin Wen Company	ITS Company	Hsinchu City	Electronic product testing and relevant business	\$ 186,038	\$ 186,038	2,672,199	10	\$ 2,648	(\$ 90,466)	(\$ 10,863)	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	2,145,021	6	12,823	(156,803)	(8,624)	A subsidiary (Note 1)
	EFUN Company	Hsinchu City	Information software service	3,700	3,700	370,000	26	947	478	126	An associate (Note 3)
	Huan Ying Company	Hsinchu City	Information software management service and relevant business	5,100	5,100	510,000	29	3,424	116	34	An associate (Note 3)
	MS Company	Hsinchu County	IC design	39,974	-	2,954,600	21	32,870	(38,655)	(7,114)	An associate (Note 2)
	He Chou Company	Hsinchu City	Circuit design service	USD 125	USD 125	400,000	100	USD 92	(USD 73)	(USD 73)	A sub-subsidiary (Note 1)

Note 1: It was calculated based on the financial statements of the same accounting period audited by CPAs.

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

Note 3: It was calculated based on the financial statements of the same accounting period that were not audited by CPAs.

Integrated Service Technology Inc. and Subsidiaries

Information of Investments in Mainland China

2023

Schedule 5

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

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 year	Investment amount remitted or recovered in the year		Accumulated investment amount remitted from Taiwan as of the end of the year	Investee company's profit (loss) of the year	Ratio of shares held by the Company through direct or indirect investment	Investment gain (loss) recognized for the year	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the year	Remarks
					Remitted	Recovered							
IST KS Company	Product testing and relevant business	\$ 113,609 (USD 3,700)	Note 1	\$ 290,868 (USD 9,473) (Note 4)	\$ -	\$ -	\$ 290,868 (USD 9,473) (Note 4)	\$ 13,116 (USD 421)	100%	\$ 13,116 (USD 421)	\$ 178,519 (USD 5,814)	\$ -	Note 2
SIP KS Company	Circuit design service	49,742 (USD 1,620)	Note 1	46,979 (USD 1,530)	-	46,979 (USD 1,530)	-	(4,985) (USD (160))	100%	(4,985) (USD (160))	18,055 (USD 588)	-	Note 2
IST-trade KS Company	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	10,838 (CNY 2,500)	Note 1	- (Note 5)	-	-	- (Note 5)	208 (CNY 47)	100%	208 (CNY 47)	11,415 (CNY 2,633)	-	Note 2

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the year	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs
\$ 337,847 (USD 11,003)	\$ 564,296 (USD 18,378)	\$1,965,917

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

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

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

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

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