

**Stock Code: 3289**

# **INTEGRATED SERVICE TECHNOLOGY INC. 2023 Annual Report**

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# Integrated Service Technology Inc.

## 2023 Annual Report

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# **I. Report to Shareholders**

Ladies and gentlemen:

In 2023, the global semiconductor industry navigated through a landscape marked by persistent challenges including heightened inflation, increasing interest rates, and escalating geopolitical tensions. Although subdued consumer sentiment persisted, the market saw a gradual return to a healthier state, bolstered by ongoing adjustments within the semiconductor supply chain to effectively manage inventory levels. Despite these external pressures, the industry gradually regained stability as key industry players remain steadfast in their confidence regarding the long-term prospects of the semiconductor market. They are committed to sustaining this confidence through continued investments in research and development, aimed at fostering innovation and advancing technological frontiers. This strategic foresight is integral to maintaining competitiveness in the ever-changing landscape of the semiconductor industry. Notably, the demand for semiconductor components continues to witness growth across various sectors including Artificial Intelligence (AI), High-Performance Computing (HPC), automotive electronics, 5G, and the Internet of Things (IoT).

In the prevailing economic climate, Integrated Service Technology (iST), operating as a third-party laboratory within the electronics industry, has demonstrated resilience amidst fluctuations. This resilience stems from iST's strategic focus on expediting client product development and ensuring impeccable product quality. Put simply, our services thrive where there is client innovation, fostering a concurrent demand for verification and analysis. With a vast client base exceeding tens of thousands worldwide, ranging from pioneering IC design firms to globally recognized brand manufacturers, iST stands as a strong ally in client product development and a steadfast vanguard of quality assurance. Our enduring commitment to the semiconductor industry positions us as a reliable support for our valued clientele.

Benefiting from the robust expansion of AI high-end chip technology, major international chip manufacturers have experienced an uplift in gross profit margins. This trend has fueled a heightened appetite for long-term orders, underscoring the critical role of a highly-reliable verification and analysis service provider in AI advancement. As advanced manufacturing processes continue to evolve to meet clients' burgeoning needs, iST's Material Analysis (MA) division increased its capacity by 50% by the end of 2023. Our relentless dedication to excellence has garnered recognition from clients, leading to a steady surge in overseas orders and subsequent revenue growth.

In 2023, iST achieved an annual revenue of approximately NT\$3.812 billion, marking a modest increase of 1.84% compared to the previous year. The cumulative gross profit amounted to approximately NT\$1.018 billion, resulting in post-tax earnings of approximately NT\$5.15 per share and maintaining great stability compared to the preceding year. This performance reflects our strategic focus on long-term verification and analysis initiatives, with associated upfront costs incurred during the latter half of 2023, leading to a temporary delay in order fulfillment. We anticipate that these strategic investments will yield fruitful results throughout the course of 2024.

iST's paramount mission is to create maximum value for our clients. Committed to becoming the "trusted medical center of the electronics industry," we continuously enhance our professional expertise through innovation. By offering comprehensive solutions to address our clients' predicament, we aim to accelerate their product development processes and seize business opportunities ahead of the competition. In the geopolitical landscape, iST's verification and analysis

capabilities will extend from Taiwan to a global scale. This expansion will enhance our international client services, accelerate operational growth, and strengthen iST's competitive advantage.

### Business Overview

The annual consolidated operating revenue of iST reached NTD 3.812 billion in 2023, up by 1.84% compared with NTD 3.743 billion in 2022; the consolidated net profit before tax reached NTD 347,000,000, presenting an annual decline rate of 25.78%; the accumulated annual earnings per share (EPS) after tax reached NTD5.15, down by 3.38% compared with the EPS of NTD5.33 in the same period last year. This performance reflects our strategic focus on long-term verification and analysis initiatives, with associated upfront costs incurred during the latter half of 2023, leading to a temporary delay in order fulfillment. We anticipate that these strategic investments will yield fruitful results throughout the course of 2024. The gains and losses in the consolidated financial statement of 2023 are presented as follows:

The consolidated operating revenue for 2023 reached NTD 3,811,719,000, with annual growth rate of 1.84%.

The gross profit for 2023 reached NTD 1,017,858,000, with annual growth rate of 0.20%.

The net operating profit for 2023 reached NTD 303,797,000, with annual declined rate of 9.28%.

The net profit after tax for 2023 reached NTD 313,814,000, with annual decline rate of 18.81%; if calculated according to the weighted average outstanding shares in 2023, the EPS of the company reached NTD 5.15, with annual decline rate of 3.38%.

Consolidated Operating Revenue and Profits of Integrated Service Technology (3289) for 2023 (Unit: in Thousands of New Taiwan Dollars , except for EPS)			
Item	2023	2022	Annual increase (decrease) %
Operating revenue	3,811,719	3,742,682	1.84%
Gross Profit	1,017,858	1,015,822	0.20%
Net operating profit	303,797	334,883	(9.28%)
Net profit before tax	347,415	468,113	(25.78%)
Net revenue (loss) after tax	313,814	386,502	(18.81%)
EPS (NTD)	5.15	5.33	(3.38%)

### Business Operation and Development

Throughout its nearly 30-year existence, iST has positioned itself as the premier medical center of the electronics industry. Our steadfast mission revolves around expediting client product development and resolving their product-related challenges to ensure mutual success. As pioneers in the verification and analysis sector, we remain vigilant in monitoring industry trends and proactively support Taiwan's electronics manufacturers in venturing into cutting-edge fields such as AI high-performance computing (HPC), advanced processes, automotive electronics, IoT, 5G/6G, third-class semiconductor markets, and space electronics.

In the domain of AI high-performance computing (HPC), the market's optimistic outlook on AI development secures its status as an essential "rigid demand" across diverse sectors. As AI applications proliferate, the need for highly-reliable verification and analysis service has become paramount. High-performance computing (HPC), a crucial aspect of AI development, relies on advanced three-dimensional stacked packaging technology to achieve the goal of size reduction and performance enhancement. Challenges such as thermal expansion coefficient differences arising from the stacking of complex heterogeneous materials directly impact product reliability and lifespan. At the end of 2023, iST collaborated with several international industry leaders during the Electronics Packaging Technology Conference (EPTC) in Singapore to present two groundbreaking papers: "A Board Level Vibration Test Method for Electronic Industry Application" and "Method of Triple Thin Film RDL Layers on 2.2D Substrate", aiming to provide better solutions. As high-end chip technology continues to flourish, international chip giants have witnessed an upswing in gross profit margins, reflecting a heightened commitment to long-term partnerships to meet the escalating demand for chip quality. Amidst this thriving verification demand, orders have continued to flow in.

In recent years, iST's strategic investment in material analysis has begun to yield significant results in meeting the demands of advanced process verification. Through unwavering dedication and validated by client performance, iST has successfully extended its material analysis capabilities to the 2/3 nanometer process node. Moreover, our operations run on a 24/7 basis, ensuring swift responses to meet clients' urgent delivery needs.

In the realm of third-class semiconductor verification, the growing energy demands necessitate materials capable of withstanding high voltage, large currents, rapid transmission, and efficient heat dissipation. Essential to this is the wide energy gap of semiconductor materials, enabling them to endure higher voltage conditions and achieve stable, rapid, and higher-power conversion and output. Currently, gallium nitride (GaN) and silicon carbide (SiC) stand out as the primary materials for third-class semiconductors, predominantly utilized in high-frequency communication and power semiconductor devices. Previously restricted to niche applications like defense and aerospace due to limited accessibility and high costs, these materials have progressively gained traction in industrial, automotive, and consumer electronics sectors, thanks to advancements in semiconductor technology and cost reduction.

The application of third-class semiconductors has emerged in global wafer foundries. Compared to other semiconductor materials, the characteristics of gallium nitride (GaN) include high voltage compatibility, high temperature tolerance, low electrical resistance, excellent electrical and thermal conductivity, small size, and low energy consumption. However, a major drawback of GaN is the significantly higher dislocation density within its single crystal compared to other semiconductors, leading to an increased probability of leakage current in subsequent components and ensuing functional abnormalities. iST's Transmission Electron Microscopy (TEM) dual-beam diffraction imaging technology enables in-depth analysis of dislocation density and types within GaN single crystals, providing comprehensive control over GaN's dislocation quality and serving as a crucial key to assisting clients in developing third-class semiconductors. Additionally, iST analyzes the bandgap values of new materials through Ultraviolet Photoelectron Spectroscopy (UPS) and Low Energy Inverse Photoemission Spectroscopy (LEIPS), assisting clients in developing compounds with wider bandgaps.

In the realm of automotive electronics verification and analysis, the industry is witnessing a surge in demand driven by the global trend towards energy conservation and carbon reduction, particularly in the development of green energy vehicles. The transition to electric and autonomous vehicles has doubled the quantity of semiconductor components used compared to traditional



gasoline-powered vehicles. With the high-end automotive chip market experiencing rapid growth, it is projected to be the fastest-growing segment of the global semiconductor industry until 2027. iST's recognition by the Automotive Electronics Council (AEC) as the first impartial third-party laboratory in Asia highlights our commitment to precision and compliance with international standards. Our proactive approach ensures timely adaptation to evolving regulations, such as the recent updates to automotive regulations AEC-Q200 (passive components) and Q100 (IC chips) in 2023. This positions iST as a trusted partner in facilitating our clients' seamless entry into the electric vehicle domain. As automotive components are intrinsically linked to personal safety, continuous research and development efforts by automotive chip manufacturers will drive further demand for highly-reliable verification and analysis services.

In signal testing, the global gaming industry is currently experiencing immense popularity, attracting significant attention and investment. In 2023, iST achieved accreditation from the Video Electronics Standards Association (VESA) as an Authorized Test Center (ATC) for ClearMR certification. This recognition empowers us to provide clients with specialized technical seminars and testing services, ensuring their products meet stringent technical specifications and attain certification.

As of today, the burgeoning space economy has led to a surge in demand for semiconductor components, particularly in Low Earth Orbit Satellite (LEO) communications. Meanwhile, the trend towards Commercial Off the Shelf (COTS) applications in space is rapidly evolving, necessitating semiconductor components with robust radiation tolerance, shock resistance, and vibration absorption to comply with stringent space regulations. In the realm of electronic component radiation testing, the integration of satellite missions, radiation sources, dose calculations, measurements, and radiation safety protocols present challenges for newcomers. Since 2010, iST has been a member of the Taiwan Space Radiation Environment Verification and Testing Alliance (TSREVTA), invited by the Taiwan Space Agency (TASA). In April 2023, following TASA's restructuring as a statutory body, iST signed a new memorandum of understanding. As a member of TSREVTA, iST is committed to establishing a comprehensive domestic space verification platform covering various tests such as temperature, vibration, shock, thermal vacuum, and gas volatility. With an increasing number of clients and testing requirements, iST's collaboration with the industry ensures a smooth entry for domestic manufacturers into the international space industry.

### **Corporate Social Responsibility (ESG)**

As a leader in the verification and analysis sector of electronics industry, iST is committed to maximizing value for customers, employees, and shareholders. Throughout our journey, we have upheld integrity in business operations, continuously strengthening corporate governance and enhancing board functions to ensure sustainable and steady development. Guided by the core values of being "people-oriented", we regard our employees as iST's most valuable asset by following the principles of "respect for human rights" and "diversity and inclusion". Firmly believing that "happy employees lead to satisfied customers," we are dedicated to fostering a diverse, equitable, and inclusive workplace. Our aim is for iST to be a company that employees take pride in being part of. Furthermore, iST actively takes public welfare initiatives, supporting vulnerable groups as part of our commitment to giving back to society. We prioritize environmental conservation and energy efficiency in our business operations and collaborate with suppliers who bring ESG sustainability into actions. Our objective is for iST to be recognized as a responsible company that meets the needs of customers, employees, and shareholders alike.

In addition to our main facility in the Neihu district, iST's primary manufacturing sites are concentrated in the Hsinchu region known for its industrial clusters. We maintain ongoing

communication with local communities and conduct environmental and social impact assessments. During 2023, there were no significant environmental, social, or economic impacts on surrounding communities or neighboring facilities. Over the years, we have consistently supported local social welfare organizations by providing scholarships to nurture future technology talent and assisting underprivileged children in rural areas. We also promote reading programs in rural elementary schools to help schoolchildren develop good reading habits and acquire scientific knowledge from an early age to enhance their future competitiveness. Furthermore, we collaborate with relevant groups to promote EQ education for children, aiming to enhance individual emotional intelligence and foster social harmony. Other than that, we have initiated projects to support organizations serving people with disabilities, providing them with opportunities to sell self-grown agricultural products, thereby contributing positively to society.

In the pursuit of corporate social responsibility, iST remains dedicated to refining corporate governance, environmental protection, and occupational safety and health. Through stringent information security controls, we have obtained ISO/IEC 27001 certification to ensure the utmost confidentiality of our clients. Committed to environmental sustainability, we have achieved ISO 45001 and ISO 14001 certifications for occupational safety and health management systems. Additionally, we actively follow ISO 14001 environmental management systems in managing resources, preventing pollution, and promoting environmental sustainability.

### **Future Prospects**

We extend our gratitude to all shareholders for their trust and support in iST. Looking ahead, "IST 2.0" is underway. We are not only continuing to excel in verification and analysis platforms such as AI (HPC), electric vehicles, advanced processes, advanced packaging, space verification needs, and third-class semiconductors, but also innovating by introducing comprehensive services including Reliability Verification (RA), Failure Analysis (FA), and Material Analysis (MA). We are elevating our goal from "solving customers' problems" to "making customers' lives easier," offering faster and better overall solutions. iST will uphold its core values of being the "best assistant in product development" and the "best guardian of product quality," continuing to carry out corporate governance and sustainable operations to generate excellent returns for shareholders. We will also collaborate with global electronics industry clients to embrace future technologies together.

Furthermore, IST will uphold the principles of sustainable development by integrating ESG concepts into our business policies. We will continue to maintain good communication with internal and external stakeholders in the three dimensions of corporate governance, social inclusion, and environmental protection. We will promote ESG strategic plans, achieve the United Nations Sustainable Development Goals (SDGs), and fulfill our role as corporate citizens. Together with partners and stakeholders from all sectors, we will work hand in hand to create a better and more sustainable future.

In the end, thank you for your long-term support and trust again.

We wish all shareholders health and success.

Chairman: Yu Wei-Pin  
General Manager: Yu Wei-Pin  
Accounting Manager: Lin Yu-Sang

## II. Company Profile

(I) Date of Incorporation: 1994

(II) Company History:

### **Research and Development Partner Accelerating Launch of Customers' Products into the Market**

iST, a certifying and testing lab in the electronics industry, was incorporated in 1994 with capital of tens of millions of NT dollars. It created IC circuit repair (FIB) service at the starting stage of the semiconductor industry in Asia and therefore changed then-existing certification models for the whole semiconductor industry. iST has become a research and development partner of customers to accelerate launch of their products into the market by assisting with IC debut, analysis and quality assurance and “resolving customer pain points.”

In 2004, iST (stock code 3289) had its shares listed and traded at Taipei Exchange after being incorporated for 10 years.

iST explored new services, including failure analysis (FA), reliability analysis (RA), material analysis (MA), chemical/process micro-pollution analysis and signal test, year after year to build a complete certification and analysis engineering platform and provide full service for customer groups from upstream IC design to midstream and downstream finished products in the electronics industry. As cloud smart handheld devices/IoT/Internet of Vehicles have emerged, iST has not only focused on core services but also paid attention to international trends to explore expand a great diversity of services and build a semiconductor advanced process/advanced package validation platform, an automotive electronics verification platform, an IoT/Internet of Vehicles platform, a 5G verification platform, a space verification platform, and AI chip verification & analysis platform.

### **Third Party Independent Lab, Assisting Customers in Controlling Product Quality**

iST has become an internationally renowned institution and has credibility – a lab recognized by IEC/IECQ, TAF and TUV NORD. In the trend of outsourcing by global leading companies, it has also played an important role as an independent quality verification lab and qualified for verification of supply chains for leading companies/associations.

### **Global Strategy to Explore the World**

iST is entering a period of rapid growth, driven by major trends in advanced manufacturing processes, electric vehicles, third-category semiconductors, 5G, HPC, IoT, and AI-related applications. These trends are expected to stimulate increased R&D investment by more enterprises in future technologies. Concurrently, iST continues to collaborate closely with international key clients by developing more solutions to support their needs for verification and analysis.

Moreover, in response to the global landscape under the G2 framework, iST is expanding its footprint in verification and analysis from Taiwan to worldwide with an aim to enhance international client services. This expansion seeks to provide more comprehensive, rapid, advanced, and innovative high-quality technical services to meet global leading trends for mutual growth.

Date	Description
March 1994	iST was incorporated. The paid-in capital was NTD 10 million. It provided FIB analysis service.
May 1996	Common shares were issued for cash in an amount of NTD 3 million. The paid-in capital was NTD 13 million.
August 1997	FIB system was expanded.
June 1998	The 0.35um verification analysis technology was developed.
December 1999	The failure analysis lab was established.
September 2000	The reliability lab was established.
December 2000	Common shares were issued for cash in an amount of NTD 42.9 million. Capital increase by NTD 2.6 million through capitalization of earnings. The paid-in capital was NTD 58.5 million. The plant on Puding Road was established.
August 2001	Common shares were issued for cash in an amount of NTD 7.8 million. The paid-in capital was NTD 66.3 million.
July 2001	iST acquired IECQ certification.
November 2001	Common shares were issued for cash in an amount of NTD 17,413 thousand. Capital increase by NTD 4,507 thousand through capitalization of earnings. The paid-in capital was NTD 88.22 million.
December 2001	iST acquired TAF certification.
May 2002	IST established Yi Shuo Science Co., Ltd., a subsidiary in Shanghai, and invested in Samoa IST.
June 2002	Capital increase by NTD 28,946 thousand through capitalization of earnings. The paid-in capital was NTD 117,166 thousand.
July 2002	Common shares were issued for cash in an amount of NTD 40,000 thousand. The paid-in capital was NTD 157,166 thousand.
February 2003	iST purchased the premises of Plant II.
May 2003	Capital increase by NTD 51,388 thousand through capitalization of earnings. The paid-in capital was NTD 208,554 thousand.
June 2003	iST completed the procedure for public offering.
October 2003	iST established a complete service platform by setting up the system reliability department additionally.
December 2003	Common shares were issued for cash in an amount of NTD 10,000 thousand. The paid-in capital was NTD 218,554 thousand.
March 2004	iST registered in the emerging stock market.
September 2004	Capital increase by NTD 80,943 thousand through capitalization of earnings. The paid-in capital was NTD 299,497 thousand.
December 2004	iST registered for trading at Exchange.
January 2005	iST established IST (Kunshan) Electronics Co., Ltd. and Yi Jie (Kunshan) Technology Co., Ltd.
June 2005	2005 Q2 employee stock options were converted to common shares in an amount of NTD 4,716 thousand. The paid-in capital was NTD 304,213 thousand.
July 2005	iST invested NTD 1,650 thousand in Chun Yung Technology Co., Ltd. and merged Standard Technology Co., Ltd., a subsidiary held 100% by iST.
August 2005	Capital increase by NTD 83,942 thousand through capitalization of earnings. The paid-in capital was NTD 388,155 thousand.
February 2006	iST issued unsecured corporate bonds in an amount of NTD 300 million domestically for the 1 <sup>st</sup> time.
March 2006	2006 Q1 employee stock options were converted to common shares in an amount of NTD 3,841 thousand. The paid-in capital was NTD 391,996 thousand.
July 2006	2006 Q2 employee stock options were converted to common shares in an amount of NTD 2,380 thousand. The paid-in capital was NTD 394,376 thousand.
September 2006	Common shares were issued in an amount of NTD 29,800 thousand through capitalization of earnings and capital surplus. The paid-in capital was NTD 424,176 thousand.
October 2006	2006 Q3 employee stock options and convertible bonds were converted to common shares in an amount of NTD 4,434 thousand. The paid-in capital was NTD 428,610 thousand.
October 2006	iST rented the property at No. 19, Puding Road.
January 2007	iST established a subsidiary in the U.S. and established Yi Zhi Fa Science (Shenzhen) Co., Ltd.

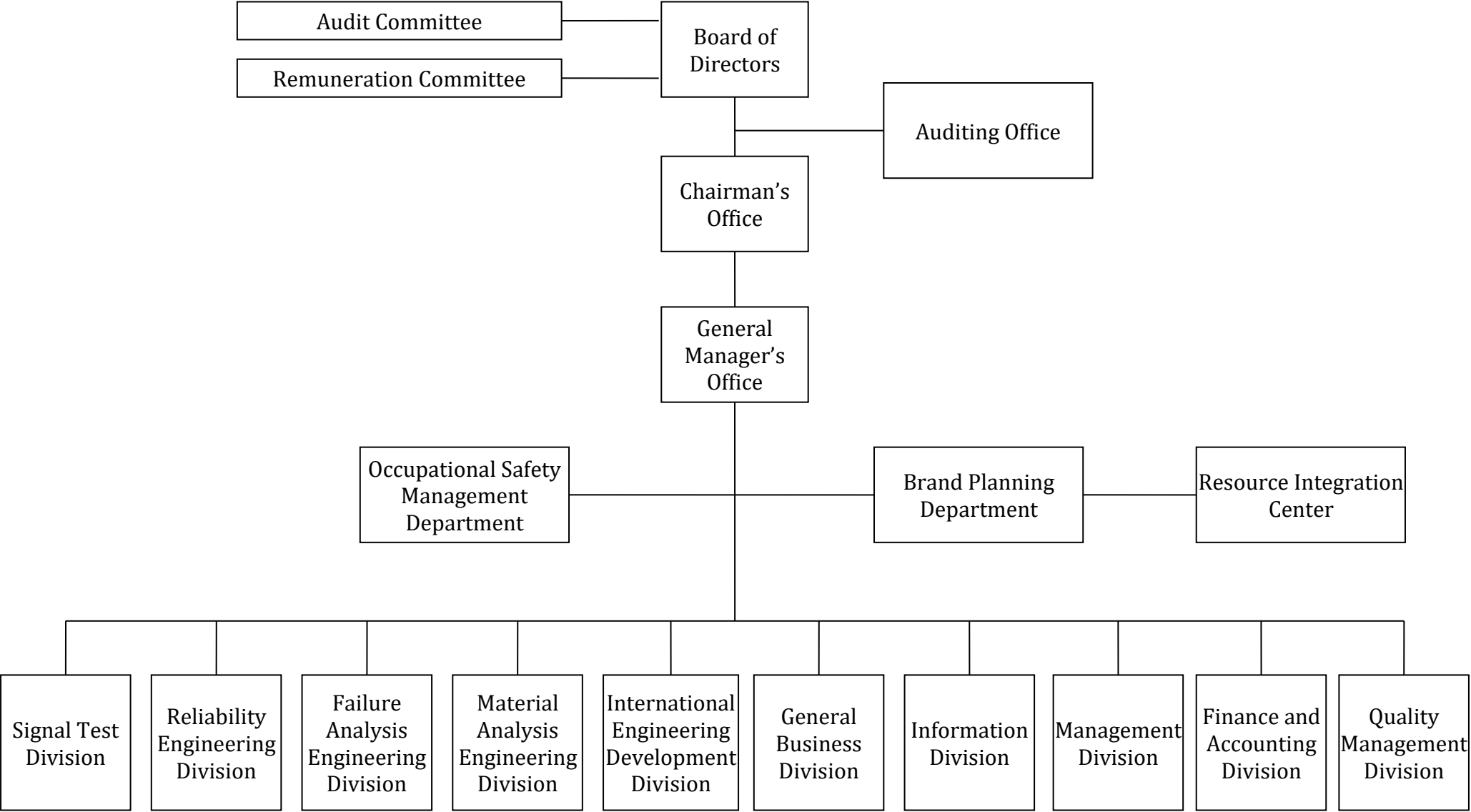
Date	Description
February 2007	2006 Q4 employee stock options and convertible bonds were converted to common shares in an amount of NTD 8,515 thousand. The paid-in capital was NTD 437,126 thousand.
March 2007	iST established Yi Shuo Science (Beijing) Co., Ltd.
April 2007	2007 Q1 employee stock options and convertible bonds were converted to common shares in an amount of NTD 25,732 thousand. The paid-in capital was NTD 462,857 thousand.
October 2007	Common shares were issued in an amount of NTD 38,967 thousand for 2007 Q2 employee stock options, convertible bonds and capital increase through capitalization of earnings. The paid-in capital was NTD 501,824 thousand.
November 2007	2007 Q3 employee stock options and convertible bonds were converted to common shares in an amount of NTD 2,697 thousand. The paid-in capital was NTD 504,521 thousand.
February 2008	2007 Q4 employee stock options and convertible bonds were converted to common shares in an amount of NTD 3,939 thousand. The paid-in capital was NTD 508,460 thousand.
April 2008	2008 Q2 employee stock options and convertible bonds were converted to common shares in an amount of NTD 2,379 thousand. The paid-in capital was NTD 510,839 thousand.
May 2008	iST established IC Service Japan.
September 2008	Common shares were issued in an amount of NTD 45,065 thousand for 2008 Q2 employee stock options, convertible bonds and capital increase through capitalization of earnings. The paid-in capital was NTD 555,904 thousand.
November 2008	2008 Q3 employee stock options were converted to common shares in an amount of NTD 165 thousand. The paid-in capital was NTD 556,069 thousand.
January 2009	Common shares were issued for cash in an amount of NTD 50,000 thousand. The paid-in capital was NTD 606,069 thousand.
May 2009	2009 Q1 employee stock options were converted to common shares in an amount of NTD 126 thousand. The paid-in capital was NTD 606,195 thousand.
August 2009	2009 Q2 employee stock options were converted to common shares in an amount of NTD 150 thousand. The paid-in capital was NTD 606,345 thousand.
September 2009	Common shares were issued in an amount of NTD 80,001 thousand through capitalization of earnings. The paid-in capital was NTD 686,346 thousand.
August 2010	2010 Q2 employee stock options were converted to common shares in an amount of NTD 2 thousand. The paid-in capital was NTD 686,348 thousand.
October 2011	Common shares were issued in an amount of NTD 13,727 thousand through capitalization of earnings. The paid-in capital was NTD 700,075 thousand.
September 2012	Treasury shares in an amount of NTD 3,000 thousand were cancelled and capital reduced by cash in an amount of NTD 250,000 thousand. The paid-in capital was NTD 447,075 thousand.
February 2013	Common shares for restricted stock awards in an amount of NTD 12,000 thousand were issued. The paid-in capital was NTD 459,075 thousand.
June 2014	Common shares for restricted stock awards in an amount of 6,000 thousand were annulled. 2014 Q1 employee stock options were converted to common shares in an amount of NTD 3,660 thousand. The paid-in capital was NTD 456,735 thousand.
September 2014	2014 Q2 employee stock options were converted to common shares in an amount of NTD 2,735 thousand. The paid-in capital was NTD 459,470 thousand.
December 2014	2014 Q3 employee stock options were converted to common shares in an amount of NTD 770 thousand. The paid-in capital was NTD 460,240 thousand.
May 2015	2015 Q1 employee stock options were converted to common shares in an amount of NTD 3,800 thousand. The paid-in capital was NTD 464,040 thousand.
September 2015	2015 Q2 employee stock options were converted to common shares in an amount of NTD 620 thousand. The paid-in capital was NTD 464,660 thousand.
December 2015	2015 Q3 employee stock options were converted to common shares in an amount of NTD 170 thousand. The paid-in capital was NTD 464,830 thousand.
January 2016	Common shares were issued for cash in an amount of NTD 40,000 thousand. The paid-in capital was NTD 504,830 thousand.
June 2016	2016 Q1 employee stock options and convertible bonds were converted to common shares in an amount of NTD 481 thousand. The paid-in capital was NTD 505,311 thousand.
September 2016	2016 Q3 employee stock options and convertible bonds were converted to common shares in an amount of NTD 5,120 thousand. The paid-in capital was NTD 510,431 thousand.
October 2016	2016 Q3 employee stock options were converted to common shares in an amount of NTD 7,352

Date	Description
	thousand. The paid-in capital was NTD 517,783 thousand.
October 2016	Common shares were placed privately for cash in an amount of NTD 6,000 thousand. The paid-in capital was NTD 523,783 thousand.
January 2017	Common shares were issued for cash in an amount of NTD 100,000 thousand. The paid-in capital was NTD 623,783 thousand.
May 2017	2017 Q1 convertible bonds were converted to common shares in an amount of NTD 1,146 thousand. The paid-in capital was NTD 624,929 thousand.
August 2017	2017 Q2 convertible bonds were converted to common shares in an amount of NTD 355 thousand. The paid-in capital was NTD 625,284 thousand.
November 2017	2017 Q3 employee stock options and convertible bonds were converted to common shares in an amount of NTD 4,780 thousand. The paid-in capital was NTD 630,064 thousand.
February 2018	2017 Q4 convertible bonds were converted to common shares in an amount of NTD 4,953 thousand. The paid-in capital was NTD 635,017 thousand.
May 2018	2018 Q1 convertible bonds were converted to common shares in an amount of NTD 734 thousand. The paid-in capital was NTD 635,751 thousand.
November 2019	Common shares were issued for cash in an amount of NTD 300,000 thousand. The paid-in capital was NTD 935,751 thousand.
November 2020	It established Prosperity Power Technology Inc.
March 2021	It established IST (Kenshan) Electrical Technology Co., Ltd.
September 2021	Treasury shares in an amount of NTD 50,000 thousand were cancelled. The paid-in capital was NTD 885,751 thousand.
October 2021	Treasury shares in an amount of NTD 40,000 thousand were cancelled. The paid-in capital was NTD 845,751 thousand.
January 2022	Treasury shares in an amount of NTD 48,000 thousand were cancelled. The paid-in capital was NTD 797,751 thousand.
May 2022	Treasury shares in an amount of NTD 50,000 thousand were cancelled. The paid-in capital was NTD 747,751 thousand.
September 2023	2023 Q2, employee stock options were converted to common shares in an amount of NTD 5,316 thousand. The paid-in capital was NTD 753,067 thousand.
December 2023	2023 Q3, employee stock options were converted to common shares in an amount of NTD 2,342 thousand. The paid-in capital was NTD 755,409 thousand.
April 2024	2023 Q4, employee stock options were converted to common shares in an amount of 300 thousand and treasury shares in an amount of NTD 15,620 thousand were cancelled, The paid-in capital was NTD 740,089 thousand.

III. Corporate Governance Report

- (I) Organization System
  - A. Organization Structure

iST Organization Structure  
2023.12.31



B. Business Managed by Each Main Department and Division

Department and Division	Managed Business
Chairman's Office	<ol style="list-style-type: none"> <li>1. Decision on corporate business direction and strategies</li> <li>2. Evaluation, implementation and control of investment returns from reinvested companies</li> </ol>
General Manager's Office	<ol style="list-style-type: none"> <li>1. Corporate business operation and management</li> </ol>
Auditing Office	<ol style="list-style-type: none"> <li>1. Establishment of a auditing system and implementation of audit plans</li> <li>2. Management planning, supervision and analysis of internal risks</li> </ol>
General Engineering Division (Signal Test Division) (Reliability Engineering Division) (Failure Analysis Engineering Division) (Material Analysis Engineering Division)	<ol style="list-style-type: none"> <li>1. A role as a third-party independent lab in circuit modification, reliability verification, material analysis, signal test, etc.</li> <li>2. Assisting customers in clarifying product quality and facilitating product launches</li> </ol>
General Business Division	<ol style="list-style-type: none"> <li>1. Market survey and information collection, development of potential customers, and maintenance of existing customers</li> <li>2. Taking charge of defining customer demands and fully communicate the demands to relevant units in the plant</li> <li>3. Preparation and execution of orders and contracts</li> <li>4. Coordination with relevant units based on quality issues and demands presented by customers in order to improve</li> </ol>
Management Division	<ol style="list-style-type: none"> <li>1. Management/application of human resources, and planning and implementation of relevant personnel educational training</li> <li>2. Access control management, environmental maintenance, and management of corporate fixed assets</li> <li>3. Dealing with and supervising operations relevant to corporate security, health and inspection</li> <li>4. Preparation, supervision and management of plans for general affairs and administrative work, contract awards, and procurement of equipment</li> <li>5. Analysis and management of procurement cost, purchase of raw materials, and management of raw material stock</li> <li>6. Legal affairs of iST</li> </ol>
Finance and Accounting Division	<ol style="list-style-type: none"> <li>1. Treatment, review and approve of accounting items and tax affairs, and preparation of financial statements</li> <li>2. Budgeting, analysis and control of variances</li> <li>3. Financial management, and preparation short-, mid- and long-term plans for acquisition and use of funds</li> <li>4. Processing receipts and disbursements of cash, and dealing with transactions with banks</li> <li>5. Dealing with matters relevant to annual settlement and distribution of earnings</li> <li>6. Analysis of financial structure, changes in profits and losses and</li> </ol>



	long-term trends, and preparation, analysis and interpretation of accounting reports
Information Division	<ol style="list-style-type: none"> <li>1. Maintenance of servers, and PCB network planning and management</li> <li>2. Purchase and maintenance of PC software and hardware, management of computer facilities, and management of consumables</li> <li>3. Planning, management and maintenance of the website</li> <li>4. Implementation and supervision of backup work for data of the whole plant</li> <li>5. Information safety management</li> </ol>
International Engineering Development Division	<ol style="list-style-type: none"> <li>1. Cooperation with international brand customers and international organization alliances to develop new verification technologies and standards</li> </ol>
Quality Management Division	<ol style="list-style-type: none"> <li>1. Documentation management center</li> <li>2. External and lab audit management</li> <li>3. Certification of experimental items</li> </ol>
Occupational Safety Management Department	<ol style="list-style-type: none"> <li>1. Promotion of emergency response systems and management controls to be used in factory areas</li> <li>2. Implementation of public security, environmental protection declaration and testing work</li> <li>3. Educational training for environmental protection laws and security management</li> </ol>
Brand Planning Department	<ol style="list-style-type: none"> <li>1. PR public media relation</li> <li>2. CSR corporate social welfare</li> <li>3. IR investor relation</li> <li>4. Brand/business promotion</li> </ol>
Resource Integration Center	<ol style="list-style-type: none"> <li>1. Promotion of industrial engineering standard operation and relevant matters</li> <li>2. Promotion of projects on process optimization and activation enhancement</li> <li>3. Process design relevant to new organizations and systems</li> </ol>

(II) Information of Directors, General Manager, Vice General Manager, Assistant Manager, Head of Department and Head of Branch

A. Information of Directors  
1. Table of Directors’ Information

Apr. 16, 2024 Unit: Share																				
Title	Nationality or Registration Place	Name	Sex (Age)	Election (Employment) Date	Term of Office	Initial Election Date	Shares held upon election		Shares held at present		Shares held by the spouse and minor child(ren) at present		Shares held in the name of another person		Main Work Experience (Education)	Other positions the person also works as at iST and other companies at present	Any senior officer, director or supervisor who is the person's spouse or relative within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Chairman, and Representative of Juristic Person Director	Republic of China	Han Sheng Investment Co., Ltd.	-	2021.07.26	3 years	1994.09.09	3,652,288	3.90%	3,652,288	4.88%	0	0	0	0	N/A	N/A	None	None	None	None
	Republic of China	Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	Male 61	2021.07.26	3 years	1994.09.09	0	0	237,205	0.31%	488	0.001%	0	0	Bachelor from Department of Physics, Tamkang University EMBA from National Chengchi University Senior Engineer at Electronic System Research Laboratory, Industrial Technology Research Institute	Chairman of Integrated Service Technology Inc. General Manager of Integrated Service Technology Inc. President of Innovative Turnkey Solution President of Prosperity Power Technology Inc Representative of the juristic person director INTEGRATED SERVICE TECHNOLOGY INC. (SAMOA) Representative of the juristic person director INTEGRATED SERVICE TECHNOLOGY INC. (Seychelles) Supervisor of Integrated Service Technology (Kunshan) Co., Ltd. President of Supreme Fortune Corp. President of Hot Light Co., Ltd Supervisor of System Integration Professional Technology . President of Han Sheng Investment Co., Ltd. Supervisor of Ho Hua Investment Co., Ltd. President of Huan Ying Sustainable Development Technology President of He Chou Technology Inc. (former Elitist Design Technology Inc.) President of Pin Wen Corp. Supervisor of Instrument Supply Technology (Kunshan)Co., Ltd. Representative of the juristic person director, EFUN Technology Inc. Representative of the juristic person director, Motor Semiconductor Co., Ltd. Director of Enli Technology Co., Ltd.	None	None	None	None
Deputy Chairman, and Representative of Juristic Person Director	Republic of China	Hui Long Co., Ltd.	-	2021.07.26	3 years	2001.10.21	849,921	0.91%	849,921	1.12%	0	0	0	0	N/A	N/A	None	None	None	None
	Republic of China	Hui Long Co., Ltd. Representative: Chen Ching Chuo	Male 59	2021.07.26	3 years	2001.10.21	0	0	954	0.001%	691	0.001%	0	0	Bachelor from Department of Electrical Engineering, National Central University Master from Institute of Electronics, National Chiao Tung University Director of Server Business Division, Ying Chi Enterprise Co., Ltd. Manager at Electronic System Research Laboratory, Industrial Technology Research Institute	Vice President of Dekra iST Director of Pin Wen Co., Ltd. President of Hui Long Co., Ltd. Director of Innovative Turnkey Solution	None	None	None	None

Director	Republic of China	Tu Chung-Cheh	Male 60	2021.07.26	3 years	2003.04.21	962,000	1.03%	902,000	1.19%	0	0	0	0	Master in Information Management from Fairleigh Dickinson University, USA Manager of Department of Consumer Banking, HSBC Financial Manager of Artplus International Co., Ltd. Manager of Management Department, Anatek Director of MIA Life Co., Ltd.	Director of Pin Wen Co., Ltd. Supervisor of Innovative Turnkey Solution	None	None	None	None
Director	Republic of China	Liu Fu-Han	Male 63	2021.07.26	3 years	2017.06.15	934,525	1.00%	920,000	1.22%	0	0	0	0	EMBA from National Chengchi University General Manager of Kye Systems Corp.	Independent Director of Auras Technology Co., Ltd.	None	None	None	None
Director and Representative of Juristic Person Director	Republic of China	Kai Ou Investment Co., Ltd.	-	2021.07.26	3 years	2005.06.29	688,753	0.74%	688,753	0.91%	0	0	0	0	N/A	N/A	None	None	None	None
	Republic of China	Kai Ou Investment Co., Ltd. Representative: Chen Yang-Kuang	Male 67	2021.07.26	3 years	2005.06.29	0	0	0	0	0	0	0	0	Department of Economics, National Taiwan University Representative of the juristic person director, IBF Financial Holdings Co., Ltd. President of Shan Yi Investment and Consultation Co., Ltd. President of IBF Securities Investment Consulting	Representative of the juristic person of Prosperity Power Technology Inc	None	None	None	None
Director	Republic of China	Lo Wen-Hao	Male 57	2021.07.26	2 years	2012.12.12	500,075	0.53%	520,075	0.69%	0	0	0	0	EMBA from National Chengchi University Representative of the juristic person director, Magic Technology Co., Ltd. Director of TONAL	President of Tong Shuo Investment Co., Ltd. Director of Global Magic Technology Co., Ltd. Director of Magic Technology Co., Ltd. Independent Director of Gudeng Precision Industrial Co., Ltd.	None	None	None	None

Independent Director	Republic of China	Wang Chih-Hung	Male 54	2021.07.26	3 years	2009.08.26	0	0	0	0	0	0	0	0	PhD from Graduate School of Macromolecular Materials, National Taiwan University of Science and Technology R&D Director of Prodisc Technology Inc. General Manager of Entire Technology Co., Ltd. Full-time Assistant Professor at Department of Chemical Engineering, Kuang Wu Institute of Technology	President of Entire Technology Co., Ltd. Director and General Manager of EnFlex Corp. Director and General Manager of Entire Holding Group Ltd. Director and General Manager of Entire Materials Co., Ltd. Director of Entire Technology (Hong Kong) President of Yi Hsuan Investment Co., Ltd. President of Sing Pen Taiwan Co., Ltd. President of Guide Win Special Chemical Co., Ltd. Representative of the juristic person director Thank You My Friends Inc. President of Suzhou Youhong Technology Co., Ltd. President of Suzhou Sinpan Plastic Technology Co., Ltd. Director of Polymer Asia Investment Limited Director of Sky Grant Enterprises Limited Director of Sing Pen International Technology Co., Ltd.(Samoa) Director of Sing Pen International Technology Co., Ltd. (Anguilla) Representative of the juristic person director, Ninja Silicone	None	None	None	None
Independent Director	Republic of China	Hung Wen-Ming	Male 69	2021.07.26	3 years	2018.06.13	0	0	0	0	0	0	0	0	Department of Political Science, Soochow University Certificate of Completion from Program for Entrepreneurs, College of Commerce, National Chengchi University General Manager of Yuanta Securities and Investment Consulting Co., Ltd. Senior Vice General Manager of Yuanta Securities Co., Ltd. Supervisor of International New York Life Insurance Co., Ltd.	Independent Director of Gia Tzoong Enterprise Co., Ltd.	None	None	None	None

Independent Director	Republic of China	Lou Yung-Chien	Male 65	2021.07.26	3 years	2019.06.13	0	0	0	0	0	0	0	0	Bachelor from Department of Transportation Management Science, National Cheng Kung University Master from Institute of Industrial Management, National Cheng Kung University PhD in Marketing from Department of Business Administration, University of Illinois Urbana-Champaign, USA Associate Researcher at Industrial Economic Research Center, Industrial Technology Research Institute	Professor at Department of Business Administration, National Chengchi University Independent Director of Sampo Corp.	None	None	None	None
Independent Director	Republic of China	Yu Chuo-Min (Note 1)	Male 70	2021.07.26	3 years	2021.07.26	0	0	0	0	10,000	0.01%	0	0	PhD in Business Administration from University of Michigan Independent Director of Yuanta Futures Co., Ltd. Member of Salary and Remuneration Committee, Advantech Co., Ltd. Independent Director of Advantech Co., Ltd. Independent Director of Yuanta Commercial Bank Co., Ltd. Independent Director of Yuanta Securities Co., Ltd. Advisor at Hon Hai Precision Industrial Co., Ltd. Assistant Professor at College of Business, University of Illinois Urbana-Champaign Professor at Department of Business Administration, National Chengchi University	Independent Director of National Chengchi University Axiomtek Co., Ltd. Distinguished Professor at Department of Industrial and Business Management, Chang Gung University Independent Director of WPG Holdings	None	None	None	None

Note 1 When General Manager or any equivalent high-ranking executive (a top management member) also serves as Chairman or is the spouse or a first-degree relative of Chairman, the information regarding the reason, reasonableness, necessity, and measures taken in response (e.g. adding more independent directors, requiring a majority of directors who are not employed as employees or managers, etc.) shall be disclosed.

i.

Title	Name	Relation
General Manager	Yu Wei-Pin	Chairman

ii. Reason, Reasonableness and Necessity:

To enhance business efficiency and decision implementability, Chairman of iST also serves as its General Manager. In normal times or at a board meeting, Chairman also fully communicates with directors about the latest status of business operation and any plan or policy to implement corporate governance thoroughly.

iii. Corresponding Measures:

- (i) Seats of independent directors were increased to enhance functions of the board of directors and strengthen supervisory function.
- (ii) More than a half of board members are neither employees nor managers.

2. (1) Main shareholders of each juristic person director of iST:

Name of Juristic Person Director	Main Shareholders of Juristic Person Director
Han Sheng Investment Co., Ltd.	Ho Hua Investment Co., Ltd.(100%)
Hui Long Co., Ltd.	Chen Ching Chuo (90.38%) Chen Ching-Hsin ( 9.62%)
Kai Ou Investment Co., Ltd.	Chen Kai-Yun (40.45%) Chen Kai-Wei (40.45%) Chen Yang-Kuang (12.80%) Wang Shu-Miao ( 6.30%)

(2) Main shareholders of the juristic person director which is a main shareholder of a juristic person director of iST:

Name of Juristic Person Director	Main Shareholders of Juristic Person Director
Ho Hua Investment Co., Ltd.	Yu Wei-Pin (81.45%) Chen Ting-Ting (18.21%) Samoa-based GROWING FINANCE(0.34%)

3. Disclosure of Information Regarding Professional Qualifications of Directors and Independence of Independent Directors:

Requirement Name	Professional Qualification and Experience	Status of Independence	Number of public companies where the person also serves as an independent director
Director: Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	He has 5 or more years of work experience required for corporate business and now serves as Chairman and General Manager of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	0
Director: Hui Long Co., Ltd. Representative: Chen Ching Chuo	He has 5 or more years of work experience required for corporate business and now serves as Deputy Chairman of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	0
Director: Tu Chung-Cheh	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	0
Director: Liu Fu-Han	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	1
Director: Kai Ou Investment Co., Ltd. Representative: Chen Yang-Kuang	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	0
Director: Lo Wen-Hao	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	N/A	1

Independent Director: Wang Chih-Hung	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	(1) He is not an employee of iST or any of its affiliates. (2) He is not a director or supervisor of iST or any of its affiliates. (3) The shares of iST held by him and his spouse and minor child(ren) or in another person's name are no more than 1% of the total shares issued, and he is not one of 10 largest shareholders.	0
Independent Director: Hung Wen-Ming	He has 5 or more years of work experience required for corporate business and now serves as Director of Integrated Service Technology Inc., and is not in any situation stated in Article 30 of the Company Act.	(4) He is not such manager as stated in (1) or a spouse, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship by blood of any of such persons as stated in (2) or (3). (5) He is not a shareholder directly holding 5% or more of issued shares of iST or one of 5 largest shareholders, and is not a director, supervisor or employee of any of the juristic person shareholders who is designated in accordance with Article 27 (1) or 27 (2) of the Company Act to serve as a director or supervisor of iST.	1
Independent Director: Lou Yung-Chien	He has 5 or more years of work experience required for corporate business and now serves as Professor at Department of Business Administration, National Chengchi University., and is not in any situation stated in Article 30 of the Company Act.	(6) He is not a director, supervisor or employee of an entity that controls a majority of directors or voting shares of iST.	1
Independent Director: Yu Chuo-Min	He has 5 or more years of work experience required for corporate business and now serves as Distinguished Professor at Department of Industrial and Business Management, Chang Gung University., and is not in any situation stated in Article 30 of the Company Act.	(7) He is not Chairman, General Manager or an equivalent high-ranking executive of iST and is not a director, supervisor or employee of his spouse's company or institution. (8) He is not a director, supervisor or manager or a shareholder holding 5% or more shares of any company or institution with which iST has financial or business transactions. (9) He is not a professional or a proprietor, partner, director, supervisor or manager or spouse thereof of a sole proprietorship, partnership, company or institution that provides iST or any of its affiliates with audit service or with commercial, legal, financial or accounting service for remuneration in return for the latest 2 years. (10) He is not a spouse or a relative within the second degree of kinship of any other director. (11) Neither a government agency nor a juristic person is elected as stated in Article 27 of the Company Act.	2

Note: iST has obtained the independence declaration from each independent director for his/her appointment and based on the matters required to be completed by a public company, and has confirmed that each independent director has met the independence requirement provided by law.



4. Diversity and Independence of Board of Directors:

(1) Diversity of Board of Directors:

iST adopts a candidate nomination system, based on the diversity policy and for strengthening corporate governance and facilitating sound development of the organization and structure of the board of directors, to have director candidates nominated and the evaluate educational background, work experience, professional background, sincerity and relevant professional qualifications of each candidate in accordance with the articles of incorporation. After candidates are approved by a resolution of the board of directors, directors are elected from the candidates at the shareholders' meeting. In the board of directors, the directors who also serve as managers of iST are no more than one third of seats of board directors. A diversity policy has also been prepared for the operation model and development requirements of the board of directors, including but not limited to the following:

(A) Basic conditions and values: Sex, age, nationality and culture.

(B) Professional knowledge and skills: Ability to make operational judgment, ability to make accounting and financial analysis, operation management ability, crisis management ability, industry know-how, international market perspective, leadership challenge and decision-making ability.

The board of directors is composed of 10 directors. Specific management objectives and the status of achievement thereof under the diversity policy for organization of the board are as follows:

Management Objectives	Achievement
Seats of independent directors shall be more than 1/3 of seats of directors.	Achieved
Directors who also serve as managers of iST shall be no more than one third of seats of directors.	Achieved
The term of office of an independent director shall not exceed 3 terms.	Achieved
Each has adequate diversified professional knowledge and skills.	Achieved

(C) Board members have adequate experiences in business management, relevant professional backgrounds, and the expertise, skills and literacy required to perform their duties. iST also arranges diversified educational programs for board members continuously to enhance quality of their decision-making, help them perform supervisory responsibility effectively and strengthen functions of the board of directors. At least one-third of board members have such abilities as specified in the 11 diversified core abilities required to perform business affairs. In addition, more than 90% of board members have the 3 key core abilities, i.e. ability to make operational judgment, operation management ability and crisis management ability, which iST values greatly.

The diversity policy with respect to board members is implemented as follows:

The diversity policy with respect to board members is implemented as follows:

Name	Nationality	Sex	Status of Employee	Term of Office and Seniority	Age			Diversified Core Items											
								Professional Background				Expertise and Skill							
					Less than 3 years	More than 3 (inclusive) years and less than 6 years	51-60	61-65	66-70	Accounting	Industry	Finance	Technology	Ability to make operational judgment	Accounting and financial analysis ability	Operation management ability	Leadership challenge and decision-making ability	Crisis management ability	Industry know-how
Director	Yu Wei-Pin	R.O.C.	Male	v						v	v	v	v	v	v	v	v	v	v
	Chen Ching Chuo			v		v					v	v	v	v	v	v	v	v	v
	Tu Chung-Cheh					v			v	v	v		v	v	v			v	v
	Liu Fu-Han						V		v	v	v	v	v	v	v	v	v	v	v
	Chen Yang-Kuang									v	v		v	v	v	v	v	v	v
	Lo Wen-Hao					v					v	v	v	v	v	v	v	v	v
Independent Director	Wang Chih-Hung				v	v					v	v	v	v		v	v	v	v
	Hung Wen-Ming				v			v			v	v	v	v	v	v	v	v	v
	Lou Yung-Chien				v		v				v		v	v	v	v	v	v	v
	Yu Chuo-Min				v				v	v		v	v	v	v	v	v	v	v

(2) Independence of Board of Directors:

The current board of directors of iST is composed of 10 members, including 4 independent directors (accounting for 40% of all board directors) and 2 directors who are also employees of iST (accounting for 20% of all board directors). As of the end of 2023, all independent directors met the requirements provided by Securities and Futures Bureau, Financial Supervisory Commission for independent directors. In addition, none of the matters stated in Paragraphs 3 and 4 of Article 26 of the Exchange and Securities Act occur between a director and an independent director. For independence of the board of directors, please see Disclosure of Information Regarding Professional Qualifications of Directors and Independence of Independent Directors on pages 18-19 of the annual report. For educational background, sex and work experience of each director, please see Information of Directors on pages 13-16 of the annual report.

B. Information of General Manager, Vice General Manager, Assistant Manager, Head of Department and Head of Branch

Apr. 16, 2024 Unit: Share : %

Title	Nationality	Name	Sex	Election (Employment) Date	Shares held		Shares held by the spouse and minor child(ren)		Shares held in the name of another person		Main Work Experience (and Education)	Other positions the person also works as at iST and other companies at present	Any manager who is the person's spouse or relative within the second degree of kinship			Rem arks
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relation	
General Manager	Republic of China	Yu Wei-Pin	Male	2013.11.25	237,205	0.31%	488	0.001%	0	0	Bachelor from Department of Physics, Tamkang University EMBA from National Chengchi University Senior Engineer at Electronic System Research Laboratory, Industrial Technology Research Institute	Chairman of Integrated Service Technology Inc. President of Innovative Turnkey Solution President of Prosperity Power Technology Inc Representative of the juristic person director INTEGRATED SERVICE TECHNOLOGY INC. (SAMOA) Representative of the juristic person director INTEGRATED SERVICE TECHNOLOGY INC.( Seychelles) Supervisor of Integrated Service Technology(Kunshan) Co., Ltd. President of Supreme Fortune Corp. President of Hot Light Co., Ltd Supervisor of System Integration Professional Technology . President of Han Sheng Investment Co., Ltd. Supervisor of Ho Hua Investment Co., Ltd. President of Huan Ying Sustainable Development Technology President of He Chou Technology Inc. (former Elitist Design Technology Inc.) President of Pin Wen Corp. Supervisor of Instrument Supply Technology(Kunshan)Co., Ltd. Representative of the juristic person director, EFUN Technology Inc. Representative of the juristic person director, Motor Semiconductor Co., Ltd. Director of Enli Technology Co., Ltd.	None	None	None	None
Vice General Manager of Finance and Accounting Division (Note 4)	Republic of China	Lin Yu-Sang	Female	2008.04.20	5,507	0.007%	0	0	0	0	Master from Institute of Business Automation and Management, National Taipei University of Technology Bachelor from Department of Accounting, Soochow University and a qualified CPA Manager of Finance and Accounting Division, GIGABYTE Technology Co., Ltd. CFO of Bai Ti Advertisement Co., Ltd. Manager of Finance and Accounting Division, Scientek Corp. Manager of Deloitte & Touche	Representative of the juristic person director Innovative Turnkey Solution Supervisor of Pin Wen Corp. Supervisor of Dekra iST Representative of the juristic person director BTL Inc.	None	None	None	None

Vice General Manager of Management Division (Note 5)	Republic of China	Chen Wen-Yin	Female	2007.01.01	138,064	0.18%	1,936	0.003%	0	0	Bachelor from Department of English, Tamkang University Assistant at Graduate Institute of American Studies, Tamkang University Teaching Assistant and Administrative Assistant at Tamkang University	None	None	None	None	None
Assistant Manager of International Engineering Development Division	Republic of China	Lee Chang-Pin	Male	2006.02.13	0	0	0	0	0	0	Master in Applied Chemistry from National Chiao Tung University Manager of Advanced Semiconductor Engineering, Inc. R&D Engineer of Silicomix Vishay Principal Engineer at Wah Lee Associate Research at Industrial Technology Research Institute	None	None	None	None	None
Senior Vice President of Reliability Engineering Division (Note 3)	Republic of China	Tseng Shao-Chun	Male	2015.04.13	72,700	0.10%	0	0	0	0	Institute of Management of Technology, National Chiao Tung University Engineer at Siliconware Precision Industries Co., Ltd. Engineer at Neith Corp.	None	None	None	None	None
Assistant Manager of Material Analysis Engineering Division	Republic of China	Hsu Ju-Hung	Male	2016.04.11	23,553	0.03%	0	0	0	0	PhD from Institute of Material Science and Engineering, National Tsing Hua University	None	None	None	None	None
Assistant Manager	Republic of China	Tseng Ta-Lin	Male	2016.04.11	0	0	0	0	0	0	Master from , College of Engineering, Graduate Institute of Electrical Engineering, Yuan Ze University Product Engineer at Taiwan Semiconductor Manufacturing Co., Ltd.	None	None	None	None	None
Director of Information Division	Republic of China	Huang Yin-Hao	Male	2019.04.01	23,606	0.03%	2,000	0.003%	0	0	Department of Information Engineering and Computer Science, Feng Chia University Graduate Institute of Information Management. National Yunlin University of Science and Technology Information Engineer at Powerchip Semiconductor Manufacturing Corporation Technical Advisor of W&Jsoft Inc.	None	None	None	None	None
Special Assistant (Note 2)	Republic of China	Lin Hsiu-Mei	Female	2022.05.01	57,000	0.075%	0	0	0	0	Master in Marketing from Baruch College, the City University of New York Department of Accounting, Feng Chia University	None	None	None	None	None

Director of Signal Test Division	Republic of China	Wang Shang-Chieh	Male	2020.01.01	11,500	0.015%	0	0	0	0	Department of Electrical Engineering, Feng Chia University Senior Manager of MStar Semiconductor, Inc.	None	None	None	None	None
Director of Engineering, Signal Test Division	Republic of China	Wang Yu-Min	Male	2020.01.01	10,763	0.014%	0	0	0	0	Oriental Institute of Technology Assistant Manager of Chander Electronics Corp. Senior Manager of Weltrend Semiconductor, Inc. Senior Manager of Jabil	None	None	None	None	None
Assistant Manager of Domestic and Overseas Sales Division (Note 4)	Republic of China	Wang Kuo-Feng	Male	2021.01.01	12,500	0.017%	0	0	0	0	United Microelectronics Corp. (UMC) Delta Electronics Inc. (DELTA) University of East Anglia/ MSc Marketing	None	None	None	None	None
Special Assistant (Note 3)	Republic of China	Cheng Chun-Yen	Male	2022.05.01	68,273	0.09%	0	0	0	0	Bachelor from Department of Electrical Engineering, National Sun Yat-sen University Business Manager of United Microelectronics Corp. Chemical Fiber Engineer of Far Eastern	President of Integrated Service Technology USA Inc. General Manager of Prosperity Power Technology Inc Representative of the juristic person director Dekra iST	None	None	None	None
Material analysis Expert (Note 4)	Republic of China	Pao Chung-Hsing	Male	2022.05.01	75,458	0.10%	0	0	0	0	Department of Materials and Optoelectronic Science National Sun Yat-sen University Arizona State University, USA Manager of Failure Analysis Department, United Microelectronics Corp. Material Analysis Advisor of Panjit Electronic Co., Ltd.	None	None	None	None	None
Director of Failure Analysis Engineering Division (Note 5)	Republic of China	Shen Shih-Hsiung	Male	2022.05.16	0	0	0	0	0	0	PhD. of Medical Engineering,, National Yang Ming Chiao Tung University Bachelor from Department of Power Mechanical Engineering, National Tsing Hua University Assistant Manager at TSMC Technical Manager at Powerchip Semiconductor Manufacturing Corporation Special Assistant to General Manager at iST	None	None	None	None	None
Special Assistant (Note 1)	Republic of China	Tseng Sheng-Yu	Male	2023.04.06	6,318	0.008%	0	0	0	0	Department of Electronic Engineering, Tamkang University Vice Department Manager at Nidec-Read Taiwan Corporation Senior Manager at Nidec SV Probe Director at Innovative	None	None	None	None	None

											Turnkey Solution					
Special Assistant (Note 2)	Republic of China	Liang Shih-Chang	Male	2023.9.11	0	0%	0	0	0	0	Chinese Culture University	None	None	None	None	None
Director of Project Service Division (Note 5)	Republic of China	Chien, Feng-Chun	Female	2024.4.1	2,500	0.003%	1,000	0.001%	0	0	Bachelor's Degree in Business Administration, Tamkang University Business Manager at Yijun Technology Assistant Manager at Integrated Service Technology Inc.	None	None	None	None	None

- Note: 1. Tseng Sheng-Yu, was appointed Special Assistant on April 6, 2023.
2. Liang Shih-Chang was appointed Special Assistant on September 11, 2023.
3. Tseng Shao-Chun was promoted Senior Vice President of Reliability Engineering Division on April 1, 2024.
4. Wang Kuo-Feng was promoted Assistant Manager of Domestic and Overseas Sales Division on April 1, 2024.
5. Chien, Feng-Chun was appointed Director of Project Service Division on April 1, 2024.

## (III) Remunerations to Directors, Supervisors, General Manager and Vice General Manager for the Latest Year

## A. Remuneration to Directors

Dec. 31, 2023;

Unit: in Thousands of New Taiwan Dollars

Title	Name	Remuneration to Directors								Sum of A, B, C and D, and Percentage of After-tax Profit that the sum accounts for		Relevant Remunerations Received by Directors also Working as Employees								Sum of A, B, C, D, E, F and G, and Percentage of After-tax Profit that the sum accounts for		Whether to receive any remuneration from reinvestees, rather than subsidiaries
		Compensation (A)		Retirement Pension (B)		Remuneration to Directors (C)		Business Execution Costs (D)				Salary, Bonus, Special Allowance, etc. (E)		Retirement Pension (F)		Remuneration to Employees (G)						
		iST	All companies included in the financial report	iST	All companies included in the financial report	iST	All companies included in the financial report	iST	All companies included in the financial report	iST	All companies included in the financial report	iST	All companies included in the financial report	iST	All companies included in the financial report	iST		All companies included in the financial report		iST	All companies included in the financial report	
Cash	Stock															Cash	Stock					
Director	Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	21,069	21,069	0	0	0	0	0	0	21,984 5.70%	21,984 5.70%	None
Director	Liu Fu-Han	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None
Director	Hui Long Co., Ltd. Representative: Chen Ching Chuo	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	1,478	1,478	76	76	0	0	0	0	2,469 0.64%	2,469 0.64%	None
Director	Tu Chung-Cheh	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None
Director	Kai Ou Investment Co., Ltd. Representative: Chen Yang-Kuang	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None
Director	Lo Wen-Hao	0	0	0	0	885	885	24	24	909 0.24%	909 0.24%	0	0	0	0	0	0	0	0	909 0.24%	909 0.24%	None
Independent Director	Wang Chih-Hung	0	0	0	0	885	885	12	12	897 0.23%	897 0.23%	0	0	0	0	0	0	0	0	897 0.23%	897 0.23%	None
Independent Director	Hung Wen-Ming	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None



Independent Director	Lou Yung-Chien	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None
Independent Director	Yu Chuo-Min	0	0	0	0	885	885	30	30	915 0.24%	915 0.24%	0	0	0	0	0	0	0	0	915 0.24%	915 0.24%	None

1. Please specify the policy, system, standard and structure for remuneration payments to independent directors, and explain their responsibilities, assumed risks and contributed time as well as the correlation between these factors and remuneration

payment amounts: Remunerations to independent directors of iST are determined based on results of performance evaluation and in accordance with the articles of incorporation. The remuneration committee also reviews the participation in corporate operation and contribution value of each director so as to connect the reasonableness and fairness of performance risks with the remuneration received. The committee also takes into account iST's business performance and general remuneration standards of other entities in the same industry, and then submit a proposal of remuneration to the board of directors for its resolution.

2. Remunerations received by directors of iST for their services provided to all companies in the financial report for the latest year, except those disclosed in the above table: None

Note: 1. Amount of retirement pensions paid actually in 2023: None. 2. Allocated or appropriated retirement pensions recognized as expenses in 2023: NTD 76 thousand.

B. Remuneration to Supervisors: N/A because iST set up Audit Committee to replace supervisors in 2019

### C. Remuneration to General Manager and Vice General Managers

Dec. 31, 2023

Unit: in Thousands of New Taiwan Dollars

Title	Name	Salary (A)		Retirement Pension (B)		Bonus, Special Allowance, etc. (C)		Remuneration to Employees (D)				Sum of A, B, C and D, and Percentage of After-tax Profit that the Sum is Accounted for (%)		Remuneration received from reinvestees, rather than subsidiaries, or from the parent company
												iST	All companies included in the financial report	
		Cash	Stock	Cash	Stock									
General Manager	Yu Wei-Pin	43,770	43,770	324	324	0	0	0	0	0	0	44,094 11.44%	44,094 11.44%	None
Senior Vice President of Reliability Engineering Division (Note 3)	Tseng Shao-Chun													
Vice General Manager of Finance and Accounting Division	Lin Yu-Sang													
Vice General Manager of Management Division	Chen Wen-Yin													

Note: 1.Amount of retirement pensions paid actually in 2023: None

2. Allocated or appropriated retirement pensions recognized as expenses in 2023: NTD 324 thousand

3. Tseng Shao-Chun was promoted Senior Vice President of Reliability Engineering Division on April 1, 2024.

### Range of Remunerations

Levels of Remunerations to Each General Manager and Vice General Manager of iST	Names of General Manager and Vice General Manager	
	iST	All companies in the financial report
Below NTD 1,000,000	None	None
NTD 1,000,000 (inclusive) ~ NTD 2,000,000 (exclusive)	None	None
NTD 2,000,000 (inclusive) ~ NTD 3,500,000 (exclusive)	None	None
NTD 3,500,000 (inclusive) ~ NTD 5,000,000 (exclusive)	Vice General Manager Lin Yu-Sang Vice General Manager Chen Wen-Yin	Vice General Manager Lin Yu-Sang Vice General Manager Chen Wen-Yin
NTD 5,000,000 (inclusive) ~ NTD 10,000,000 (exclusive)	Senior Vice President Tseng Shao-Chun	Senior Vice President Tseng Shao-Chun
NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (exclusive)	None	None
NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (exclusive)	General Manager Yu Wei-Pin	General Manager Yu Wei-Pin
NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (exclusive)	None	None
NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (exclusive)	None	None
Above NTD 100,000,000	None	None
Total	4 persons	4 persons

D. Names of Managers Distributing Remunerations to Employees in 2023, and the Status of Distribution

Dec. 31, 2023 Unit: in Thousands of New Taiwan Dollars

	Title	Name	Amount of Shares	Amount of Cash	Total	Ratio of Total to After-tax Profit
Managers	General Manager	Yu Wei-Pin	0	0	0	0%
	Vice General Manager	Chen Wen-Yin				
	Vice General Manager	Lin Yu-Sang				
	Assistant Manager	Lee Chang-Pin				
	Senior Vice President (Note 3)	Tseng Shao-Chun				
	Assistant Manager	Hsu Ju-Hung				
	Assistant Manager	Tseng Ta-Lin				
	Division Director	Huang Yin-Hao				
	Special Assistant	Lin Hsiu-Mei				
	Division Director	Wang Shang-Chieh				
	Division Director	Wang Yu-Min				
	Assistant Manager (Note 4)	Wang Kuo-Feng				
	Special Assistant	Cheng Chun-Yen				
	Material Analysis Expert	Pao Chung-Hsing				
	Director of Failure Analysis Engineering Division	Shen Shih-Hsiung				
	Special Assistant (Note 1)	Tseng Sheng-Yu				
	Special Assistant (Note 2)	Liang Shih-Chang				
	Division Director (Note 5)	Chien Feng-Chun				

Note: 1. Tseng Sheng-Yu was appointed Special Assistant on April 6, 2023

2. Liang Shih-Chang was appointed Special Assistant on September 11, 2023.

3. Tseng Shao-Chun was promoted Senior Vice President on April 1, 2024.

4. Wang Kuo-Feng was promoted Assistant Manager on April 1, 2024.

5. Chien, Feng-Chun was appointed Division Director on April 1, 2024.

E. We hereby compare and analyze what percentage of the after-tax profit indicated in the individual or separate financial statements is accounted for by the total remunerations paid by iST and all companies contained in the consolidated financial statements to the directors, General Manager and Vice General Managers of iST for the latest 2 years, and also explain the remuneration policy, standards and combination for remuneration payments, the procedure of determining remuneration, and the connection with business performance and future risks.

1. Analysis of the percentage of iST's net profit that the total remuneration amount paid, for the latest 2 years, by iST and all companies contained in the consolidated financial statements to the directors, General Manager and Vice General Managers of iST is accounted for:

Unit: In Thousands of New Taiwan Dollars

Item/  Title	iST				All companies in the consolidated financial statements				Percentage of increase or decrease
	2022		2023		2022		2023		
	Total	After-tax profit that the sum accounts for	Total	After-tax profit that the sum accounts for	Total	After-tax profit that the sum accounts for	Total	After-tax profit that the sum accounts for	
Remuneration to directors	21,153	5.22	31,749	8.25	21,153	5.22	31,749	8.25	3.03
Remuneration to General Manager and Vice General Manager	28,046	6.92	44,094	11.44	28,046	6.92	44,094	11.44	4.52
After-tax profit	405,146	-	385,554	-	405,146	-	385,554	-	-

The total amount of remunerations to directors and supervisors for 2022 was less than that for 2021 because the after-tax profit of 2022 increased. The total amount of remunerations to General Manager and Vice General Manager for 2022 was more than that for 2021 because the bonuses given to them increased in 2022.

2. Remuneration policy, standards and combination for remuneration payments, the procedure of determining remuneration, and the connection with business performance and future risks:

- (1) Remuneration Policy, and Standards and Combination for Remuneration Payments

(i) Except as otherwise stipulated by law and the Articles of Incorporation of the Company, the remuneration for directors is handled in accordance with the "Performance Assessments and Compensation Levels of Directors, Committee Members, and Managerial Officers." The total amount of remuneration for directors is managed in accordance with Article 18 of the Articles of Incorporation, with an allocation not exceeding 3% as director remuneration.

(ii) The performance of the overall board of directors, the functional committees, and individual directors is evaluated annually in accordance with the "Rules for Performance Evaluation of Board of Directors and Functional Committees." The evaluation results are submitted to the remuneration committee as a reference for the distribution of director remuneration and are subsequently submitted to the board of directors for discussion based on the committee's resolution.

The formula used to calculate the remuneration to an individual director is as follows:

Total amount of directors' remuneration resolved by the board of directors

x

Number of rights owned by an individual director

\_\_\_\_\_  
Total number of rights owned by all the directors participating in distribution

- (2) As part of the remuneration to iST managers, various subsidies and bonuses are provided in iST's regulations of wages and salaries to reward the employees for their hard work. Bonuses are provided based on the annual business performance, financial conditions and business

operations of iST and work performance of each individual. When iST has any profit for the current year, an amount of no less than 3% of the profit shall be allocated as employees' remuneration in accordance with Article 18 of the articles of incorporation. iST uses results of the performance assessment conducted in accordance with the Regulations of Performance Management to be the basis of reference for granting bonuses to managers. Items evaluated for performance assessment of managers are divided into the following:

- (i) Financial performance indicators: Share of contribution made by each business group towards profits of iST based on the management income statement of iST, and the goal achievement rate with respect to managers
  - (ii) Non-financial indicators: Abilities for achievement of iST core values and operation management, and participation in sustainable operation (e.g. talent cultivation and employee retention), both of which are taken into account for calculation of the remuneration paid for operation performance, in the remuneration system to be reviewed from time to time based on the status of actual business operation and applicable laws and regulations
  - (iii) Quality and risk: Status of compliance with laws and regulations
- (3) The remuneration package of iST is provided pursuant to the organizational regulations of the salary and remuneration committee. It contains cash remuneration, stock option, profit sharing, stock ownership, retirement benefits, severance pay, allowances and other measures offering substantial rewards. The scope of the remuneration package is consistent with that of the remunerations to directors and managers provided in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

### 3. Procedure of Determining Remuneration

- (1) iST uses results of the evaluation made in compliance with the Regulations for Evaluation of Performance of the Board of Directors and the Regulations of Performance Management applicable to managers and employees to evaluate the salaries and remunerations paid to directors and managers. Salaries and remunerations to Chairman and General Manager are determined based on business performance of iST and approved by the board of directors. To fully reflect the status of achievement of corporate performance indicators, the performance of Chairman is evaluated based on corporate operation, governance and financial conditions based on results of the annual performance indicators. The evaluation covers 3 indicators, i.e. pretax profit, customer satisfaction and corporate governance. The evaluation of performance of General Manager covers operational safety management, supervision of financial plans, revenue management, enhancement of internal controls, implementation and management of quality assurance and other duty-related performance objectives.
- (2) Results of self-evaluation made in 2023 by board members, directors and members of each functional committee respectively were above standard. Based on the result of the evaluation made by iST in 2023 for managers, the

performance of all managers were either satisfactory or above the expected requirements for goals. The evaluation results based on the annual corporate performance indicators have reached the highest standard.

- (3) Assessment of performance and reasonableness of remuneration for directors and managers are evaluated and reviewed by the salary and remuneration committee and the board of directors periodically every year by taking into account the ratio of individual performance achievement and the contribution towards iST and reviewing the overall business performance of iST and future risks and development trends of the industry. For reasonableness of remuneration, the remuneration system is reviewed from time to time based on the status of actual business conditions and applicable laws, and the current trends of corporate governance are also considered to achieve a balance between sustainable operation and risk control. The actual amount of remunerations paid to directors and managers in 2023 was reviewed by the salary and remuneration committee and determined by the board meeting.
4. Connection with Business Performance and Future Risks
  - (1) The status of overall business performance of iST is considered primarily for review of remuneration policy related payment standards and systems. To promote the overall organizational effects of the board of directors and levels of managements, the payment standards are determined based on the performance achievement ratio and contribution. Remuneration standards in the industry are also taken into account to ensure that the remuneration to managements of iST is competitive enough to retain management talents.
  - (2) The performance of managers, which is evaluated based on their management and prevention of potential risks within their duties as well as their actual performance, is associated with relevant policies with respect to human resources and remunerations. Important managerial policies are implemented only after all risks have been considered. Results of relevant policies reflect profitability of iST while remunerations to managements relate to performance of risk control.
  - (3) Remunerations paid by iST and its subsidiaries to their directors, General Manager and Vice General Manager include long-term rewards, which are given in the form of cash and are not paid in full in the current year when the profit is allocated since they shall assume future operational risks together with iST.

#### (IV) Corporate Governance Practices

##### A. Operation of Board of Directors

- As of the date of print of the annual report in 2023, 7 board meetings were held and the directors present are as follows:

Title	Name	Times for which the person has been presented at the meeting B	Times for which the person has been authorized as a proxy to be present at the meeting	Rate of attendance (%) 【B/A】	Remarks
President	Han Sheng Investment Co., Ltd. Yu Wei-Pin	7	0	100%	Reelected on 2021.7.26
Director	Tu Chung-Cheh	7	0	100%	Reelected on 2021.7.26
Director	Hui Long Co., Ltd. Chen Ching-Chuo	7	0	100%	Reelected on 2021.7.26
Director	Kai Ou Investment Co., Ltd. Chen Yang-Kuang	7	0	100%	Reelected on 2021.7.26
Director	Liu Fu-Han	7	0	100%	Reelected on 2021.7.26
Director	Lo Wen-Hao	5	1	71%	Reelected on 2021.7.26
Independent Director	Wang Chih-Hung	4	3	57%	Reelected on 2021.7.26
Independent Director	Hung Wen-Ming	7	0	100%	Reelected on 2021.7.26
Independent Director	Lou Yung-Chien	7	0	100%	Reelected on 2021.7.26
Independent Director	Yu Chuo-Min	7	0	100%	Appointed on 2021.7.26

##### Other Matters Required to be Recorded:

- In case of the board meeting in any of the following situations, the date and term of the board meeting, content of the motion, all independent directors' opinion and the measures taken by iST based on their opinions shall be specified.
  - Matters stated in Article 14-3 of the Securities and Exchange Act:  
The provisions of Article 14-3 of the Securities and Exchange Act are not applicable as iST has set up the audit committee. For relevant information, please refer to Operation of Audit Committee in the annual report.
  - Resolutions, except for the aforementioned matters, which independent directors object to or provided with qualified opinion for at the board meeting, and such objection or opinion has been recorded in the minutes or a written statement: None
- In case of any director avoiding a motion based on a conflict of interest, specify the name of the director, the content of the motion, the reason for avoidance based on the conflict of interest, and status of participation in voting:

Name of Director	Content of Motion	Opinions of Independent Directors, and Measures Taken by iST based on the opinions	Reason for evasion based on conflict of interest	Status of participation in voting
Chairman Yu Wei-Pin	Review of distribution of mid-year performance bonuses to high-ranking officers of	None	He has a conflict of interest in the motion because he is Chairman and	For avoiding the conflict of interest, he did not participate in



		iST for 2023		General Manager of iST.	neither discussion nor voting.
		Review of distribution of year-end performance bonuses to high-ranking officers of iST for 2023	None		
		Review of distribution of employees' remuneration for 2023	None		
		Review of remuneration to directors for 2023	None		
		Review of adjustment of high-ranking officers' wages for 2023	None		
	Directors Yu Wei-Pin Chen Ching Chuo Tu Chung-Cheh Lo Wen-Hao Independent directors Hung Wen-Ming Lou Yung-Chien Total 6 persons	Participation in the cash capital increase of the subsidiary company, Innovative Turnkey Solution.	None	As a director, he has a conflict of interest in the motion.	For avoiding the conflict of interest, he did not participate in neither discussion nor voting.

3. TWSE/TPEX listed companies are required to disclose the evaluation cycle and period with respect to the self-assessment (or peer assessment) made by the board of directors, the scope, method and content of evaluation, and relevant information, and complete the following table for the assessment conducted by the board of directors.

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Content (Note 5)
Implemented once a year	2023.1.1-2023.12.31	1. Performance of the board of directors 2. Performance of board directors 3. Performance of the audit committee 4. Performance of the salary and remuneration committee	1. Internal self-evaluation of the board of directors 2. Self-evaluation of board directors 3. Peer evaluation	1. Content of evaluation with respect to the performance of the board of directors <ul style="list-style-type: none"> <li>a. Level of participation in corporate operation</li> <li>b. Enhancement of quality in terms of decision-making of the board of directors</li> <li>c. Composition and structure of the board of directors</li> <li>d. Election and continuous training of directors</li> <li>e. Internal control</li> </ul> 2. Content of evaluation with respect to the performance of board directors: <ul style="list-style-type: none"> <li>a. Mastering corporate objectives and tasks</li> <li>b. Understanding responsibilities and duties of directors</li> <li>c. Level of participation in corporate operation</li> <li>d. Management and</li> </ul>

				<p>communication for enhancement of internal relationship</p> <p>e. Professional and continuous training of directors</p> <p>f. Internal control</p> <p>3. Content of evaluation with respect to the performance of the audit committee:</p> <p>a. Level of participation in corporate operation</p> <p>b. Understanding responsibilities and duties of a functional committee</p> <p>c. Enhancement of quality in terms of decision-making of functional committees</p> <p>d. Composition and structure of a functional committee</p> <p>e. Internal control</p> <p>4. Content of evaluation with respect to the performance of the salary and remuneration committee:</p> <p>a. Level of participation in corporate operation</p> <p>b. Understanding responsibilities and duties of a functional committee</p> <p>c. Enhancement of quality in terms of decision-making of functional committees</p> <p>d. Composition and structure of a functional committee</p>
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Note 1 To provide with the cycle of conducting the assessment of the board of directors (e.g. once a year)

Note 2 To provide with the period for which the board of directors is assessed (e.g. evaluating the performance of the board of directors from Jan. 1, 2019 to Dec. 31, 2019)

Note 3 The scope of evaluation includes evaluation of the performance of the board of directors, individual board directors and functional committees.

Note 4 Methods of evaluation include internal self-evaluation of the board of directors, self-evaluation of board directors, peer evaluation, and performance evaluation conducted by an external professional institute, expert or in any other manner.

Note 5 The content of evaluation includes at least the following items based on the scope of evaluation:

- i. Evaluating performance of the board of directors: It contains at least level of participation in corporate operation, quality of decision making of the board of directors, composition and structure of the board of directors, election and continuous training of directors, internal control, etc.
- ii. Evaluating performance of individual board directors: It contains at least mastering corporate objectives and tasks, understanding responsibilities and duties of directors, level of participation in corporate operation, management and communication for enhancement of internal relationship, professional and continuous training of directors, internal control, etc.
- iii. Evaluating performance of functional committees: It contains level of participation in corporate operation, understanding responsibilities and duties of the functional committee, quality of decision making of the functional committee, composition of the functional committee, election and appointment of committee members, internal control, etc.

The evaluations made with respect to the board of directors are as follows:

(1) Self-evaluation by the Board of Directors for its Performance in 2023:

Self-evaluation Questionnaire for Performance of the Board of Directors: It contained 5 aspects, i.e. A. level of participation in business operation of iST, B. enhancement of quality of the decisions made by the board of

directors, C. composition and structure of the board of directors, D. election of directors and continuing training programs for directors, and E. internal control, all of which included 45 items to be evaluated. Except the following 2 items, which were graded as “4: Excellent (I agree)” and “3: Fair (neutral),” other items were graded as “5: Very Excellent (I strongly agree).”

Evaluated Items	Evaluation Result
1. The director (excluding the proxy thereof) attended all board meetings generally. (For example, the attendance rate is 80%, which is “3: Fair.”)	4: Excellent (I agree.)
2. The director attended all meetings of shareholders generally. (For example, the attendance rate is 1/2, which is “3: Fair.”)	4: Excellent (I agree.)
15. The frequency of board meetings is appropriate (e.g., board meeting held at least six times a year is considered “3: Fair”).	3: Fair (Neutral)

Improvement approach: 1. Each director usually attended all board meetings and all meetings of shareholders and has been encouraged to be 100% present at all board meetings and meetings of shareholders.

2. Increase the frequency of board meetings.

(2) Self-evaluation by Board Members for their Performance in 2023:

Self-evaluation Questionnaire for Performance of Board Members: It contained 6 aspects, i.e. A. understanding of corporate goals and tasks, B. awareness of a director’s duties, C. level of participation in business operation of iST, D. internal relation development and communication, E. specialty of and continuing training programs for directors, and F. internal control, all of which included 23 items to be evaluated. Except the following item, other items were graded as “5: Very Excellent (I strongly agree).”

Evaluated Items	Evaluation Result
7. The director (excluding the proxy thereof) attended all board meetings generally. (For example, the attendance rate is 80%, which is “3: Fair.”)	8 board members gave it “5: Very excellent (I strongly agree),” while one member gave it “4: Excellent (I agree),” and one member gave it “3 Fair (Neutral).”

Improvement approach: 1. Each director usually attended all board meetings and has been encouraged to be 100% present at all board meetings.

(3) Self-evaluation by the Audit Committee for its Performance in 2023:

Self-evaluation Questionnaire for Performance of Audit Committee: It contained 5 aspects, i.e. A. level of participation in business operation of iST, B. awareness of the functional committee’s duties, C. enhancement of quality of the decisions made by the functional committee, D. composition of the functional committee and election of committee members, and E. internal control, all of which included 22 items to be evaluated. Except the following item, which was graded as “4: Excellent (I agree),” other items were graded as “5: Very Excellent (I strongly agree).”

Evaluated Items	Evaluation Result
1. The committee member (excluding the proxy thereof) attended all meetings of the functional committee generally. (For example, the attendance rate is 80%, which is “3: Fair.”)	4: Excellent (I agree.)

Improvement approach: 1. Each committee member usually attended all meetings of the audit committee and has been encouraged to be 100% present at all meetings of the audit committee.

(4) Self-evaluation by the Salary and Remuneration Committee for its Performance in 2023:

Self-evaluation Questionnaire for Performance of Salary and Remuneration Committee: It contained 4 aspects, i.e. A. level of participation in business operation of iST, B. awareness of the functional committee’s duties, C.

enhancement of quality of the decisions made by the functional committee, and D. composition of the functional committee and election of committee members, all of which included 19 items to be evaluated. All items were graded as “5: Very Excellent (I strongly agree).” The salary and remuneration committee will be well-run continuously to evaluate the policies and systems for the salaries and remunerations paid to directors and managers professionally and objectively, and provide the board of directors with suggestions for reference for making decisions relevant to salaries, remunerations, and performance objectives.

4. Objectives for strengthening functions of the board of directors for the current and latest year, and evaluation of implementation of the objectives

(1) Strengthening functions of the board of directors, and evaluation of implementation of the objectives:

Strengthening functions of the board of directors	Evaluation of implementation of the objectives
Establishment of the salary and remuneration committee	iST has set up a salary and remuneration committee to assist the board of directors in evaluating, establishing and reviewing policies, systems, standards and structures with respect to performance of directors and managers and their wages and remunerations. The salary and remuneration committee holds at least 2 meeting per year.
Establishment of the audit committee	iST has set up an audit committee. The audit committee, which is composed of 4 independent directors, holds at least a meeting every quarter, responsible for ensuring fair expression of the financial report of iST, election (dismissal), independence and performance of CPAs, implementing the internal control effectively, having iST comply with applicable laws and rules, controlling existing or potential risks of iST, etc.
Establishment of the ESG Advisory Committee	In 2023, the Company established an ESG Advisory Committee consisting of three members: the Chairman of the Board and two independent directors. The committee's responsibilities include assisting the Board of Directors in promoting risk assessments and response strategies across environmental, social, and corporate governance dimensions to achieve sustainable operations. The committee convenes at least one meeting annually and reports to the Board of Directors in accordance with the Corporate Governance Best Practice Principles, submitting its proposals to the Board for approval.
Strengthening of corporate governance, and enhancement of information transparency	iST has established its corporate governance practice principles and the ethical corporate management practice principles, and also appointed the corporate governance officer on 2022.11.02. Specific personnel have been designated to take charge of collection and disclosure of information for iST, implementation of the system of spokespersons and updating relevant information on iST's website periodically.
Enhancement of execution and operation of the board of directors	iST has established the board meeting agenda rules. The board of directors has some members who are financial, legal, commercial professionals in order to strengthen functions of the board of directors and enhance execution and operation of the board of directors.
Improvement of communication with stakeholders	iST has a spokesperson and a deputy spokesperson who serve as the channels for stakeholders to communicate with iST. The shareholders' meeting accepts proposals from shareholders every year. Shareholders may file applications during the period of acceptance. The proposal are reviewed by the board of directors and resolved at the shareholders' meeting in accordance with applicable regulations.

B. Operation of Audit Committee:

The Audit Committee is composed of 4 members, all of whom are independent directors. It holds a meeting per quarter periodically prior to a board meeting to review implementation of the internal control system and internal audit as well as material financial transactions, and communicate and exchange opinions with CPAs to supervise business operation of iST and risk control.

1. The key tasks of the Audit Committee for 2023 are as follows:

- (1) Review of the financial statements of each quarter;
- (2) Establishment or revision of the internal control system and relevant important regulations;
- (3) Assessment of effectiveness of the internal control system;

- (4) Revision of the Procedures for Acquisition or Disposal of Assets;
- (5) Revision of the Procedures for Loaning of Funds and Making of Endorsements/Guarantees;
- (6) Review and approval of transactions involving significant assets or derivatives of iST;
- (7) Public offering, issuance or private placement of the securities with the nature of equity interests;
- (8) Matters involving interests of the director;
- (9) Corporate management, information security and risk management;
- (10) Review the independence, suitability, and changes concerning the Company's CPAs.
- (11) Other important matters provided by regulations of iST or the competent authority.

## 2. Operation of Audit Committee:

As of the date of print of the annual report in 2023, the audit committee held 7 meetings (A) and independent directors present are as follows:

Title	Name	Times for which the person has been presented at the meeting (B)	Times for which the person has been authorized as a proxy to be present at the meeting	Rate of attendance (%) (B/A) (Note)	Remarks
Independent Director	Lo Yung-Chien	7	0	100%	Re-elected on 2021.7.26
Independent Director	Hung Wen-Ming	7	0	100%	Re-elected on 2021.7.26
Independent Director	Wang Chih-Hung	4	3	57%	Re-elected on 2021.7.26
Independent Director	Yu Chuo-Min	7	0	100%	Appointed on 2021.7.26
Other Matters Required to be Recorded:					
1. In case of the audit committee in any of the following situations, the date and term of the board meeting, content of the motion, resolution results by the audit committee, and the measures taken by iST based on the opinion of the audit committee shall be specified.					
(1) Matters stated in Article 14-5 of the Securities and Exchange Act:					
Date and Term of Board of Directors	Date and Term of Audit Committee	Content of Motion and Resolution Result			
2023.03.14 11th-term 14 <sup>th</sup> meeting	2023.03.14 2nd-term 12 <sup>th</sup> meeting	1. Assessment of effectiveness of internal control system for 2022 and statement on internal control system 2. Final settlement of annual accounts for 2022 3. Proposal of not continuing the private placement of common shares for cash adopted at the general meeting of shareholders in 2022 4. Private placement of common shares for cash 5. Proposal of participation in follow-on offering of Pin Wen Co., Ltd., a subsidiary 100% held by iST 6. Approval of the transaction of derivatives 7. Review of evaluation results with respect to independency and competency of independent CPAs 8. Change of independent CPAs because of the internal adjustment made by their firm			
		Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A			

		Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2023.04.28 15th-term 9 <sup>th</sup> meeting	2023.04.28 2nd-term 13 <sup>th</sup> meeting	1. 2023 Q1 consolidated financial statements Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2023.08.04 11 <sup>th</sup> -term 16 <sup>th</sup> meeting	2023.08.04 2nd-term 14 <sup>th</sup> meeting	1. 2023 Q2 consolidated financial statements. 2. Proposal to participate in the cash capital increase of the subsidiary, Innovative Turnkey Solution Corporation. 3. Appointment of Deloitte Taiwan to provide non-assurance services to the company. Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2023.11.03 11 <sup>th</sup> -term 17 <sup>th</sup> meeting	2023.11.03 2th-term 15 <sup>th</sup> meeting	1.2023 Q3 consolidated financial statement 2.Proposal for the repurchase of treasury shares by the company. 3.Proposal for derivative transactions. Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2023.12.15 11th-term 18 <sup>th</sup> meeting	2023.11.03 2th-term 16 <sup>th</sup> meeting	1.roposal for derivative transactions. Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2024.03.06 11 <sup>th</sup> -term 19 <sup>th</sup> meeting	2024.03.06 2th-term 17 <sup>th</sup> meeting	1.Review of the effectiveness of the company's internal control system for the fiscal year 2023 and issuance of the "Internal Control System Statement." 2.Proposal for the financial statements for the fiscal year 2023. 3.Discontinuation of the private placement of ordinary shares approved at the 2023 annual shareholders' meeting. 4.Proposal for the private placement of ordinary shares for cash. 5.Review of the independence and suitability of the company's certified public accountants, as well as non-assurance services provided by their accounting firm to the company. 6.Disposal (subleasing) of the right-of-use assets to related parties. 7.Proposal for derivative transactions. Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.
2024.04.26 11 <sup>th</sup> -term 20 <sup>th</sup> meeting	2024.04.26 2nd-term 18 <sup>th</sup> meeting	1.2024 Q1 consolidated financial statement 2.Proposal for derivative transactions. Result of the resolution by the audit committee: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the audit committee: N/A Result of the resolution by the board of directors: All directors present at the meeting adopted the resolution unanimously.

<p>(2) Resolutions that were not adopted by the audit committee and were however approved by two thirds or more of all directors, except for the aforementioned matters: None</p> <p>2. In case of any independent director avoiding a motion based on a conflict of interest, specify the name of the independent director, the content of the motion, the reason for avoidance based on the conflict of interest, and status of participation in voting:</p> <p>(1) Meeting of Audit Committee on 2023.08.04:  Name of Independent Director: Hung Wen-Ming and Lo Yung-Chien  Content of Motion: Proposal to participate in the cash capital increase of the subsidiary, Innovative Turnkey Solution Corporation.  Conflict of Interest based on which the directors were required to avoid: Investment relevant to the director or his/her relative within the second degree of kinship  Participation and Voting: The independent directors listed above avoided discussion and voting with respect to the motion.</p> <p>3. Status of Communication between Independent Directors and the Internal Audit Director and CPAs (including important matters communicated with respect to the financial conditions and business status of iST, communication methods, and results)</p> <p>(1) Independent directors were able to communicate with the internal audit director and CPAs directly to understand financial conditions and business status of iST.</p> <p>(2) The chief auditor submits an audit report to independent directors periodically every month. For any doubt about the content of the report, the chief auditor and independent directors will have a discussion by telephone or mail any time. The chief auditor participates in the meeting of audit committee held by iST, and reports audit tasks and follow-ups to independent directors. The chief auditor also attends board meetings and reports internal audit tasks. In addition to providing the report every month and communicating at the audit committee meeting, the chief auditor may also hold a discussion meeting prior to the meeting of audit committee or based on the request made by independent directors.</p> <p>(3) CPAs attend the audit committee meeting each quarter to communicate for the quarterly financial statements and corporate governance and provide the latest financial and tax information. They also exchanged opinions with independent directors at the meeting. In addition to communicating at the audit committee meeting, CPAs may also hold a discussion meeting prior to the meeting of audit committee or based on the request made by independent directors.</p> <p>The matters communicated between independent directors and chief auditors as of the date of print of the annual report in 2023 and 2024 are summarized as follows:</p>		
Date of Audit Committee Meeting / Discussion	Key Points Communicated	Results communicated
2024.04.26	1. Implementation of the audits conducted in February 2024 and report on the results	No opinion at the meeting
2024.03.06	1. Implementation of the audits conducted from November 2023 to January 2024 and report on the results 2. Assessment of effectiveness of iST's internal control system for 2023 and statement on internal control system 3. Sharing of internal audit and internal control regulations from January to February 2024.	No opinion at the meeting
2023.12.15	1. Implementation of the audits conducted in October 2023 and report on the results. 2. Report on audit deficiencies followed up.	No opinion at the meeting
2023.11.03	1. Implementation of the audits conducted from July to September 2023 and report on results. 2. Report on audit deficiencies followed up. 3. iST's audit plan for 2024.	No opinion at the meeting
2023.08.04	1. Implementation of the audits conducted from April to June 2023 and report on results. 2. Report on audit deficiencies followed up.	No opinion at the meeting
2023.04.28	1. Implementation of the audits conducted from February to March 2023 and report on results. 2. Report on audit deficiencies followed up.	No opinion at the meeting

2023.03.14	1. Implementation of the audits conducted from November 2022 to January 2023 and report on results. 2. Report on audit deficiencies followed up. 3. Assessment of effectiveness of iST's internal control system for 2022 and statement on internal control system	No opinion at the meeting
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The matters communicated between independent directors and CPAs as of the date of print of the annual report in 2023 and 2024 are summarized as follows:

Date of Audit Committee Meeting / Discussion	Key Points Communicated	Results communicated
2024.04.26	1. Result of the review of 2024 Q1 consolidated financial Statements 2. Communication of relevant matters 3. Independence statement 4. Introduction to legal updates	No opinion at the meeting
2024.03.06	1. Responsibilities of the governance unit 2. Quality management system of Deloitte Taiwan 3. Scope and method of auditing 4. Significant accounting policies, significant accounting estimates, and significant events or transactions 5. Explanation of significant risks and key audit matters 6. Audit summary 7. Communication of relevant matters 8. Independence statement 9. 2022 Audit Quality Indicators Report 10. Introduction to applicable standards and laws in the (near) future	No opinion at the meeting
2023.11.03	1. Scope and methods for the review of 2023 Q3 consolidated financial statements 2. Result of the review of 2023 Q3 consolidated financial statements 3. Relevant matters communicated – judgment, accounting estimates, and other matters by the competent authority 4. Statement of independence 5. Explanation of significant risks and key audited matters 6. Relevant matters reported. 7. Quality management system of Deloitte Taiwan 8. IFRS Sustainability Disclosure Standards	No opinion at the meeting
2023.08.04	1. Scope and methods for the review of 2023 Q2 consolidated financial statements 2. Result of the review of 2023 Q2 consolidated financial statements 3. Relevant matters communicated – judgment, accounting estimates, and other matters by the competent authority 4. Statement of independence	No opinion at the meeting
2023.04.28	1. Result of the review of 2023 Q1 consolidated financial statements 2. Relevant matters communicated – judgment, accounting estimates, and other matters by the competent authority 3. Statement of independence 4. Explanation of regulations for listed companies to develop	No opinion at the meeting



	sustainable development action plan 5. Introduction to significant tax laws and regulations for the first quarter of 2023	
2023.03.14	1. Responsibilities of governance unit 2. Scope and method of auditing 3. Significant accounting policies, significant accounting estimates, and significant events or transactions 4. Explanation of significant risks and key audited matters 5. Audit summary 6. Relevant matters communicated 7. Statement of independence 8. Report on Audit Quality Indicators for 2021 FY22 9. Introduction to applicable standards and laws in the (near) future 10. International Professional Accountants Code of Ethics	No opinion at the meeting

C. State of iST's Implementation of Corporate Governance, Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Variance

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
1. Has iST established and disclosed its corporate governance practice principles pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?		V	To establish a good corporate governance system, refine monitoring functions and strengthening management functions, iST has established its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, the principles were adopted by the board of directors on Nov. 2, 2022 and disclosed on the website of iST.	No variance
2. Structure of Equity Interests of iST, and Shareholders' Equity				
(1) Has iST established an internal operating procedure to deal with shareholders' suggestions, questions, disputes and lawsuits and dealt with the aforementioned matters pursuant to the procedure?	V		(1) iST has a spokesperson and a deputy spokesperson, who are designated to deal with the suggestions made by shareholders and any disputes. A specific section is established and the contact information is provided on the website of iST to deal with shareholders' suggestions, doubts, arguments and lawsuits. For questions involving laws, corporate counselors are required to assist.	No variance
(2) Does iST have the list of both the key shareholders that actually control iST and the final controllers of the key shareholders?	V		(2) The register of shareholders of iST is updated periodically by its stock agency. iST has not only controlled the list of key shareholders of the controlling company, and ultimate controllers of the key shareholders, but has also kept a good relationship with investors.	No variance
(3) Has iST established and implemented a risk control and firewall mechanism with its affiliates?	V		(3) The risk controls and firewalls between iST and its affiliated enterprises are established in compliance with the Regulations for Management of Subsidiaries, the Rules Governing Financial and Business Matters Between iST and its Affiliated Enterprises, the internal control system and applicable laws.	No variance
(4) Has iST established internal practices to prohibit its internal personnel from taking advantage of any information not published publicly to trade securities?	V		(4) iST has established the Management Procedure for Dealing with Internal Material Information and Preventing Insider trading in accordance with applicable laws, which was adopted by the board of	No variance

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
			directors on Dec. 14, 2022, to prevent insiders from taking advantage of any unpublished information to trade securities.	
3. Composition and Duties of the Board of Directors				
(1) Has the board of directors established a policy of diversity for the composition of its members and implemented the policy thoroughly?	V		(1) iST has established the diversification strategy for board members based on Chapter 3 "Strengthening Functions of the Board of Directors" of the corporate governance practice principles. For the status of diversification of the board of directors, please see page 21 of the annual report and visit the website of iST.	No variance
(2) Does iST intend to establish any other functional committee, in addition to the salary and remuneration committee and the audit committee, in accordance with applicable laws?		V	(2) The company has established the "ESG Guidance Committee" in December 2023 and has reported to the Board of Directors.	No variance
(3) Has iST established both the regulations for evaluation of the performance of the board of directors and the method of evaluation in order to conduct performance evaluation every year, report the evaluation result to the board of directors and use it as a reference for determining each director's remuneration and nominating a director to serve for the next term of office?	V		(3) The board of directors adopted the Regulations for Evaluation of Performance of the Board of Directors on Aug. 6, 2020. Performance evaluation is conducted periodically every year, and the result of evaluation is disclosed on the website of iST. In 2023, the results generated based on all performance evaluation indicators were excellent and were already reported to the board of directors on Mar. 6, 2024. Evaluation results are used as reference for salaries of individual directors and the nomination and reelection thereof.	No variance
(4) Does iST evaluate independence of CPAs periodically?	V		(4) The audit committee evaluates independence and competency of iST's independent CPAs every year. Not only does the audit committee request CPAs to provide the Statement of Independence and the Audit Quality Indicators (AQIs), but the committee also complies with Article 47 of the Certified Public Accountant Act and the Statement No. 10 of the Ethics for Professional Accountants of the R.O.C. when conducting the evaluation of independence. For evaluated items, please see Note (1). The result of the	No variance

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
			evaluation conducted in the latest year (2024) was approved by the audit committee on Mar. 6, 2024 and resolved at the board meeting.	
4. Has iST as a TWSE/TPEX listed company deployed a adequate and proper number of corporate governance personnel and designated a corporate governance officer to take charge of corporate governance-related matters (including but not limited to provision of data necessary for directors and supervisors to perform their duties, assistance provided for directors and supervisors in complying with laws and regulations, matters relevant to board meetings and shareholders' meetings, preparation of minutes of a board meeting and a shareholders' meeting, etc.)?	V		<p>(1) iST resolved at the board meeting on Nov. 2, 2022 to appoint Lin Yu-Sang, CFO at Finance and Accounting Division to serve as Corporate Governance Officer simultaneously. An adequate number of professional corporate governance personnel were also designated to be managed by the Corporate Governance Office to protect rights of shareholders and strengthen functions of the board of directors. For the continuing training programs participated by the Corporate Governance Officer in 2023, please see Note (2).</p> <p>(2) The Corporate Governance Officer has worked as a chief financial officer of a listed company for more than 3 years and met the qualifications required by applicable laws. The Corporate Governance Officer takes charge of corporate governance related matters, which shall at least include the following:</p> <ol style="list-style-type: none"> <li>1. Deal with matters relevant to board meetings and shareholders' meetings in accordance with applicable regulations.</li> <li>2. Prepare minutes of board meetings and shareholders' meetings.</li> <li>3. Assist directors in taking office and taking training programs. For the training programs taken by directors in 2023, please see Note (3).</li> <li>4. Provide directors with the information required by them to perform their duties.</li> <li>5. Assist directors in complying with applicable laws and regulations.</li> <li>6. Deal with other matters indicated in the articles of incorporation or a contract.</li> </ol>	No variance
5. Has iST established a communication channel for stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a section	V		iST has created a section of stakeholders at the website of iST and designated contact persons to serve as the points of contact for customers/consumers, shareholders/investors, suppliers,	No variance

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
of stakeholders at the website of iST to properly respond to the concerns of stakeholders regarding important corporate social responsibility?			employees, government agencies/other organizations and enterprises and communicate with stakeholders by responding to the important corporate social responsibility issues concerned by stakeholders, remaining unimpeded communication channels and respecting and protecting their legal rights.	
6. Has iST commissioned a professional stock affairs agent to deal with the matters relevant to a shareholders' meeting?	V		iST has commissioned Mega Securities Co., Ltd., a professional stock affairs agent, to deal with the matters relevant to a shareholders' meeting.	No variance
7. Freedom of Information				
(1) Has iST built a website to disclose financial, business and corporate governance information?	V		(1) iST has built a website to disclose various financial conditions and corporate governance related information.	No variance
(2) Has iST adopted any other method (e.g. a website with pages in English, specific personnel designated to take charge of collection and disclosure of information for iST, implementation of the spokesperson system, the process of investor conference placed on the website of iST, etc.) to disclose information?	V		(2) iST has set up a website with pages in English and has designated a specific department to collect and publish internal important information. Except as otherwise provided by applicable laws or regulations, internal important information shall be disclosed by the spokesperson or deputy spokesperson of iST in compliance with the spokesperson system. iST was invited to participate in the investor conference held by First Securities on September 7, 2023 and was invited by MasterLink Securities to participate in the second investor conference on December 20, 2023. Relevant information was disclosed on the website of iST and in the Market Observation Post System.	No variance
(3) Does iST announce and report its financial statements within 2 months after the end of each fiscal year, and announce and report its financial statements of the 1st, 2nd and 3rd quarters and the status of business operation of each month prior to the deadline stated in applicable regulations?		V	(3) iST has announced and reported the Q1, Q2, Q3 and annual financial reports and the status of business operation of each month within the period required by the applicable laws.	To be adjusted based on the actual need in the future
8. Does iST have any other information that will provide a better understanding of iST's operation of corporate	V		(1) Interests of employees: For the measures taken by iST to maintain interests of employees, please see page 115 of the annual report.	No variance

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
governance (including but not limited to rights and interests of employees, caring for employees, investor relations, supplier relations, rights of stakeholders, status of further training of directors and supervisors, implementation of the risk management policy and risk measurement standards, implementation of a policy for customers, situations where liability insurance was acquired by iST for its directors and supervisors, etc.)?			<p>(2) Caring for employees: For the measures taken by iST for caring for employees and maintenance of labor relations, please see pages 115~118 of the annual report. iST has also set up the information section on its website to provide information relevant to its stakeholder and human right policies</p> <p>(3) Investor relations: iST values interests of investors. It announces relevant information in real time in the Market Observation Post System, which is designated by the competent authority, and has also established the system of spokesperson and deputy spokesperson and posting contact information of shareholders/investors on the website of iST to provide proper communication channels for investors.</p> <p>(4) Supplier relations: iST has established its code of conduct for suppliers after taking into account the code of conduct provided by Responsible Business Alliance. Suppliers of iST are expected to comply with the code of conduct and relevant practices have been disclosed on the website of iST.</p> <p>(5) Rights of stakeholders: iST has established at its website the section of stakeholders, and the section of concerned issues and communication to collect all issues concerned by stakeholders to strengthen, and serve as reference for, corporate governance. In addition, contact persons have also designated for employee relations, customer relations, supplier relations, investor relations and other organizations and enterprises and to serve as communication channels for stakeholders.</p> <p>(6) Risk management policy: Please see page 139 of the annual report.</p> <p>(7) Liability insurance for directors: iST purchases liability insurance for directors every year in compliance with applicable regulations.</p>	

Evaluation Item	State of Implementation (Note)			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and Reasons for Such Variance
	Yes	No	Summary	
9. Please explain the improvements made already based on the results of corporate government assessment published by the Corporate Governance Center of Taiwan Stock Exchange, and specify the matters to be done and measures to be taken in priority for the items not improved yet. (Companies not listed as evaluated companies are not required to complete these tables.) iST reviews the items below assessment standards every year immediately after the assessment result is published, and take measures to improve those items based on the latest corporate governance indicators published by the Corporate Governance Center of Taiwan Stock Exchange. A. Status of Improvement: The key items for which iST has improved based on the result of the (10th-term) annual corporate governance assessment in the latest year are summarized as follows: (1) The Company uploads the English version of the annual report 16 days before the annual general meeting (AGM). (2) The Company's annual report discloses the executive status of the resolutions passed at the annual general meeting (AGM) previous year. (3) The Company uploads the English version of the annual financial report 16 days before the annual general meeting (AGM). (4) The Company discloses the English version of the interim financial report within two months after the reporting deadline for the Chinese version of the interim financial report. (5) The Company voluntarily discloses individual directors' remuneration in the annual report. (6) The Company's annual report discloses the relationship between the performance evaluation and remuneration of directors and managerial officers. (7) The Company is invited to (or voluntarily) holds at least two Investor Conferences, with the first and last conferences of the year being at least three months apart. (8) The Company regularly discloses the specific promotion plans and executive results of corporate sustainability (ESG) on its website, in the annual report, or in the sustainability report. (9) The sustainability report prepared by the Company obtains third-party verification. (10) The Company discloses the annual greenhouse gas emissions, water consumption, and total waste weight for the past two years. (11) The Company develops policies for reducing greenhouse gases, water consumption, or other waste management, including reduction targets, promotion measures, and achievements. B. Priorities and Measures for Unimproved Items: The priorities expected to be done in 2024, in response to the 10 <sup>th</sup> revision of corporate governance assessment indicators, are explained as follows: (1) Add one female independent director. (2) Whether the company discloses information related to its governance of climate-related risks and opportunities in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. C. iST will continuously evaluate the feasibility of future improvement for the items below standards.				

Note: No matter which box you put a check in, "Yes" or "No" for the Status of Operation, you shall still specify in the Summary field.

Note (1). CPA Independence Evaluation:

Evaluation Item	Evaluation Result
1. It is true that there is no financial interest between the CPA and iST directly or substantially indirectly.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. It is true that there is no substantially close business relationship between the CPA and iST.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. It is true that there is no potential employment relationship between the CPA and iST when the CPA conducts the audit on iST.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. It is true that there is no debt between the CPA and iST.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. It is true that the CPA has not received any valuable donation or gift (with the value exceeding that acceptable for general social etiquette) from iST or its director, supervisor or manager.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

6. It is true that the CPA has not provided iST with the audit service for 7 successive years.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
7. It is true that the CPA does not own any share of iST.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8. It is true that the CPA or his/her spouse, dependents or audit team has not served as a director, supervisor or manager of iST or an officer who has material influence on audited cases during the audit period or within the latest 2 years, and definitely will not serve in any of the aforementioned positions for any audit period in the future.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9. It is true that the CPA has complied with Statement 10 of the Norm of Professional Ethics for Certified Public Accountant of the R.O.C. and obtained the declaration of independence issued by the CPA.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Note (2). Continuing Training Programs Participated by Corporate Governance Officers in 2023**

Title / Name	Institute	Name of Program	Hours
CFO/Lin Yu-Sang	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Accounting Research and Development Foundation	Practical Compliance with the Latest "Regulations Governing Establishment of Internal Control Systems by Public Companies" and "Cyber Security Management Act"	6
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3

**Note (3). Continuing Training Programs Participated by Directors in 2023**

Name	Institute	Name of Program	Hours
Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
Hui Long Co., Ltd. Representative: Chen Ching-Chuo	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
Tu Chung-Cheh	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3



Liu Fu-Han	Taiwan Institute for Sustainable Energy	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability Seminar	3
Kai Ou Investment Co., Ltd. Representative: Chen Yang-Kuang	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
Lo Wen-Hao	Taiwan Corporate Governance Association	How Businesses Implement Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	Insider Trading from the Perspective of Regulatory and Investigative Authorities	3
	Taiwan Corporate Governance Association	Corporate Mergers and Acquisitions Strategies and Planning	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
Wang Chih-Hung	Taipei Exchange	Seminar for Equity of Insiders of OTC-listed and Emerging Stock Companies	3
	Taiwan Stock Exchange Corporation	How Businesses Strengthen Strategic Execution	3
Hung Wen-Ming	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
Lo Yung-Chien	Taiwan Corporate Governance Association	How Businesses Improve Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3
	Taiwan Corporate Governance Association	Talent Development for Business Sustainability	3
Yu Chuo-Min	Taiwan Institute of Directors	Beyond Organizational Framework - Organizational Strategy and Key Talent Development	3
	Independent Director Association Taiwan	Group Mergers and Acquisitions Strategies and Post-Merger Management	3

	Taiwan Corporate Governance Association	How Businesses Strengthen Strategic Execution	3
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D. Composition and Operation of the Salary and Remuneration Committee or Nomination Committee, if any:

1. Information of the members comprising the salary and remuneration committee:

1. Information of the members comprising the salary and remuneration committee.					
Status	Requirements		Professional Qualification and Experience	Independence	Number of public companies where the person also serves as an salary and remuneration committee member
	Name				
Independent Director (Convenor)	Hung Ming	Wen-	See the information disclosed in Professional Qualification and Experience and Status of Independence on page 18.	(1) He is not an employee of iST or any of its affiliates. (2) He is not a director or supervisor of iST or any of its affiliates. (3) The shares held by the person and his spouse or minor child(ren) or in the name of another person are not 1% or more of the total shares issued by iST, and He is not one of 10 largest shareholders.	0
Independent Director	Wang Hung	Chih-		0	

Others	Lee Tien-Hsiang	He has the work experience relevant to commerce, legal affairs, finance or accounting or required for corporate business. His education and work experience include Department of Business Administration, National Taiwan University; 、Graduate School of Management Science, National Chiao Tung University; Specialist/Junior Manager of China Development Industrial Bank; Assistant General Manager of Jing Ying Venture Capita	<p>(4) He is not a spouse, a relative within the second degree of kinship, or a linear relative by blood within the third degree of kinship of the manager listed in (1) or any person listed in (2) or (3).</p> <p>(5) He is not a shareholder directly holding 5% or more of issued shares of iST or one of 5 largest shareholders, and is not a director, supervisor or employee of any of the juristic person shareholders who is designated in accordance with Article 27 (1) or 27 (2) of the Company Act to serve as a director or supervisor of iST.</p> <p>(6) He is not a director, supervisor or employee of an entity that controls a majority of directors or voting shares of iST.</p> <p>(7) He is not Chairman, General Manger or an equivalent high-ranking executive of iST and is not a director, supervisor or employee of his spouse's company or institution.</p> <p>(8) He is not a director, supervisor or manager or a shareholder holding 5% or more shares of any company or institution with which iST has financial or business transactions.</p> <p>(9) He is not a professional or a proprietor, partner, director, supervisor or manager or spouse thereof of a sole proprietorship, partnership, company or institution that provides iST or any of its affiliates with audit service or with commercial, legal, financial or accounting service for remuneration in return for the latest 2 years.</p> <p>(10) He is not a spouse or a relative within the second degree of kinship of any other director.</p>	0
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2. Information on Operation of Salary and Remuneration Committee:
  - (1) Members of the salary and remuneration committee total 3 persons.
  - (2) Term of office of these committee members: It is from Aug. 5, 2021 to July 25, 2024. The salary and remuneration committee held 4 meetings (A) for the latest year and as of the date of print of the annual report. Qualifications and attendance of committee members are as follows:

Title	Name	Times for which the person has been presented at the meeting (B)	Times for which the person has been authorized as a proxy to be present at the meeting	Rate of attendance (%) (B/A)	Remarks
Independent Director	Wang Chih-Hung	4	0	100%	Re-elected on 2021.8.5
Independent Director	Hung Wen-Ming	4	0	100%	Re-elected on 2021.8.5
Others	Lee Tien-Hsiang	4	0	100%	Re-elected on 2021.8.5
Duties of Salary and Remuneration Committee: The committee performs the following duties faithfully with the care of a good administrator and submits its suggestions to the board of directors for further discussion. <ol style="list-style-type: none"> <li>1. Determine and regularly review the policy, system, standards and structure concerning the performance evaluation for directors and managers, and the salaries and remunerations paid to them.</li> <li>2. Regularly evaluate and determine the salaries and remunerations paid to directors and managers.</li> </ol> Other Matters Required to be Recorded: <ol style="list-style-type: none"> <li>1. Date and term of the board meeting, content of the motion, resolution results by the board of directors, and the measures taken by iST based on the opinion of the salary and remuneration committee if the board of directors does not adopt or amend the suggestions given by the salary and remuneration committee (and the difference and reason if the salary or remuneration adopted by the board of directors is better than that suggested by the salary and remuneration committee): No different opinion has been given against the results resolved by the board of directors.</li> <li>2. Date and term of the salary and remuneration committee meeting, content of the motion, opinions of all committee members, and the measures taken based on the opinions of the members if any member objects to or provides with qualified opinion for at the meeting, and such objection or opinion is recorded in the minutes or a written statement: None of committee members have objected to or provided with qualified opinion against the results resolved.</li> </ol>					

3. Date and term of meeting of salary and remuneration committee, content of motion, resolution result and the measures taken by iST based on opinions of committee members

Date of Meeting	Content of Motion
2023.03.08 5th-term 5 <sup>th</sup> meeting	1. Review of remuneration to directors of iST for 2022 2. Review of remuneration to employees of iST for 2022 3. Review of adjustment of salaries paid to high-ranking officers of iST for 2023
	Resolution Result: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the salary and remuneration committee: Except the directors avoiding, the directors present at the meeting adopted the resolution and implemented relevant matters based on the resolution result..
2023.07.13 5th-term 6 <sup>th</sup> meeting	1. Review of distribution of mid-year bonuses to high-ranking officers of iST for 2023
	Resolution Result: All committee members present at the meeting adopted the resolution unanimously.

	Measures taken by iST based on the opinion of the salary and remuneration committee: Except the directors avoiding, the directors present at the meeting adopted the resolution and implemented relevant matters based on the resolution result..
2023.12.06 5th-term 7th meeting	1.Review of distribution of year-end bonuses to high-ranking officers of iST for 2023 Resolution Result: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the salary and remuneration committee: Except the directors avoiding, the directors present at the meeting adopted the resolution and implemented relevant matters based on the resolution result..
2024.02.20 5th-term 8th meeting	1.Review of remuneration to directors of iST for 2023 2.Review of remuneration to employees of iST for 2023 3.Review of adjustment of salaries paid to high-ranking officers for 2024 Resolution Result: All committee members present at the meeting adopted the resolution unanimously. Measures taken by iST based on the opinion of the salary and remuneration committee: Except the directors avoiding, the directors present at the meeting adopted the resolution and implemented relevant matters based on the resolution result..

4. Information on Nomination Committee Members and Status of Operation: iST has not set up a nomination committee.

E. Operation of the ESG Advisory Committee:

- 1.The Company's ESG Advisory Committee consists of three members: the Chairman of the Board and two independent directors. The members are appointed by a resolution of the Board of Directors. The committee meets at least once a year and reports to the Board of Directors in accordance with the Corporate Governance Best Practice Principles, submitting its proposals to the Board for resolution.

Title	Name	Expertise
Chairman (Convener)	Yu Wei-Pin	Business Management, Global Market Perspective
Independent Director	Hong Wen-Ming	Business Management, Sustainability Management
Independent Director	Lou Yong-jian	Industry Knowledge, Risk Management

- 2.The responsibilities of the ESG Advisory Committee are as follows:

- (1) Supervising the execution of ESG sustainability principles.
- (2) Appointing the Chief ESG Officer to conduct due diligence on ESG-related adverse events.
- (3) Ensuring the execution and track the effectiveness of the Company's sustainability policies.
- (4) Appointing the convener of the ESG Committee.
- (5) Annually reviewing and approving significant topics and performance of the ESG report.

- 3.The tenure of the incumbent committee members: December 15, 2023, to July 25, 2024.

4.Operation of the ESG Advisory Committee:

The ESG Advisory Committee held one meeting in the most recent year and up to the date of the annual report publication. The qualifications and attendance of the members are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual Attendance Rate (%) (B/A)	Remarks
Chairman	Yu Wei-Pin	1	0	100%	-
Independent Director	Hong Wen-Ming	1	0	100%	-
Independent Director	Lou Yong-jian	1	0	100%	-

F. State of Promotion of Sustainable Development, Variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and Reason for Variance

Promotion Item	Status of Operation (Note 1)			Variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and Reason for Variance
	Yes	No	Summary	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>1. To fulfill its corporate social responsibility and align with international trends, the Company has designated the Board of Directors as the highest decision-making unit for sustainability issues. In 2022, the Company established an ESG Committee, chaired by the Chairman of the Board and comprising senior executives at the departmental level and above as committee members. This committee collectively reviews the Company's core business capabilities and develops medium- to long-term sustainability plans.</p> <p>2. Under the ESG Committee, there are five subcommittees: the "Corporate Governance Subcommittee," the "Employee Care, Development, and Integrity Management Subcommittee," the "ESH Subcommittee," the "Sustainable Supply Chain Subcommittee," and the "Stakeholder and Social Care Subcommittee." These subcommittees guide the management indicators for the economic, environmental, and social dimensions of corporate social responsibility and supervise the "ESG Promotion Office" in executing performance management indicators in these domains.</p> <p>3. The ESG Promotion Office is responsible for regularly identifying stakeholders, collecting and reviewing issues of concern to stakeholders, and assessing the performance of ESG initiatives. The office reports to the ESG Committee, with the convener of the ESG Committee presenting the sustainability performance and resolution plans to the Board of Directors at least once a year during the annual meeting. The Board then executes the relevant resolutions and provides the necessary resources. The 2023 execution status was reported to the Board of Directors on December 15, 2023. The directors reviewed the report from the promotion office, supervised the executions and</p>	None

		<p>objectives of the sustainability initiatives, and provided timely advice and suggestions for strategic adjustments to the promotion office.</p> <p>4. In 2023, the ESG Advisory Committee was established to guide and supervise the ESG Committee in taking sustainability initiatives, with an aim to cultivate a culture of corporate sustainability and fulfill its commitments to sound corporate governance, environmental protection, social responsibility, and stakeholder engagement. This enables the Board of Directors to fulfill its duty to protect the rights and interests of the Company, its employees, shareholders, and stakeholders, positioning iST as a responsible enterprise that meets the expectations of its customers, employees, and shareholders.</p>								
2.	Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V	<p>According to the company's "Procedures Governing the Preparation, Verification, and Reporting of the Sustainability Report", we regularly disclose the major themes and impacts on the economy, environment, and people (including their human rights) identified by the company, with disclosure items and reporting requirements strictly in line with GRI/SASB/TCFD standards every year. We also refer to SDGs to set corresponding management goals for controlling ESG risks.</p> <p>The Company's ESG Committee has conducted risk assessments on significant issues based on major principles, and developed relevant risk management policies or strategies as follows:</p> <table><tr><th>Significant Issue</th><th>Risk Assessment</th><th>Risk Management Policy or Strategy</th></tr><tr><td>Environmental</td><td>Climate Change and Environmental Protection</td><td>See Below</td></tr></table> <p>1. The Company has taken measures for three high-risk domains: "increased costs of greenhouse gas emissions," "impact of extreme weather events on continuous business operations," and "increased demand and regulations related to sustainability." These measures include the execution of "public utility energy-saving schemes," "emergency response measures," and "early adoption of renewable energy," integrating departments such as environmental safety, manufacturing, and procurement to assess resource inputs and related allocations for more efficient executions of risk mitigation and adaptation measures. This is complemented by the introduction of the ISO50001 Energy Management System to continuously enhance energy efficiency. Furthermore, through the ISO 14001 Environmental Management System, the Company continues to conserve resources, prevent pollution, and promote environmental sustainability.</p> <p>2. Task Force on Climate-related Financial Disclosures (TCFD) was introduced to establish a climate risk identification process for the merged company. Through cross-departmental discussions on climate risk and opportunity results, a total of 4 opportunities and 7 risks have been identified.</p> <p>3. Operational Aspect: Comprehensive review of various process administrative forms for digitization, procurement of eco-label products, and phased replacement of obsolete energy-consuming equipment to reduce energy consumption losses and enhance operational efficiency. Additionally, the Company plans to hire an external certification body by June 2024 to formally</p>	Significant Issue	Risk Assessment	Risk Management Policy or Strategy	Environmental	Climate Change and Environmental Protection	See Below	None
Significant Issue	Risk Assessment	Risk Management Policy or Strategy								
Environmental	Climate Change and Environmental Protection	See Below								

		execute and complete the ISO14064-1 GHG inventory.											
		<table><tr><td>Significant Issue</td><td>Risk Assessment</td><td>Risk Management Policy or Strategy</td></tr><tr><td rowspan="2">Social</td><td>Occupational Safety &amp; Health</td><td>See Below</td></tr><tr><td>Customer Privacy and Information Security</td><td>See Below</td></tr></table>	Significant Issue	Risk Assessment	Risk Management Policy or Strategy	Social	Occupational Safety & Health	See Below	Customer Privacy and Information Security	See Below			
Significant Issue	Risk Assessment	Risk Management Policy or Strategy											
Social	Occupational Safety & Health	See Below											
	Customer Privacy and Information Security	See Below											
		<p>1. We prioritize the safety of our employees' work environment and strive to provide a high-quality working environment to ensure their well-being. Our commitment to promoting occupational safety and health risk management involves providing appropriate protection or operational controls to reduce safety and health risks. Our occupational safety and health strategies include appointing qualified professionals who obtained fire safety and occupational safety and health qualifications, conducting regular safety and health education and training, legally developing fire plans for each workplace, and conducting regular drills to maintain optimum office safety.</p> <p>2. To fulfill our commitment to environmental sustainability, the Company has obtained ISO 45001 Occupational Safety and Health Management System and ISO 14001 Environmental Management System certifications.</p> <p>1. To strengthen the protection of company and customer documents, the Company conducts regular internal and external environmental risk factor reviews for the following domains: network attacks, hacker intrusions, information leaks, contamination, and data center management. We have also established information security management policies and response measures.</p> <p>2. Through rigorous information security control, we have obtained ISO/IEC 27001 information security management system certification to ensure strict confidentiality of customer cases.</p>											
		<table><tr><td>Significant Issue</td><td>Risk Assessment</td><td>Risk Management Policy or Strategy</td></tr><tr><td rowspan="3">Corporate Governance</td><td>Legal Compliance</td><td>See Below</td></tr><tr><td>Stakeholder Communication</td><td>See Below</td></tr><tr><td>Enhancement of Director Capacities</td><td>See Below</td></tr></table>	Significant Issue	Risk Assessment	Risk Management Policy or Strategy	Corporate Governance	Legal Compliance	See Below	Stakeholder Communication	See Below	Enhancement of Director Capacities	See Below	
Significant Issue	Risk Assessment	Risk Management Policy or Strategy											
Corporate Governance	Legal Compliance	See Below											
	Stakeholder Communication	See Below											
	Enhancement of Director Capacities	See Below											
		<p>Through the establishment of a corporate governance structure and the execution of internal control mechanisms, we ensure that all personnel and operations of the company strictly adhere to relevant legal requirements.</p> <p>1. To prevent misunderstandings and mitigate operational or litigation risks arising from differing perspectives between stakeholders and the company, we identify important stakeholders and analyze their key concerns annually.</p> <p>2. We establish various communication channels to actively engage stakeholders and reduce conflicts and misunderstandings. To do this, an investor mailbox managed by the spokesperson responsible for responses is set up.</p>											



		<p>3. We conduct regular visits and phone calls to clients, establish a customer satisfaction survey mechanism to understand their needs, and set up a customer service mailbox and a stakeholder communication website to promptly address relevant issues of concern to clients.</p> <p>1. We plan relevant training topics for directors, providing them with updates on the latest regulations, institutional developments, and policies annually.</p> <p>2. We annually purchase director liability insurance in compliance with the law to safeguard them in the event of litigation or claims.</p>	
3. Environmental Issue			
(1) Has the Company set an environmental management system designed to industry characteristics?	V	<p>1. iST has promoted the ISO14001 environmental management system and obtained certification. For maintenance, a unit has been specifically designated.</p> <p>2. The certificate is effective from 2019/10/08 to 2025/10/07.</p>	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V	<p>iST takes the following measures for energy conservation consistently.</p> <p>1. Eliminate the facilities and equipment that have poor energy efficiency, and replace them with a type that has better energy efficiency with frequent conversion system.</p> <p>2. Change lighting to energy-saving LEDs gradually.</p> <p>3. Replace the old ice water machine in the Puding factory with a new model of first-level energy-saving efficiency.</p> <p>4. Add frequency converters to pumps and windmills in each factory area to control energy saving automatically.</p> <p>5. Add solar panels to the RF of the Second Hsinchu Factory to generate electricity.</p> <p>6. Promote an e-processing system. iST has used a document management system to process all standardized documents electronically to reduce the quantity of paper used and encourage personnel to reuse document paper.</p> <p>7. Promote waste classification, recovery and reduction.</p>	None
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V	iST conducts the analysis of potential risks and opportunities based on its corporate environmental situation analysis and risk evaluation, and takes measures based on results of the risk evaluation.	None
(4) ) Did the company collect data for the past two	V	iST calculates greenhouse gas emissions, water consumption and the total weight of waste periodically. The statistics for the latest 2 years are provided as follows: Greenhouse Gas Emissions, Water Consumption and Total	None

years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?		Weight of Waste in 2022 and 2023																													
		<table><tr><td></td><td>2022</td><td>2023</td></tr><tr><td>Water consumption</td><td>68,767 m3</td><td>68,974 m3</td></tr><tr><td>Weight of hazardous waste</td><td>8.858 tons</td><td>8.42 tons</td></tr><tr><td>Weight of non-hazardous waste</td><td>44.76 tons</td><td>48.15 tons</td></tr><tr><td>Annual greenhouse gas emissions</td><td>22,308 metric tons CO2e</td><td>23,003 metric tons CO2e</td></tr></table>		2022	2023	Water consumption	68,767 m3	68,974 m3	Weight of hazardous waste	8.858 tons	8.42 tons	Weight of non-hazardous waste	44.76 tons	48.15 tons	Annual greenhouse gas emissions	22,308 metric tons CO2e	23,003 metric tons CO2e														
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		Greenhouse gas emission statistics by category in the past two years																													
		<table><tr><td rowspan="2">Category</td><td colspan="2">Whole factory area in 2022</td><td colspan="2">Whole factory area in 2023</td></tr><tr><td>(tons CO2e/year)</td><td>Proportion of total emissions(%)</td><td>(tons CO2e/year)</td><td>Proportion of total emissions(%)</td></tr><tr><td>Category1</td><td>2,503.60</td><td>11.19%</td><td>2,652.05</td><td>11.53%</td></tr><tr><td>Category2</td><td>19,805.19</td><td>88.56%</td><td>20,270.87</td><td>88.12%</td></tr><tr><td>Category3</td><td>55.71</td><td>0.25%</td><td>80.12</td><td>0.35%</td></tr><tr><td>total</td><td>22,364.50</td><td>100.00%</td><td>23,003.04</td><td>100.00%</td></tr></table>	Category	Whole factory area in 2022		Whole factory area in 2023		(tons CO2e/year)	Proportion of total emissions(%)	(tons CO2e/year)	Proportion of total emissions(%)	Category1	2,503.60	11.19%	2,652.05	11.53%	Category2	19,805.19	88.56%	20,270.87	88.12%	Category3	55.71	0.25%	80.12	0.35%	total	22,364.50	100.00%	23,003.04	100.00%
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total	22,364.50	100.00%	23,003.04	100.00%																											
	Remarks:																														
	Category 1: Direct emissions are emissions from sources owned or controlled by iST, such as manufacturing facilities or plants and transportation vehicles.																														
	Category 2: Indirect emissions are emissions resulting from electric power purchased by iST for its own use or from such sources as heat and steam.																														
	Category 3: Other indirect emissions are other indirect emissions generated by outside entities and activities, including employees' computing and business trips, and emissions generated in product life cycles. Note: The 2022 GHG inventory includes the Zhuyi Plant, Zhuer Plant, Puting Plant, De'an Plant, Taiyuan Plant, Neihu Plant, Changyi Plant, and World Advanced Plant.																														
	For the 2023 GHG inventory locations, please refer to statistical counterpart of 2022, with the exception of the World Advanced Plant.																														
	Greenhouse Gas Emission Reduction Policy:																														
	iST takes measures to hold energy saving and carbon reduction activities from time to time to encourage employees to build a good electricity-using habit and develop self-management for electricity using. In addition, iST also cooperates with the government to carry out the 2050 net zero emission policy and effectively implement and promote a energy saving and carbon reduction scheme in each plant in hopes of reducing the overall greenhouse gas emissions and air pollution. iST will continue playing a role of a pioneer of low carbon and renewable energy enterprise to achieve the goal of environmental sustainability. During the period between 2023 and 2027, iST aims to reduce carbon emissions by at least 1% every year from 2022.																														
	The baseline year for greenhouse gas reduction is 2022, with an																														

		<p>expected 3% reduction in emissions for 2023. The actual reduction achieved was 3.25%, meeting the target.</p> <p><b>Water Consumption Reduction Policy:</b> To reduce tap water consumption and reduce the total emissions from plants, iST has taken the following measures to save water, aiming to reduce water consumption by more than 1% by the end of 2027.</p> <p>1. <b>Process Wastewater Recycling and Treatment System:</b> Wastewater is recycled through the process wastewater recycling system and provided for the cooling tower. Over the past two years, approximately 22,578 metric tons of water have been recycled.</p> <p>2. <b>Recycling of Water from Pure Water System:</b> Water from the pretreatment backwash (sand filter housing and active carbon housing) is recycled. RO concentrated water for recycling is recycled. About 95.8% of water drained from the pure water system is recyclable.</p> <p>3. <b>Saving Water in Daily Life:</b> iST will use water-saving toilets and advocate cherishing water resources and saving water for all employees. By doing so, iST has reduced water consumption.</p> <p><b>Waste Management Policy:</b> iST has established the following waste management mechanism to achieve the objectives of safe, healthy and harmless treatment and recycling of waste. iST expects to achieve the goal of reducing its generated waste by 1% every year from 2022. In the most recent year, hazardous waste decreased by approximately 5% compared to the previous year.</p> <p>1. iST dispatches its environmental protection management officers to visit the waste treatment plant every year to ensure that the process of disposing and treating waste meets applicable regulations.</p> <p>2. Hazardous industrial waste is inspected periodically every year.</p> <p>3. Each plant is required to establish its plan of industrial waste disposal and submit the triplicate disposal order in accordance with the Waste Disposal Act. The GPS is installed legally in each vehicle removing waste to track the waste flow. The vehicle is weighed after entering the treatment plant.</p>	
4. Social Issue			
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V	<p>iST complies with the International Bill of Human Rights. With the spirit of the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the Responsible Business Alliance (RBA) Code of Conduct, iST holds the principles of respecting human rights and putting right persons in right places and takes into account other applicable industrial standards and international conventions. iST equally treats and respects employees and is committed to creating a honest, healthy and safe work environment, ensuring that the safety and hygiene conditions of the work environment are in compliance with standards, and improving the conditions of work environment for all employees and the employees' benefits consistently.</p> <p>iST extremely emphasizes the development of its labor and business ethics policy. iST advocates the policy through work rules, document management system and announcement system, and regularly reviews and optimizes relevant systems to protect human rights of workers and ensure that every employee is respected and treated equally in order to maintain</p>	None

		<p>interests of all employees and create a friendly work environment.</p> <p>The concrete management scheme used by iST for protection of human rights is as follows:</p> <p>(Eliminate all forms of discrimination and ensure equity of work opportunities.)</p> <p>iST does not allow the recruitment process and appointment decisions to be affected because of any factors, such as race, religion, belief, sex, marital or childbearing status, age, political background, nationality, disability, sexual orientation, constellation, blood type, etc.</p> <p>(Zero tolerance is adopted against unlawful violence.)</p> <p>iST guarantees that all employees are free from any physical or mental violence while performing their duties and promises to create a friendly work environment jointly where employees are willing to communicate and open management is implemented.</p> <p>(Interests and rights of workers are determined in accordance with applicable laws.)</p> <p>An employment contract made between each employee and iST meets applicable regulations of labor and human rights enacted in Taiwan.</p> <p>(Forced labor is prohibited.)</p> <p>iST makes an employment contract with the employee when the employment relationship is established and guarantees not to have employees slave or coerce them into involuntary servitude.</p> <p>(Use of child labor is prohibited.)</p> <p>iST specifies in its work rules that neither children nor young persons under the age of 18 shall not be employed, and any activity that may result in use of child labor shall not be permitted.</p> <p>(Female employees are protected.)</p> <p>iST specifies in its work rules the protection measures for female employees, especially the protection measures for pregnant female employees, including no night work and no hazardous work for female employees. For the status of implementation of the diversity policy in 2023, the “nationality distribution,” “percentage of female employees” and “employment of the disabled” are indicated as follows:</p> <p><b>Community Indicators of Diversity</b></p> <table><tr><th>Type</th><th colspan="2">Of all employees (%)</th><th colspan="2">Of managements (%)</th></tr><tr><th>Sex</th><th>Male</th><th>Female</th><th>Male</th><th>Female</th></tr><tr><td>R.O.C. citizen</td><td>47.9%</td><td>40.1%</td><td>58.5%</td><td>40.9%</td></tr><tr><td>Foreigner</td><td>4.0%</td><td>7.1%</td><td>0.6%</td><td>0.0%</td></tr><tr><td>Indigenous people</td><td>0.4%</td><td>0.5%</td><td>0.0%</td><td>0.00%</td></tr></table> <p><b>Gender Indicators of Diversity</b></p> <table><tr><th colspan="3">Percent of employees and managements</th></tr><tr><th>Sex</th><th>Male</th><th>Female</th></tr><tr><td>All employees</td><td>52.3%</td><td>47.7%</td></tr><tr><td>Directors</td><td>59.1%</td><td>40.9%</td></tr></table>	Type	Of all employees (%)		Of managements (%)		Sex	Male	Female	Male	Female	R.O.C. citizen	47.9%	40.1%	58.5%	40.9%	Foreigner	4.0%	7.1%	0.6%	0.0%	Indigenous people	0.4%	0.5%	0.0%	0.00%	Percent of employees and managements			Sex	Male	Female	All employees	52.3%	47.7%	Directors	59.1%	40.9%	
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(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?.	V	(Competitive salaries and excellent welfare) iST's salary and remuneration policy not only meets applicable regulations, but also ensures that the overall salaries and remunerations provided are competitive and relevant welfare is better in the industry. In addition, iST also reviews its salary system periodically to ensure internal fairness and external competitiveness. 1. iST provides highly competitive salaries and has a system of bonuses and rewards for employees to share operating results with all employees. When iST has any profit for the year, iST shall allocate no less than 3% of the profit as employees' remuneration in accordance with Article 18 of iST's articles of incorporation, 2. iST has a bonus system that is superior in the industry and covers quarterly bonus, performance bonus, productivity bonus, and various incentive bonuses. 3. iST provides a remarkable pay raise and job promotion based on performance of employees. 4. iST provides a leave and attendance system better than that provided in the Labor Standards Act. 5. iST provides a new employee with a single room in its dormitory and rent subsidy to mitigate the employee's economic burden for renting a house and have the employee enjoy a safe living environment simultaneously. 6. iST provides subsidies for travel, marriage and childbirth, and scholarships for children to take care of employees and their family members. 7. iST has breastfeeding rooms to satisfy employee needs and has also employed nursing personnel in accordance with labor health protection regulations to provide labor health related services and deal with health education matters. In addition, contracted physicians are requested to provide service in the plant. 8. iST has all employees receive health examination periodically and arranges for doctors and nursing personnel at the plant to provide health consultation service.	None																																			
(3) Does the Company provide employees with	V	1. Work Environment Protection Measures: Access controls are installed for the premises. 24-hour security guards patrol the premises regularly as scheduled. Only with an access card, an employee has access to the premises. For a high-risk area, an	None																																			

a safe and healthy working environment, and implement regular safety and health education for employees?		<p>emergency alert system is installed. The CCTV system is installed for each entrance to the premises.</p> <p>2. Occupational Safety and Health Officers: Occupational safety and health management officers who are issued with relevant professional licenses are designated in accordance with national regulations, and are required to receive retraining to ensure that they are capable of performing duties effectively with industrial safety skills.</p> <p>3. Periodical Implementation of Educational Safety and Health Training: Relevant educational safety and health training programs were held in 2023. A total of trainees were 523 persons and the total hours of training were 344.</p> <p>4. Describe the number of fires in the year, the number of casualties, the ratio of casualties to the total number of employees, and the related improvement measures in response to fires: There was no fire incidents in 2023.</p>	
(4) Has the Company established effective career development training programs for employees?	V	<p>iST implements the human resource development strategy with the framework of “competency.”</p> <p>A. iST plans the annual educational training plan based on its operational and strategic guidelines and organizational needs, and implements the following pursuant to the plan effectively:</p> <p>1. Development of Core Competencies – Develop and cultivate, through cultural activities, core competencies of all employees based on the annual key competencies and the analysis of competency gap.</p> <p>2. Professional Competency Training – iST has established a professional technical development blueprint to allow employees to learn based on their interest and pursuant to the planning of iST and further their career development. For the purpose, a total of 154 OJT sessions for professional and technical departments were provided in 2023 with 1,993 participants. The level of satisfaction was 4.6 points.</p> <p>3. Management Competency Training – iST has established the dual-track development mechanism for suitable talents in right places, and has planned to cultivate remarkable young talents to be excellent leaders.</p> <p>4. Tracking and Management of Training Results through Quarterly and Annual Training Reports: 230 sessions of internal training were held in 2023 with 18,732 participants, and the hours of training were 9,888. 99 sessions of external training were held in 2023 with 99 participants, and the hours of training were 963.</p> <p>B. To pass on professional technology and knowledge, iST plans a series of training for each new employee, and arranges for employees to complete professional competence certification under the instruction of instructors, who care about work and lives of new employees and help them in being familiar with their work soon.</p> <p>1. Implementation of OJT Plan for New Employees: 217 new employees were trained in 2023 and passed the probationary period. The level of satisfaction was 4.72.</p> <p>2. Continuous Implementation of Instructor Cultivation Plan: 41 employees became instructors successfully in 2023 and each has assumed the responsibilities of an instructor.</p>	None
(5) Does the company comply with the relevant laws and	V	<p>1. iST collects or obtains personal information of individual customers in various situations, including but not limited to the following:</p> <p>Information Provided Voluntarily by Customers to iST: When a customer uses the products or services provided by iST, we will</p>	None

<p>international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p>		<p>request the customer to provide necessary personal information, such as name, email address, contact address, phone number, etc. When the customer uses any service for which the customer needs to pay, we will also collect the customer's payment information, contact number, invoice , shipping address, etc.</p> <p>Information Collected through Activities on iST's Website: When a customer uses service mailbox, questionnaire or any other interactive function, iST will retain the name, email address, contact information and usage time provided by the customer.</p> <p>Information Collected through Cookies or Similar Technology: For providing the best service for customers, iST may use Cookies, when the customer visits our website, to record the customer's relevant activities, including the IP address of the connection device used by the customer, usage time, browser used, browsing preference and habit of the customer, etc. We will use Cookies and other similar technologies to process personal information of the customer. If the customer does not want to accept Cookies, the customer can set a higher privacy level in the functions of the browser used by the customer. By doing so, the customer has refused cookies, but the customer will probably not be able to use some functions of the website.</p> <p>Information Provided by Third Parties: iST may collect personal information of customers from information provided by third parties, such as data brokers, social networking sites, other partners or public information.</p> <p>2. Retention Period of Personal Information: iST retains personal information of a customer only for the period when the customer is using iST's products or services. After the retention period agreed between iST and the customer expires, or the data do not meets iST's operating purposes any more, iST will permanently delete or destroy personal information of the customer or de-identify the personal information by means of anonymous processing. iST also retains personal information of customers after the extinctive prescription provided by applicable laws.</p> <p>3. Personal Rights of Customers: A customer may claim the following rights with respect to his/her personal information in accordance with applicable laws and regulations: "Refuse to provide personal information, access to personal information, correct personal information, request to have personal information deleted, restrict the processing of personal information, object to the processing of personal information, request to have personal information transferred to another controller, withdraw consent, and lodge a complaint with the competent authority in charge of information protection." Under certain circumstances, the customer needs to provide the identification document to exercise the aforementioned rights.</p>	
<p>(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant</p>	<p>V</p>	<p>Supplier Code of Conduct</p> <p>iST has established the supplier management procedure to conduct the annual assessment based on various indicators, such as a supplier's quality, delivery, service, environmental protection, occupational safety and human rights of workers, for selection of quality and qualified suppliers. As posted on the official website at <a href="https://www.istgroup.com/tw/about-ist/csr/supplier-guidelines/">https://www.istgroup.com/tw/about-ist/csr/supplier-guidelines/</a>, the code of conduct for suppliers specifies that suppliers must comply with all management regulations relevant to human rights of workers, environmental</p>	<p>The contract to be made with a supplier will include the stipulations for the environment of sources of supply and</p>

<p>regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation ?</p>		<p>friendliness, integrity management and information security.</p> <p><b>Human Rights</b> Suppliers should commit to upholding the human rights of their workers and treating them with dignity in accordance with standards recognized by the international community. This applies to all workers, including temporary workers, migrant workers, students, contract workers, permanent workers and any other type of worker.</p> <p><b>Occupational Safety and Health</b> A safe and healthy working environment helps improve product and service quality, ensure production stability, and boost labor loyalty and morale. Therefore, suppliers should try their best to reduce the occurrence of work-related injuries and illnesses. Furthermore, suppliers should also understand employee feedback and invest in their employees. Education and training are keys for employees to identify and solve health and safety issues in their workplaces and comply with relevant regulations on occupational safety, emergency preparedness, occupational injuries and diseases, industrial hygiene, physical labor, and other regulations.</p> <p><b>Environment</b> Suppliers must assume environmental responsibility as an integral part of manufacturing top-tier products. The manufacturing process should protect public health and safety while also minimizing negative impacts on communities, environment, and natural resources.</p> <p><b>Business Ethics</b> To fulfill their social responsibilities and secure success in the marketplace, suppliers and their agents should adhere to the highest ethical standards, including business integrity, no corruption, information disclosure, intellectual property rights, fair trading, advertising and competition, identity protection, retaliation prevention, responsible sourcing of minerals, and personal information security.</p> <p><b>Management System</b> Suppliers should adopt or establish a management system related to the contents of this Code of Conduct, which should be designed in such a way to ensure: (a) compliance with applicable regulations and customer requirements; (b) compliance with this Code of Conduct, and (c) identification and reduction of business risks related to this Code of Conduct. Management systems should also be appropriately and continuously updated to include company commitments, management responsibilities, regulatory and customer requirements, risk assessment and control, improvement objectives, education and training, communication, employee opinions, participation and grievances, audits and evaluations, preventive and corrective actions, documentation and records, and supplier responsibilities.</p> <p><b>II. Supplier Code of Conduct</b> 1. To fulfill social responsibilities and facilitate healthy development of the supply chain, a total of 4 suppliers signed the Declaration of No Use of Conflict Minerals in 2023 to ensure that the suppliers and their sources of supply comply with the CMRT-related regulations. 2. To follow the occupational safety and health policy for the prevention of industrial safety incidents, iST requires the contractor to sign the Safety, Health and Environmental Protection Agreement and participate in the safety and health training for suppliers before starting construction work in the plant. 15 contractors who are expected to start construction work in 2023 signed the agreement. 26 sessions of</p>	<p>the social impact.</p>
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			<p>relevant educational training (1 hour per session) were held, and 208 persons participated in the training.</p> <p>3.To follow the principle of integrity management, maintain iST’s assets, interests and image and ensure the interests of iST and all stakeholders, our suppliers must sign the Supplier Integrity Commitment and shall not obtain improper benefits (including improper banquets, kickbacks, bribes, entertainment, etc.) during performance of their duties or conduct any activities that may affect iST’s reputation and competitiveness. 13 new suppliers were recruited in 2023 and signed the Commitment successfully.</p> <p>III. Green Procurement Policy</p> <p>iST chooses the suppliers that provide locally-manufactured and environmentally friendly products with Green Mark or the products approved by Environmental Protection Administration that satisfy the requirements for recycled materials, recyclability, low pollution or energy conservation, in order to create a green supply chain. During the latest 3 years, domestic purchases, except purchases of large equipment, accounted for more than 90% of all purchases and the percentage of local purchases increased year by year. (Please see the table below.)</p> <table><tr><td>Amount of annual purchases</td><td>2021</td><td>Percent</td><td>2022</td><td>Percent</td><td>2023</td><td>Percent</td></tr><tr><td>Foreign</td><td>54,257</td><td>8%</td><td>33,455</td><td>3%</td><td>34,464</td><td>3%</td></tr><tr><td>Domestic</td><td>878,112</td><td>92%</td><td>994,967</td><td>97%</td><td>998,735</td><td>97%</td></tr><tr><td>Total amount</td><td>932,369</td><td>100%</td><td>1,028,422</td><td>100%</td><td>1,033,199</td><td>100%</td></tr></table> <p>Note: Purchases of large equipment are not included in the amounts listed above.</p>	Amount of annual purchases	2021	Percent	2022	Percent	2023	Percent	Foreign	54,257	8%	33,455	3%	34,464	3%	Domestic	878,112	92%	994,967	97%	998,735	97%	Total amount	932,369	100%	1,028,422	100%	1,033,199	100%	
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5.	Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V	<p>The preparation of the 2022 sustainability report has been completed in accordance with GRI and SASB, while the AA1000 third-party assurance and verification will be completed in November 2023.</p>	None																												
6.	<p>If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company’s operations:</p> <p>In 2023, we have stipulated our sustainable development code of practice in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and relevant legal requirements before submitting it to the board of directors for review and approval in 2024. By following the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", we promote sustainable development and pay attention to the rights and interests of stakeholders. While pursuing sustainable operations and profits, we also attach great importance to environmental, social and corporate governance factors and incorporate them into our management policies and business activities.</p>																															
7.	Other important information to facilitate better understanding of the company’s promotion of sustainable development:																															

(1) In 2023, iST cultivated future technical talents and helped disadvantaged students in rural areas by providing scholarships. In 2023, we assisted 190 schools with emotional education programs and scholarship subsidies, benefiting a wide group of students ranging from elementary to university levels. Additionally, to reduce the educational resource gap between urban and rural areas, we actively collaborated with 39 schools in sponsoring extracurricular reading materials and science education activities. This initiative benefited 607 students in rural areas. iST also promoted reading programs in elementary schools in the hopes of helping students develop a good reading habit during childhood and enhance their future competitiveness. As of the end of 2023, iST assisted 37 schools by donating 948 magazines, contributing to an accumulation of 7,356 extracurricular reading materials that benefit 6,359 students. iST also cooperated with relevant organizations in promoting EQ education for children and is committed to the rehabilitation of the mentally challenged, enhancement of individual's emotional intelligence, and facilitation of social harmony and happiness. For people with disabilities, iST initiated the palm-down program in which the institutions were invited to sell agricultural produce grown and crafts made by their patients. Having long been concerned about the education of schoolchildren living in rural areas, iST cooperated with relevant groups in 2023 to launch an internal gift collection activity within the company and donated more than 100 gifts during Christmas and Thanksgiving. By cooperating with the academic institutions, iST regularly invited college students to visit workplaces, allowing them to have a clearer understanding of their future career blueprints. In response to the popularization of science education, iST invited primary and secondary schoolchildren from the countryside to participate in the Chem-E-Car program in 2023, allowing children in rural areas to gain a day full of knowledge. iST will continue to exert its influence on corporate sustainability responsibility and allocate internal and external resources to care for every corner of society.

(2) In 2023, iST participated in community development and charity events by making in-kind donations.

- i. Donation to 9 social welfare organizations: (A) donation of money, (B) donation of uniform invoices, (C) donation of recycled resources, (D) donation of money from time to time, totaling NTD 1 million, (E) donation of books
- ii. Blood donation: iST holds a blood donation activity at least three times a year.
- iii. Underprivileged groups are invited to come to iST to raise funds, with a total of 40 charity fairs held so far.
- iv. Employment of physically challenged workers: Visually-impaired persons are employed to provide massage service for customers and employees.
- v. The Earth Day activity is held to promote the concept of environmental protection among employees.

## 2. Climate-related Information for Listed and Over-the-Counter Companies:

### (1) Execution Status of Climate-related Information

Items	Execution Status																														
<div>1. Explanation of the supervision and governance by the Board of Directors and the Management Level on climate-related risks and opportunities.</div> <div>2. Discussion of how identified climate risks and opportunities influence the company's operations, strategies, and financial performance (short-term, medium-term, long-term).</div> <div>3. Assessment of the financial implications of extreme weather events and transition actions.</div>	<div>1. The company adheres to the framework outlined by the Task Force on Climate-related Financial Disclosures (TCFD), conducting thorough assessments of climate risks, financial implications, and disclosure practices. This ensures transparent reporting on how climate change impacts the company and its strategies for mitigation and adaptation.</div> <div>2. Supervision of climate risk management is a key responsibility of our Board of Directors, with the ESG Committee, comprised of senior executives, regularly assessing and addressing climate-related risks and opportunities through the collaborative efforts of the ESG Promotion Office and the ESH Committee. This proactive approach allows us to effectively manage risks and capitalize on opportunities across various time horizons.</div> <div>3. Embracing the TCFD climate risk assessment framework, we proactively develop strategies and contingency plans to mitigate potential impacts of climate change. Alongside, we establish clear climate-related objectives and initiatives, identifying 7 key climate risks and 4 opportunities. This comprehensive approach enables us to articulate the short, medium, and long-term effects on our operations and financial performance.</div>																														
	<table><tr><th>Type of risk</th><th>Aspect</th><th>Content</th><th>Impact</th><th>Measures and strategies</th><th>Timeline</th></tr><tr><td>Physical risk</td><td>Extremes</td><td>Extreme weather event - typhoon</td><td>Operational disruption due to flooding</td><td>Taking emergency measures in response to the flood drills under the supervision of ESH Committee.</td><td>Short Term</td></tr><tr><td>Physical risk</td><td>Long-term</td><td>Extreme weather events - drought</td><td>Water outages and increased water costs due to drought, resulting in elevated operational expenses for water usage</td><td>Taking water-saving measures, enhancing water efficiency, and reducing water consumption.</td><td>Medium to Long Term</td></tr><tr><td>Physical risk</td><td>Long-term</td><td>Climate risk insurance</td><td>Additional insurance costs escalate operational expenditures</td><td>Utilizing the database of Taiwan Climate Change Projection &amp; Information Platform (TCCIP) to assess long-term weather risks.</td><td>Long Term</td></tr><tr><td>Transition risk</td><td>Regulatory policies</td><td>Proactive carbon credit applications to align with the national goals of net zero</td><td>Carbon emissions have not yet reached the threshold for government carbon fees, but relevant regulations may grow stricter year</td><td>Enhancing energy efficiency through sustainable practices and early adoption of renewable energy</td><td>Long Term</td></tr></table>	Type of risk	Aspect	Content	Impact	Measures and strategies	Timeline	Physical risk	Extremes	Extreme weather event - typhoon	Operational disruption due to flooding	Taking emergency measures in response to the flood drills under the supervision of ESH Committee.	Short Term	Physical risk	Long-term	Extreme weather events - drought	Water outages and increased water costs due to drought, resulting in elevated operational expenses for water usage	Taking water-saving measures, enhancing water efficiency, and reducing water consumption.	Medium to Long Term	Physical risk	Long-term	Climate risk insurance	Additional insurance costs escalate operational expenditures	Utilizing the database of Taiwan Climate Change Projection & Information Platform (TCCIP) to assess long-term weather risks.	Long Term	Transition risk	Regulatory policies	Proactive carbon credit applications to align with the national goals of net zero	Carbon emissions have not yet reached the threshold for government carbon fees, but relevant regulations may grow stricter year	Enhancing energy efficiency through sustainable practices and early adoption of renewable energy	Long Term
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			emission	by year, resulting in additional costs & expenditures		
	Transition risk	Technology	New factory buildings complying with green building energy-saving standards	Higher costs associated with green building certification for new facilities than existing industrial structures, resulting in higher initial investment and lower operational efficiency	Evaluating green building standards and energy efficiency labeling regulations	Long Term
	Transition risk	Regulatory policies	Third-party verification of greenhouse gas emissions	Complying with FFSC's "Sustainable Development Roadmap" may incur marginal increase in costs for third-party verification.	Strengthening information disclosure credibility and accelerating low-carbon transition for efficient greenhouse gas management	Long Term
	Transition risk	Reputation	Supporting supply chain inventory and reduction efforts	Aligning with international ESG value chain management standards may raise operational costs	Prioritizing advocacy to suppliers with significant carbon impact and relevance	Long Term
	Type of opportunities	Aspect	Content	Impact	Measures and strategies	Timeline
	Opportunity	Market	Installation of solar energy green power equipment to reduce carbon emission, improve system resilience, and enhance corporate ESG image.	Besides raising operational resilience, we also garner stakeholder attention towards net-zero emission and ESG performance, while attracting institutional investors' interest in low-carbon transitory companies	Constructing solar power generation modules and assessing the feasibility of large-scale replication in the future.	Short to Medium Term
	Opportunity	Policy	Continual execution of energy-saving and carbon reduction initiatives	Application for the Ministry of Economic Affairs' energy-saving equipment subsidy program to boost energy efficiency	Integration of ISO50001 energy management systems to consistently enhance energy-saving outcomes	Short to Medium Term

			to win public sector incentives	and reduce operational costs		
	Opportunity	Technology	Ongoing adoption of energy-saving technologies for public utilities	Regular annual energy audits in accordance with the Energy Administration Act, accompanied by the drafting of energy-saving plans to elevate energy efficiency	Achievement of the annual energy-saving rate target of 1% as stipulated in Article 9 of the Energy Administration Act	Short Term
	Opportunity	Technology	Introduction of energy-saving testing strategies	Replacement of outdated, high-energy-consuming testing machinery, active recruitment of talent for low-carbon transition, and training employees for the era of low-carbon transformation to augment green competitiveness	Conducting preliminary energy assessments through ISO50001, developing low-energy and low-carbon testing services, and providing customized services utilizing low-carbon transportation models	Medium Term
<p>4. Description of how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.</p> <p>5. In cases where scenario analysis is used to assess resilience to climate change risks, details should be provided on the scenario, parameters, assumptions, analysis factors, and major financial impacts.</p> <p>6. In cases where there are transformation plans to manage climate risks, a detailed description should be given to the plan's content,</p>	<p>4. The company has taken steps to address three high-risks encompassing "increased costs associated with greenhouse gas emissions," "disruption of business operations due to extreme weather conditions," and "rising demands and regulations related to sustainability." Measures such as energy-saving programs for public utilities, emergency response protocols, and early adoption of renewable energy have been introduced. These initiatives involve collaboration across departments such as ESH, Plant Affairs, and Procurement. Resources allocation and relevant configurations are assessed to execute risk mitigation and adaptation more efficiently.</p> <p>5. In anticipation of potential electricity tariff increases leading to heightened operational costs, and after examining benchmark companies' climate risk disclosure cases alongside the urgency and clarity of policies, iST has prioritized conducting financial impact assessments related to "increased costs associated with greenhouse gas emissions." Based on IPCC AR6 SSP scenarios, analyses have been conducted on the impacts of a 1.5°C (short-term) and 4°C (long-term) temperature rise. Initial assessments indicate that short-term cost increases are less than 1% of annual revenue. However, as government policies have yet to affect the company, these financial impacts remain preliminary assumptions. iST is committed to updating the assessment results annually in response to evolving climate change-related policies, regulations, and developments in low-carbon technologies.</p> <p>6. iST has initiated a low-carbon transformation plan for climate change adaptation, with climate-related strategies and goals:</p> <p>(1) Environmentally, iST aims to reduce greenhouse gas emissions intensity by 4% from 2022 to 2024 (Scope 1 + Scope 2), aligning with annual energy-saving rate requirements of at least 1% to gradually achieve carbon neutrality.</p> <p>(2) With a focus on water conservation, iST is committed to enhancing recycling efficiency, aiming to reduce water intensity by 6% from 2022 to 2024, and maintaining water intensity below 20.3 metric tons per million NTD of revenue by 2030.</p> <p>(3) In terms of services, iST prioritizes the purchase of electric vehicles and adopts a low-carbon transportation model, alongside the replacement of outdated, high-energy-consuming testing machinery. Furthermore, active recruitment of talent for low-carbon transformation and employee training for the low-carbon transition era are ongoing to continuously reduce corporate carbon footprints.</p> <p>(4) For detailed explanations of the above goals, please refer to the ESG report or the</p>					

indicators, and goals for identifying and managing physical and transitional risks.	sustainability section on the company website.
<p>7. In cases where internal carbon pricing is utilized as a planning tool, the fundamental principles behind such pricing decision should be elucidated.</p> <p>8. When outlining climate-related objectives, pertinent details such as covered activities, scopes of greenhouse gas emission, planning timelines, annual progress milestones, etc., should be provided. Moreover, in cases where carbon offsets or Renewable Energy Certificates (RECs) are adopted to meet these objectives, the origin and quantity of offset carbon emissions or the number of RECs exchanged should be fully disclosed. Additionally, comprehensive explanations regarding greenhouse gas inventories, assurance status, reduction targets, strategies, and specific action plans (to be detailed in sections 1-1 and 1-2) should be included.</p>	<p>7. N/A</p> <p>8. N/A</p>

## 1-1 Greenhouse Gas Inventory and Verification Status for the Past Two Years

### 1-1-1 Greenhouse Gas Inventory

Outline the greenhouse gas emissions for the two most recent years, including the emissions volume (in metric tons CO<sub>2</sub>e), intensity (in metric tons CO<sub>2</sub>e per million NTD), and the extent of data coverage.

- (1) 2022: Emissions volume of 22,308 metric tons CO<sub>2</sub>e, with an intensity of 6.94 metric tons per million NTD (based on the 2022 operating revenue of 3,214.4 million NTD).
- (2) 2023: Emissions volume of 23,003 metric tons CO<sub>2</sub>e, with an intensity of 6.72 metric tons per million NTD (based on the 2023 operating revenue of 3,424.3 million NTD).

Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the company), indirect emissions (Scope 2, i.e., emissions from purchased electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions from activities not covered by Scope 2, originating from sources owned or controlled by other companies).

Note 2: The scope of data coverage for direct emissions and indirect emissions shall comply with the timelines specified in Article 10, Paragraph 2 of these guidelines, while disclosure of other indirect emissions is voluntary.

Note 3: Greenhouse gas inventory standards include Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standardization.

Note 4: Intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but data based on revenue (in million NTD) should be provided as a minimum requirement.

### 1-1-2 Greenhouse Gas Verification

Provide an overview of the verification status within the two most recent years of the date of the annual report printing, detailing the scope of verification, verifying entity, verification standards, and verification opinions.

No third-party verification of greenhouse gases has been conducted (the first third-party verification operation for the 2023 greenhouse gas inventory results will be carried out in June 2024).

Note 1: As per Article 10, Paragraph 2 of the guidelines, in cases where complete greenhouse gas verification opinion is not obtained by the annual report printing date, it should be noted as "Complete verification will be disclosed in the sustainability report". In cases where a sustainability report has not been prepared, it should be noted as "Complete verification will be disclosed on the TSE Market Observation Post System (MOPS)", with complete verification to be disclosed in the subsequent year's annual report.

Note 2: The verifying entity must adhere to the relevant provisions stipulated by the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) for sustainability report verification institutions.

Note 3: For disclosure content, please refer to the sample annual report on the official website of the TWSE Corporate Governance Center.

### 1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

This section outlines the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the achievement of those targets.

1. The baseline year is set at 2022 with an anticipated 3% reduction in emissions for 2023. In practice, emissions were reduced by 3.25%, meeting the target.
2. For a detailed breakdown of specific action plans and targets, please refer to the ESG report or the sustainability section on the company's website.

Note 1: Compliance with requirements should align with the schedule outlined in Article 10, Paragraph 2 of these guidelines.

Note 2: The baseline year corresponds to the year in which the greenhouse gas inventory within the boundary of the consolidated financial statements is completed. For example, companies with a capital exceeding 10 billion NTD are expected to finalize the inventory of their consolidated financial statements for the 2024 fiscal year by 2025. Thus, the baseline year is established as 2024. Should a company conclude its inventory of the consolidated financial statements earlier, it may use the preceding year as the baseline. Moreover, data for the baseline year may be computed as either a single year or an average over multiple years.

Note 3: For disclosure details, please refer to the sample annual report available on the official website of the TWSE Corporate Governance Center.

**G. iST's Performance in the Area of Ethical Corporate Management, and Measures Taken:**  
**State of Performance in the Area of Ethical Corporate Management, any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation:**

Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(1) iST has established and disclosed on its website the Ethical Corporate Management Practice Principles to specify the policy of ethical corporate management. iST has also established relevant operating procedure, code of conduct and internal control system to review, and report to the board of directors, each operation and educational training periodically. The Principles not only serves as the basis of ethical corporate management, but also expressly specifies the policy and measures of ethical corporate management and the commitment made by the board of directors and the management for positively implementing the management policy. iST indicates expressly conflicts of interest, compliance, trade secrets, corporate assets, and guidelines for participation in political activities and relevant activities in the Ethical Corporate Management Practice Principles. Upon provision of training for new employees, iST also discloses the importance of ethics and integrity in its regulations.	No variance
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context,	V		(2) iST has established the Operating Procedure for Ethical Corporate Management and Code of Conduct to prevents dishonest acts. It also	No variance



Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
<p>the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	V		<p>analyzes the operating activities at a higher risk of dishonesty within the scope of business activities and strengthens relevant prevention measures.</p> <p>(3) iST has established the Ethical Corporate Management Practice Principles and the Operating Procedure for Ethical Corporate Management and Code of Conduct, which provide dishonesty prevention schemes, including operating procedures, codes of conduct, and the penalty and complaint system in case of violation of regulations. iST has implemented and periodically reviewed and corrected the aforementioned schemes. To prevent employees from being involved in dishonesty or immorality, and after considering fraud risk, iST has set up an internal control system to monitor and track during routine operations to prevent fraud risk, and has conducted independent audits through the audit unit to ensure successful operation of the whole mechanism. With the internal control system and by independent audits, iST manages and prevents dishonest acts from occurring.</p>	No variance
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p>	V		<p>(1) iST has established the Code of Conduct for Suppliers and the Credit Management Regulations for customers, and has evaluated the integrity records of suppliers and customers in accordance with the regulations. Unless otherwise authorized or required by law to be disclosed, information relevant to iSt and its customers and suppliers all be kept confidential.</p>	No variance
<p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of</p>	V		<p>(2) As the unit designated by iST to promote corporate ethical management, the management</p>	No variance

Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?			<p>office reports the implementation of ethical corporate management to the board of directors every year. The content of the implementation of ethical corporate management for 2023 reported to the board of directors on Dec. 15, 2023 is as follows:</p> <ol style="list-style-type: none"> <li>1. Status of development of educational training for the honesty policy</li> <li>2. Establishment of the audit mechanism: To prevent employees from being involved in dishonesty or immorality, and after considering fraud risk, iST has set up an internal control system to monitor and track during routine operations to prevent fraud risk, and has conducted independent audits through the audit unit to ensure successful operation of the whole mechanism. With the internal control system and by independent audits, iST manages and prevents dishonest acts from occurring. iST has set up an internal control system to monitor and track in daily operations to prevent the risk of fraud, and through the audit unit Independent auditing ensures the operation of the overall mechanism, and jointly manages and prevents the occurrence</li> <li>3. Establishment of the whistleblowing system: iST has established the whistleblowing system and specific regulations. Identity of a whistleblower and content of his/her report are kept misconduct, anyone may use the designated mailbox or phone line to report any violation of ethical standards that he/she is aware of.</li> <li>4. iST ensures that the prevention measures established for corporate ethical management are taken effectively and has established the section of stakeholders on its website to</li> </ol>	

Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
			<p>provide an communication channel for employees, shareholders and stakeholders to report illegal and unethical acts or activities.</p> <p>5. In 2023, no violation of corporate ethnical management was found, and iST did not receive any written complaint about corporate ethnical management from an internal or external whistleblower and was not involved in any material violation of corporate ethnical management.</p>	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		<p>(3) In the Operating Procedure for Ethical Corporate Management and Code of Conduct, iST stipulates a policy to prevent conflicts of interest, provides proper channels to receive relevant complaints, and requests relevant units to implement the policy.</p> <p>About Employees: iST has provided the policy for prevention from conflicts of interest in the Ethical Corporate Management Practice Principles. All employees are under obligation to avoid any possible conflict of interest between themselves and iST, and shall start from the greatest interests of iST when making a decision or engaging in anything.</p> <p>About Directors: The Board Meeting Agenda Rules of iST has established the interest avoidance system for directors. Directors are required to be highly self-disciplined. When a director or the judicial person represented by him/herself has a conflict of interest with respect to any motion at the board meeting, the director shall explain the important content of the conflict of interest at the board meeting. If the interest of iST might be impaired, the director may express his/her opinion and</p>	No variance

Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		<p>answer questions at the meeting and shall not participate in discussion and voting. Upon discussion and voting, the director shall evade, and shall not exercise voting rights on behalf of another director. Whenever sending agenda documents, the agenda working unit reminds each director of avoidance of a motion being involved in a conflict of interest.</p> <p>(4) iST has established and implemented an internal control system. Based on results of risk evaluation, internal auditors put high-risk operations in the list of items to be audited in the annual audit plan to strengthen prevention measures, and review the status of compliance with the audit system periodically. An audit report is submitted regularly to the audit committee and the board of directors. In addition, to ensure effective design and implementation of the system, iST reviews and revises the system every year to build a good corporate governance and risk control mechanism, which is used to evaluate overall effectiveness of the internal control system and as the basis of the declaration issued for the internal control system.</p>	No variance
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		<p>(5) Internal and External Educational Training Participated in 2023:</p> <ol style="list-style-type: none"> <li>1. The programs for promoting integrity and honesty to be upheld by employees and the training provided for new employees were completed 100% with 816 participants. Each session was 0.5~6 hours.</li> <li>2. The educational training for directors and internal personnel was held, with 69 participants. Each session was 2-3 hours.</li> <li>3. Internal and external educational training (including information security, corporate</li> </ol>	No variance

Evaluation item	Implementation status (Note))			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description  ethnical management, compliance with laws and regulations, social security, etc.) for employees was held, with 9,152 participants. Each session was 0.25-1 hours.	
3. Implementation of Complaint Procedures				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	V		(1) iST encourages employees to report any dishonest or improper act, and gives proper rewards in accordance with the Regulations Governing Rewards and Punishments. iST has also set up a mailbox and a phone line to receive whistleblowing reports and designated appropriate personnel to deal with relevant matters.	No variance
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		(2) iST has established the standard operating procedures to deal with reported matters. Measures are taken to keep in confidential the identity of a whistleblower and the content of the report.	No variance
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V		(3) iST keeps whistleblowers in confidential during the whole whistleblowing process, and promises that whistleblowers shall not be treated improperly because of their whistleblowing.	No variance
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		iST has disclosed its Ethical Corporate Management Practice Principles and the results of the implementation of the Principles on its website and in the Market Observation Post System, and has designated staff to maintain, collect and disclose information relevant to the Ethical Corporate Management Practice Principles on its website.	No variance
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: iST established its ethical corporate management practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies published by the competent authority. It has requested relevant units to implement its ethical corporate management practice principles and has also infused these principles into its routine business management. As the result, no variance between actual practice and the situation required by the principles occurs. Subsidiaries of iST also uphold the spirit of corporate ethnical management and include the principles in their internal control systems and regulations.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical				

Evaluation item	Implementation status (Note)			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary description	
corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles) :				
(1) iST complies with abides by the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and applicable regulations for TWSE/TPEX listed companies or other regulations concerning business activities and considers compliance as the basis of ethnical management. iST also pays attention to development and update of applicable foreign and domestic ethnical management related laws, and encourages directors, managers and employees to provide suggestions for iST to review and improve its ethnical management policy and the measures taken by iST for promotion of the policy, in order to enhance the effect of iST’s ethnical management.				
(2) iST provides an interest avoidance system for directors in its Rules for Conduct of Board Meetings. For a motion relevant to interest of a director however impairing iST’s interest that is proposed at the board meeting, the director may state his/her opinion but shall not participate in discussion or voting at the meeting. The director shall avoid and shall not exercise any voting right on behalf of another director. Opinions of independent directors shall be fully considered. Objection or reservation of independent directors shall be stated in the minutes of the board meeting.				
(3) In iST’s Operating Procedure for Processing of Internal Important Information and Prevention from Insider Trading, iST expressly indicates that directors, managers and employees shall not disclose to others any material internal information that they have known during performance of duties, or ask for or collect unpublished material internal information irrelevant to their duties from any person who is aware of such information, and shall not disclose to others any unpublished material internal information that they have known during non-performance of duties.				
(4) iST has made the Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises in accordance with regulations to govern financial activities between iST and its affiliates to prevent non-arm’s length transactions and transfer of improper benefits among affiliates.				

H. If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.

1. iST has established the following regulations and rules in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

- (1) Articles of Incorporation
- (2) Procedural Rules of the Shareholders' Meetings
- (3) Board Meeting Agenda Rules
- (4) Regulations for Election of Directors
- (5) Procedures for Acquisition or Disposal of Assets
- (6) Procedures for Loaning of Funds and Making of Endorsements/Guarantees
- (7) Ethical Corporate Management Practice Principles
- (8) Operating Procedure for Ethical Corporate Management and Guidelines for Conduct
- (9) Organizational Regulations of Salary and Remuneration Committee
- (10) Regulations of Internal Equity Interest Management
- (11) Operating Procedure for Processing of Internal Important Information and Prevention from Insider Trading
- (12) Regulations for Evaluation of Performance of the Board of Directors
- (13) Corporate Governance Practice Principles
- (14) Organizational Regulations of Audit Committee

- (15) Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
- (16) Charter of the ESG Guidance Committee
- (17) Code of Practice for Sustainable Development

2. Methods of Search:

Website of iST: <https://www.istgroup.com>

Market Observation Post System: <https://mops.twse.com.tw>

I. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed.

1. The status of iST's corporate governance has been disclosed on its website and in the Market Observation Post System and the annual report. Relevant websites are as follows:

Official websites for corporate governance:

i. <https://www.istgroup.com/tw/investors/company-management/management-system/>

ii. <https://www.istgroup.com/tw/about-ist/csr/chairman/>

2. Market Observation Post System: <https://mops.twse.com.tw>

## State of Implementation of Internal Control System

### 1. Statement on Internal Control:

#### Integrated Service Technology Inc. Statement on Internal Control System

Date: Mar. 6, 2024

Based on the findings of self-assessments, iST states the following with regard to its internal control system during the year 2023:

- (1) iST's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and iST takes immediate remedial actions in response to any identified deficiencies.
- (3) iST evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each component also includes several items which can be found in the Regulations.
- (4) iST has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- (5) Based on the findings of such evaluation, iST believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- (6) This Statement is an integral part of iST's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) The statement was passed by the Board of Directors in their meeting held on Mar. 6, 2024, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.



Integrated Service Technology Inc.

Chairman: Yu Wei-Pin

President: Yu Wei-Pin

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None

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

K. Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Shareholders' Meeting:

Date of Shareholders' Meeting	Important Resolutions	Implementation
2023.06.14	Acknowledgement of settlement statements for the year ended 2021	The financial statements and business report of 2022 has been acknowledged through resolution at the shareholders' meeting. The financial statements have been disclosed in the Market Observation Post System.
	Acknowledgement of appropriation of profit or loss for the year ended 2022	The proposal of appropriation of profit or loss for 2022 has been acknowledged through resolution at the shareholders' meeting. The cash dividends NTD 74,775,121 (NTD1.0 per share) for Q3 were distributed to shareholders. The ex-dividend date was Apr 20, 2023 and the cash dividends were distributed on May 18, 2023. The cash dividends for Q4 were NTD 74,775,121 (NTD 1.0 per share). The ex-dividend date was Aug 15, 2023 and the cash dividends were distributed on Aug 25, 2023.
	Approval of private placement of common shares for cash	The board of directors resolved on Mar. 6, 2024 not to continue the matter of private placement within the remaining period because iST had not selected any subscribers qualified.

2. Board Meeting:

Date of Board Meeting	Important Resolutions
2023.03.14 11 <sup>th</sup> -term 14 <sup>th</sup> meeting	Assessment of effectiveness of internal control system for 2022 and statement on internal control system, proposal of 2022 Q4 earning distribution, final settlement of annual accounts for 2022, proposal of the annual earning distribution for 2022, establishment of iST's regulations for financial affairs between related parties and annulment of its procedure governing transactions between

	specific companies, group enterprises and related parties, proposal of not continuing the private placement of common shares for cash adopted at the general meeting of shareholders in 2022, private placement of common shares for cash, establishment of the date of the general meeting of shareholders for 2023 and the period for accepting shareholders proposals, proposal of participation in follow-on offering of Pin Wen Co., Ltd., a subsidiary 100% held by iST, approval of the transaction of derivatives, review of evaluation results with respect to independency and competency of independent CPAs, change of independent CPAs because of the internal adjustment made by their firm, review of remuneration to directors for 2022, review of remuneration to employees for 2022, and review of adjustment of salaries paid to high-ranking officers of iST for 2022
2023.04.28 11 <sup>th</sup> -term 15 <sup>th</sup> meeting	2023 Q1 consolidated financial statements, proposal of 2023 Q1 earning distribution, proposal of the limit of loans from banks, proposal of issuance of the letter of commitment to Innovative Turnkey Solution, revision of iST's corporate governance practice principles, and cancelation of restrictions on non-compete agreements
2023.08.04 11 <sup>th</sup> -term 16 <sup>th</sup> meeting	2023 Q2 consolidated financial statements, proposal for the distribution of earnings for the second quarter of 2023, Employee Stock Warrant Certificates issued by the Company in 2021, establishment of the capital increase reference date for the portions already subscribed by employees, proposal for the establishment of a branch office in Southern Taiwan Science Park, proposal for cash capital increase in Innovative Turnkey Solution Corporation, appointment of Deloitte & Touche to provide non-assurance services, proposal for bank loan limit, proposal for issuance of a letter of support to Prosperity Power Technology Inc., and review of the distribution of mid-year bonuses to senior executives of iST for 2023.
2023.11.03 11 <sup>th</sup> -term 17 <sup>th</sup> meeting	Proposal of iST's audit plan for 2024, consolidated financial statements for the third quarter of 2023, earning distribution for the third quarter of 2023, Employee Stock Warrant Certificates issued by the Company in 2021, establishment of the capital increase reference date for the portions already subscribed by employees, proposal for the repurchase of treasury stock by the Company, proposal for the limit of loans from banks, proposal for derivative trading, proposal for issuance of commitment letter to Innovative Turnkey Solution Corporation, proposal for issuance of commitment letter to Prosperity Power Technology Inc., proposal for issuance of commitment letter to Integrated Service Technology (Kunshan) Co., Ltd., discussion on cash capital increase for INTEGRATED SERVICE TECHNOLOGY INC.-Samoa, discussion on cash capital decrease for INTEGRATED SERVICE TECHNOLOGY INC.-Seychelles, discussion on cash capital decrease for INTEGRATED SERVICE TECHNOLOGY INC.-Samoa, discussion on cash capital decrease for HOT LIGHT CO., LTD, proposal for capital increase for the Company's subsidiary, Integrated Service Technology (Kunshan) Co., Ltd., and appointment of the convener of the ESG Committee by the Company.
2023.12.15 11 <sup>th</sup> -term 18 <sup>th</sup> meeting	Proposal of iST's operating budget for 2024, proposal for derivative trading, establishment of the "ESG Guidance Committee" and formulation of the organizational charter for the "ESG Guidance Committee", appointment of members to the "ESG Guidance Committee", and review of the distribution of year-end performance bonuses to senior executives of the Company for the fiscal year 2023.
2024.03.06 11 <sup>th</sup> -term 19 <sup>th</sup> meeting	Assessment of the effectiveness of the Company's internal control system for the fiscal year 2023 and the proposal for the "Statement of Internal Control", distribution of earnings for the fourth quarter of 2023, preparation of the financial statements for the fiscal year 2023, distribution of earnings for the fiscal year 2023, discontinuation of the private placement of common shares approved at the 2023 shareholders' meeting, amendment of certain articles of the Company's "Rules Governing the Conduct of Shareholders Meetings," amendment of certain articles of the Company's "Regulations Governing the Procedure of Board of Directors Meetings," amendment of certain articles of the Company's "Audit Committee Charter," amendment of certain articles of the Company's "Subsidiary Management Regulations," private placement of common shares, comprehensive reelection of directors, removal of restrictions on newly appointed directors from engaging in competitive activities, determination of the Company's and related entities' direct or indirect shareholding proportions in Prosperity Power Technology Inc., establishment of the schedule for the 2024 Annual General Meeting of the Company and the period for accepting shareholder proposals and nominations, review of the independence and suitability assessment results of the Company's signing accountants and provision of non-assurance services by its accounting firm, setting the base date for the Company's 2021 employee stock warrant issuance for portions already exercised by employees, handling the Company's sixth round of share buybacks from the over-the-counter market and planning for the cancellation of share changes registration,

	disposal (sublease) of assets for use to related parties by the Company, bank loan limits, derivative trading, issuance of a letter of commitment to Prosperity Power Technology Inc., cash capital increase by Integrated Service Technology Inc. for INTEGRATED SERVICE TECHNOLOGY INC.-Seychelles, establishment of a subsidiary Integrated Service Technology (Shanghai) Co., Ltd. by Integrated Service Technology (Kunshan) Co., Ltd., amendment of certain articles of the Company's "Ethical Corporate Management Best Practice Principles," drafting of the Company's "Sustainable Development Best Practice Principles," drafting of the Company's "Operating Procedures for the Preparation, Verification, and Publication of Sustainability Reports," review of employee compensation distribution for the fiscal year 2023, review of director compensation for the fiscal year 2023, review of salary adjustments for senior executives of the Company for the fiscal year 2024.
2024.04.26 11th-term 20th meeting	Proposal for the 2024 Q1 consolidated financial statements, proposal for the 2024 Q1 earnings distribution, establishment of the base date for the portions already subscribed by employees regarding the employee stock warrants issued in 2021, nomination and review of director and independent director candidates by the Board of Directors of the Company, derivative trading, proposal to issue a statement to Prosperity Power Technology Inc.

- L. Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None
- M. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None

(V) Information on the professional fees of the attesting CPAs (external auditors)

A. Information on CPA(External Auditor) Professional Fees

Unit: in Thousands of New Taiwan Dollars

Name of Accounting Firm	Name of CPAs	Period covered by the CPA audit	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte & Touche	Huang Yu-Feng	2023.01-2023.12	3,750	0	3,750	none
	Chang Ya-Yun	2023.01-2023.12				

B. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None

C. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

(VI) Information on replacement of certified public accountant: None

(VII) Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None

(VIII) Any transfer of equity interests or pledge of or change in equity interests by a director or manager or a shareholder holding 10% or more of shares during the latest fiscal year or as of the date of print of the annual report:

A. Change in Equity Interests of Directors, Managers or Key Shareholders

Unit: Share

Title	Name	2023		As of Apr. 16, 2024		Remarks
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Chairman	Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	25,000	0	0	0	
Director	Hui Long Co., Ltd. Representative: Chen Ching Chuo	0	0	0	0	
Director	Tu Chung-Cheh	0	0	0	0	
Director	Kai Ou Investment Co., Ltd. Representative: Chen Yang-Kuang	0	0	0	0	
Director	Liu Fu-Han	(27,000)	0	9,475	0	
Director	Wang Chih-Hung	0	0	0	0	
Director	Hung Wen-Ming	0	0	0	0	
Director	Lo Wen-Hao	0	0	0	0	
Director	Lo Yung-Chien	0	0	0	0	
Director	Yu Chuo-Min	0	0	0	0	
Chairman and Manager	Yu Wei-Pin	0	0	0	0	
Deputy Chairman	Chen Ching Chuo	0	0	0	0	
Manager	Chen Wen-Yin	15,000	0	0	0	
Manager	Lee Chang-Pin	0	0	0	0	
Manager	Lin Yu-Sang	15,000 (15,000)	0	0	0	
Manager	Tseng Shao-Chun	20,000	0	0	0	
Manager	Hsu Ju-Hung	15,000	0	0	0	
Manager	Tseng Ta-Lin	0	0	0	0	
Manager	Huang Yin-Hao	10,000	0	0	0	
Manager	Lin Hsiu-Mei	10,000	0	0	0	
Manager	Wang Shang-Chieh	11,500	0	0	0	
Manager	Wang Yu-Min	10,000	0	0	0	
Manager	Wang Kuo-Feng	12,500	0	0	0	
Manager	Cheng Chun-Yen	0	0	0	0	
Manager	Pao Chung-Hsing	5,000	0	0	0	
Manager	Shen Shih-Hsiung	0	0	0	0	
Manager	Tseng Sheng-Yu	5,000	0	0	0	Appointed on 2023.4.6
Manager	Liang Shih-Chang	0	0	0	0	Appointed on 2023.9.11
Manager	Chien Feng-Chun	0	0	2,500	0	Appointed on 2024.4.1

- B. Counterparty in any transfer of equity interests that is a related party of iST: None  
C. Counterparty in any pledge of equity interests that is a related party of iST: None

(IX) Relationship information if any of 10 largest shareholders is a related party, the spouse or a relative within the second degree of kinship of another one:

Information of 10 Largest Shareholders and their Relationship

As of Apr. 16, 2024; Unit: share; %

Name	Shares held by the shareholder		Shares held by the spouse and minor child(ren)		Shares held in the name of another person		Name of any of 10 largest shareholders that is a related party, the spouse or a relative within the second degree of kinship of another one, and their relationship		Remarks
	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding	Name	Relation	
Han Sheng Investment Co., Ltd.	3,652,288	4.83%	-	-	-	-	-	-	-
Han Sheng Investment Co., Ltd. Representative: Yu Wei-Pin	237,205	0.31%	488	0.001%	-	-	Han Sheng Investment Co., Ltd.	Chairman	-
Treasury Stock Account of Integrated Service Technology Inc.	1,562,000	2.07%	-	-	-	-	-	-	-
Hsieh Chung-Wei	1,405,000	1.86%	-	-	-	-	-	-	-
Lo Wei-Hsuan	1,290,000	1.71%	-	-	-	-	-	-	-
Citibank entrusted with the custody of Barclays investment account	1,107,759	1.47%	-	-	-	-	-	-	-
Chen Cheng-Chen	1,088,000	1.44%							
Liao Mei-Lien	1,081,000	1.43%							
Liu Fu-Han	920,000	1.22%	-	-	-	-	-	-	-
Tu Chung-Cheh	902,000	1.19%	-	-	-	-	-	-	-
Taiwan Business Bank entrusted with the custody of Capital OTC Fund investment account	900,000	1.19%	-	-	-	-	-	-	-

(X) Total number of shares and ratio of comprehensive shareholding in any single enterprise reinvested by iST, its directors, supervisors and managers and any company controlled directly or indirectly by iST:

**Ratio of Comprehensive Shareholding**

As of Mar. 31, 2024

Unit: in Thousands of shares; %

Reinvestee	Investment by iST		Investment by Directors, Supervisors, Managers and any Company Controlled Directly or Indirectly by iST		Comprehensive Investment	
	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding
Pin Wen Co., Ltd.	9,841	100%	0	0	9,841	100%
INTEGRATED SERVICE TECHNOLOGY INC.(Samoa)	4,417	100%	0	0	4,417	100%
Dekra iST	19,262	49%	0	0	19,262	49%
BTL Inc.	2,550	10%	0	0	2,550	10%
Supreme Fortune Corp.	125	100%	0	0	125	100%
Prosperity Power Technology	32,843	71%	2,850	6%	35,693	77%
INTEGRATED SERVICE TECHNOLOGY INC.(Seychelles)	-	-	7,159	100%	7,159	100%
Integrated Service Technology USA Inc.	-	-	3,130	100%	3,130	100%
Integrated Service Technology (Kunshan) Co., Ltd.	-	-	-	100%	-	100%
Hot Light Co., Ltd.	-	-	125	100%	125	100%
System Integration Professional Technology	-	-	-	100%	-	100%
He Chou Technology Inc.	-	-	400	100%	400	100%
EFUN Technology Inc.	-	-	370	26%	370	26%
Huan Ying Sustainable Development Technology	-	-	510	29%	510	29%
Instrument Supply Technology (Kunshan) Co., Ltd.	-	-	-	100%	-	100%
Motor Semiconductor Co., Ltd.	-	-	2,955	21%	2,955	21%

(Note) Elitist Design Technology Inc. was renamed He Chou Technology Inc. in April 2023.



## IV. Fundraising Overview

### (I) Capital and Shares

#### A. Source of Share Capital

##### 1. Source of Share Capital

As of Apr. 16, 2024; Unit: Share; in Thousands of NT dollars

Year/Month	Issue Price (NTD)	Approved Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Non-cash property provided as payment for shares	Others
1994/09	1,000	10,000	10,000	10,000	10,000	Share capital of NTD 10,000 thousand for establishment	—	—
1996/05	1,000	13,000	13,000	13,000	13,000	Capital increase in cash in an amount of NTD 3,000 thousand	—	—
2000/12 (Note 1)	1,000	58,500	58,500	58,500	58,500	Capital increase in cash in an amount of NTD 42,900 thousand, and stock dividends of common stock in an amount of NTD 2,600 thousand	—	—
2001/08 (Note 2)	10	6,630,000	66,300	6,630,000	66,300	Capital increase in cash in an amount of NTD 7,800 thousand	—	—
2001/11 (Note 3)	10	8,822,000	88,220	8,822,000	88,220	Capital increase in cash in an amount of NTD 17,413 thousand, and stock dividends of common stock in an amount of NTD 4,507 thousand	—	—
2002/06 (Note 4)	10	20,000,000	200,000	11,716,600	117,166	Stock dividends of common stock in an amount of NTD 28,946 thousand	—	—
2002/07 (Note 5)	10	20,000,000	200,000	15,716,600	157,166	Capital increase in cash in an amount of NTD 40,000 thousand	—	—
2003/05 (Note 6)	10	25,000,000	250,000	20,855,380	208,554	Stock dividends of common stock in an amount of NTD 51,388 thousand	—	—
2003/12 (Note 7)	10	25,000,000	250,000	21,855,380	218,554	Capital increase in cash in an amount of NTD 10,000 thousand	—	—
2004/09 (Note 8)	10	50,000,000	500,000	29,949,648	299,497	Stock dividends of common stock in an amount of NTD 80,943 thousand	—	—
2005/04 (Note 9)	10	50,000,000	500,000	30,421,288	304,213	Employee stock options converted in an amount of NTD 4,716 thousand	—	—
2005/08 (Note 10)	10	50,000,000	500,000	38,815,504	388,155	Stock dividends of common stock in an amount of NTD 83,942 thousand	—	—
2006/03 (Note 11)	10	50,000,000	500,000	39,199,629	391,996	Employee stock options converted in an amount of NTD 3,841 thousand	—	—
2006/07 (Note 12)	10	65,000,000	650,000	39,437,627	394,377	Employee stock options converted in an amount	—	—

						of NTD 2,380 thousand		
Year/Month	Issue Price (NTD)	Approved Capital	Paid-in Capital	Remarks	Year/Month	Issue Price (NTD)	Approved Capital	Paid-in Capital
2006/09 (Note 13)	10	65,000,000	650,000	42,417,609	424,177	Earnings and capital surplus transferred to common stock in an amount of NTD 29,800 thousand	—	—
2006/10 (Note 14)	10	65,000,000	650,000	42,861,002	428,610	Employee stock options and convertible bonds converted in an amount of NTD 4,434 thousand	—	—
2007/08 (Note 15)	10	65,000,000	650,000	43,712,542	437,125	Employee stock options and convertible bonds converted in an amount of NTD 8,515 thousand	—	—
2006/04 (Note 16)	10	65,000,000	650,000	46,285,713	462,857	Employee stock options and convertible bonds converted in an amount of NTD 25,732 thousand	—	—
2007/10 (Note 17)	10	65,000,000	650,000	50,182,396	501,823	Employee stock options and convertible bonds converted in an amount of NTD 3,974 thousand, and stock dividends of common stock in an amount of NTD 34,993 thousand	—	—
2007/11 (Note 18)	10	65,000,000	650,000	50,452,126	504,521	Employee stock options and convertible bonds converted in an amount of NTD 2,697 thousand	—	—
2008/02 (Note 19)	10	65,000,000	650,000	50,846,011	508,460	Employee stock options and convertible bonds converted in an amount of NTD 3,939 thousand	—	—
2008/04 (Note 20)	10	65,000,000	650,000	51,083,885	510,839	Employee stock options and convertible bonds converted in an amount of NTD 2,379 thousand	—	—
2008/09 (Note 21)	10	65,000,000	650,000	55,590,398	555,904	Employee stock options and convertible bonds converted in an amount of NTD 1,255 thousand, and stock dividends of common stock in an amount of NTD 43,810 thousand	—	—
2008/11 (Note 22)	10	65,000,000	650,000	55,606,898	556,069	Employee stock options converted in an amount of NTD 165 thousand	—	—
2009/01 (Note 23)	10	80,000,000	800,000	60,606,898	606,069	Cash increase for cash in an amount of NTD 50,000 thousand	—	—
2009/05 (Note 24)	10	80,000,000	800,000	60,619,523	606,195	Employee stock options converted in an amount of NTD 126 thousand	—	—
2009/18 (Note 25)	10	80,000,000	800,000	60,634,523	606,345	Employee stock options converted in an amount of NTD 150 thousand	—	—
2009/09 (Note 26)	10	80,000,000	800,000	68,634,633	686,346	Stock dividends of common stock in an amount of NTD 80,001 thousand	—	—
2010/08 (Note 27)	10	80,000,000	800,000	68,634,842	686,348	Employee stock options converted in an amount of NTD 2 thousand	—	—
2011/10	10	100,000,000	1,000,000	70,007,539	700,075	Stock dividends of	—	—

(Note 28)						common stock in an amount of NTD 13,727 thousand		
Year/Month	Issue Price (NTD)	Approved Capital	Paid-in Capital	Remarks	Year/Month	Issue Price (NTD)	Approved Capital	Paid-in Capital
2012/09 (Note 29)	10	100,000,000	1,000,000	44,707,539	447,075	Cancelled treasury stock of NT 3,000 thousand and cash capital reduction of NTD 250,000 thousand	—	—
2013/02 (Note 30)	10	100,000,000	1,000,000	45,907,539	459,075	Restricted stock awards of NTD 12,000 thousand	—	—
2014/06 (Note 31)	10	100,000,000	1,000,000	45,673,539	456,735	Cancelled restricted stock awards of NTD 6,000 thousand, and employee stock options converted in an amount of NTD 3,660 thousand	—	—
2014/09 (Note 32)	10	100,000,000	1,000,000	45,947,039	459,470	Employee stock options converted in an amount of NTD 2,735 thousand	—	—
2014/12 (Note 33)	10	100,000,000	1,000,000	46,024,039	460,240	Employee stock options converted in an amount of NTD 770 thousand	—	—
2015/05 (Note 34)	10	100,000,000	1,000,000	46,404,039	464,040	Employee stock options converted in an amount of NTD 3,800 thousand	—	—
2015/09 (Note 35)	10	100,000,000	1,000,000	46,466,039	464,660	Employee stock options converted in an amount of NTD 620 thousand	—	—
2015/12 (Note 36)	10	100,000,000	1,000,000	46,483,039	464,830	Employee stock options converted in an amount of NTD 170 thousand	—	—
2016/01 (Note 37)	10	100,000,000	1,000,000	50,483,039	504,830	Capital increase in cash in an amount of NTD 40,000 thousand	—	—
2016/06 (Note 38)	10	100,000,000	1,000,000	50,531,110	505,311	Employee stock options and convertible bonds converted in an amount of NTD 481 thousand	—	—
2016/09 (Note 39)	10	100,000,000	1,000,000	51,043,061	510,431	Employee stock options and convertible bonds converted in an amount of NTD 5,120 thousand	—	—
2016/10 (Note 40)	10	100,000,000	1,000,000	51,778,312	517,783	Employee stock options and convertible bonds converted in an amount of NTD 7,352 thousand	—	—
2016/10 (Note 41)	10	100,000,000	1,000,000	52,378,312	523,783	Privately placed common shares of NTD 6,000 thousand	—	—
2017/02 (Note 42)	10	100,000,000	1,000,000	62,378,312	623,783	Capital increase in cash in an amount of NTD 100,000 thousand	—	—
2017/05 (Note 43)	10	100,000,000	1,000,000	62,492,859	624,929	Convertible bonds converted in an amount of NTD 1,146 thousand	—	—
2017/08 (Note 44)	10	100,000,000	1,000,000	62,528,367	625,284	Convertible bonds converted in an amount of NTD 355 thousand	—	—

2017/11 (Note 45)	10	100,000,000	1,000,000	63,006,364	630,064	Employee stock options and convertible bonds converted in an amount of NTD 4,780 thousand	—	—
2018/02 (Note 46)	10	100,000,000	1,000,000	63,501,695	635,017	Convertible bonds converted in an amount of NTD 4,953 thousand	—	—
Year/Month	Issue Price (NTD)	Approved Capital	Paid-in Capital	Remarks	Year/Month	Issue Price (NTD)	Year/Month	Issue Price (NTD)
2018/05 (Note 47)	10	100,000,000	1,000,000	63,575,121	635,751	Convertible bonds converted in an amount of NTD 734 thousand	—	—
2019/11 (Note 48)	10	200,000,000	2,000,000	93,575,121	935,751	Capital increase in cash in an amount of NTD 300,000 thousand	—	—
2021/09 (Note 49)	10	200,000,000	2,000,000	88,575,121	885,751	Cancelled treasury stock of NTD 50,000 thousand	—	—
2021/10 (Note 50)	10	200,000,000	2,000,000	84,575,121	845,751	Cancelled treasury stock of NTD 40,000 thousand	—	—
2022/01 (Note 51)	10	200,000,000	2,000,000	79,775,121	797,751	Cancelled treasury stock of NTD 48,000 thousand	—	—
2022/05 (Note 52)	10	200,000,000	2,000,000	74,775,121	747,751	Cancelled treasury stock of NTD 50,000 thousand	—	—
2023/09 (Note 53)	10	200,000,000	200,000,000	75,306,721	753,067	Employee stock options converted in an amount of NTD 5,316 thousand		
2023/12 (Note 54)	10	200,000,000	200,000,000	75,540,921	755,409	Employee stock options converted in an amount of NTD 2,342 thousand		
2024/04 (Note 55)	10	200,000,000	200,000,000	74,008,921	740,089	Employee stock options converted in an amount of NTD 300 thousand and cancelled treasury stock of NTD 15,620,000		

Note 1: Letter No. Jing-(89)-Zhong-Zi-89676900

Note 2: Letter No. Jing-(90)-Zhong-Zi-09032594

Note 3: Letter No. Jing-(90)-Zhong-Zi-09033020090 000

Note 4: Letter No. Jing-Shou-Shang-Zi-09101230490 dated on 2002.6.25

Note 5: Letter No. Jing-Shou-Shang-Zi-09101290900 dated on 2002.7.25

Note 6: Letter No. Jing-Shou-Shang-Zi-09201156430 dated 2003.5.22

Note 7: Letter No. Jing-Shou-Zhong-Zi-09233192430 dated 2003.12.24

Note 8: Letter No. Jing-Shou-Zhong-Zi-09332712060 dated 2004.09.15

Note 9: Letter No. Jing-Shou-Zhong-Zi-09432634570 dated 2005.08.11

Note 10: Letter No. Jing-Shou-Zhong-Zi-09432774250 dated 2005.09.09

Note 11: Letter No. Jing-Shou-Zhong-Zi-09532074660 dated 2006.04.24

Note 12: Letter No. Jing-Shou-Zhong-Zi-09532541020 dated 2006.07.26

Note 13: Letter No. Jing-Shou-Zhong-Zi-09532864590 dated 2006.09.19

Note 14: Letter No. Jing-Shou-Zhong-Zi-09533048930 dated 2006.10.26

Note 15: Letter No. Jing-Shou-Zhong-Zi-09631746050 dated 2007.03.03

Note 16: Letter No. Jing-Shou-Zhong-Zi-09632030960 dated 2007.04.26

Note 17: Letter No. Jing-Shou-Shang-Zi-09601247750 dated 2007.10.09

Note 18: Letter No. Jing-Shou-Shang-Zi-09601285150 dated 2007.11.20

Note 19: Letter No. Jing-Shou-Shang-Zi-09701027180 dated 2008.02.04

Note 20: Letter No. Jing-Shou-Shang-Zi-09701093370 dated 2008.04.21

Note 21: Letter No. Jing-Shou-Shang-Zi-09701245980 dated 2008.09.24

Note 22: Letter No. Jing-Shou-Shang-Zi-09701292130 dated 2008.11.14

Note 23: Letter No. Jing-Shou-Shang-Zi-09701327240 dated 2009.01.07

Note 24: Letter No. Jing-Shou-Shang-Zi-09801097710 dated 2009.05.21

Note 25: Letter No. Jing-Shou-Shang-Zi-09801179290 dated 2009.08.10

Note 26: Letter No. Jing-Shou-Shang-Zi-09801217890 dated 2009.09.22

Note 27: Letter No. Jing-Shou-Shang-Zi-09901179700 dated 2010.08.09

Note 28: Letter No. Jing-Shou-Shang-Zi-100012727050 dated 2011.10.05

Note 29: Letter No. Jing-Shou-Zhong-Zi-10132499890 dated 2012.09.20

Note 30: Letter No. Jing-Shou-Zhong-Zi-10233133620 dated 2013.02.01

Note 31: Letter No. Jing-Shou-Zhong-Zi-10333440290 dated 014.06.25

Note 32: Letter No. Jing-Shou-Zhong-Zi-10333674950 dated 2014.09.12

Note 33: Letter No. Jing-Shou-Zhong-Zi-10333938640 dated 2014.12.05

Note 34: Letter No. Jing-Shou-Zhong-Zi-10433375840 dated 2015.05.20

Note 35: Letter No. Jing-Shou-Zhong-Zi-10433689960 dated 2015.09.01

Note 36: Letter No. Jing-Shou-Zhong-Zi-10434013110 dated 2015.12.15

Note 37: Letter No. Jing-Shou-Shang-Zi-10501017660 dated 2016.01.30

Note 38: Letter No. Jing-Shou-Shang-Zi-10501135750 dated 2016.06.21

Note 39: Letter No. Jing-Shou-Shang-Zi-10501223220 dated 2016.09.22

Note 40: Letter No. Jing-Shou-Shang-Zi-10501246550 dated 2016.10.18

Note 41: Letter No. Jing-Shou-Shang-Zi-10501250110 dated 2016.10.25

Note 42: Letter No. Jing-Shou-Shang-Zi-10601016730 dated 2017.02.08

Note 43: Letter No. Jing-Shou-Shang-Zi-10601067860 dated 2017.05.26

Note 44: Letter No. Jing-Shou-Shang-Zi-10601117020 dated 2017.08.21

Note 45: Letter No. Jing-Shou-Shang-Zi-10601159630 dated 2017.11.21

Note 46: Letter No. Jing-Shou-Shang-Zi-10701014210 dated 2018.02.05

Note 47: Letter No. Jing-Shou-Shang-Zi-10701053100 dated 2018.05.15

Note 48: Letter No. Jing-Shou-Shang-Zi-10801152770 dated 2019.11.12

Note 49: Letter No. Jing-Shou-Shang-Zi-11001153500 dated 2021.09.22

Note 50: Letter No. Jing-Shou-Shang-Zi-11001191360 dated 2021.10.22

Note 51: Letter No. Jing-Shou-Shang-Zi-11101001840 dated 2022.01.12

Note 52: Letter No. Jing-Shou-Shang-Zi-11101080760 dated 2022.05.17

Note 53: Letter No. Jing-Shou-Shang-Zi-11230179370 dated 2023.09.21

Note 54: Letter No. Jing-Shou-Shang-Zi-11230220280 dated 2023.12.04

Note 54: Letter No. Jing-Shou-Shang-Zi-11230220280 dated 2023.12.04

Note 55: Letter No. Jing-Shou-Shang-Zi-11330045680 dated 2024.04.17

## 2. Issued Shares

As of Apr. 16, 2024 Unit: Share

Type of Shares	Approved Share Capital					Remarks
	Outstanding Shares			Unissued Shares	Total	
	TWSE (TPEx) Listed	Not TWSE ( TPEx) Listed	Total			
Common Shares	75,002,921	600,000 (privately placed)	75,602,921	124,397,079	200,000,000	-

## 3. Shelf Registration System: N/A

### B. Structure of Shareholders

Apr. 16, 2024 Unit: Share

Structure of Shareholders Quantity	Government Agency	Financial Institution	Other Juristic Persons	Natural Person	Foreign Institutions and Persons	Total
Number of persons	0	16	304	37,665	82	38,067
Shares held	0	1,033,245	13,016,734	55,667,181	5,885,761	75,602,921
Ratio of shareholding	0%	1.37%	17.22%	73.63%	7.78%	100.00%

### C. Distribution of Equity Interests

Par Value of NTD 10 Apr. 16, 2024

Grading of shareholding	Number of shareholders	Shares held (Share)	Ratio of shareholding (%)
1~999	29,461	622,708	77.38%
1,000~5,000	7,165	12,906,477	18.82%
5,001~10,000	703	5,591,980	1.85%
10,001~15,000	209	2,699,399	0.55%
15,001~20,000	130	2,404,870	0.34%
20,001~30,000	122	3,109,883	0.32%
30,001~40,000	62	2,232,257	0.16%
40,001~50,000	34	1,555,286	0.09%
50,001~100,000	83	6,022,077	0.22%
100,001~200,000	42	6,123,910	0.11%
200,001~400,000	30	8,876,711	0.08%
400,001~600,000	11	5,606,922	0.03%
600,001~800,000	2	1,379,473	0.01%
800,001~1,000,000	6	5,284,921	0.02%
More than 1,000,001 (inclusive)	7	11,186,047	0.02%
Total	38,067	75,602,921	100.00%

Preferred shares: iST did not issue preferred shares as of Apr. 16, 2024.

- D. List of Key Shareholders: Names of shareholders holding 5% or more of equity interests of iST or 10 largest shareholders, and amounts and ratios of their shareholdings

Apr. 16, 2024  
Unit: Share

Shares Name of Key Shareholder	Number of Shares Held	Ratio of Shareholding (%)
Han Sheng Investment Co., Ltd.	3,652,288	4.83%
Treasury Stock Account of Integrated Service Technology Inc.	1,562,000	2.07%
Hsieh Chung-Wei	1,405,000	1.86%
Lo Wei-Hsuan	1,290,000	1.71%
Citibank entrusted with the custody of Barclays investment account	1,107,759	1.47%
Chen Cheng-Chen	1,088,000	1.44%
Liao Mei-Lien	1,081,000	1.43%
Liu Fu-Han	920,000	1.22%
Tu Chung-Cheh	902,000	1.19%
Taiwan Business Bank entrusted with the custody of Capital OTC Fund investment account	900,000	1.19%

E. Market price per share, net worth, earnings, dividends and relevant information for the latest 2 years

Information of Market Price Per Share, Net Worth, Earnings and Dividends

Item \ Year		2022	2023	As of 2024 Q1
Market price per share	Highest	94.00	135.00	141.00
	Lowest	45.00	69.80	89.70
	Average	59.97	92.69	113.85
Net asset value per share	Before distribution	44.11	43.27	45.56
	After distribution	43.11	42.69	44.56
Earnings per share	Weighted average number of shares	76,444	76,175	74,737
	Earnings per share	5.33	5.15	1.80
Dividends per share	Cash dividends	2.00	3.70	-
	Stock grants	Stock dividends from earnings	-	-
		Stock dividends from capital surplus	-	-
	Accumulated unpaid dividends		-	-
Analysis of investment returns	Price-to-earnings ratio	11.25	18.00	-
	Price-to-dividend ratio	29.99	25.05	-
	Dividend yield %	3.34%	3.99%	-

\* In case of any stock dividends from earnings or capital surplus, the information of the adjusted market price and cash dividends based on the number of distributed shares shall be disclosed.

Note 1 Specify the highest and lowest market prices of common shares for each year, and calculate the average market price of each year based on the trading value and trading volume of the year.

Note 2 Note 2: Provide the information based on the number of shares issued as of the end of the year and the distribution resolved by the board of directors, or at the shareholders' meeting for the next year.

Note 3 Note 3: In case of any adjustment to be retrospectively due to stock grants, specify the earnings per share before and after the adjustment.

Note 4 Note 4: In case it is provided, in the conditions for issuance of equity securities, that the dividends undistributed for the current year may be accumulated and distributed until the year for which iST has earnings, the dividends accumulated and unpaid as of the current year shall be specified.

Note 5 Note 5: Price-to-earnings ratio = Average closing price per share for the current year / Earnings per share

Note 6 Note 6: Price-to-dividend ratio = Average closing price per share for the current year / Cash dividends per share

Note 7 Note 7: Dividend yield = Cash dividends per share / Average closing price per share for the current year

Note 8 Note 8: For net asset value per share and earnings per share, the figures in the financial statements of the latest quarter which have been certified by CPAs as of the date of print of the annual report shall be provided. For the rest of fields, figures for the current year as of the date of print of the annual report shall be provided.

F. Corporate Dividend Policy and Status of Implementation

1. Dividend policy established in accordance with the articles of incorporation of iST:

When distributing earnings, iST shall make good of accumulated loss (including the adjusted amount of undistributed earnings) first, and allocate 10% of the earnings to be legal reserve. However, when the accumulated amount of legal reserve reaches the paid-in capital of iST, this clause shall not apply. Then an amount of special reserve shall be allocated or reversed in accordance with applicable laws or the regulations provided by the competent authority. The rest of the earnings shall be combined with the undistributed earnings of the beginning of the fiscal year (including the adjusted amount of undistributed earnings), and a portion of earnings shall be retained by the board of directors based on the need of business operation. Then the board of directors shall prepare the proposal for distribution of earnings and resolve to distribute dividends and bonuses to shareholders.

2. Corporate Dividend Policy

In consideration of the need for funds in the future and the long-term financial plan, and for satisfying shareholders' demand for cash inflow, iST shall, after taking the market environment and its growth stage into account, distribute cash dividends to shareholders after the aforementioned items have been deducted from distributed earnings. The dividend policy is determined by the Board of Directors based on the Company's operating conditions, funding requirements, capital expenditure budget, changes in the overall internal and external environment, and the interests of shareholders. Under normal circumstances, the principle is that dividends to shareholders should not be less than 30% of the distributable earnings for the year. Additionally, the distribution of dividends shall primarily be in cash, with the proportion of cash dividends being no less than 50% of the total dividends distributed.

Status of Implementation: iST resolved to revise its articles of association at the general meeting of shareholders for 2020. The board of directors was authorized to distribute cash dividends for a quarter through resolution on a quarterly basis. The amount of cash dividends and date of distribution for each quarter in 2023 are listed in the following table.

2023	Date of approval (YYYY/MM/DD)	Date of distribution (YYYY/MM/DD)	Cash dividends per share (NTD)	Total amount of cash dividends (NTD)
Q1	2023/04/28	2023/11/27	1.0	74,775,121
Q2	2023/08/04	2024/02/26	1.0	75,502,921
Q3	2023/11/03	2024/05/17	1.0	75,560,921
Q4	2024/03/06	Not decided yet	0.7	51,809,745
Total			3.7	277,648,708



3. The status of the dividend distribution proposed at the shareholders' meeting is as follows:

Integrated Service Technology Inc.  
Earning Distribution Statement

2023

Unit:  
NTD

Item	Amount	
Undistributed earnings at the beginning of the year	162,106,814	
Net profit of the year	385,554,366	
Less: Actuarial gain or loss on pension	(2,137,699)	
Less: Allocated legal reserve	(38,341,667)	
Less: Special reserve	(3,376,781)	
Earnings distributable for the year		503,805,033
Allocations:		
1. Cash dividends for 2023 Q1 (NTD 1.0 per share)	74,775,121	
2. Cash dividends for 2023 Q2 (NTD 1.0 per share)	75,502,921	
3. Cash dividends for 2023 Q3 (NTD 1.0 per share)	75,560,921	
4. Cash dividends for 2023 Q4 (NTD 0.7 per share)	51,809,745	
Total allocations		277,648,708
Undistributed earnings at the end of the year		226,156,325

Note: Cash dividends were distributed based on the resolution made by the board of directors and were reported at the shareholders' meeting.

Chairman: Yu Wei-Pin

Manager: Yu Wei-Pin

Accounting Manager: Lin Yu-Sang

4. Explanation for any expected material change in the dividend policy:  
The dividend policy of iST has been implemented in accordance with Article 18-1 of the articles of incorporation. No material change in the dividend policy is expected.
- G. Effect on business performance, earnings per share and shareholders' return on investment of the stock grants proposed this time:  
Effect on business performance, earnings per share and shareholders' return on investment of the stock grants proposed at the general meeting of shareholders this time: Not applicable because iST had no stock grants this year.
- H. Remunerations to employees and directors:
- Percentages or ranges with respect to remunerations to employees and directors stipulated in iST's articles of incorporation:

If iST has any profit (which means the pretax profit before the deduction of allocated employees' remuneration and directors' remuneration) for a fiscal year, it shall appropriate no less than 0.3% for the employees' remuneration and no more than 3% for directors' remuneration. However, if iST has any accumulated loss (including adjusted amount of undistributed earnings), an amount equal to the accumulated loss shall be set aside from the profit and be reserved for making good of the loss.

The employees' remuneration mentioned in the preceding paragraph may be distributed in the form of stock or cash. The employees to whom such remuneration is distributed shall include the employees of the companies controlled or associated to iST who have met specific conditions. The directors' remuneration shall only be distributed in the form of cash.

The matters referred to in the preceding two paragraphs shall be resolved by the board of directors before being implemented, and shall also be reported at the shareholders' meeting.

2. Basis for estimating the amount of employees' remuneration and the amount of directors' remuneration, basis for calculating the number of shares to be distributed as employees' remuneration, and accounting treatment of any discrepancy between the actual distributed amount and the estimated figure:

The board of directors proposed to distribute employees' remuneration of NTD 22,070,000 and directors' remuneration of NTD 8,850,000 for 2023. The remuneration amounts are consistent with such amounts of employees' remuneration and employees' remuneration as recognized in book.

3. Remunerations allocation adopted by the board of directors:

The board of directors resolved on Mar. 6, 2024 to allocate directors' remuneration and employees' remuneration for 2023.

- (1) If the amounts of employees' remuneration and directors' remuneration distributed in cash or stock are different from such amounts as estimated for the year when the remuneration expenses are recognized, the difference, reason and treatment must be disclosed as follows:

Item	Amount resolved by the board of directors to be allocated	Amount estimated for the year when remuneration expenses are recognized	Difference
Status of allocation:			
Employees' remuneration (Cash)	\$22,070,000	\$22,070,000	0
Directors' remuneration (Cash)	\$ 8,850,000	\$ 8,850,000	0

- (2) Amount of employees' remuneration distributed in stock, and the size of the amount as a percentage of the sum of the after-tax net income in

the parent-company-only or individual financial statements for the current period and total employees' remuneration: N/A

4. (1) Actual distribution of employees' remuneration and directors' remuneration for the previous year:

Unit: in Thousands of New Taiwan Dollars / Share

	Last year (Earning distribution for 2022)			
	Amount actually distributed based on the resolution made at the shareholders' meeting	Originally proposed amount to be distributed that was adopted by the board of directors	Discrepancy	Reason of discrepancy
Status of Distribution:				
1. Employees' remuneration in cash	24,000,000	24,000,000	-	-
2. Employees' remuneration in stock				
(1) Number of shares	0	0	-	-
(2) Amount	0	0	-	-
(3) Percentage of outstanding shares as of the end of the current year that the remuneration was accounted for	0%	0%	-	-
3. Directors' remuneration (Cash)	6,000,000	6,000,000	-	-

(2) If the amounts of employees' remuneration in cash, stock bonus and directors' and supervisors' remunerations resolved by the board of directors to be distributed are different from such amounts as estimated for the year when the remuneration expenses are recognized, the difference, reason and treatment must be disclosed as follows: No difference

I. Status of Repurchase of Shares of iST:

1. Status of Repurchase of Shares of iST (completed already)

Apr. 16, 2024

Repurchase frequency	6 <sup>th</sup> time
Purpose of repurchase	To maintain company credit and shareholders' equity
Period of repurchase	2023/11/10~2023/12/11
Price range for repurchase	NTD61~NTD133
Type and quantity of the shares repurchased already	Common shares 1,562,000 shares
Amount of the shares repurchased already	NTD 139,929,614
Average repurchase price per share (in New Taiwan Dollars)	NTD 89.58
Ratio of the quantity expected to be bought back that the quantity bought back already is accounted for (%)	78.10%
Quantity of the shares cancelled and assigned already	1,562,000 shares
Quantity of iST shares held cumulatively	0 shares
Ratio of the iST shares held cumulatively to the total shares issued already (%)	0%

2. Status of Repurchase of Shares of iST (in process): None

(II) Dealing with Corporate Bonds: None

(III) Dealing with Preferred Shares: None

(IV) Dealing with Overseas Depositary Receipts: None

(V) Status of Dealing with Employee Stock Option Certificates

- A. Status of dealing with the employee stock options that have not expired, as of the date of print of the annual report, and the effect of such employee stock options on shareholders' equity:

Status of Dealing with Employee Stock Option Certificates

Apr. 16, 2024

Type of employee stock option	6 <sup>th</sup> time (term) Employee stock option
Date of effectiveness for reporting	Apr. 12, 2021
Issuance date (acceptance)	Apr. 29, 2021
Number of issued units	2,000,000 units (Each unit for one share)
Ratio of the total issued shares that the subscribable shares issued are accounted for	2.67%
Effective period for share subscription	5 years
Period for shares to be subscribed	2 years after the employee stock options are awarded
Method of contract performance	Issuance of new shares
Period during which share subscription is restricted, and ratio of restriction (%)	After completion of 2 years: 50% After completion of 3 years: 75% After completion of 4 years: 100%
Number of acquired shares that have been exercised	827,800
Amount of acquired shares that have been exercised	53.11
Quantity of acquired shares that have not been exercised	1,122,200
Price at which the shares that have not been exercised are subscribed per share	51.11
Ratio of the total issued shares that the quantity of unexercised shares are accounted for	1.48%
Effect on shareholders' equity	Subscript able shares issued that have not been exercised are accounted for only 1.48% of the total issued shares, so they do not have a material effect on shareholders' equity.

B. Names of managers acquiring employee stock options and 10 employees acquiring the greatest employee stock options as of the date of print of the annual report, and status of such acquisition and subscription:

1. Managers acquiring employee stock options:

Apr. 16, 2023 Unit: Share; NTD

	Title	Name	Quantity of subscribed shares obtained	Ratio of the total issued shares that the quantity of subscribed shares obtained is accounted for	Exercised already (6 <sup>th</sup> -time employee stock options)				Not exercised already (6 <sup>th</sup> -time employee stock options)			
					Quantity of shares subscribed	Price at which a share is subscribed	Amount of shares subscribed	Ratio of the total issued shares that the quantity of subscribed shares is accounted for	Quantity of shares subscribed	Price at which a share is subscribed	Amount of shares subscribed	Ratio of the total issued shares that the quantity of subscribed shares is accounted for
Managers	Chairman and General Manager	Yu Wei-Pin	333,000	0.45	149,000	53.17	7,922,880	0.20	184,000	51.11	9,404,240	0.25
	Deputy Chairman	Chen Ching-Chuo										
	Vice General Manager	Chen Wen-Yin										
	Assistant Manager	Lee Chang-Pin										
	Vice General Manager	Lin Yu-Sang										
	Senior Vice President	Tseng Shao-Chun										
	Assistant Manager	Hsu Ju-Hung										
	Assistant Manager	Tseng Ta-Lin										
	Division Director	Huang Yin-Hao										
	Division Director	Wang Shang-Chieh										
	Division Director	Wang Yu-Min										
	Assistant Manager	Wang Kuo-Feng										
	Special Assistant	Cheng Chun-Yen										
	Special Assistant	Lin Hsiu-Mei										

	Material Analysis Expert	Pao Chung-Hsing										
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2. 10 employees acquiring the greatest employee stock options:

	Title	Name	Quantity of subscribed shares obtained	Ratio of the total issued shares that the quantity of subscribed shares obtained is accounted for	Exercised already (6th-time employee stock options)				Not exercised already(6th-time employee stock options)			
					Quantity of shares subscribed	Price at which a share is subscribed	Amount of shares subscribed	Ratio of the total issued shares that the quantity of subscribed shares is accounted for	Quantity of shares subscribed	Price at which a share is subscribed	Amount of shares subscribed	Ratio of the total issued shares that the quantity of subscribed shares is accounted for
Employees	Special Assistant	Yu O-Chih	209,000	0.28	82,500	53.10	4,380,650	0.11	126,500	51.11	6,465,415	0.17
	Senior Manager	Wang O-Hsing										
	Senior Manager	Chuang O-Hao										
	Manager	Wei O-Liang										
	Manager	Chiu O-Ting										
	Manager	Lu O-Chuan										
	Manager	Lin O-Cheng										
	Manager	Tseng O-Yang										
	Manager	Hsu O-Cheng										
	Manager	Hsu O-Peng										

(VI) Status of Dealing with Restricted Stock Awards: None

(VII) Issuance of New Shares in Connection with Merger, or Acquisition of Shares of Other Companies: None

(VIII) Status of Implementing Capital Utilization Plan:

Uncompleted public issue or private placement of securities, or the public issue or private placement of securities that were completed in the latest 3 years but have not yielded the expected benefits yet, as of the quarter before the date of print of the annual report: None

## V. Business Operation Overview

### (I) Business Items

#### A. Business Items

##### 1. Business Scope

iST has mainly engaged in providing all verification services, including modification of FIB circuit, preparation of engineering samples, failure analysis, material analysis, reliability verification, signal test, chemical analysis and various guidance, during product life cycle for upstream, midstream and downstream suppliers in supply chains in the semiconductor industry.

##### 2. Percentage of Sales Amount

Unit: in Thousands of New Taiwan Dollars

Product Name	Amount of Sales Turnover	Percentage of Sales Amount (%)
Incomes from inspection service	3,811,719	100.00%
Total	3,811,719	100.00%

##### 3. Current Product (Service) Items

###### (1) Current Product (Service) Items:

- (A) Modification of FIB circuit
- (B) Preparation of engineering samples
- (C) Failure analysis
- (D) Material analysis
- (E) Reliability verification
- (F) Signal test
- (G) Chemical analysis and various guidance

###### (2) New Products (Services) Planned to Develop:

- (A) Verification of space electronic components
- (B) Wide band gap semiconductor verification platform
- (C) AI chip verification & analysis solution

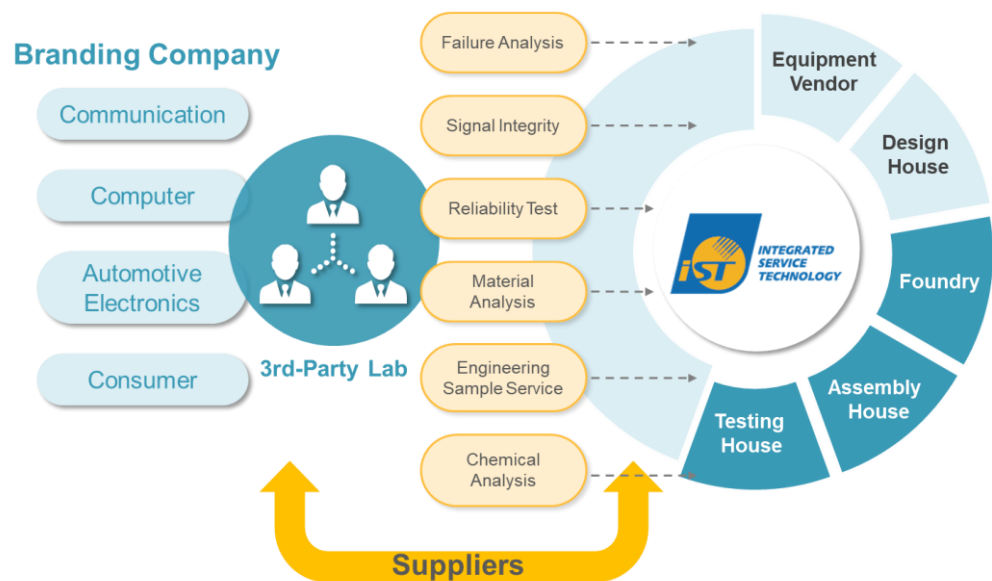
#### B. Industry Overview

##### 1. Current Status and Development of the Industry

In 2024, several trends, including AI, advanced processing and packaging technologies, automotive electronics, space component verification, and high-speed communication for 5G/6G, will persist in driving the demand for Material Analysis (MA), Failure Analysis (FA), and Reliability Analysis (RA). The robust growth of high-end chips has led to an increase in gross profit margins for international chip manufacturers, reflecting a stronger commitment to long-term orders so as to meet the market's ongoing demand for higher chip quality. As a reputable third-party impartial laboratory in the electronics industry, iST continues to enhance its services, expand its verification and analysis capabilities, and consistently increase its capacity to meet market demands.

##### 2. Relevance to Upstream, Midstream and Downstream Suppliers





### C. Technology and R&D Overview

#### Verification Platform of iST Providing One-Stop Service

1. Outstanding Verification Service Platform
  - (1) A.5G/HPC (high performance computing) verification platform
  - (2) Advanced process and advanced package validation platform
  - (3) Automobile electronic verification service platform
  - (4) Verification platform for space electronic components
  - (5) Wide band gap verification platform
  - (6) AI chip verification & analysis platform
2. R&D expenses spent for the latest year and as of the date of print of the annual report:  
 iST set up the professional R&D team in July 2003 and appropriated funds particularly for R&D. R&D expenses were NTD 138,314 thousand for 2023, and NTD 35,897 thousand for 2024 Q1.

### D. Long-term and Short-term Business Development Plans

iST's leading position in the electronic verification industry is built on such three differentiated core values as Customer First, Team Work, and Value Creation and outstanding business strategies.

As a leading company in the electronic verification analysis industry, iST has been devoted to development of various verification services in line with industrial trends. For providing services in the electronic industry and strengthening competitive advantages, it has developed more than 700 diversified engineering items. Several tens of thousands of customers that iST accumulated during this period of more than 30 years has set a high threshold for channels.

As the market outlook for AI development remains optimistic in 2024, AI has emerged as a "rigid demand" across various sectors. With the flourishing development of AI applications, verification analysis has become a fundamental necessity for AI advancement. Moreover, AI servers depend heavily on advanced processing and packaging technologies, particularly those reliant on high-power, top-

of-the-line chips requiring heterogeneous integration. These technologies enable rapid processing of vast amounts of data and execution of commands. The stability of such chips over prolonged operational periods highlights the critical role of verification analysis in ensuring the quality and functionality of chips during early-stage research and development, thereby mitigating the risk of failures.

Furthermore, iST's strategic emphasis on material analysis in recent years has begun to yield positive outcomes in meeting the growing demands of advanced process verification. With a 50% increase in material analysis capacity, overseas orders have started to materialize, contributing to revenue growth.

In addition, the automotive electronics sector is experiencing significant growth due to the global trend for energy conservation and emission reduction, leading to a multifold increase in the usage of semiconductor components in electric vehicles and autonomous vehicles. Market forecasts indicate that automotive electronics will drive the most substantial growth in the global semiconductor industry until 2027. The continued establishment of facilities by major wafer fabs in Japan and Germany, coupled with intensified competition for automotive semiconductor opportunities, reflects the pivotal role of automotive electronics in driving revenue growth for semiconductor giants.

As Asia's first third-party impartial laboratory accredited by the highest authority in global automotive electronics—the AEC Automotive Electronics Council—iST is well-positioned to assist more customers in entering the electric vehicle domain from the perspective of a frontline standard setter.

Looking ahead, "iST 2.0" has been launched, aiming not only to address verification analysis platforms for AI (HPC), electric vehicles, advanced processes, advanced packaging, space verification demands, and third-category semiconductors but also to introduce a comprehensive one-stop service. This initiative seeks to elevate the company's focus from "resolving customer challenges" to "enhancing customer experience," thereby providing faster and more effective overall solutions.

## (II) Market and Production and Marketing Profile

### A. Market Analysis

#### 1. Territories where main products (services) are sold (provided):

Unit: in Thousands of New Taiwan Dollars

Sales territory \ Year	2022		2023	
	Amount	Percentage%	Amount	Percentage%
Asia	3,052,945	81.57	3,079,444	80.79
America	616,027	16.46	618,838	16.23
Others	73,710	1.97	113,437	2.98
Total	3,742,682	100.00	3,811,719	100.00

#### 2. Market share and the status of future supply and demand and growth in the market:

iST operates with a special niche business type, so there is no information on its market share that is provided by a research institute. However, based on the number of customers, iST has several tens of thousands of customers around the world.

#### 3. Competition Niches and Differences or Advantages

iST's advantages in differentiation in the field of verification analysis lie in its close relationship with the global electronic industry, its ability to provide flexible and customized integration, and its leadership at the forefront of industry trends, thereby leading the way in establishing a technology service platform with an advanced and complete layout

#### 4. Future Prospects, Opportunities and Challenges

Looking ahead, iST 2.0 has taken off, advancing not only in AI (HPC), electric vehicles, advanced processes, advanced packing, space verification, and third-category semiconductors, but also innovating by introducing comprehensive services such as Reliability Analysis (RA), Failure Analysis (FA), and Material Analysis (MA). Furthermore, our aim has evolved from "resolving customer challenges" to "enhancing customer experience," offering quicker and superior overall solutions. iST will uphold its core corporate values of being the "best assistant in product R&D" and the "best guardian in quality control," continuing to strengthen corporate governance and sustainable operations, yielding excellent returns for shareholders, and partnering with global electronic industry clients to embrace future technologies together.

B. Important Purposes of Main Products, and Manufacturing Process

1. Important Purposes of Main Products

■ Verification analysis

Main Classification	Description	Service Item
Function	Finding out the reason for loss/failure of functions of the sample	IC circuit repair
Functional testing		Material analysis(MA)
		Failure analysis (FA) 1. Ultrasonic examination, X-Ray 2. Analog IC water probe 3. Dicing, electric properties, physical properties
Reliability Reliability verification (Quality assurance)	1. Life time of functions of the test sample sustainable in the specific environment 2. Whether the test sample meets the requirements provided by the end customer for the supply chain	Reliability verification(RA)
Compatibility testing Compatibility Compliance with regulations Regulation	Whether products, as different devices, are inter-connective: 1. Whether the products pass the test in accordance with national regulations / regulations provided by the association 2. A certification logo to be stuck on the end product after the test is passed	Signal test (SI) IoT: Cable signal test

2. Manufacturing Process for Main Products: N/A (as iST is not a manufacturer)

C. Status of Supply of Main Raw Materials: N/A (as iST is not a manufacturer)

D. List of Main Customers from Which Purchases are Made

- Names of customers from which more than 10% of total purchases were made for any of the latest 2 years, amounts and percentages of purchases made from them, and reasons of any increase or decrease:

Information of main suppliers for the latest 2 years

Unit: in Thousands of New Taiwan Dollars

Item	2022				2023				As of 2024 Q1			
	Name	Amount	Percentage of the purchase amount of the whole year that it accounted for	Relationship with the issuer	Name	Amount	Percentage of the purchase amount of the whole year that it accounted for	Relationship with the issuer	Name	Amount	Percentage of the purchase amount as of 2022 Q1 that it accounted for	Relationship with the issuer
1	Supplier A	93,139	13.86	-				-	Supplier A	37,008	18.20	-
				-				-				-
	Others	578,643	86.14	-	Others	548,791	100.00	-	Others	166,313	81.80	-
	Net purchase	671,782	100.00	-	Net purchase	548,715	100.00	-	Net purchase	203,321	100.00	-

Reasons of increase or decrease in the main customers from which purchases were made, compared with those for the previous year:

Items purchased by iST were various consumables and consumable supplies necessary for provision of services. Purchases increased because of a great demand to meet the business needs.

2. Names of customers to which more than 10% of total sales were made for any of the latest 2 years, amounts and percentages of sales made to them, and reasons of any increase or decrease:

Unit: in Thousands of New Taiwan Dollars

Item	2022				2023				As of 2024 Q1			
	Name	Amount	Percentage of the sales amount of the whole year that it accounted for	Relationship with the issuer	Name	Amount	Percentage of the sales amount of the whole year that it accounted for	Relationship with the issuer	Name	Amount	Percentage of the sales amount as of 2022 Q1 that it accounted for	Relationship with the issuer
1	Customer A	648,088	17.32	-	Customer A	439,791	11.54	-	Customer A	184,810	17.28	-
2	Customer B	284,506	7.60	-	-	-	-	-	-	-	-	-
	Others	2,810,088	75.08	-	Others	3,371,928	88.46	-	Others	884,482	82.72	-
	Net sales	3,742,682	100.00	-	Net sales	3,811,719	100.00	-	Net sales	1,069,292	100.00	-

Reasons of increase or decrease in the main customers to which sales were made, compared with those for the previous year: We benefited from increase in the projects commissioned to customers themselves.

E. Table of Production Volume and Value for the latest 2 years

Unit: in Thousands of New Taiwan Dollars

Year Production volume and value Main merchandise	2022			2023		
	Production capacity	Production	Production value	Production capacity	Production	Production value
Incomes from inspection service	Note 1	Note 2	2,726,860	Note 1	Note 2	2,793,861
Total			2,726,860			2,793,861

Note 1 iST is in the service industry. Production capability is influenced by the number of machines as well as the number of service items. Not all services provided are priced based on quantity, so capacity cannot be computed reasonably.

Note 2 Not all services provided are priced based on quantity, so volume cannot be computed reasonably.

F. Table of Sales Volume and Value for the latest 2 years

Unit: in Thousands of New Taiwan Dollars

Year Sales volume and value Main merchandise	2022		2023	
	Volume	Value	Volume	Value
Incomes from inspection service	Note	3,742,682	Note	3,811,719
Total		3,742,682		3,811,719

Note: Not all services provided are priced based on quantity, so volume cannot be computed reasonably.

(III) Number of employees, average years of employment, average age and education distribution ratio with respect to employees for the latest 2 years and as of the date of print of the annual report

Information of employees for the latest 2 years and as of the date of print of the annual report:

Year		2022	2023	As of 2024 Q1
Number of employees	Direct personnel	714	774	776
	Indirect personnel	587	597	607
	Total	1,301	1,371	1,383
Average age		37.09	37.69	38.01
Average years of employment		4.47	5.15	5.24
Education distribution ratio (%)	PhD	0.13	0.10	0.10
	Master	10.87	11.71	11.64
	College	74.75	75.05	75.38
	High school	13.10	11.63	11.46
	Below high school	1.15	1.51	1.41
	Total	100.00	100.00	100.00

(IV) Information of Environmental Protection Expenses

Loss incurred due to polluting the environment (and date of disposition, disposition file number, article violated, content of article violated, and content of disposition if there was any compensation and any violation of environmental protection regulations based on the environmental protection inspection result) in the latest year and as of the date of print of the annual report, and the estimated amount to be incurred at present and in the future and measures to be taken in response: None

(V) Labor Relations

A. Welfare measures, programs, training, retirement system and status of actual implementation, agreements between iST and its employees, and measures taken to protect interests of employees:

1. Employee Welfare Measures

Employees' bonus

Gifts for festivals

Subsidies for cash gifts for funerals and weddings

Emergency assistance for injury and illness

Gift certificates for birthday

Year-end lucky draw activity

Group life insurance and health insurance

Subsidies for educational training

Periodical health examination

The total estimated amount for the aforementioned welfare measures in 2023 is NT\$33,671,672.

2. Status of Employees' Programs and Educational Training

iST arranges relevant professional educational training for employees periodically. In addition, iST also applies for external educational training in accordance with applicable educational training regulations, and relevant expenses are paid in full by iST.

Educational training expenses for employees to participate for 2023 are as follows:

(Unit: in Thousands of New Taiwan Dollars)

Type	Expense
External training	1,569
Total	1,569

3. Retirement System and Status of its Implementation

iST has established the retirement regulations for the employees who it has duly employed. ① Since February 2003, iST has continued allocating an amount at 6.56% of the total amount of employees' wages to the employee retirement funds every month. Each monthly amount is deposited by the Commission on Supervision of Labor Retirement Funds into an account with Bank of Taiwan (originally with Central Trust of China, which was merged into Bank of Taiwan in 2007) in the name of the Commission. Subject to applicability of the new system and the old system of retirement pensions, iST allocates, from July 2005, an amount at 2% of the total amount of employees' wages to the employee retirement funds every month by having the Commission on Supervision of Labor Retirement Funds deposit the amount into an account with Bank of Taiwan in the name of the Committee. By the end of 2023, the



accumulated amount for the labor retirement reserve fund is NT\$58,855,000.

② iST has professional CPAs conduct actuarial calculation of retirement pension reserves every year to ensure that retirement pensions are allocated adequately. For an employee who meets the requirements provided by the Labor Standards Act for retirement, the pension payment is calculated based on the number of years of service and the average salary of the 6 months immediately before retirement. iST allocates 6% of the salary of each employee to the pension account of the individual with the Labor Insurance Bureau every month in accordance with the Labor Pension Act, and the employee may choose to have a amount within the scope of 6% of his/her salary be allocated to the individual account. In 2023, a total amount of NT\$36,840,000 was allocated.

4. Agreements between iST and its Employees, and Measures Taken to Protect Interests of Employees

(1) iST treats employees as its most valuable assets and pays attention to future development of employees. iST and its employees maintain a harmonious relationship and no labor dispute has occurred.

(2) Measures Taken by iST to Care Employees and Maintain Labor Relations:

iST promises to comply with the International Bill of Human Rights. With the spirit of the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the Responsible Business Alliance (RBA) Code of Conduct, iST holds the principles of respecting human rights and putting right persons in right places and takes into account other applicable industrial standards and international conventions. iST equally treats and respects employees and is committed to creating a honest, healthy and safe work environment, ensuring that the safety and hygiene conditions of the work environment are in compliance with standards, and improving the conditions of work environment for all employees and the employees' benefits consistently.

iST extremely emphasizes the development of its labor and business ethics policy. iST advocates the policy through work rules, document management system and announcement system, regularly reviews and optimizes relevant systems, respects human rights of employees, and provide candidates and employees with equal work opportunities that are suitable for them. iST does not allow the recruitment process and appointment decisions to be affected because of any factors, such as race, belief, religion, political party, sex, marital status, disability, sexual orientation, persons protected legally by the government, and other non-work factors. This principle is applicable to recruitment, appointment, training, promotion, salary and welfare. Employees are expected to grow with iST.

(1) Eliminating all Forms of Discrimination and Ensuring Equity of Work Opportunities

iST specifies in its work rules that iST does not allow the recruitment process and appointment decisions to be affected because of any factors, such as race, religion, belief, sex, marital or childbearing status, age, political background, nationality, disability, sexual orientation, constellation, blood type, etc. There was 0 complaint about violation of the recruitment or appointment principle.

(2) Zero Tolerance against Unlawful Violence

iST has established the Guidelines for Prevention from Unlawful Violation During Performance of Duties and the iST Regulations Governing the Measures of Prevention, Complaint and Punishment for Sexual Harassment in Workplace, and guarantees that all employees are free from any physical or mental violence while performing their duties and promises to create a friendly work environment jointly where employees are willing to communicate and open management is implemented. An educational training program for preventing unlawful violation in the workplace was held, and a total of 230 persons participated. There was 0 complaint about discrimination or harassment.

(3) Interests and Rights of Workers Determined in Accordance with Applicable Laws

An employment contract made between each employee and iST meets applicable regulations of labor and human rights enacted in Taiwan. There was 0 complaint about violation of an employee's human rights.

(4) No Forced Labor

iST makes an employment contract with the employee when the employment relationship is established and guarantees not to have employees slave or coerce them into involuntary servitude.

(5) No Child Labor

iST complies with applicable laws and does not employ either children or young persons under the age of 18. Any activity that may result in employment of a child shall not be permitted.

(6) Protection of Female Employees

iST specifies in its work rules the protection measures for female employees, especially the protection measures for pregnant female employees, including no night work and no hazardous work for female employees.

(7) Working Hours

In its work rules, iST indicates that working hours per day shall not exceed 12 hours, working hours per week shall not exceed 7 days, and the limit of overtime shall be 46 hours per month. Relevant practices are promoted regularly at a labor-management meeting. (8) Competitive Salaries and Excellent Welfare

Levels of salaries and remunerations paid by iST to employees meet applicable regulations. In addition, iST also ensures that the overall salaries and remunerations provided are competitive and relevant welfare is better in the industry. Besides, iST reviews its salary system periodically and offers the holiday system superior to the one provided in the Labor Standards Act, in order to ensure internal fairness and external competitiveness.

(9) Other Measures

(i) iST has breastfeeding rooms to satisfy employee needs and has also employed nursing personnel in accordance with labor health protection regulations to provide labor health related services and deal with health education matters. In addition, contracted physicians are requested to provide service in the plant.

(ii) iST also has all employees receive health examination periodically and arranges for doctors and nursing personnel at the plant to provide health consultation service.

(iii) iST holds pre-service training for new employees to promote compliance with human right protection regulations, and enhances

employees' awareness of human rights through its internal communication platform. In 2023, training workshops were held for new employees, with 545 participants. The total training hours were 315.

(iv) iST provides a complete series of educational training for occupational safety. It provides different safety training programs based on the situations that may be faced in workplaces, such as fire drill, emergency response training, training for first-aid personnel, general safety and health educational training, plant safety training, safety training for supervisors, etc. Safety and health related educational training programs were held in 2023, with 280 participants. The total training hours were 838.

(v) Personal care and supervisor feedback are given to new employees who are employed within 3 months. Team-building programs are also held for new employees to have them better understand core values of iST.

iST will pay attention to issues of human right protection and promote relevant educational training continuously to enhance awareness of human right protection and reduce possibility of relevant risks.

- B. Loss incurred due to labor disputes (and date of disposition, disposition file number, article violated, content of article violated, and content of disposition if there was any violation of Labor Standards Act based on the labor inspection result) in the latest year and as of the date of print of the annual report, and the estimated amount to be incurred at present and in the future and measures to be taken in response: None

#### (VI) Cyber Security Management

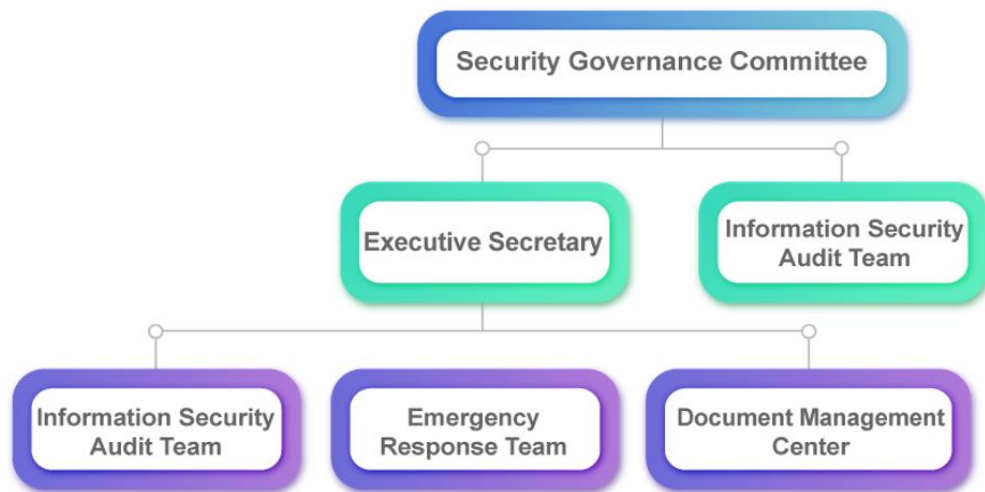
- A. Describe the cyber security risk management framework, cyber security policy, specific management scheme, and resources invested for cyber security management.

1. Cyber security risk management framework:

(1) Structure of Security Management Control Committee

To ensure security of information assets of iST and its customers, iST set up the security control committee at the end of 2018, and obtained the certification of ISO/IEC 27001:2013 Information Security Management System (ISMS) in October 2020. The validity of certification expires on Oct. 31, 2025. Chief Information Security Officer is the convener of the meeting of security control committee. Heads of divisions are members of the committee, and personnel from each functional department take part in the information security task force, emergency response task force, information security audit task force, and document management center, etc. A total of 21 people are involved as stated above. The committee integrates internal resources of iST to conduct risk assessment for information security, and prepares the annual information security plan and inspection standards. In addition, it also coordinates relevant resources and cross-functional activities, takes various information security controls, holds the annual information security educational training for personnel, and deals with information security audit operations. The security control committee holds a meeting every half year to review and resolve on guidelines for and policies of information security and information protection and ensure effectiveness of

information security management measures. The committee may also hold a meeting from time to time based on the needs of management of information security risk. The convener of the safety control committee represents the committee and reports to the board of directors every year.



## (2) Assessment and Analysis of Information Security Risk, and Response Measures

1). **Assessment and Analysis of Information Security Risk:** To respond to technological advancement and communication development and strengthen the measures taken to protect document assets of iST and its customers, iST has reviewed internal and external environmental factors. External risks are cyberattack threat and hacking while internal risks are information leak, virus, and computer room management.

### 2). Response Measures:

a). iST has the security control committee integrate operations of departmental security management procedures and effectively manage security incidents and prevent them from recurring, in hopes of reducing the possibility of information security risks.

b). iST has various internal management measures, such as anti-virus software, WSUS, firewall management, VLAN management, VPN management, and control mechanisms for various equipment, but iST is unable to guarantee that these measures can completely avoid all malicious attacks from third parties. However, through remote backup, computer room and network HA (High Availability) structure, and the annual disaster recovery drill, iST reviews and evaluates internal procedures to ensure appropriateness and effectiveness of system operation.

c). iST may encounter computer viruses, destructive software or denial-of-access attacks, or unintentional or malicious actions of employees that may cause leak of customers' data, or damage to customers. In light of the aforementioned circumstances, iST has introduced encryption software into its units to protect experimental conditions, results, reports and other files of customers.

d). To strengthen its information security management framework, iST obtained the ISO/IEC 27001:2013 Information Security Management System (ISMS) certification in October 2020, valid until October 31, 2025, and has used many systems, including but not limited to system vulnerability scanning and correction, social attack simulation, and log

management and analysis, to ensure effectiveness of information security incident detection.

e). iST has made efforts to complete necessary facilities and established systems at all levels, but iST is unable to guarantee confidentiality, integrity and availability of information all the time in the environment filled with variable information security threats. If iST cannot solve technical problems caused by cyberattacks in real time, iST's information system and environment may be abnormal or damaged and commitments made by iST to its customers and other stakeholders may also be compromised. Moreover, iST's operating results, financial conditions, prospects and reputation may also be affected adversely.

2. Cyber security policy:

iST has established the information security policy and relevant management guidelines in compliance with ISO 27001, and has also established confidential information management guidelines and relevant personal information management practices after taking into account applicable government regulations. iST reviews the latest information security laws or trends to establish or revise applicable management guidelines to ensure compliance with the information security policy.

<b>Prospects for Information Security Policy</b>	<b>Information Security Objectives</b>
<b>Enhancement of employees' knowledge</b>	Hold educational training on information security to enhance employees' awareness of information security and strengthen their awareness of relevant responsibilities.
<b>Avoidance of information leak</b>	Protect information of iST's business activities, prevent unauthorized access and modification and ensure accuracy and completeness of information.
<b>Implementation of routine operation</b>	Conduct internal and external audits periodically to ensure implementation of relevant operations.
<b>Assurance of service availability</b>	Ensure a specific level of availability of iST's key core systems.

3. Specific management scheme, and resources invested for cyber security management:

Strengthening knowledge and skills of personnel	<ul style="list-style-type: none"> <li>➤ Enhancement of employees' cyber security awareness: New employees are required to complete the education training on information security on the day they report to work. Each employee receives a follow-up training every year.</li> <li>➤ Enhancement of cyber security awareness: Electronic newsletters or notices about cyber security are sent from time</li> </ul>
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	<p>to time to help employees get to know cyber security practices and understand types of the cyber security attacks occurring externally. 20 newsletters/notices were sent in 2023.</p> <ul style="list-style-type: none"> <li>➤ Cyber-attack drills: Cyber-attack drill is conducted twice and phishing email testing is conducted once a year to verify cyber security awareness of employees.</li> <li>➤ Respect of intellectual property right: iST prohibits the use of illegal, cracked, or unlicensed software.</li> <li>➤ Enhancement of cyber security skills: Cyber security technicians are designated from time to time to participate in external training on cyber security tools or programs on hacker attack and defense technology to enhance cyber security literacy and skills. iST arranged for 10 technicians to participate in training in 2023.</li> </ul>
Avoiding information disclosure	<ul style="list-style-type: none"> <li>➤ Encryption: Document encryption software is installed to protect confidential information files and reduce the risk of unauthorized disclosure of confidential information.</li> <li>➤ Authorization: Access to the files is controlled by setting levels of authorization based on necessity.</li> <li>➤ Network management: Warnings are issued, and inspection is conducted, for abnormal network traffic. Transmitting data to an external unit must be applied for and approved.</li> <li>➤ Access control: Employees are not allowed to bring in personal storage devices or use personal equipment to take photos or film. USB ports are banned to be used in storage devices.</li> </ul>
Conducting routine maintenance works	<ul style="list-style-type: none"> <li>➤ Audit and improvement: Systems are inspected and improved periodically. New technologies are adopted to enhance data protection. Compliance with requirements of the management system is secured through internal audits conducted periodically and audits conducted by external cyber security certification units. In 2023, an internal audit and an external verification audit were conducted, and the information security task force held a meeting every month to review relevant matters.</li> </ul>
Ensuring services being available	<ul style="list-style-type: none"> <li>➤ Backup management: Important systems are backed up and are renewed or upgraded for cyber security subject to the annual plan. A backup and recovery test was conducted in 2023.</li> <li>➤ Cybersecurity: To enhance protection of internal and external cyber-attacks, the firewall policy is adjusted and reviewed, the detection of cyber attacks is activated, the anti-virus system is updated periodically, and bugs are repaired and prevented. Enhanced protection is provided for important machines. Micro-molecule firewalls are adopted to enhance lateral protection. iST has joined SP-ISAC Cyber Security Framework and TWCERT/CC to receive significant intelligence to share. In 2023, the vulnerability assessment was conducted and information system vulnerabilities were patched as much as possible.</li> </ul>

- B. Loss suffered by iST, for the latest year and as of the date of print of the annual report, due to significant cyber security incidents, possible impacts therefrom, and measures to be taken in response, or if a reasonable estimate cannot be made, an explanation of the reason why it cannot be made:

As of 2023 and the date of print of the annual report, iST did not incur any loss because of a material cyber security incident and was not fined for any serious incident.

(VII) Important Contracts

Parties to supply and distribution contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, which were either still effective as of the date of print of the annual report, or expired in the latest year, and major content, limitation clauses and commencement dates and expiration dates of these contracts:

As of Mar. 31, 2024

Nature of Contract	Party	Term of Contract	Major Content	Limitation Clause
Financing Agreement	Mega International Commercial Bank	2020.09.25-2025.09.25	Medium-term loan (Syndicated contract)	Annual and semi-annual consolidated debt-to-equity ratio <140%, consolidated tangible net worth >2.8 billion.
Financing Agreement	Mega International Commercial Bank	2023.09.08-2030.11.16	Medium-to-long term loan (Note 1)	-
Financing Agreement	Mega International Commercial Bank	2023.06.28-2025.06.27	Medium-term loan	-
Financing Agreement	Mega International Commercial Bank	2017.03.24-2032.03.24	Long-term loan	-
Financing Agreement	Mega International Commercial Bank	2023.03.30-2025.03.30	Medium-term loan	-
Financing Agreement	CTBC Bank	2023.11.30-2025.11.30	Medium-term loan	-
Financing Agreement	Hua Nan Commercial Bank	2023.11.24-2025.11.24	Medium-term loan	-
Financing Agreement	Hua Nan Commercial Bank	2023.08.21-2030.08.15	Medium-term loan (Note 1)	-
Financing Agreement	First Commercial Bank	2023.08.02-2030.07.15	Medium-to-long term loan (Note 1)	-
Financing Agreement	Chang Hwa Bank	2023.07.28-2030.07.15	Medium-to-long term loan (Note 1)	-
Financing Agreement	Bank of Taiwan	2023.11.17-2025.11.17	Medium-term loan	-
Financing Agreement	Bank of Panhsin	2024.03.29-2026.03.29	Medium-term loan	-
Financing Agreement	Agricultural Bank of Taiwan	2023.06.08-2026.06.08	Medium-term loan	-
Financing Agreement	Far Eastern International Bank	2023.09.08-2025.09.08	Medium-term loan	-

Financing Agreement	GEBO LIMITED	2007.03.01-2027.02.28	Puding Plant	-
Financing Agreement	DEKRA iST	2024.01.01-2027.02.28	Plant on Puding Road	-
Financing Agreement	TransGlobe Life Insurance Inc.	2024.01.01-2028.12.31	Dean Technology Park Phase II	-
Financing Agreement	Prosperity Power Technology Inc.	2020.11.01-2025.12.31	Plant II at Hsinchu Science-Based Industrial Park	-
Financing Agreement	Prosperity Power Technology Inc.	2023.01.01-2027.08.31	Plant II at Hsinchu Science-Based Industrial Park	-
Financing Agreement	Unimicron Technology Corporation	2023.11.01-2028.08.31	Unimicron Plant	-

Note 1: Special project loan under the “action plan for retaining Taiwanese businesses by accelerating investment”



## VI. Financial Highlights

(I) Concise Balance Sheet and Statement of Comprehensive Income for the Latest 5 Years

A. Concise Balance Sheet and Statement of Comprehensive Income

1. (1) Concise Balance Sheet-International Financial Reporting Standards  
(Consolidated)

Unit: in Thousands of New Taiwan Dollars

Year Item		Financial data of the latest 5 years (Note 1)					Financial data as of 2024 Q1
		2019	2020	2021	2022	2023	
Current assets		3,116,853	2,250,560	2,232,860	2,410,742	2,617,266	2,412,588
Property, plant and equipment		4,274,321	3,898,490	3,794,212	3,881,876	3,820,524	3,858,218
Intangible assets		14,739	15,723	15,030	14,280	10,800	10,520
Other assets		303,986	64,621	64,267	44,127	49,899	106,258
Total assets		8,863,839	7,378,837	7,221,525	7,424,156	7,667,028	7,576,798
Current liabilities	Before distribution	3,130,129	1,594,702	1,808,594	2,069,034	2,350,680	2,218,147
	After distribution	3,317,279	1,650,847	1,808,594	2,143,809	2,402,490	2,292,188
Non-current liabilities		1,602,172	1,852,408	2,088,250	1,952,929	1,984,246	1,940,616
Total liabilities	Before distribution	4,732,301	3,447,110	3,896,844	4,021,963	4,334,926	4,158,763
	After distribution	4,919,451	3,503,255	3,896,844	4,096,738	4,386,736	4,232,804
Equity investing in owners of the parent company		4,065,060	3,907,579	3,202,074	3,298,230	3,276,528	3,372,110
Share capital		935,751	935,751	797,751	747,751	755,609	740,089
Capital surplus		2,625,954	2,630,865	2,266,955	2,143,012	2,172,448	2,126,497
Retained earnings	Before distribution	594,233	433,108	232,529	489,920	572,721	574,162
	After distribution	407,083	376,963	232,529	415,145	520,911	500,121
Other equity		(90,878)	(92,145)	(95,161)	(82,453)	(85,830)	(70,291)
Treasury stock		0	0	0	0	(139,797)	0
Non-controlled interests		66,478	24,148	122,607	103,963	55,574	45,925
Total equity	Before distribution	4,131,538	3,931,727	3,324,681	3,402,193	3,332,102	3,418,035
	After distribution	3,944,388	3,875,582	3,324,681	3,327,418	3,280,292	3,343,994

Note 1: Financial data of the above-listed years have been certified or audited by CPAs.

(2) Concise Balance Sheet-International Financial Reporting Standards  
(Individual)

Unit: in Thousands of New Taiwan Dollars

Year  Item		Financial data of the latest 5 years (Note 1)					Financial data as of 2024 Q1
		2019	2020	2021	2022	2023	
Current assets		1,677,786	1,704,115	1,590,900	1,842,327	2,085,345	N/A
Property, plant and equipment		4,071,106	3,761,747	3,346,025	3,459,359	3,460,117	N/A
Intangible assets		9,458	10,040	7,471	8,009	5,006	N/A
Other assets		179,061	50,705	51,560	34,159	40,904	N/A
Total assets		8,312,524	7,355,786	6,738,145	7,060,456	7,288,009	N/A
Current liabilities	Before distribution	2,793,858	1,706,151	1,544,413	1,844,219	2,109,878	N/A
	After distribution	2,981,008	1,650,006	1,544,413	1,918,994	2,161,688	N/A
Non-current liabilities		1,453,606	1,742,056	1,991,658	1,918,007	1,901,603	N/A
Total liabilities	Before distribution	4,247,464	3,448,207	3,536,071	3,762,226	4,011,481	N/A
	After distribution	4,434,614	3,392,062	3,536,071	3,837,001	4,063,291	N/A
Equity investing in owners of the parent company		-	-	-	-	-	N/A
Share capital		935,751	935,751	797,751	747,751	755,409	N/A
Capital surplus		2,625,954	2,630,865	2,266,955	2,143,012	2,172,448	N/A
Retained earnings	Before distribution	594,233	433,108	232,529	489,920	572,721	N/A
	After distribution	407,083	376,963	232,529	415,145	520,911	N/A
Other equity		(90,878)	(92,145)	(95,161)	(82,453)	(85,830)	N/A
Treasury stock		0	0	0	0	(139,797)	N/A
Non-controlled interests		-	-	-	-	-	N/A
Total equity	Before distribution	4,065,060	3,907,579	3,202,074	3,298,230	3,276,528	N/A
	After distribution	3,877,910	3,851,434	3,202,074	3,223,455	3,224,718	N/A

Note 1: Financial data of the above-listed years have been certified or audited by CPAs.

2. (1) Concise Statement of Comprehensive Income-International Financial Reporting Standards (Consolidated)

Unit: in Thousands of New Taiwan Dollars, except for earnings per share in NTD

Item \ Year	Financial data of the latest 5 years (Note 1)					Financial data as of 2024 Q1
	2019	2020	2021	2022	2023	
Operating revenue	2,519,925	3,042,863	3,213,788	3,742,682	3,811,719	1,069,292
Gross profit	402,377	838,946	801,712	1,015,822	1,017,858	301,942
Operating profit (loss)	(211,114)	227,045	188,532	334,883	303,797	113,739
Non-operating incomes and expenses	(17,200)	30,233	23,699	133,230	43,618	(10,587)
Profit before tax	(228,314)	257,278	212,231	468,113	347,415	103,152
Net profit of continuing operations for this year	(225,032)	230,007	123,169	386,502	313,814	119,707
Loss of discontinued operations	264,150	-	-	-	-	-
Net profit (loss) for this year	39,118	230,007	123,169	386,502	313,814	119,707
Other comprehensive income (loss) for this year (Net after tax)	(21,277)	(2,622)	(6,139)	18,240	(5,515)	15,539
Total comprehensive profit/loss for this year	17,841	227,385	117,030	404,742	308,299	135,246
Net profit vesting in owners of the parent company	76,927	262,069	179,708	405,146	385,554	133,320
Net profit vesting in non-controlling interests	(37,809)	(32,062)	(56,539)	(18,644)	(71,740)	(13,613)
Total comprehensive profit (loss) vesting in owners of the parent company	55,946	259,501	173,569	423,386	380,039	148,859
Total comprehensive profit (loss) vesting in non-controlling interests	(38,105)	(32,116)	(56,539)	(18,644)	(71,740)	(13,613)
Earnings per share	1.10	2.80	2.02	5.33	5.15	1.80

Note 1: Financial data of the above-listed years have been certified or audited by CPAs.

(2) Concise Statement of Comprehensive Income-International Financial Reporting Standards (Individual)

Unit: in Thousands of New Taiwan Dollars, except for earnings per share in NTD

Item \ Year	Financial data of the latest 5 years (Note 1)					Financial data as of 2024 Q1
	2019	2020	2021	2022	2023	
Operating revenue	2,214,860	2,746,049	2,755,003	3,213,134	3,424,332	N/A
Gross profit	395,011	811,072	862,412	984,894	1,071,431	N/A
Operating profit (loss)	(119,698)	290,589	395,735	454,246	490,156	N/A
Non-operating incomes and expenses	188,342	(1,355)	(131,186)	32,501	(71,199)	N/A
Profit before tax	68,644	289,234	264,549	486,747	418,957	N/A
Net profit of continuing operations for this year	76,927	262,069	179,708	405,146	385,554	N/A
Loss of discontinued operations	-	-	-	-	-	N/A
Net profit (loss) for this year	76,927	262,069	179,708	405,146	385,554	N/A
Other comprehensive income (loss) for this year (Net after tax)	(20,981)	(2,568)	(6,139)	18,240	(5,515)	N/A
Total comprehensive profit/loss for this year	55,946	259,501	173,569	423,386	380,039	N/A
Net profit vesting in owners of the parent company		-	-	-	-	N/A
Net profit vesting in non-controlling interests		-	-	-	-	N/A
Total comprehensive profit (loss) vesting in owners of the parent company		-	-	-	-	N/A
Total comprehensive profit (loss) vesting in non-controlling interests		-	-	-	-	N/A
Earnings per share	1.10	2.80	2.02	5.33	5.15	N/A

Note 1: Financial data of the above-listed years have been certified or audited by CPAs.

Amounts of capitalized interest for the latest 5 years are as follows:

Unit: in Thousands of New Taiwan Dollars

Item \ Year	Financial data of the latest 5 years				
	2019	2020	2021	2022	2023
Amount of capitalized interest	\$ 5,631	\$ 3,323	\$ 3,100	\$ 6,029	\$ 7,714

B. Certification for the latest 5 years

1. Name of the CPA certifying financial statements for the latest 5 years, and the audit opinion:

Year	Name of Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Huang Yu-Feng and Tsai Mei-Chen	Unqualified opinion and the Other Matters section
2020	Deloitte & Touche	Huang Yu-Feng and Tsai Mei-Chen	Unqualified opinion and the Other Matters section
2021	Deloitte & Touche	Huang Yu-Feng and Tsai Mei-Chen	Unqualified opinion and the Other Matters section
2022	Deloitte & Touche	Huang Yu-Feng and Tsai Mei-Chen	Unqualified opinion and the Other Matters section
2023	Deloitte & Touche	Huang Yu-Feng and Chang Ya-Yun	Unqualified opinion and the Other Matters section

(II) Financial Analysis for the Latest 5 Years

A. 1 Financial analysis -International Financial Reporting Standards (Consolidated)

Item \ Year		Financial analysis for the latest 5 years					As of
		2019	2020	2021	2022	2023	2024 Q1
Financial structure(%)	Debt to total assets	53.39	46.72	53.56	54.17	56.54	54.89
	Long-term fund to property, plant and equipment	121.22	151.70	142.66	137.95	139.15	138.89
Solvency (%)	Current ratio	99.58	141.13	123.46	116.52	111.34	108.77
	Quick ratio	94.37	134.73	117.60	109.15	105.14	102.76
	Interest protection multiples	-1.58	4.98	6.75	11.11	6.86	7.68
Operating ability	Receivables turnover (times)	2.54	3.01	2.74	2.89	2.68	2.83
	Average days to collect receivables	144	121	133	126	136	129
	Inventory turnover (times)	-	-	-	-	-	-
	Payables turnover (times)	10.40	10.55	11.23	11.15	12.14	13.74
	Average days to sell inventory	-	-	-	-	-	-
	PPE turnover (times)	0.49	0.75	0.84	0.98	0.99	1.11
	Total asset turnover (times)	0.28	0.37	0.44	0.51	0.51	0.56
Profitability	Return on assets(%)	1.22	3.47	2.09	5.78	4.79	6.93
	Return on equity(%)	1.10	5.71	3.39	11.49	9.32	14.19
	Pre-tax income to paid-in capital ratio(%)	-24.40	27.49	26.60	62.60	45.99	55.75
	Net profit margin(%)	1.55	7.56	3.83	10.33	8.23	11.19
	Earnings per share (NTD)	1.10	2.80	2.02	5.33	5.15	1.80
Cash flows (%)	Cash flow ratio	23.39	71.05	45.21	56.62	33.46	58.91
	Cash flow adequacy ratio	29.35	42.52	51.96	101.71	130.09	116.12
	Cash re-investment ratio	8.57	10.83	5.00	13.47	7.30	12.95
Leverage	Operating leverage	-7.86	9.23	11.71	7.64	8.66	6.21
	Financial leverage	0.70	1.40	1.24	1.16	1.24	1.16
Reasons of changes in financial ratios over the latest 2 fiscal years: (No analysis is required if such change is less than 20%.)							
1. Interest protection multiples declined because the pre-tax income decreased and the interest rate increased in 2023.							
2. Return on assets declined mainly because the net profit before tax for 2023 decreased, compared with that for 2022.							
3. Return on equity declined mainly because the net profit after tax for 2023 decreased.							
4. Cash flow ratio declined mainly because the cash generated from operating activities for 2023 decreased.							
5. Cash flow adequacy ratio rose mainly because the cash dividends distributed for 2023 increased.							
6. Cash re-investment ratio rose mainly because the cash generated from operating activities for 2023 decreased and the distributed cash dividends increased.							

## 2. Financial analysis -International Financial Reporting Standards (Individual)

Year Item		Financial analysis for the latest 5 years					As of 2024 Q1
		2019	2020	2021	2022	2023	
Financial structure(%)	Debt to total assets	51.10	46.88	52.48	53.29	55.04	N/A
	Long-term fund to property, plant and equipment	126.07	153.69	155.22	150.79	149.65	N/A
Solvency (%)	Current ratio	60.05	99.88	103.01	99.90	98.84	N/A
	Quick ratio	53.07	96.05	99.33	93.82	93.30	N/A
	Interest protection multiples	1.85	6.07	9.47	12.81	8.71	N/A
Operating ability	Receivables turnover (times)	2.67	2.90	2.52	2.66	2.54	N/A
	Average days to collect receivables	137	126	145	137	144	N/A
	Inventory turnover (times)	-	-	-	-	-	N/A
	Payables turnover (times)	10.43	9.78	9.63	10.29	11.45	N/A
	Average days to sell inventory	-	-	-	-	-	N/A
	PPE turnover (times)	0.51	0.71	0.78	0.94	0.99	N/A
	Total asset turnover (times)	0.27	0.35	0.39	0.47	0.48	N/A
Profitability	Return on assets(%)	1.72	3.93	2.90	6.35	5.98	N/A
	Return on equity(%)	2.20	6.57	5.06	12.47	11.73	N/A
	Pre-tax income to paid-in capital ratio(%)	7.34	30.91	33.16	65.09	55.46	N/A
	Net profit margin(%)	3.47	9.54	6.52	12.61	11.26	N/A
	Earnings per share (NTD)	1.10	2.80	2.02	5.33	5.15	N/A
Cash flows (%)	Cash flow ratio	13.00	93.45	42.91	60.65	45.97	N/A
	Cash flow adequacy ratio	28.01	49.81	55.48	105.00	143.04	N/A
	Cash re- investment ratio	5.27	18.48	4.16	15.04	10.67	N/A
Leverage	Operating leverage	-12.01	6.48	4.91	4.98	4.97	N/A
	Financial leverage	0.60	1.24	1.09	1.10	1.12	N/A
Reasons of changes in financial ratios over the latest 2 fiscal years: (No analysis is required if such change is less than 20%.)							
1. Interest protection multiples declined because the pre-tax income for 2023 decreased.							
2. Cash flow ratio declined because the cash generated from operating activities for 2023 decreased.							
3. Cash flow adequacy ratio rose mainly because the cash dividends distributed for 2023 increased.							
4. Cash re-investment ratio rose mainly because the cash generated from operating activities for 2023 decreased and the distributed cash dividends increased.							

## Calculation Formula for Financial Analysis

1. Financial Structure
  - (1) Debt to total assets ratio = Total liabilities / Total assets
  - (2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities
  - (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
  - (3) Interest protection multiples = Earnings before interest and tax / Interest expenses for this year
3. Operating Ability
  - (1) Receivables (including accounts receivable and notes receivable generated from business) turnover = Net sales / Balance of average receivables (including accounts receivable and notes receivable generated from business) for each term
  - (2) Average days to collect receivables = 365 / Receivables turnover
  - (3) Inventory turnover = Sales cost / Average inventory
  - (4) Payables (including accounts payable and notes payable generated from business) turnover = Sales cost / Balance of average payables (including accounts payable and notes payable generated from business) for each term
  - (5) Average days to sell inventory = 365 / Inventory turnover
  - (6) PPE turnover = Net sales / Average net property, plant and equipment
  - (7) Total asset turnover = Net sales / Total average assets
4. Profitability
  - (1) Return on assets = [Profit (loss) after tax + Interest expenses x (1 – Tax rate)] / Total average assets
  - (2) Return on equity = Profit (loss) after tax / Total average equity
  - (3) Net profit margin = Profit (loss) after tax / Net sales
  - (4) Earnings per share = (Profit (loss) vesting to owners of the parent company – Preferred stock dividends) / Weighted average shares issued
5. Cash Flows
  - (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
  - (2) Net cash flow adequacy ratio = Net cash flows from operating activities for the latest 5 years / (Capital expenditure + Increase in inventory + Cash dividends) for the latest 5 years
  - (3) Cash re-investment ratio = (Net cash flows from operating activities – Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage:
  - (1) Operating leverage = (Net operating revenue – Variable operating cost and expenses) / Operating profit
  - (2) Financial leverage = Operating profit / (Operating profit – Interest expenses)



(III) Audit Committee's Review Report for the Financial Report of the Latest Year

## Audit Committee's Review Report

The board of directors, duly authorized, has prepared the iST business report and financial statements for the year ended Dec. 31, 2023 as well as the earning distribution proposal. Deloitte & Touche, commissioned by iST to audit the financial statements, has certified the financial statements successfully and issue its audit report. The aforementioned business report, financial statements and earning distribution proposal have been audited by the audit committee, which believes they have satisfied all legal requirements. This report is hereby issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The report is presented to

2024 Annual General Meeting of Shareholders of Integrated Service Technology Inc.

Audit Committee Convenor: Yu Chuo-Min

Mar. 6, 2024

- (IV) Financial Report of the Latest Year: Pages 155~250
- (V) Parent Company Only Financial Report of the Latest Year Certified by CPAs: Pages 251~354
- (VI) Effect of any financial difficulty of iST or its affiliate on the financial conditions of iST for the latest year and as of the date of print of the annual report: None

## VII. Financial Conditions, Review and Analysis of Financial Performance and Risks

(I) Financial Conditions

Comparative Analysis on Financial Conditions:

Unit: in Thousands of New Taiwan Dollars

Item	Year	2022	2023	Variance	
				Amount	%
Current assets		2,410,742	2,617,266	206,524	9
Property, plant and equipment		3,881,876	3,820,524	(61,352)	(2)
Intangible assets		14,280	10,800	(3,480)	(24)
Other assets		44,127	49,899	5,772	13
Total assets		7,424,156	7,667,028	242,872	3
Current liabilities		2,069,034	2,350,680	281,646	14
Non-current liabilities		1,952,929	1,984,246	31,317	2
Total liabilities		4,021,963	4,334,926	312,963	8
Share capital		747,751	755,409	7,658	1
Capital surplus		2,143,012	2,172,448	29,436	1
Retained earnings		489,920	572,721	82,801	17
Total shareholders' equity		3,402,193	3,332,102	(70,091)	(2)
Explanation for the variance of financial status and business result that reaches 20% or more and of which the amount reaches NTD 10 million: None					

(II) Financial Performance

Analysis of results of business operation for the latest 2 years:

A. Analysis of business operation results:

Unit: in Thousands of New Taiwan Dollars

Item	Year	2022	2023	Amount of increase (decrease)	Ratio of change (%)
Total operating revenue		3,742,682	3,811,719	69,037	2
Operating cost		2,726,860	2,793,861	67,001	2
Gross profit		1,015,822	1,017,858	2,036	0.2
Operating expenses		680,939	714,061	33,122	5
Net operating profit		334,883	303,797	(31,086)	(9)
Non-operating incomes and expenses		133,230	43,618	(89,612)	(67)
Profit before tax		468,113	347,415	(120,698)	(26)
Income tax expenses		81,611	33,601	(48,010)	(59)
Total comprehensive profit (loss) for this year		404,742	308,299	(96,443)	(24)
Net profit after tax		386,502	313,814	(72,688)	(19)

Analysis on increases and decreases:

Explanation for the variance of financial status and business result that reaches 20% or more and of which the amount reaches NTD 10 million:

1. Non-operating incomes and expenses decreased mainly because the share of profit/loss of the associates accounted for using the equity method decreased and the net gain on disposal of property, plant and equipment decreased, compared with those for 2022.
2. Pre-tax income decreased mainly because both the net operating profit and the non-operating incomes decreased, compared with those for 2022.
3. Income tax decreased mainly because pre-tax income decreased, compared with that for 2022.
4. The total comprehensive profit for this year decreased mainly because the net profit after tax decreased.

B. Possible effect of the expected sales volume and the basis thereof on iST's financial operations, and measures to be taken in response:

iST is in the technical service industry, so it is impossible to calculate sales volume. However, the sales value of various services may be predicted based on business conditions, market research and forecast of future orders in 2023. With verification energy accumulated for more than 30 years, iST's engineering service platform has covered upstream IC design, foundry, wafer probe and other customer groups. The sales value of technical services may therefore be growing stably.

(III) Cash Flows

A. Analysis of Cash Flow Changes for the Latest Year

Unit: in Thousands of New Taiwan Dollars

Cash balance at the beginning of the year	Net cash flows from operating activities for the whole year	Cash flows used in the whole year	Effect of changes in exchange rate on cash and cash equivalent	Amount of cash left (shortage)	Remedy for cash shortage	
					Investment plan	Financial planning
875,347	786,508	(734,599)	982	928,238	—	—

Analysis of changes in cash flows for 2024:

1. Operating activities: Cash provided by operating activities for the whole year was NTD 786,508 thousand, mainly due to the growth in operating revenue and the continuous inflow of funds from core operations.
2. Investing activities: Net cash used in investing activities for the whole year was NTD 670,318 thousand, which was because of purchase of machinery equipment.
3. Financing activities: Net cash used in financing activities for the whole year was NTD 64,281 thousand, which was because of purchase of treasury stock and payment of cash dividends.
4. Remedy for cash shortage and liquidity analysis: N/A

B. Plan to Improve Inadequacy of Liquidity: No inadequacy of liquidity.

C. Future Cash Liquidity Analysis

Unit: in Thousands of New Taiwan Dollars

Cash balance at the beginning of the year	Net cash flows from operating activities for the whole year	Cash flows used in the whole year	Amount of cash left (shortage)	Remedy for cash shortage	
				Investment plan	Financial planning
928,238	1,334,857	(1,401,709)	861,386	—	—

Analysis of changes in cash flows for 2024:

1. Operating activities: Cash provided by operating activities for the whole year was NTD 1,334,857 thousand, mainly due to the growth in operating revenue and the continuous inflow of funds from core operations.
2. Investing activities: Net cash used in investing activities for the whole year was NTD 1,379,536 thousand, which was because of purchase of machinery equipment.
3. Financing activities: Net cash used in financing activities for the whole year was NTD 22,173 thousand, which was due to payment of dividends in cash.
4. Remedy for cash shortage and liquidity analysis: N/A

(IV) Effect of Material Capital Expenditure on Financial Business for the Latest Year: None

## (V) Reinvestment Policy for the Latest Year, Main Reason for Profit or Loss, Improvement Plan and Other Investment Plans for the Next Year

As of 2024.03.31

Item	Explanation	Amount	Policy	Main Reason for Profit or Loss	Improvement Plan	Other Future Investment Plans
	INTEGRATED SERVICE TECHNOLOGY INC.(Samoa)	USD 9,500 thousand	A subsidiary of iST in Mainland China, which was invested 100% by iST through reinvestment from a third place.	Recognizing profits of iST Kunshan Company and losses of Seychelles iST	None	To observe business operation in the future continuously before making a decision to increase or decrease investment.
	Dekra iST	NTD 192,624 thousand	A joint venture of iST and DEKRA SE.	Profits due to increase in automotive electronic testing business and effective control of cost.	None	None
	BTL Inc.	NTD 95,225 thousand	Strategic investment, having iST span compulsory certification and regulation testing markets with respect to electronic products made in China.	The reasons for the loss were the suspension of certification for the mainland subsidiary by local authorities and the slower-than-expected recovery in the mainland market.	The factor of the mainland's suspension of certification has been resolved, and this has resulted in an improvement in the situation where certification demand was deferred due to high inventory in consumer electronics among its clients.	None
	Pin Wen Corp.	NTD 237,000 thousand	A subsidiary 100% invested by iST directly.	Recognizing investment loss of ITS Company and PPT Company	Being devoted to enhance efficiency of business operation of the investee and help it reduce cost.	None

Supreme Fortune Corp.	USD 125 thousand	A subsidiary 100% invested by iST directly, which is a holding company established in the third place for making investments in Mainland China directly.	Recognizing investment losses of Hot Light Co., Ltd.	None	None
Prosperity Power Technology Inc.	NTD 1,012,081 thousand	A subsidiary 77% invested by iST directly and indirectly.	Loss incurred due to failure to reach economies of scale	Expanding new customers and new manufacturing processes continuously.	None
EFUN Technology Inc.	NTD 3,700 thousand	An affiliated 26% invested by Pin Wen	Increase in orders for 2023 and good control of expenses	None	None
Huan Ying Sustainable Development Technology	NTD 5,100 thousand	An affiliate 29% invested by Pin Wen Co., Ltd.	Increase in orders for 2023 and good control of costs and expenses	None	None
INTEGRATED SERVICE TECHNOLOGY INC.(Seychelles)	USD 7,159 thousand	A subsidiary 100% invested by Samoa IST, which is a holding company established in the third place for making investments in Mainland China	Paying consultant fees and recognizing profits of IST Kunshan Company in 2023	None	To observe business operation in the future continuously before making a decision to increase or decrease investments
Integrated Service Technology USA Inc.	USD 3,130 thousand	A subsidiary 100% invested through Samoa IST	Profits for 2023 mainly because orders increased and costs and expenses were controlled well	None	None
Integrated Service Technology (Kunshan) Co., Ltd.	USD 3,700 thousand	A company in Mainland China reinvested by a company invested and established in the third area	Increase in orders in 2023 and good control of costs and expenses	None	None
Hot Light Co., Ltd	USD 1,655 thousand	A subsidiary 100% invested through Supreme Fortune Corp., which is a holding company established in the third place for making investments in Mainland China.	Recognizing losses of SIP KS Company and profits of He Chou Technology Inc.	Reducing the scale of business	None
System Integration Professional Technology (SIP KS Company)	USD 1,620 thousand	A company in Mainland China reinvested by a company invested and established in the third area	Loss incurred due to failure to reach economies of scale	Reducing the scale of business	To observe business operation in the future continuously before making a

					decision to increase or decrease investments
He Chou Technology Inc.	USD 125 thousand	A company in Taiwan reinvested by a company invested and established in the third area	Loss incurred due to the initial trial production of new products	Planning the production of new products.	None
Instrument Supply Technology (Kunshan) Co., Ltd.	CYN 2,500 thousand	A company in Mainland China reinvested by a company invested and established in the third area	Loss incurred due to failure to reach economies of scale	Continuously expanding the customer base.	None
Motor Semiconductor Co., Ltd.	NTD 39,974 thousand	An affiliated 21% invested by Pin Wen Corp.	Loss incurred due to the pressure from customer inventory adjustments.	Continuously expanding the customer base.	None

(VI) Analysis and Assessment of Risks

- A. Effect of interest and exchange rate fluctuations and inflation on iST's profit or loss, and measures to be taken in response:
1. Effect of interest rate fluctuation on iST's operating revenue and profit: Effect of interest rate fluctuation on iST's operating revenue and profit: iST's interest rate risk mainly comes from interest payments for loans from the bank. As the interest rate has been raised in recent years, interest imposed at floating rate on a loan also increases  
However, iST has a good relationship with the bank, so it is able to obtain favorable interest rate conditions. iST has obtained a subsidy, for its interest payments, granted by the National Development Fund under the Investment Acceleration Program for Enterprises in Taiwan. Interest expenses will be reduced effectively in the future, and the impact of interest rate fluctuation on iST's profit will be mitigated.
  2. Effect of exchange rate fluctuation on iST's operating revenue and profit:  
Specific Measures Taken to Respond to Exchange Rate Fluctuation: To effectively reduce negative impact of exchange rate fluctuation on iST's business operation, iST will proceed with the following:
    - (1) iST collects information of exchange rate fluctuation anytime and provide it to relevant units to be fully aware of the trend of exchange rate, and takes measures properly to do foreign exchange.
    - (2) With respect to arrangement of foreign exchange funds, iST conducts hedge trading for some foreign exchange payments for equipment, and secures transaction cost by acquiring a forward exchange agreement in advance. It also uses its foreign exchange income, or gets a foreign currency loan from the bank, to pay foreign exchange expenses. iST tries to reduce foreign exchange risks effectively by balancing foreign currency assets and liabilities.
  3. Effect of Inflation: Inflation has no significant effect on iST's business operation and profitability. iST will pay attention to price fluctuations from time to time and maintain a good relationship with suppliers to reduce the effect of inflation.
  4. Risk Management Framework: Operational risks are managed by relevant management units subject to the nature of its business. Existing or potential risks for each operation are reviewed and assessed by the audit unit.
- B. Policies for high-risk investment, highly leveraged investment, loans to other parties, endorsement, guarantee and derivatives transaction, main reasons for profits/losses generated thereby, and measures to be taken in response:
1. iST has never made any high-risk or highly leveraged investment.
  2. iST has established its internal management regulations, including the Procedures for Acquisition or Disposal of Assets and the Procedures for Loaning of Funds and Making of Endorsements / Guarantees, in accordance with applicable regulations provided by the competent authority. iST conducts derivatives transactions only for avoidance of exchange rate risks, not for trading or speculative purposes.
- C. Future research and development plans, and expenditures expected for research and development:
- Research and development work of iST is carried out in the following direction:
- A. 5G/HPC (High-Performance Computing) Verification Platform
  - B. Advanced process, advanced package validation platform



- C. Automotive electronic verification platform
- D. Space electronic product verification platform
- E. Wide band gap semiconductor verification platform
- F. AI chip verification Platform

Expenditures expected for research and development in the future are about 3~5% of iST's business turnover.

- D. Effect of foreign and domestic important policies and changes in applicable laws on iST's financial operation, and measures to be taken in response:  
iST operates in accordance with applicable domestic and foreign laws and regulations and also pays attention to development trends of domestic and foreign policies and regulations all the time in order to fully understand the change of the market environment. In the latest year and as of the date of print of the annual report, iST's financial business was not impacted because of changes in any domestic or foreign important policies or laws. In addition to collecting and evaluating information of changes in any domestic or foreign important policies or laws and providing such information for the management for reference, iST will also consult relevant professionals and take response measures timely to reduce any adverse impact of changes in any domestic or foreign important policies or laws.
- E. Effect of technology change (including cyber security risks) and industrial change on iST's financial operation, and measures to be taken in response: To respond to future technology, cyber security risk and industrial change, iST takes customers' needs into account and continuously develops services in line with industrial trends based on its abundant experience to enhance its competitiveness in hopes of getting to know technology change and satisfying the needs of customers and markets.
- F. Effect of changes in iST's corporate image on its crisis management, and measures to be taken in response:  
iST has been committed to maintaining its corporate image and complying with applicable laws since it was incorporated. As of the date, no incident occurred to affect its corporate image.
- G. Expected benefits and possible risks associated with any merger, and measures to be taken in response: None
- H. Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:  
For growth of iST's business, iST set up a laboratory in Tai Yuen Hi-Tech Industrial Park, Zhubei in 2022 after evaluating the existing and future business and manpower demand. Relevant arrangements and demand have also been evaluated and analyzed carefully to have the efficiency of the laboratory space satisfying the requirements for its business and adequately supporting the services provided for customers. The efficiency evaluated currently meets iST's expectations.
- I. Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response:  
iST engages in testing services and does not need to purchase raw materials. It uses a small quantity of materials during provision of services. Materials supplied come from more than two sources, so no risk of concentration of purchases exists. In addition, iST provides customers with reliability verification, failure analysis, material analysis, IC circuit repair, signal testing and other testing services, covering advanced packaging, advanced processes, semiconductors, 5G verification, automotive electronics, space electronics and other fields. iST has lots of customers and no risk of concentration of sales exists.

- J. Effect on and risk to iST when a great quantity of shares held a director or supervisor, or a shareholder holding more than 10% of shares of iST has been transferred or changed, and measures to be taken in response: None
- K. Effect on and risk to iST when the ownership of iST has been changed, and measures to be taken in response: None
- L. List major litigious, non-litigious or administrative disputes that involve iST or its director, supervisor or general manager, the person actually in charge of iST, any key shareholder holding more than 10% of iST's shares or any affiliate controlled by iST. If the judgment may probably has a great effect on shareholders' equity or the price of securities, disclose the facts of the dispute, amount of money concerned in the dispute, date of litigation commencement, main parties to the dispute, and the status of the dispute as of the date of print of the annual report.

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

- M. Other important risks, and measures to be taken in response: None

(VII) Other Important Matters:

None

## VIII. Special Records

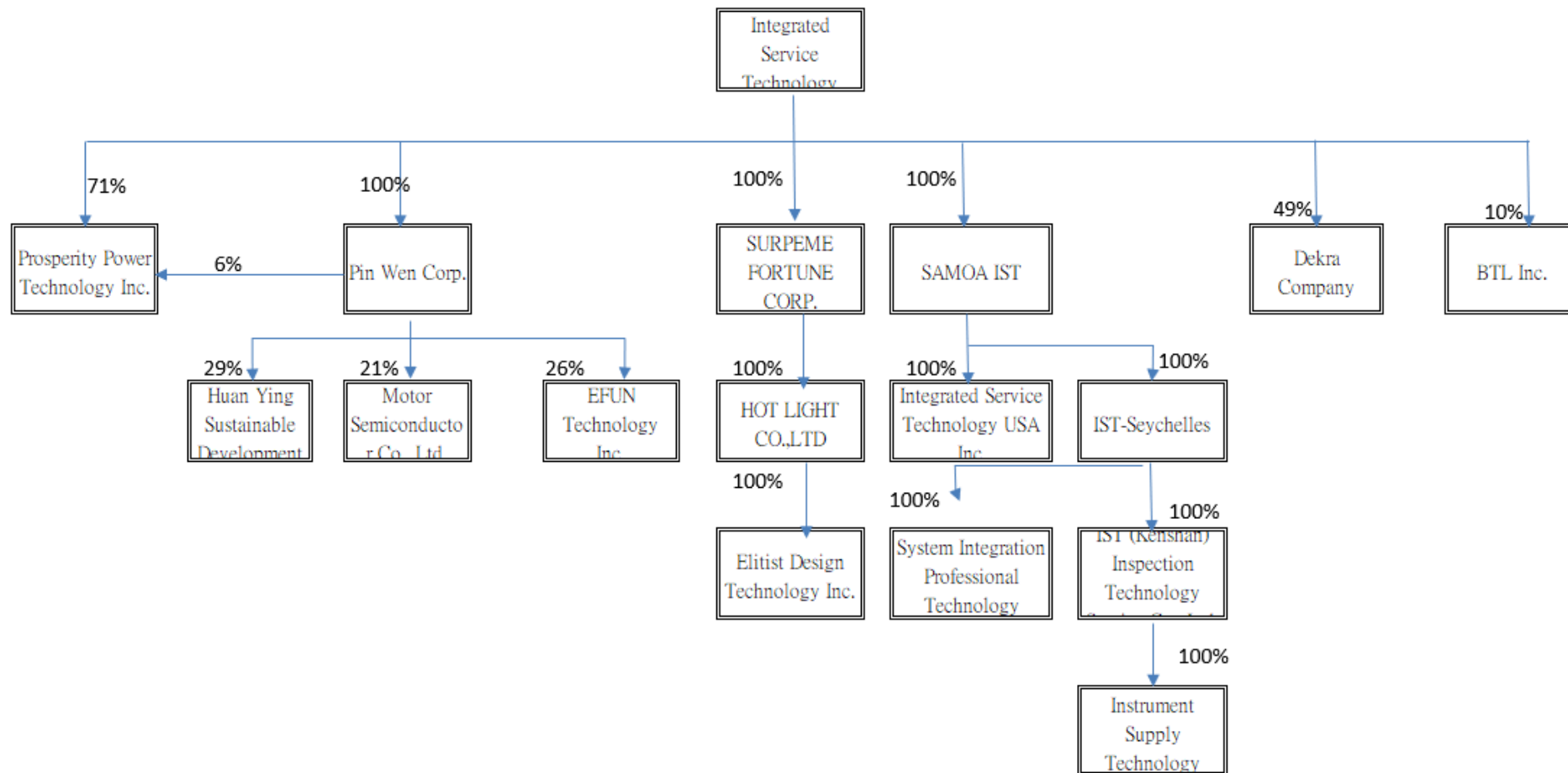
### (I) Information Relevant to Affiliated Enterprises

#### A. Consolidated Statements of Operation of Affiliated Enterprises

##### 1. Affiliated Enterprise Organization Chart

iST Reinvestment Framework

113.3.31



2. Name of Affiliated Enterprise, Date of Incorporation, Address, Paid-in Capital, and Main Business Items

Mar. 31, 2024 In thousands of USD; in thousands of NTD; in thousands of CNY

Name of Enterprise	Date of Incorporation	Address	Amount of Paid-in Capital	Main Business Item
INTEGRATED SERVICE TECHNOLOGY INC.(Samoa)	January 2002	OFFSHORE CHAMBERS,PO BOX217 APIA,SAMOA	USD 4,417	Investment
INTEGRATED SERVICE TECHNOLOGY INC.( Seychelles)	June 2018	No.4,Franky Building Providence Industrial Estate, Mahe, Seychelles	USD 7,159	Investment
Integrated Service Technology USA Inc.	January 2007	1055 E Brokaw Rd, STE 30, #141, San Jose, CA 95131	USD 3,130	development and manufacturing of Integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.
Pin Wen Corp..	May 2010	1F, No. 18, Puding Road, Hsinchu City	98,412	Investment
Dekra Company	July 2011	1F, No. 18, Puding Road, Hsinchu City	393,110	Product testing and relevant business
IST (Kenshan) Inspection Technology Service Co., Ltd.	January 2005	4F & 5F, Building I, Yangbang Photoelectric Industry Park, No. 1299, Fuchunjiang Road, Kunshan City, Jiangsu Province, China	USD 3,700	Product testing and relevant business
Prosperity Power Technology Inc.	November 2020	Hsinchu Science Park, No. 15 & 17, Yuanqu 2 <sup>nd</sup> Road, E. Dist., Hsinchu City	459,8233	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business
Supreme Fortune Corp.	March 2014	60 Market Square, Belize City, Belize	USD 125	Investment
Hot Light Co.,Ltd	April 2014	1 <sup>st</sup> Floor,#5 DEKK House, De Zippora Street ,Providence Industrial Estate, Mahé, Republic of Seychelles	USD 125	Investment
System Integration Professional Technology	June 2014	4F, Building I, Yangbang Photoelectric Industry Park, No. 1299, Fuchunjiang Road, Kunshan City, Jiangsu Province, China	USD 1,620	Circuit design service
Elitist Design Technology Inc.	November 2015	1F, No. 18, Puding Road, E. District, Hsinchu City	4,000	Circuit design service
EFUN Technology Inc.	October 2014	1F, No. 18, Puding Road, E. District, Hsinchu City	14,000	Information software service
BTL Inc.	October 1987	4F, No. 18, Lane 171, Sec. 2, Jiuzong Road, Neihu District, Taipei City	252,780	Electromagnetic compatibility certification service and security testing service for electronic products

Huan Ying Sustainable Development Technology Inc.	December 2016	1F, No. 18, Pudong Road, E. District, Hsinchu City	17,500	Information software management service and relevant business
Instrument Supply Technology (Kunshan) Co., Ltd.	March 2021	Kunshan Development Zone, 3F, Building 1, No. 1299, Fuchunjiang Road	CNY 2,500	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent
Motor Semiconductor Co., Ltd.	March 2019	10-5F, No. 32, Gaotie 2nd Rd, Zhubei City, Hsinchu County	140,046	IC design

B. Information of shareholders presumed to be shareholders of any entity controlling affiliates: None

C. Information of Relationship among Affiliated Enterprises

1. Integrated Service Technology Inc (Samoa), Integrated Service Technology Inc (Seychelles), Supreme Fortune Corp, and Hot Light Co., Ltd are holding companies incorporated in the third places for the purpose of enabling iST to invest in Mainland China indirectly. Investment is their main business activity. They have no business items or products that may compete with iST.
2. IST (Kenshan) Inspection Technology Service Co., Ltd. is a company 100% reinvested by iST through a third place and incorporated in Mainland China. Its main business is product inspection service. It is a company located in Mainland China and its market is different from the sales market of iST. It has no business items or products that may compete with iST.
3. Innovative Turnkey Solution, a subsidiary 61% reinvested by iST directly and indirectly, provides analog IC testing and integration services. Its market is different from the sales market of iST and therefore has no business items or products that may compete with iST. On November 3, 2023, the Innovative Turnkey Solution merger with Prosperity Power Technology Inc. was approved by the board of directors. The effective date of the merger is scheduled for March 31, 2024.
4. Integrated Service Technology USA Inc. a company 100% reinvested by iST through a third place and incorporated in the U.S. It engages in the R&D, development and manufacturing of Integrated circuits, analysis and burn-in, testing, semiconductor spare parts and equipment, electronic spare parts and relevant business. Main customers for which it provides services are entities in the U.S. Its market is different from the sales market of iST and therefore has no business items or products that may compete with iST.
5. Pin Wen Corp.a subsidiary 100% invested by iST, mainly engages in reinvestment. It has no business items or products that may compete with iST.
6. Dekra Company an affiliated enterprise 49% invested by iST, mainly engages in product testing and relevant business. It has no business items or products that may compete with iST.

7. System Integration Professional Technology a company 100% reinvested by iST through a third place and incorporated in Mainland China, mainly engages in circuit design service and relevant business. It has no business items or products that may compete with iST.
8. Elitist Design, a company 100% reinvested by iST indirectly through a third place, mainly engages in circuit design service. It has no business items or products that may compete with iST.
9. EFUN Technology Inc., an affiliated enterprise 26% possessed by iST indirectly, mainly engages in information software service. It has no business items or products that may compete with iST.
10. BTL Inc., an affiliated enterprise 10% invested by iST, mainly engages in electromagnetic compatibility certification service and security testing service for electronic products. It has no business items or products that may compete with iST.
11. Huan Ying Sustainable Development Technology. (former Green Innovation Technology) an affiliated enterprise 29% possessed by iST indirectly, mainly engages in information software management service and relevant business. It has no business items or products that may compete with iST.
12. Instrument Supply Technology (Kenshan) Co., Ltd., a subsidiary 100% invested by iST through IST Kunshan Company, mainly engages in purchase and sale of electric testing and relevant equipment, and sells and trades as an agent. It has no business items or products that may compete with iST.
13. Prosperity Power Technology Inc. a subsidiary 81% reinvested and possessed by iST directly and indirectly, engages in manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business. Its market is different from the sales market of iST. It has no business items or products that may compete with iST.
14. Motor Semiconductor Co., Ltd., an affiliated enterprise 21% possessed by Pin Wen Corp., primarily specializes in motor control chip solutions. Its market is different from the sales market of iST. It has no business items or products that may compete with iST.

D. Information of Directors, Supervisors and General Managers of Affiliated Enterprises

Unit: in Thousands of shares

Name of Affiliated Enterprise	Title	Name or Representative	Number of Shares Held	
			Number of Shares	Ratio of Shareholding
INTEGRATED SERVICE TECHNOLOGY INC.(Samoa)	Director	Integrated Service Technology Inc. Representative: Yu Wei-Pin	4,917	100%
INTEGRATED SERVICE TECHNOLOGY INC.(Seychelles)	Director	Samoa IST Representative: Yu Wei-Pin	6,159	100%
Integrated Service Technology USA Inc.	President	Cheng Chun-Yen	3,130	100%
IST (Kenshan) Inspection Technology Service Co., Ltd.	President	Seychelles IST: Cheng Yuan-Tai	-	100%
	Supervisor	Seychelles IST: Yu Wei-Pin		
Innovative Turnkey Solution	President	Integrated Service Technology Inc. Representative: Yu Wei-Pin	16,295	61%
	Director	Integrated Service Technology Inc. Representative: Chen Ching Chuo		
	Director	Integrated Service Technology Inc. Representative: Lin Yu-Sang		
	Supervisor	Tu Chung-Cheh		
Pin Wen Corp..	President	Integrated Service Technology Inc. Representative: Yu Wei-Pin	9,841	100%
	Director	Integrated Service Technology Inc. Representative: Chen Ching Chuo		
	Director	Integrated Service Technology Inc. Representative: Tu Chung-Cheh		
	Supervisor	Integrated Service Technology Inc. Representative: Lin Yu-Sang		
Prosperity Power Technology Inc	President	Integrated Service Technology Inc. Representative: Yu Wei-Pin	31,395	81%
	Director	Integrated Service Technology Inc. Representative: Chen Yang-Kuang		
	Director	Integrated Service Technology Inc. Representative: Lo Yin-Yi		
	Supervisor	Chang Yi-Hui		
Dekra Company	President	Germany-based DEKRA SE Representative: Lin Yi-Mo	19,262	49%
	Vice President	Integrated Service Technology Inc. Representative: Chen Ching Chuo		
	Director	Integrated Service Technology Inc. Representative: Cheng Chun-Yen		
	Director	Germany-based DEKRA SE Representative: Michael Owen Walsh		
	Director	Germany-based DEKRA SE Representative: Frank Van Der Zwaag		
	Supervisor	Lin Yu-Sang		
	Supervisor	Elio Sun		
Supreme Fortune Corp.	President	Yu Wei-Pin	1,655	100%
Hot Light Co.,Ltd	President	Yu Wei-Pin	1,655	100%
System Integration Professional Technology	President	Cheng Yuan-Tai	-	100%
	Supervisor	Yu Wei-Pin		
Elitist Design Technology Inc.	President	Hot Light Co., LTD Representative: Yu Wei-Pin	400	100%
Yi Fang Technology Co., Ltd.	President	Tsai Yu-Chang	370	26%

	Director	Fang Kuei-Hung		
	Director	Pin Wen Co., Ltd. Representative: Yu Wei-Pin		
	Supervisor	Hu Nai-Chen		
BTL Inc.	President	Chieh Chao Investment Co., Ltd. Representative: Wu Chung-Chao	2,550	10%
	Director	Liu Li-Kuo		
	Director	Jideli Investment Co., Ltd. Representative: Chiu Teh-Chun		
	Director	Integrated Service Technology Inc. Representative: Lin Yu-Sang		
	Director	Chiu Chih-Ching		
	Independent Director	Huang Tsuei-Ping		
	Independent Director	Huang Cheng-Chung		
	Independent Director	Yang Neng-Chieh		
	Independent Director	Chang Kai-Hsiang		
Huan Ying Sustainable Development Technology Inc.	President	Pin Wen Co., Ltd. Representative: Yu Wei-Pin	510	29%
	Director	Lan Min-Yuan		
	Director	Ting Chih-Yu		
	Supervisor	Weltech Inc. Representative: Chen Wei-Ta		
Instrument Supply Technology (Kunshan) Co.,Ltd	President	IST (Kenshan) Inspection Technology Service Co., Ltd.: Cheng Yuan Tai	-	100%
	Supervisor	IST (Kenshan) Inspection Technology Service Co., Ltd.: Yu Wei-Pin		
Motor Semiconductor Co., Ltd.	President	Li Yi-Hui	2,955	21%
	Director	Chiu Hang-Hui		
	Director	Cheng Chih-Hung		
	Director	Pin Wen Co., Ltd. Representative: Yu Wei-Pin		
	Director	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD. Representative: Cheng Pei Yu		
	Supervisor	Wu Ji-Jeng		

(Note): On November 3, 2023, the Board of Directors formally approved a merger agreement with Prosperity Power Technology Inc. The effective date of the merger is scheduled for March 31, 2024.



### E. Overview of Each Affiliated Enterprise's Business Operation

Unit: in Thousands of New Taiwan Dollars

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Income	Operating profit	Profit (loss) of the year	Earnings per share (after tax)
INTEGRATED SERVICE TECHNOLOGY INC.(Samoa)	150,969	258,056	174	257,882	0	(25)	7,060	0.05
INTEGRATED SERVICE TECHNOLOGY INC.(Seychelles)	189,099	199,767	21,468	178,299	0	(4,806)	3,395	0.02
IST (Kenshan) Inspection Technology Service Co., Ltd.	113,609	216,545	38,026	178,519	114,507	12,739	13,116	-
Innovative Turnkey Solution	264,774	290,129	256,544	33,585	121,712	(94,681)	(90,466)	(3.98)
Dekra Company	393,110	1,641,789	700,466	941,323	916,355	124,576	102,749	2.61
BTL Inc.	252,780	1,513,194	704,589	808,605	702,813	(75,838)	(53,455)	(2.16)
Integrated Service Technology USA Inc.	96,107	18,981	5,272	13,709	51,650	1,651	1,686	0.02
Pin Wen Corp.	98,412	73,333	105	73,228	1	(27,587)	(27,587)	(3.22)
EFUN Technology Inc.	14,000	4,723	1,139	3,584	8,562	807	478	0.34
Huan Ying Sustainable Development Technology Inc.	17,500	12,555	1,841	10,714	19,333	90	116	0.07
Supreme Fortune Corp.	50,817	51,309	0	51,309	0	0	(699)	(0.01)
Hot Light Co., Ltd	50,817	52,129	820	51,309	0	(73)	(699)	(0.01)
System Integration Professional Technology	49,742	20,664	2,597	18,067	0	(2,320)	(4,985)	-
Elitist Design Technology Inc.	4,000	3,459	639	2,820	0	(2,358)	(2,281)	(5.70)
Prosperity Power Technology Inc.	390,000	440,307	207,167	233,140	148,182	(156,090)	(156,803)	(4.02)
Instrument Supply Technology (Kunshan) Co.,Ltd	10,838	11,634	219	11,415	2,193	112	208	-
Motor Semiconductor Co., Ltd.	140,046	146,309	38,755	107,554	8,656	(30,715)	(38,655)	(3.23)

F. Consolidated Financial Statements of Affiliated Enterprises

Statement on Consolidated Financial Report of Affiliated Enterprises

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

Company Name: Integrated Service Technology Inc.

Person in charge: Yu Wei-Pin

March 6, 2024

G. Relationship Report of Affiliated Enterprises: N/A

(II) Private placements of securities in the latest year and as of the date of print of the annual report:

Information of Private Placements of Securities

Item	Private placement approved at the general meeting of shareholders on June 14, 2023 and conducted for the 1st time in 2023 Issuance date: Not issued yet (Note)
Type of securities placed privately	Common shares
Date of approval, and the amount approved by the shareholders' meeting	The private placement of common shares for cash within the limit of 7,000,000 shares was approved at the general meeting of shareholders on June 14, 2023.
Basis and rationale for the setting of the price	<ol style="list-style-type: none"> <li>1. The reference price for the private placement of common shares is calculated based on the higher of (a) the simple arithmetic mean of closing prices of common shares for 1 business day or 3 or 5 business days immediately before the date of pricing, less ex-rights and dividends for gratuitous shares, and plus the share price after share buybacks for capital reduction and (b) the simple arithmetic mean of closing prices of common shares for 30 business days immediately before the date of pricing, less ex-rights and dividends for gratuitous shares, and plus the share price after share buybacks for capital reduction.</li> <li>2. The actual offering price for the private placement is resolved to be no less than 80% of the reference price. The meeting of shareholders is hereby requested to require that the actual offering price to be determined by the board of directors, which is authorized by the meeting to determine the offering price, shall be no less than 80% of the reference price.</li> <li>3. The offering price is reasonably determined based on the business performance, future prospects and latest share prices of iST.</li> </ol>
Means of selecting specified persons	<ol style="list-style-type: none"> <li>1. The private placement is carried out in accordance with Article 43-6 of the Securities and Exchange Act and pursuant to the official letter dated June 13, 2002 with the reference number (91)-Tai-Cai-Zheng-Yi-Zi-0910003455 from Securities and Futures Commission, MOF. Subscribers are limited to strategic investors. Strategic investors refer to individuals or corporate entities that are able to use their experience, technology, knowledge, brands or channels through industrial vertical integration, horizontal integration or common research to develop merchandise or market to enhance profits of iST and assist invested companies in enhancing technology, improving quality, reducing cost, improving efficiency and expanding the market share.</li> <li>2. The board of directors is authorized to select specified persons, from those who are helpful to future business operation of iST directly or indirectly, to be subscribers for the private placement of common shares in accordance with Article 43-6 of the Securities and Exchange Act and pursuant to the order dated June 13, 2002 with the reference number (91)-Tai-Cai-Zheng-Yi-Zi-0910003455 from Securities and Futures Commission, MOF.</li> </ol>
Reasons necessitating the private placement	With rapid, simple and convenient characteristics, a private placement is carried out to efficiently complete the purpose of soliciting strategic investors. In addition, limitations on transfer of privately placed marketable securities for 3 years may better ensure the long-term cooperation between

	iST and strategic investors. Moreover, the board of directors is authorized to carry out the private placement based on the actual need of corporate business. The mobility and flexibility of fundraising for iST is therefore enhanced. Funds obtained from the private placement are used to enrich working capital and repay loans so as to improve iST's financial structure, strengthen corporate competitiveness, and enhance operational performance. All of these effects are propitious for shareholders' equity.				
Date of payment completion	N/A				
Information of subscriber	Subscriber	Qualifications and conditions	Quantity subscribed	Relationship with iST	Status of participation in iST's business operation
	Not found subscribers yet				
Actual subscription (conversion) price	N/A				
Difference between the actual subscription (or conversion ) price and the reference price	N/A				
Effect of private place on shareholders' equity (e.g. causing increase in accumulated loss, etc.)	N/A				
Use of funds from private placement, and progress of implementation of the plan	N/A				
Status of benefits of private placement shown	N/A				

Note: The issuance period resolved by the board of directors on March 6, 2024 will expire. Upon expiration of the issuance period, no subscription shall be accepted.

### Information of Private Placements of Securities

Item	Private placement conducted for the 1st time in 2024 Issuance date: Not issued yet
Type of securities placed privately	Common shares
Date of approval, and the amount approved by the shareholders' meeting	The private placement of common shares for cash within the limit of 10,000 thousand shares was approved by the board of directors on March 6, 2024 and would be submitted to the general meeting of shareholders for 2024 for its approval.
Basis and rationale for the setting of the price	<ol style="list-style-type: none"> <li>1. The reference price for the private placement of common shares is calculated based on the higher of (a) the simple arithmetic mean of closing prices of common shares for 1 business day or 3 or 5 business days immediately before the date of pricing, less ex-rights and dividends for gratuitous shares, and plus the share price after share buybacks for capital reduction and (b) the simple arithmetic mean of closing prices of common shares for 30 business days immediately before the date of pricing, less ex-rights and dividends for gratuitous shares, and plus the share price after share buybacks for capital reduction.</li> <li>2. The actual offering price for the private placement is resolved to be no less than 80% of the reference price. The meeting of shareholders is hereby requested to require that the actual offering price to be determined by the board of directors, which is authorized by the meeting to determine the offering price, shall be no less than 80% of the reference price.</li> <li>3. The offering price is reasonably determined based on the business performance, future prospects and latest share prices of iST.</li> <li>4. The board of directors is authorized to determine the actual date of pricing after contacting specific persons.</li> </ol>
Means of selecting specified persons	<ol style="list-style-type: none"> <li>1. The private placement is carried out in accordance with Article 43-6 of the Securities and Exchange Act and pursuant to the official letter dated June 13, 2002 with the reference number (91)-Tai-Cai-Zheng-Yi-Zi-0910003455 from Securities and Futures Commission, MOF. Subscribers are limited to strategic investors. Strategic investors refer to individuals or corporate entities that are able to use their experience, technology, knowledge, brands or channels through industrial vertical integration, horizontal integration or common research to develop merchandise or market to enhance profits of iST and assist invested companies in enhancing technology, improving quality, reducing cost, improving efficiency and expanding the market share.</li> <li>2. The board of directors is authorized to select specified persons, from those who are helpful to future business operation of iST directly or indirectly, to be subscribers for the private placement of common shares in accordance with Article 43-6 of the Securities and Exchange Act and pursuant to the order dated June 13, 2002 with the reference number (91)-Tai-Cai-Zheng-Yi-Zi-0910003455 from Securities and Futures Commission, MOF.</li> </ol>
Reasons necessitating the private placement	<ol style="list-style-type: none"> <li>1. Reasons for not undertaking a public offering: With rapid, simple and convenient characteristics, a private placement is carried out to efficiently complete the purpose of soliciting strategic investors. In addition, limitations on transfer of privately placed marketable securities for 3 years may better ensure the long-term cooperation between iST and strategic investors. Moreover, the board of directors is authorized to carry out the private placement based on the actual need of corporate business. The mobility and flexibility of fundraising for iST is therefore enhanced.</li> </ol>

	<p>2. Limit of private placement: It is limited to 10,000,000 shares, which shall be carried out within a year from the date of the resolution made at the shareholders' meeting.</p> <p>3. Use of funds from the private placement and expected effects: Funds obtained from the private placement are used to enrich working capital and repay loans so as to improve iST's financial structure, strengthen corporate competitiveness, and enhance operational performance. All of these effects are propitious for shareholders' equity.</p>				
Date of payment completion	Not decided yet				
Information of subscriber	Subscriber	Qualifications and conditions	Quantity subscribed	Relationship with iST	Status of participation in iST's business operation
	Not decided yet	-	Not decided yet	Not decided yet	Not decided yet
Actual subscription (conversion) price	Not decided yet				
Difference between the actual subscription (or conversion ) price and the reference price	N/A				
Effect of private place on shareholders' equity (e.g. causing increase in accumulated loss, etc.)	Funds obtained from the private placement are used to enrich working capital and repay loans so as to improve iST's financial structure, strengthen corporate competitiveness, and enhance operational performance. All of these effects are propitious for shareholders' equity.				
Use of funds from private placement, and progress of implementation of the plan	N/A				
Status of benefits of private placement shown	N/A				

(III) Status of possession or disposal of iST's shares by subsidiaries in the latest year and as of the date of print of the annual report: None

(IV) Other Necessary Supplementary Explanation: None

**IX. Occurrence of any of the matters stated in Subparagraph 2 of Article 36 (3) of the Securities and Exchange Act in the latest year and as of the date of print of the annual report and having a significant effect on shareholders' equity or the price of securities: None**

Integrated Service Technology  
Inc. and Subsidiaries

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

Address: 1F, No. 22, Puding Road, Hsinchu City

Tel: (03)5799909



## 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 (Notes 4, 9 and 29)	-	-	4,358	-	Accounts payable to related parties (Note 29)	4,696	-	692	-
Accounts receivable due from related parties (Note 29)	19,140	-	17,316	-	Payable on machinery and equipment	149,777	2	167,477	2
Other receivables	11,696	-	1,298	-	Dividends payable, non-cash assets distributions	151,065	2	74,775	1
Other receivables due from related parties (Note 29)	23,188	1	19,821	-	Current tax liabilities (Notes 4 and 23)	-	-	54,690	1
Prepayments and other current assets (Notes 15 and 23)	145,646	2	152,335	2	Current lease liabilities (Notes 4 and 23)	59,353	1	53,276	1
Other current financial assets (Note 30)	15,010	-	16,633	-	Long-term borrowings, current portion				
Total current assets	<u>2,617,266</u>	<u>34</u>	<u>2,410,742</u>	<u>32</u>	(Notes 4, 17 and 30)	131,199	2	145,486	2
Non-current assets					Other current liabilities, others (Notes 4, 18 and 29)	574,526	7	535,688	7
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)	27,692	1	27,282	1	Total current liabilities	<u>2,350,680</u>	<u>31</u>	<u>2,069,034</u>	<u>28</u>
Investments accounted for using equity method (Notes 4 and 11)	833,830	11	756,424	10	Non-current liabilities				
Property, plant and equipment (Notes 4, 5, 12 and 30)	3,820,524	50	3,881,876	52	Non-current portion of non-current borrowings (Notes 4, 17 and 30)	1,718,942	23	1,697,982	23
Right-of-use assets (Notes 4 and 13)	306,669	4	288,884	4	Deferred tax liabilities (Notes 4 and 23)	4,903	-	5,056	-
Other intangible assets (Notes 4 and 14)	10,800	-	14,280	-	Lease liabilities –Non-current (Notes 4 and 23)	258,396	3	247,886	3
Deferred tax assets (Notes 4 and 23)	348	-	541	-	Guarantee deposits received (Note 29)	2,005	-	2,005	-
Prepayments for business facilities	5,676	-	56	-	Total non-current liabilities	<u>1,984,246</u>	<u>26</u>	<u>1,952,929</u>	<u>26</u>
Guarantee deposits paid	24,444	-	22,611	1	Total liabilities	<u>4,334,926</u>	<u>57</u>	<u>4,021,963</u>	<u>54</u>
Net defined benefit asset, non-current (Notes 4 and 19)	19,579	-	21,460	-	Equity attributed to owners of parent (Notes 4, 20 and 26)				
Other financial assets – Non-current (Note 30)	200	-	-	-	Ordinary share	755,409	10	747,751	10
Total non-current assets	<u>5,049,762</u>	<u>66</u>	<u>5,013,414</u>	<u>68</u>	Capital collected in advance	1,577	-	-	-
					Capital reserve	2,172,448	28	2,143,012	29
					Retained earnings				
					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)	<u>55,574</u>	<u>-</u>	<u>103,963</u>	<u>1</u>
					Total equity	<u>3,332,102</u>	<u>43</u>	<u>3,402,193</u>	<u>46</u>
Total assets	<u>\$ 7,667,028</u>	<u>100</u>	<u>\$ 7,424,156</u>	<u>100</u>	Total liabilities and equity	<u>\$ 7,667,028</u>	<u>100</u>	<u>\$ 7,424,156</u>	<u>100</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 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	<u>6,958</u>	<u>6,630</u>
Net cash used in investing activities	( <u>670,318</u> )	( <u>743,835</u> )
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	<u>19</u>	<u>-</u>
Net cash used in financing activities	( <u>64,281</u> )	( <u>411,486</u> )
Effect of exchange rate changes on cash and cash equivalents	<u>982</u>	<u>14,305</u>
Net increase in cash and cash equivalents for the year	52,891	30,468
Cash and cash equivalents at beginning of year	<u>875,347</u>	<u>844,879</u>
Cash and cash equivalents at end of year	<u>\$ 928,238</u>	<u>\$ 875,347</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  
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>
<u>Financial liabilities — Current</u>		
Held for trading		
Derivatives (not designed for hedging)		
— Forward exchange	<u>\$ 236</u>	<u>\$ -</u>

agreement

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

	Currency	Maturity Period	Contract Price (in thousands of NT dollars)	
<u>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	<u>\$ 1,192,942</u>	<u>\$ 184,542</u>	<u>\$ 89,951</u>	<u>\$ 563</u>	<u>\$ -</u>	<u>\$ 1,467,998</u>

Dec. 31, 2022

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

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	<u>\$ 16,876</u>	<u>\$ 14,052</u>

IX. Finance Leases Receivable

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

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	-	-
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)	( 6,229)	3,117
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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	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
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>
	<u>2023</u>	<u>2022</u>
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>

	<u>Dec. 31, 2023</u>
<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>
	<u>2023</u>
Operating revenue	<u>\$ 8,656</u>
Loss of the current year	( \$ 38,655 )
Other comprehensive incomes	<u>-</u>
Total comprehensive incomes (losses)	( <u>\$ 38,655</u> )

2. Information on Individual Immaterial Associates

<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
----------------------	----------------------

Huan Ying Sustainable  
Development  
Technology

Share enjoyed by the  
Company

Profit of the current  
year

\$ 34

\$ 342

Other  
comprehensive  
incomes

\_\_\_\_\_ -

\_\_\_\_\_ -

Total  
comprehensive  
incomes

\$ 34

\$ 342

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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	-	-
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	<u>\$ -</u>	<u>\$ 555,673</u>	<u>\$ 1,671,329</u>	<u>\$ 2,736</u>	<u>\$ 21,053</u>	<u>\$ 176,374</u>	<u>\$ 171,834</u>	<u>\$ -</u>	<u>\$ 2,598,999</u>
<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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,190</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,324</u>
Net at Dec. 31, 2023	<u>\$ 30,852</u>	<u>\$ 1,621,990</u>	<u>\$ 1,580,234</u>	<u>\$ 1,525</u>	<u>\$ 3,216</u>	<u>\$ 94,700</u>	<u>\$ 171,815</u>	<u>\$ 282,609</u>	<u>\$ 3,786,941</u>
<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
<u>Accumulated depreciation</u>				
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	\$ -	\$ 63,402	\$ -	\$ 63,402
Net at Dec. 31, 2023	\$ 12,583	\$ 21,000	\$ -	\$ 33,583
<u>Cost</u>				
Balance at Jan. 1, 2022	\$ 12,583	\$ 125,754	\$ 278	\$ 138,615
Disposals	-	( 2,090 )	-	( 2,090 )
Balance at Dec. 31, 2022	\$ 12,583	\$ 123,664	\$ 278	\$ 136,525
<u>Accumulated</u>				

<u>depreciation</u>				
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	<u>646</u>	<u>-</u>
	<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	<u>20</u>	<u>-</u>
	<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 <sup>st</sup> 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.

	<u>2023</u>	<u>2022</u>
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 3<sup>rd</sup> 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 4<sup>th</sup> 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 — Others</u>		
Others (Note)	<u>226,883</u>	<u>219,721</u>

\$574,526

\$535,688

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	( 39,276)	( 36,169)
Net defined benefit assets	<u>\$ 19,579</u>	<u>\$ 21,460</u>

Changes in net defined benefit assets are as follows:

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

(Continued on next page)

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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 — Experience adjustments	<u>-</u>	<u>( 2,191)</u>	<u>( 2,191)</u>
Recognized in other comprehensive incomes	<u>451</u>	<u>( 2,622)</u>	<u>( 2,171)</u>
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%	( \$ 945 )	( \$ 941 )
Decreased by 0.25%	\$ 980	\$ 978
Increased by 0.1%	( \$ 382 )	( \$ 381 )
Decreased by 0.1%	\$ 388	\$ 386
Expected rate of wage increments		
Increased by 0.25%	\$ 971	\$ 969
Decreased by 0.25%	( \$ 940 )	( \$ 938 )



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 deficits,</u> <u>distribute cash or transfer to</u> <u>share capital (Note 1)</u>		
Additional paid-in capital	\$ 2,132,703	\$ 2,085,234
<u>May be Used to offset deficits</u> <u>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 obtain gains on the sale of shares held by their holders for less than 6 months	19	-
<u>Not used for any purpose</u>		
Stock option	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	\$ 2,132,703	\$ 18,107	\$ 7,922	\$ 13,697	\$ 19

### (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	\$ 4,274	\$ 9,151	\$ 15,120	\$ 9,795
Special reserve	\$ 15,889	( \$ 16,621 )	\$ 7,549	( \$ 3,440 )
Cash dividends	\$ 51,810	\$ 75,562	\$ 75,503	\$ 74,775
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	\$ 10,099	\$ 23,118
Special reserve	\$ 7,555	( \$ 20,263 )
Cash dividends	\$ 74,775	\$ 74,775

Cash dividends per share (NTD)	\$	1	\$	1
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	<u>2021 Q4</u>	<u>2021 Q2</u>	<u>2021 Q1</u>
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

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 74,898	\$ 98,491
Reversed special reserve (Reversed) deduction of other equity items	( <u>4,957</u> )	( <u>23,593</u> )
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

	<u>2023</u>	<u>2022</u>
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	( <u>3,866</u> )	<u>1,931</u>
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		
		Purchased back to be retired (In thousands of shares)
<u>Reason of recall</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 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	6,339	6,649

value through profit or loss		
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	( 42 )	( 40 )
	<u>\$ 9,008</u>	<u>\$ 58,428</u>

(IV) Financial Cost

	2023	2022
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	( 7,714 )	( 6,029 )
	<u>\$ 59,295</u>	<u>\$ 46,315</u>

Information relevant to capitalization of interest is as follows:

	2023	2022
Capitalized interest	\$ 7,714	\$ 6,029
Interest rate for capitalization of interest	1.93%~2.38%	1.26%~1.99%

(V) Depreciation and Amortization

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

(VI) Employee Benefit Expenses

	2023	2022
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	7,720	14,776
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	410,697	387,329
	<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:

	<u>2023</u>	<u>2022</u>
Current income tax		
Incurred for the current year	\$ 51,184	\$ 98,175
Adjustments for previous years	( <u>17,623</u> )	( <u>17,783</u> )
	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>
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(III) Deferred Income Tax Assets and Liabilities

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

2023

<u>Deferred income tax assets</u>	<u>Beginning balance</u>	<u>Recognized in profit (loss)</u>	<u>Ending balance</u>
Temporary difference	\$ <u>541</u>	( \$ <u>193</u> )	\$ <u>348</u>

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

2022

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

<u>Deferred income tax liabilities</u>	<u>Beginning balance</u>	<u>Recognized in profit (loss)</u>	<u>Ending balance</u>
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	( <u>23,351</u> )
Differences in equity transactions	( <u>\$ 22,616</u> )
<u>Adjustments for differences in equity transactions</u>	
Capital reserve	( <u>\$ 22,616</u> )

#### 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	\$ -	\$ -	\$ 27,692	\$ 27,692
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Financial liabilities at fair value through profit or loss

Derivatives	\$ -	\$ 236	\$ -	\$ 236
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Dec. 31, 2022

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

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

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

3. Reconciliation of Financial Instruments Measured at Level 3 Fair Value

2023

	Measured at fair value through profit or loss		
Financial assets	Equity instrument	Beneficiary certificates of funds	Total
Beginning balance	\$ -	\$ 27,282	\$ 27,282
Recognized in profit (loss)	-	6,862	6,862

Disposal	<u>-</u>	<u>( 6,452 )</u>	<u>( 6,452 )</u>
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	<u>-</u>	<u>( 1,016 )</u>	<u>( 1,016 )</u>
Ending balance	<u>\$ -</u>	<u>\$ 27,282</u>	<u>\$ 27,282</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>( \$ 227 )</u>	<u>\$ 6,353</u>	<u>\$ 6,126</u>

#### 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:

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

(II) Type of Financial Instrument

	Dec. 31, 2023	Dec. 31, 2022
<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
<u>Financial liabilities</u>		
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

liabilities

### 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	-	-
	<u>\$ 312,929</u>	<u>\$ 485,407</u>	<u>\$ 853,598</u>	<u>\$ 1,614,981</u>	<u>\$ 437,940</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	\$ 67,114	\$ 138,120	\$ 38,043	\$ 38,043	\$ 38,043	\$ 81,730
Floating rate instruments	\$ 929,849	\$ 1,476,861	\$ 242,081	\$ -	\$ -	\$ -
Fixed rate instruments	\$ 162,476	\$ -	\$ -	\$ -	\$ -	\$ -

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	51,376	240,605	420,296	1,594,582	103,400

instruments					
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:

	<u>Less than 1 year</u>	<u>1 ~ 5 years</u>	<u>5 ~ 10 years</u>	<u>10 ~ 15 years</u>	<u>15 ~ 20 years</u>	<u>Over 20years</u>
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	<u>\$ 2,409,107</u>	<u>\$ 1,928,568</u>
— 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	<u>\$ 403,160</u>	<u>\$ 565,000</u>
— 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

Item Listed in the Books	Type / Name of Related Party	2023	2022
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

Item Listed in the Books	Type / Name of Related Party	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable due from related parties	Associates		
	Dekra Company	\$ 18,516	\$ 16,404
	Dekra IST KS Company	624	723
	BTL Inc.	-	189
		<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	3	50
		<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	\$ <u>2,005</u>	\$ <u>2,005</u>

(VIII) Manufacturing Expenses and Operating Expenses

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

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

(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>

\$822,925                      \$841,303

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 activities 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)	<u>20,953</u>	75,020	0.2324 (JPY : NTD)	<u>17,435</u>
			<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	—	-
		Integrated USA	1	Guarantee deposits received	3,589	—	-
				Net operating revenue	43,808	—	1%
				Accounts receivable due from related parties	4,823	—	-
		IST KS Company	1	Payable on machinery and equipment	7,297	—	-
				Other receivables due from related parties	1,800	—	-
		Samoa IST	1	Other payables to related parties	373	—	-
		SIP KS Company	1	Inventory of supplies	646	—	-
		PPT Company	1	Net operating revenue	2,683	—	-
				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	—	-
				Rent income	34	—	-
				Other incomes	20	—	-
1	PPT Company	He Chou Company	1	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	—	-

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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.

Integrated Service Technology Inc.

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

Address: 1F, No. 22, Puding Road, Hsinchu City

Tel: (03)5799909



## **Independent Auditors' Report**

To Integrated Service Technology Inc. :

### **Opinion**

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

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial conditions of Integrated Service Technology Inc. as of Dec. 31, 2023 and 2022 and the parent-company-only financial performance and parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis of Opinion**

We conducted our audit of the parent-company-only 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. in accordance with the Norm of Professional Ethics for Certified Public Accountant and have fulfilled our other responsibilities in accordance with the Norm. Based on our audit results and the audit reports certified by other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

Key audit matters with respect to the parent-company-only financial statements of Integrated Service Technology Inc. for the year ended Dec. 31, 2023 are stated as follows:

#### Recognition of Revenue

The operating revenue of Integrated Service Technology Inc. for 2023 was NTD 3,424,332 thousand, mainly generated from service incomes for providing customers with product verification and analysis service. Please refer to Notes 4 and 20 to the parent-company-only financial statements for the details on accounting policies and information relevant to revenue recognition.

Revenue recognition is a risk assumed in the Statement on Auditing Standards. Customers of Integrated Service Technology Inc. are numerous and are in different industrial fields domestically and overseas. Thus for the specific customers with respect to which the revenue growth rate of the year exceeds that of Integrated Service Technology Inc. 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. as of Dec. 31, 2023 was NTD 1,396,134 thousand. For accounting policies and information regarding

accounts receivable, please refer to Notes 4 and 8 to the parent-company-only financial statements.

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

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

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

## **Other Matters**

As stated in Note 10 to the parent-company-only financial statements, the financial statements of some investee companies accounted for using the equity method, which have been included in the parent-company-only financial statements of Integrated Service Technology Inc., were audited by other auditors instead of us. In our opinion expressed in the aforementioned parent-company-only 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 678,942 thousand and NTD 631,647 thousand, respectively, which accounted for 9% of the total 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 47,295 thousand and NTD 57,831 thousand, which accounted for 12% and 14% of the total comprehensive incomes, respectively.

## **Responsibilities of the Management and the Units Charged with Governance for the Parent Company Only Financial Statements**

The management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal controls as management determines are necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Integrated Service Technology Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude, based on the audit evidence obtained, on the appropriateness of the management's use of the going concern basis of accounting, and whether a material uncertainty exists in respect of any event or situation that may cast significant doubt on the ability of Integrated Service Technology Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the relevant disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or situations may cause Integrated Service Technology Inc. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements (including the Notes) and whether the financial statements represent the underlying transactions and events fairly.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within Integrated Service Technology Inc. to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 parent-company-only financial statements of Integrated Service Technology Inc. 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.  
Parent Company Only Balance Sheets  
Dec. 31, 2023 and 2022

		Unit: In Thousands of New Taiwan Dollars			
		Dec. 31, 2023		Dec. 31, 2022	
Assets		Amount	%	Amount	%
Current assets					
Cash and cash equivalents (Notes 4 and 6)	\$	520,940	7	\$	426,082
Current financial assets at fair value through profit or loss (Notes 4 and 7)		-	-	523	-
Notes and accounts receivable, net (Notes 4, 5 and 8)		1,380,403	19	1,239,357	18
Finance lease receivables (Notes 4, 9 and 27)		-	-	4,358	-
Accounts receivable due from related parties (Note 27)		25,101	-	20,575	-
Other receivables due from related parties (Note 27)		38,267	1	34,131	-
Prepayments and other current assets (Notes 14, 22 and 27)		116,915	2	112,104	2
Other current financial assets (Note 28)		<u>3,719</u>	<u>-</u>	<u>5,197</u>	<u>-</u>
Total current assets		<u>2,085,345</u>	<u>29</u>	<u>1,842,327</u>	<u>26</u>
Non-current assets					
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)		27,692	-	27,282	1
Investments accounted for using equity method (Notes 4, 10 and 31)		1,382,613	19	1,430,493	20
Property, plant and equipment (Notes 4, 11, 27 and 28)		3,460,117	48	3,459,359	49
Right-of-use assets (Notes 4 and 12)		286,272	4	258,827	4
Other intangible assets (Notes 4 and 13)		5,066	-	8,009	-
Prepayments for business facilities		5,219	-	56	-
Guarantee deposits paid		16,106	-	12,643	-
Net defined benefit asset, non-current (Notes 4 and 18)		<u>19,579</u>	<u>-</u>	<u>21,460</u>	<u>-</u>
Total non-current assets		<u>5,202,664</u>	<u>71</u>	<u>5,218,129</u>	<u>74</u>
Total assets	\$	<u>7,288,009</u>	<u>100</u>	\$	<u>7,060,456</u>
Liabilities and Equity		Dec. 31, 2023		Dec. 31, 2022	
		Amount	%	Amount	%
Current liabilities					
Current borrowings (Notes 4 and 15)	\$	862,476	12	\$	565,709
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)		236	-	-	-
Current contract liabilities (Notes 4 and 20)		133,898	2	117,335	2
Notes and accounts payable		162,598	2	242,206	3
Accounts payable to related parties (Note 27)		5,353	-	732	-
Payable on machinery and equipment (Note 27)		155,416	2	167,984	2
Dividends payable, non-cash assets distributions (Note 19)		151,065	2	74,775	1
Current tax liabilities (Notes 4 and 22)		-	-	54,690	1
Current lease liabilities (Notes 4 and 12)		54,024	1	45,709	1
Long-term borrowings, current portion (Notes 4, 16 and 28)		94,944	1	128,000	2
Other current liabilities, others (Notes 4, 17 and 27)		<u>489,868</u>	<u>7</u>	<u>447,079</u>	<u>6</u>
Total current liabilities		<u>2,109,878</u>	<u>29</u>	<u>1,844,219</u>	<u>26</u>
Non-current liabilities					
Non-current portion of non-current borrowings (Notes 4, 16 and 28)		1,643,056	23	1,675,400	24
Deferred tax liabilities (Notes 4 and 22)		468	-	620	-
Lease liabilities –Non-current (Notes 4 and 12)		244,847	3	228,755	3
Guarantee deposits received (Note 27)		<u>13,232</u>	<u>-</u>	<u>13,232</u>	<u>-</u>
Total non-current liabilities		<u>1,901,603</u>	<u>26</u>	<u>1,918,007</u>	<u>27</u>
Total liabilities		<u>4,011,481</u>	<u>55</u>	<u>3,762,226</u>	<u>53</u>
Equity (Notes 4 and 19)					
Ordinary share		755,409	10	747,751	11
Capital collected in advance		1,577	-	-	-
Capital reserve		2,172,448	30	2,143,012	30
Retained earnings					
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	(	<u>139,797</u> )	<u>( 2 )</u>	<u>-</u>	<u>-</u>
Total equity		<u>3,276,528</u>	<u>45</u>	<u>3,298,230</u>	<u>47</u>
Total liabilities and equity	\$	<u>7,288,009</u>	<u>100</u>	\$	<u>7,060,456</u>

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



Integrated Service Technology Inc.  
Parent Company Only 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, 20 and 27)	\$ 3,424,332	100	\$ 3,213,134	100
Operating costs (Notes 21 and 27)	<u>2,352,901</u>	<u>69</u>	<u>2,228,240</u>	<u>69</u>
Gross profit from operations	<u>1,071,431</u>	<u>31</u>	<u>984,894</u>	<u>31</u>
Operating expenses (Notes 21 and 27)				
Selling expenses	85,833	2	72,663	2
Administrative expenses	370,250	11	349,605	11
Research and development expenses	122,604	4	106,308	4
Expected credit impairment loss determined in accordance with IFRS 9	<u>2,588</u>	<u>-</u>	<u>2,072</u>	<u>-</u>
Total operating expenses	<u>581,275</u>	<u>17</u>	<u>530,648</u>	<u>17</u>
Net operating income	<u>490,156</u>	<u>14</u>	<u>454,246</u>	<u>14</u>
Non-operating income and expenses				
Interest income (Note 21)	2,251	-	647	-
Other income, others (Notes 21 and 27)	101,916	3	58,463	2
Other gains and losses, net (Notes 4 and 21)	4,447	-	21,536	-
Finance cost, net (Notes 4, 21 and 27)	( 54,354 )	( 1 )	( 41,206 )	( 1 )
Share of profit (loss) of subsidiaries and associates for using equity method, net (Notes 4 and 10)	( <u>125,459</u> )	( <u>4</u> )	( <u>6,939</u> )	<u>-</u>
Total non-operating income and expenses	( <u>71,199</u> )	( <u>2</u> )	<u>32,501</u>	<u>1</u>
Profit from continuing operations before tax	418,957	12	486,747	15
Total tax expense (Notes 4 and 22)	<u>33,403</u>	<u>1</u>	<u>81,601</u>	<u>2</u>
Profit	<u>385,554</u>	<u>11</u>	<u>405,146</u>	<u>13</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 18)	(\$ 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 of foreign operations (Notes 4 and 19)	489	-	10,777	-
Share of other comprehensive income of subsidiaries and associates for using equity method (Notes 4 and 19)	( 3,866 )	-	1,931	-
Other comprehensive income (Net after tax)	( 5,515 )	-	18,240	-
Total comprehensive income	<u>\$ 380,039</u>	<u>11</u>	<u>\$ 423,386</u>	<u>13</u>
Earnings per share (Note 23)				
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 parent-company-only financial statements.  
(Please see the audit report made by Deloitte & Touche on Mar. 6, 2024.)

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

Unit: In Thousands of New Taiwan Dollars

	Ordinary shares		Capital collected in advance	Capital reserve	Retained earnings		Undistributed earnings (Accumulated deficit)	Other equity Exchange differences on translation of financial statements of foreign operations	Treasury shares	Total owners' equity
	Number of shares (in thousands of shares)	Amount			Legal reserve	Special reserve				
Balance at Jan. 1, 2022	79,775	\$ 797,751	\$ -	\$ 2,266,955	\$ 175,585	\$ 98,491	( \$ 41,547 )	( \$ 95,161 )	\$ -	\$ 3,202,074
Appropriation and distribution of earnings										
Legal reserve appropriated	-	-	-	-	23,118	-	( 23,118 )	-	-	-
Legal reserve used to offset accumulated deficits	-	-	-	-	( 38,217 )	( 23,593 )	38,217	-	-	( 23,593 )
Reversal of special reserve	-	-	-	-	-	-	23,593	-	-	23,593
Cash dividends of ordinary shares	-	-	-	-	-	-	( 74,775 )	-	-	( 74,775 )
Net profit for 2022	-	-	-	-	-	-	405,146	-	-	405,146
Other comprehensive income after tax for 2022	-	-	-	-	-	-	5,532	12,708	-	18,240
Total comprehensive income for 2022	-	-	-	-	-	-	410,678	12,708	-	423,386
Purchase of treasury shares	-	-	-	-	-	-	-	-	( 267,945 )	( 267,945 )
Cancellation of treasury share	( 5,000 )	( 50,000 )	-	( 139,433 )	-	-	( 78,512 )	-	267,945	-
Changes in ownership interests in subsidiaries	-	-	-	714	-	-	-	-	-	714
Share-based payments	-	-	-	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
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 )
Changes in associated accounted for using the equity method	-	-	-	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
Net profit for 2023	-	-	-	-	-	-	385,554	-	-	385,554
Other comprehensive income after tax for 2023	-	-	-	-	-	-	( 2,138 )	( 3,377 )	-	( 5,515 )
Total comprehensive income for 2023	-	-	-	-	-	-	383,416	( 3,377 )	-	380,039
Purchase of treasury shares	-	-	-	-	-	-	-	-	( 139,797 )	( 139,797 )
Changes in ownership interests in subsidiaries	-	-	-	( 22,616 )	-	-	-	-	-	( 22,616 )
Share-based payments	-	-	-	7,720	-	-	-	-	-	7,720
Ordinary shares issued under the Employee stock option plan	766	7,658	1,577	33,081	-	-	-	-	-	42,316
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

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

Integrated Service Technology Inc.  
Parent Company Only 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	\$ 418,957	\$ 486,747
Adjustments to reconcile profit (loss):		
Depreciation expense	682,964	682,036
Amortization expense	6,374	7,258
Expected credit impairment loss	2,588	2,072
Net gain on financial assets or liabilities at fair value through profit or loss	( 6,103 )	( 6,886 )
Financial cost	54,354	41,206
Interest income	( 2,251 )	( 647 )
Compensation cost for share-based payments	7,720	14,776
Share of profits of subsidiaries and associates accounted for using equity method	125,459	6,939
Gain on disposal of property, plant and equipment	-	( 15,140 )
Unrealized foreign exchange loss	2,341	3,101
Profit from lease modification	( 27 )	( 290 )
Changes in operating assets and liabilities		
Notes and accounts receivable	( 150,960 )	( 137,302 )
Accounts receivable due from related parties	( 4,613 )	8,345
Other receivable due from related parties	( 4,136 )	( 5,060 )
Prepayments and other current assets	( 4,618 )	( 55,195 )
Defined benefit assets, net	( 290 )	( 112 )
Contract liabilities	16,563	45,672
Notes and accounts payable	( 79,305 )	58,083
Accounts payable to related parties	4,621	( 5,319 )
Other current liabilities	<u>41,136</u>	<u>125,577</u>
Cash generated from operations	1,110,774	1,255,861
Interest paid	( 52,517 )	( 40,181 )
Income taxes paid	<u>( 88,438 )</u>	<u>( 97,117 )</u>
Net cash generated from operating activities	<u>969,819</u>	<u>1,118,563</u>
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	( 99,265 )	( 5,000 )

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	2023	2022
Acquisition of property, plant and equipment	( \$ 644,586 )	( \$ 712,502 )
Proceeds from disposal of property, plant and equipment	-	21,784
Increase in refundable deposits	( 3,463 )	( 2,168 )
Acquisition of intangible assets	( 3,431 )	( 7,796 )
Decrease in long-term lease and installment receivables	4,358	4,340
Decrease (increase) in other financial assets	1,478	( 974 )
Interest received	2,251	647
Dividends received from the investments accounted for using equity method	6,958	6,630
Net cash used in investing activities	( <u>729,248</u> )	( <u>694,023</u> )
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	301,328	( 2,296 )
Proceeds from long-term debt	1,092,000	610,000
Repayments of long-term debt	( 1,157,400 )	( 617,400 )
Increase in guarantee deposits received	-	3,589
Payments of lease liabilities	( 59,269 )	( 53,969 )
Cash dividends paid	( 224,325 )	( 35,430 )
Exercise of employee stock options	42,316	-
Capital reduction payments to shareholders	( 139,797 )	( 267,945 )
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	( <u>145,128</u> )	( <u>363,451</u> )
Effect of exchange rate changes on cash and cash equivalents	( <u>585</u> )	<u>3,025</u>
Net increase in cash and cash equivalents for the year	94,858	64,114
Cash and cash equivalents at beginning of year	<u>426,082</u>	<u>361,968</u>
Cash and cash equivalents at end of year	<u>\$ 520,940</u>	<u>\$ 426,082</u>

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

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

Integrated Service Technology Inc.  
Notes to Parent-company-only 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 parent-company-only financial statements.

II. Date and Procedure of Adoption of Financial Statements

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

- (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)
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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 parent-company-only financial statements, IST believes, after evaluation, the amendments to other standards and interpretations do not have a material impact on financial results.

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

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not decided yet
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 IST 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 parent-company-only financial statements, IST still continued evaluating the impact of the amendments to other standards and interpretations on financial results. Relevant impacts will be disclosed after the evaluation is completed.

#### IV. Explanations of Material Accounting Policies

##### (I) Declaration of Compliance

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

##### (II) Preparation Basis

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

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

1. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. Level 2 Inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.
3. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

In preparing the parent-company-only financial statements, IST uses the equity method to deal with investments in subsidiaries and associates. To ensure that the current profit and loss, other comprehensive incomes and equity specified in the parent-company-only financial statements are the same as the current profit and loss, other comprehensive incomes and equity attributed to owners of IST in the consolidated financial statements, IST adjusts the "investments accounted for using the equity method," "share of profits or losses of subsidiaries and associates accounted for using the equity method," "share of other comprehensive incomes of



subsidiaries and associates accounted for using the equity method” and relevant equity items to respond to accounting treatment differences in preparation of the parent-company-only financial statements and the consolidated financial statements.

(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) Foreign Currency

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

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

(V) Investments in Subsidiaries

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

A subsidiary means an entity over which IST have control.

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

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

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

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

In evaluating impairment, IST uses the financial statements as a whole to consider cash-generating units and compares the recoverable amount with the book amount. If the recoverable amount of the asset increases afterward, the reversal of impairment loss is recognized as profit. However, the book amount of the asset, after the impairment loss is reversed, shall not exceed the book amount of the asset from

which the amortization to be allocated is subtracted before the impairment loss is recognized for the asset. Impairment loss attributed to goodwill shall not be reversed in a subsequent period.

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

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

#### (VI) Investments in Associates

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

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

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

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

If IST fails, when an associate issues new shares, to subscribe for shares proportionally at the rate of its shareholding so that the rate of its shareholding changes and the net equity of the investment increases or decreases accordingly, then capital reserve is adjusted by such increase or decrease – changes in net equity of

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

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

IST stops using the equity method when it does not invest in the associate anymore. Its retained interests in the associate are measured at 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 IST and an associate are recognized in the parent-company-only financial statements only to the extent that the equity of the associate owned by IST is not relevant.

#### (VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and measured subsequently based on the amount of cost less 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. IST 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

IST evaluates on every balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets or intangible assets may be impaired. In case of any sign of impairment, a recoverable amount is estimated for the assets. If a recoverable amount cannot be estimated for any individual asset, IST will estimate the recoverable amount of 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 parent-company-only balance sheet when IST becomes a party to the contract concerning the instruments.

If financial assets or financial liabilities are not measured at fair value through profit or loss (“FVTPL”), the financial assets or financial liabilities, upon original recognition, are measured at fair value plus transaction cost attributable directly to the obtained or issued financial assets or financial liabilities. Transaction cost attributable directly to the obtained or issued financial assets or financial liabilities at FVTPL is recognized as 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 IST 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 26.

B. Financial Assets at Amortized Cost

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

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

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

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

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

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

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

### (3) Derecognition of Financial Assets

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

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in 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 IST are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

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

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

## 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. Gains or losses generated by remeasurement are recognized in other gains or losses. For the method used to determine fair value, please refer to Note 26.

#### (2) Derecognition of Financial Liabilities

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

#### 4. Derivatives

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

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

#### (XI) Revenue Recognition

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

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

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

IST provides service for a customer and the customer obtains and consumes performance effect simultaneously. The related revenue is recognized upon provision of service.

Customers were given gift vouchers upon sale of service under the customer loyalty program for their purchases to be made in the further. As the gift vouchers

provided important rights, the transaction prices to which the gift vouchers were amortized were recognized as contract liabilities upon receipt of the gift vouchers and listed as revenue upon redemption or expiration of the gift vouchers.

(XII) Lease

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

1. IST is a lessor.

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

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

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

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

2. IST is a lessee.

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

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

of-use assets are expressed separately in the parent-company-only balance 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 IST remeasures lease liabilities and adjusts right-of-use assets accordingly. However, if the book amount of right-of-use assets has been reduced to zero, then the rest of the remeasured amount is recognized in profit or loss. Lease liabilities are expressed separately in the parent-company-only 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 IST is reasonably believed to comply with the conditions attached to the government subsidy and will receive the subsidy.

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

(XV) Employee Benefits

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 listed 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.

IST amends the estimate of the expected employee stock options on each balance sheet date. If an originally estimated amount is amended, then its effects are recognized as 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

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

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

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

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

The book amount of deferred income tax assets is reviewed again on every balance sheet date. For all or part of assets that taxable income may probably not be sufficient to recover, the book 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 IST 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 IST from other resources in applying accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. The actual result may probably differ from the estimate.

### Main Sources of Estimates and Assumption Uncertainty

#### Impairment of Financial Asset Estimates

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

## VI. Cash and Cash Equivalents

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash on hand and revolving funds	\$ 130	\$ 125
Bank checks and saving deposits of bank	<u>520,810</u>	<u>425,957</u>
	<u>\$520,940</u>	<u>\$426,082</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%~1.45%	0%~1.05%

## 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>

### Financial assets — Non-current

At fair value through profit or loss  
compulsorily — Not listed (non-  
OTC)

Beneficiary certificates of  
funds

<u>\$ 27,692</u>	<u>\$ 27,282</u>
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### Financial liabilities — Current

Held for trading

Derivatives (not designed for  
hedging)

— Forward exchange

agreement	<u>\$ 236</u>	<u>\$ -</u>
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The forward exchange agreements to which hedge accounting was not applied and  
were not mature on the balance sheet date are as follows:

	<u>Currency</u>	<u>Maturity Period</u>	<u>Contract Price (in thousands of NT dollars)</u>
<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

IST 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	1,396,134	1,251,791
Less: Loss allowance	( <u>16,118</u> )	( <u>13,530</u> )
	<u>\$ 1,380,403</u>	<u>\$ 1,239,357</u>

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

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

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

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

Dec. 31, 2023

<u>Not overdue</u>	<u>Overdue for</u>	<u>Overdue for</u>	<u>Overdue for</u>	<u>Overdue for</u>	<u>Total</u>
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		1~90 days	91~180 days	180~365 days	over 365 days	
Total book amount	\$ 1,118,950	\$ 175,124	\$ 94,580	\$ 1,604	\$ 5,876	\$ 1,396,134
Loss allowance (Expected credit loss for the duration)	( 1,681 )	( 1,809 )	( 5,688 )	( 1,064 )	( 5,876 )	( 16,118 )
Amortized cost	\$ 1,117,269	\$ 173,315	\$ 88,892	\$ 540	\$ -	\$ 1,380,016

### Dec. 31, 2022

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

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

	2023	2022
Beginning balance	\$ 13,530	\$ 11,458
Add: Impairment loss allocated for the year	2,588	2,072
Ending balance	\$ 16,118	\$ 13,530

IX. Finance Leases Receivable

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

X. Investments Accounted for Using the Equity Method

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Investments in subsidiaries	\$ 586,024	\$ 678,280
Investments in associates	<u>796,589</u>	<u>752,213</u>
	<u>\$ 1,382,613</u>	<u>\$ 1,430,493</u>

(I) Investments in Subsidiaries

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Samoa Integrated Service Technology (Samoa IST)	\$257,882	\$265,024
Supreme Fortune Corp. (Supreme Corp.)	51,310	37,288
Pin Wen Corp. (Pin Wen Company)	73,228	54,675
Innovative Turnkey Solution (ITS Company)	18,722	21,256
Prosperity Power Technology Inc. (PPT Company)	<u>184,882</u>	<u>300,037</u>
	<u>\$586,024</u>	<u>\$678,280</u>

Percentage of ownership rights and voting  
rights held

<u>Name of subsidiary</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Samoa IST	100%	100%
Supreme Corp.	100%	100%
ITS Company (Notes 1 and 3)	51%	38%
Pin Wen Company	100%	100%
PPT Company (Notes 2 and 3)	75%	75%

Note 1: As of Dec. 31, 2022, the percentage of the total ITS shares possessed by IST was 51%. In August 2023, IST 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%. IST held 61% of ITS shares aggregately as of Dec. 31, 2023.

Note 2: The percentage of the total PPT shares possessed by IST was 81% as of Dec. 31, 2023 and 2022.

Note 3: 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 IST. The new shares will be issued to shareholders of IST 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.

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

(II) 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.)	<u>117,647</u>	<u>120,566</u>
	<u>\$796,589</u>	<u>\$752,213</u>

Material Associates are listed as follows:

	Percentage of ownership and voting rights held by IST	
<u>Company Name</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Dekra Company	49%	49%
BTL Inc.	10%	11%

The OTC-listed BTL Inc. conducted a follow-on offering in March 2023 and IST did not participate in the follow-on offering proportionally based on the percentage of its shareholding. After the participation, the percentage of the BTL shares held by IST reduced from 11% to 10%. Though the percentage of such shareholding was less than 20%, yet IST still had one seat on the board of directors of BTL Inc. and therefore had a significant impact on BTL Inc. based on the evaluation made by using the equity method.

The market price of the equity of primary exchange (or OTC) listed associates held by IST 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 3 "Information of Investee Companies, their Locations, etc."

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

	<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 IST	49%	49%
Equity enjoyed by IST	\$ 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)	( 6,229)	<u>3,117</u>
Total comprehensive incomes	<u>\$ 96,520</u>	<u>\$124,811</u>

	Dec. 31, 2023	Dec. 31, 2022
<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>
Percentage of shares held by IST	10%	11%
Equity enjoyed by IST	\$ 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>
	<u>2023</u>	<u>2022</u>
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>

#### XI. Property, Plant and Equipment

	Dec. 31, 2023	Dec. 31, 2022
Self-used	\$ 2,798,253	\$ 2,727,475
Rented out under operating lease	<u>661,864</u>	<u>731,884</u>
	<u>\$ 3,460,117</u>	<u>\$ 3,459,359</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	\$ 1,261,051	\$ 2,618,116	\$ 733	\$ 17,928	\$ 298,037	\$ 242,770	\$ 153,264	\$ 4,622,751
Additions	-	12,020	57,188	-	-	-	6,246	552,010	627,464
Disposals	-	( 4,090 )	( 627,474 )	-	( 2,692 )	( 63,273 )	( 35,437 )	-	( 732,966 )
Reclassification	-	50,270	321,946	-	-	13,471	38,579	( 424,266 )	-
Balance at Dec. 31, 2023	<u>\$ 30,852</u>	<u>\$ 1,319,251</u>	<u>\$ 2,369,776</u>	<u>\$ 733</u>	<u>\$ 15,236</u>	<u>\$ 248,235</u>	<u>\$ 252,158</u>	<u>\$ 281,008</u>	<u>\$ 4,517,249</u>

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	Land	Building and structure	Mechanical equipment	Transportation equipment	Office equipment	Leased improvements	Other equipment	Equipment under installation and construction in progress	Total
<u>Accumulated depreciation</u>									
Balance at Jan. 1, 2023	\$ -	\$ 206,185	\$ 1,335,522	\$ 244	\$ 10,589	\$ 223,683	\$ 119,053	\$ -	\$ 1,895,276
Depreciation expenses	-	88,971	421,207	123	4,966	4,449	36,970	-	556,686
Disposals	-	( 4,090)	( 627,474)	-	( 2,692)	( 63,273)	( 35,437)	-	( 732,966)
Reclassification	-	-	-	-	-	-	-	-	-
Balance at Dec. 31, 2023	\$ -	\$ 291,066	\$ 1,129,255	\$ 367	\$ 12,863	\$ 164,859	\$ 120,586	\$ -	\$ 1,718,996
Net at Dec. 31, 2023	\$ 30,852	\$ 1,028,185	\$ 1,240,521	\$ 366	\$ 2,373	\$ 83,376	\$ 131,572	\$ 281,008	\$ 2,798,253
<u>Cost</u>									
Balance at Jan. 1, 2022	\$ 30,852	\$ 1,226,775	\$ 2,564,221	\$ 733	\$ 20,748	\$ 308,304	\$ 215,780	\$ 177,116	\$ 4,544,529
Additions	-	3,740	111,321	-	-	1,800	4,425	628,982	750,268
Disposals	-	-	( 636,797)	-	( 2,820)	( 25,347)	( 7,082)	-	( 672,046)
Reclassification	-	30,536	579,371	-	-	13,280	29,647	( 652,834)	-
Balance at Dec. 31, 2022	\$ 30,852	\$ 1,261,051	\$ 2,618,116	\$ 733	\$ 17,928	\$ 298,037	\$ 242,770	\$ 153,264	\$ 4,622,751
<u>Accumulated depreciation</u>									
Balance at Jan. 1, 2022	\$ -	\$ 129,634	\$ 1,421,204	\$ 122	\$ 7,536	\$ 243,897	\$ 91,944	\$ -	\$ 1,894,337
Depreciation expenses	-	76,551	439,379	122	5,873	5,133	34,191	-	561,249
Disposals	-	-	( 525,061)	-	( 2,820)	( 25,347)	( 7,082)	-	( 560,310)
Balance at Dec. 31, 2022	\$ -	\$ 206,185	\$ 1,335,522	\$ 244	\$ 10,589	\$ 223,683	\$ 119,053	\$ -	\$ 1,895,276
<u>Accumulated impairment</u>									
Balance at Jan. 1, 2022	\$ -	\$ -	\$ 105,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,092
Disposals	-	-	( 105,092)	-	-	-	-	-	( 105,092)
Balance at Dec. 31, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net at Dec. 31, 2022	\$ 30,852	\$ 1,054,866	\$ 1,282,594	\$ 489	\$ 7,339	\$ 74,354	\$ 123,717	\$ 153,264	\$ 2,727,475

No impairment loss was recognized by IST 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	3~6 years
Transportation equipment	6 years
Office equipment	3~6 years
Leased improvements	6~15 years
Other equipment	1~20 years

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

(II) Renting Out Under Operating Lease

	Land	Building and structure	Mechanical equipment	Other equipment	Total
<u>Cost</u>					
Balance at Jan. 1, 2023	\$ 12,583	\$ 939,631	\$ 48,000	\$ 81,443	\$ 1,081,657
Disposals	<u>-</u>	( <u>41,442</u> )	<u>-</u>	( <u>2,371</u> )	( <u>43,813</u> )
Balance at Dec. 31, 2023	<u>\$ 12,583</u>	<u>\$ 898,189</u>	<u>\$ 48,000</u>	<u>\$ 79,072</u>	<u>\$ 1,037,844</u>
<u>Accumulated depreciation</u>					
Balance at Jan. 1, 2023	\$ -	\$ 299,048	\$ 11,333	\$ 39,392	\$ 349,773
Depreciation expenses	-	52,736	8,000	9,284	70,020
Disposals	<u>-</u>	( <u>41,442</u> )	<u>-</u>	( <u>2,371</u> )	( <u>43,813</u> )
Balance at Dec. 31, 2023	<u>\$ -</u>	<u>\$ 310,342</u>	<u>\$ 19,333</u>	<u>\$ 46,305</u>	<u>\$ 375,980</u>
Net at Dec. 31, 2023	<u>\$ 12,583</u>	<u>\$ 587,847</u>	<u>\$ 28,667</u>	<u>\$ 32,767</u>	<u>\$ 661,864</u>

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	Land	Building and structure	Mechanical equipment	Other equipment	Total
<u>Cost</u>					
Balance at Jan. 1, 2022	\$ 12,583	\$ 941,721	\$ 48,000	\$ 81,443	\$ 1,083,747
Disposals	-	( 2,090 )	-	-	( 2,090 )
Balance at Dec. 31, 2022	<u>\$ 12,583</u>	<u>\$ 939,631</u>	<u>\$ 48,000</u>	<u>\$ 81,443</u>	<u>\$ 1,081,657</u>
<u>Accumulated depreciation</u>					
Balance at Jan. 1, 2022	\$ -	\$ 249,464	\$ 3,333	\$ 30,025	\$ 282,822
Depreciation expenses	-	51,674	8,000	9,367	69,041
Disposals	-	( 2,090 )	-	-	( 2,090 )
Balance at Dec. 31, 2022	<u>\$ -</u>	<u>\$ 299,048</u>	<u>\$ 11,333</u>	<u>\$ 39,392</u>	<u>\$ 349,773</u>
Net at Dec. 31, 2022	<u>\$ 12,583</u>	<u>\$ 640,583</u>	<u>\$ 36,667</u>	<u>\$ 42,051</u>	<u>\$ 731,884</u>

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

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

	Dec. 31, 2023	Dec. 31, 2022
1st year	\$ 70,656	\$ 68,556
2nd year	73,056	70,656
3rd year	20,588	73,056
4th year	10,096	20,588
5th year	-	10,096
	<u>\$174,396</u>	<u>\$242,952</u>

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

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

## XII. Lease Agreement

### (I) Right-of-use Assets

	Dec. 31, 2023	Dec. 31, 2022
Book amount of right-of-use assets		
Land	\$148,700	\$153,549

	Dec. 31, 2023	Dec. 31, 2022
Building	127,414	94,464
Transportation equipment	9,512	10,814
Office equipment	646	-
	<u>\$286,272</u>	<u>\$258,827</u>

	2023	2022
Added right-of-use assets	<u>\$ 85,077</u>	<u>\$ 24,315</u>
Expense of depreciation of right-of-use assets		
Land	\$ 4,849	\$ 4,840
Building	45,527	41,908
Transportation equipment	5,862	4,998
Office equipment	20	-
	<u>\$ 56,258</u>	<u>\$ 51,746</u>
Proceeds from sublease of right-of-use assets (Listed as other incomes in the books)	(\$ 4,392)	(\$ 4,392)

(II) Lease Liabilities

	Dec. 31, 2023	Dec. 31, 2022
Book amount of lease liabilities		
Current	<u>\$ 54,024</u>	<u>\$ 45,709</u>
Non-current	<u>\$244,847</u>	<u>\$228,755</u>

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

	Dec. 31, 2023	Dec. 31, 2022
Land	2.76%	2.76%
Building	1.62%~2.76%	1.62%~2.76%
Transportation equipment	4.97%~5.78%	4.97%~5.40%
Office equipment	5.78%	-

(III) Important Lease Activities and Terms

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

(IV) Sublease

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

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

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

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

(V) Other Lease Information

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Short-term lease expenses	<u>\$ 3,407</u>	<u>\$ 4,868</u>
Low-value asset lease expenses	<u>\$ 26</u>	<u>\$ 181</u>
Total cash provided from (used in) leases	<u>(\$ 70,318)</u>	<u>(\$ 66,777)</u>

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

### XIII. Other Intangible Assets

	<u>2023</u>	<u>2022</u>
<u>Computer software</u>		
Cost		
Beginning balance	\$ 20,653	\$ 16,494
Additions for the year	3,431	7,796
Disposals for the year	( <u>6,622</u> )	( <u>3,637</u> )
Ending balance	<u>17,462</u>	<u>20,653</u>
Accumulated amortization		
Beginning balance	12,644	9,023
Amortization expense	6,374	7,258
Disposals for the year	( <u>6,622</u> )	( <u>3,637</u> )
Ending balance	<u>12,396</u>	<u>12,644</u>
Net	<u>\$ 5,066</u>	<u>\$ 8,009</u>

No material disposal or impairment occurred with respect to IST'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 3 years

### XIV. Prepayments and Other Current Assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Prepaid materials stipulated in		
work order	\$ 66,159	\$ 79,319
Inventory of supplies	23,736	16,911
Other receivables	11,366	16
Payment in advance	7,711	2,644
Prepaid expenses	6,363	11,037
Tax overpaid retained for		
offsetting the future tax payable	-	110
Others	<u>1,580</u>	<u>2,067</u>
	<u>\$116,915</u>	<u>\$112,104</u>

XV. Current Borrowings

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Loans without collateral</u>		
Working capital loan	<u>\$862,476</u>	<u>\$565,709</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.

XV. 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)	217,000	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>1,252,000</u>	<u>980,000</u>
	1,739,000	1,805,000
Less: Unamortized balance of the expenses incurred by the organizer of syndicated loans	( 1,000 )	( 1,600 )
Current portion of non-current borrowings	( <u>94,944</u> )	( <u>128,000</u> )
	<u>\$ 1,643,056</u>	<u>\$ 1,675,400</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 3<sup>rd</sup> 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 4<sup>th</sup> 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 28.)

Applicable terms of the contract under which IST applies for loans from the bank syndicate: There shall be a debt burden ratio to be complied with in the first

half year's and annual consolidated financial statements of IST, and the net worth of the tangible assets shall not be less than NTD 2,800,000 thousand. If IST violates its financial commitment and fails to correct during the period given for improvement, IST shall pay 0.1% of the unrepaid balance as compensation.

- (II) For the bank loans, IST mortgaged its buildings to the bank. (Please see Note 28.) The maturity date 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% 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 2025, and the annual interest rates on Dec. 31, 2023 and Dec. 31, 2022 were 1.52% ~ 2.13% and 1.61% ~ 2.20% respectively.

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

XVII. Other Current Liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Other payables</u>		
Wages and bonuses payable	\$262,054	\$235,887
Remunerations payable to employees and directors	30,920	30,000
Bonus for unused leave	<u>12,447</u>	<u>9,669</u>
	305,421	275,556
<u>Other current liabilities</u>		
Other payables to related parties	373	2,469
Others (Note)	<u>184,074</u>	<u>169,054</u>
	<u>\$489,868</u>	<u>\$447,079</u>

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

XVIII. Post-employment Benefit Plan

(I) Defined Contribution Plan

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

(II) Defined Benefit Plan

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

Amounts for the defined benefit plan in the parent-company-only balance 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 Dec. 31, 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>
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%	( \$ 945 )	( \$ 941 )
Decreased by 0.25%	<u>\$ 980</u>	<u>\$ 978</u>
Increased by 0.1%	( \$ 382 )	( \$ 381 )
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

## XIX. 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 deficits,</u> <u>distribute cash or transfer to</u> <u>share capital (Note 1)</u>		
Additional paid-in capital	\$ 2,132,703	\$ 2,085,234
<u>May be Used to offset deficits</u>		

<u>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 obtain gains on the sale of shares held by their holders for less than 6 months	19	-
<u>Not used for any purpose</u>		
Stock option	<u>18,107</u>	<u>24,775</u>
	<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 IST has no loss; however, the amount used to expend capital stock is limited to a certain percentage of the paid-in capital.

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

The balance of capital reserve 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 as amended, for any distribution of earnings, IST shall make good of the previous year's loss (including the adjusted amount of undistributed earnings) first, and allocate 10% of the rest of the earnings as legal reserve. However, if legal reserve reaches the amount of IST's total paid-in capital, no legal reserve shall be allocated. Then special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. After retaining such earnings as considered necessary by the board of directors for business operation, the board of directors shall prepare an earning distribution proposal for the rest of the earnings, together with the undistributed earnings at the beginning of the year (including the adjusted amount of undistributed earnings), and resolve to allocate dividends and bonuses to shareholders based on the proposal. For such policies concerning remunerations to employees and directors as provided in IST's articles of incorporation, please refer to Note 21(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	<u>\$ 74,898</u>	<u>\$ 98,491</u>
Reversed special reserve		
(Reversed) deduction of other equity items	<u>( 4,957 )</u>	<u>( 23,593 )</u>
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

	<u>2023</u>	<u>2022</u>
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	( \$ 85,830)	( \$ 82,453)



(VI) 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, IST 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, IST 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, IST purchased back 5,000 thousand treasury shares and the buyback cost was NTD 267,945 thousand in total. IST 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, IST 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, IST 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, IST 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. IST 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.

## XX. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from inspection and testing services	<u>\$ 3,424,332</u>	<u>\$ 3,213,134</u>

### (I) Contracts with Customers

The contract made by IST with a customer provides inspection and testing service obligations. The customer pays the contractual consideration during the credit period after inspecting and accepting the service. Because 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>\$ 1,380,016</u>	<u>\$ 1,238,261</u>	<u>\$ 1,104,185</u>
Accounts receivable due from related parties (Note 27)	<u>\$ 25,101</u>	<u>\$ 20,575</u>	<u>\$ 29,041</u>
Contract liabilities			
Customer loyalty program	\$ 87,570	\$ 62,145	\$ 38,327
Unearned sales revenue	<u>46,328</u>	<u>55,190</u>	<u>33,336</u>
	<u>\$ 133,898</u>	<u>\$ 117,335</u>	<u>\$ 71,663</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 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	\$ 2,810,561	\$ 2,710,189
America	501,013	429,725
Others	<u>112,758</u>	<u>73,220</u>
	<u>\$ 3,424,332</u>	<u>\$ 3,213,134</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	\$ -	\$ 55,190
— Performed in 2024	<u>46,328</u>	<u>-</u>
	<u>\$ 46,328</u>	<u>\$ 55,190</u>

XXI. Net Profit of Continuing Operations

(I) Interest Income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 1,996	\$ 488
Net investment in the lease	34	52
Others	<u>221</u>	<u>107</u>
	<u>\$ 2,251</u>	<u>\$ 647</u>

(II) Other Incomes

	<u>2023</u>	<u>2022</u>
Income from operating lease	\$ 74,998	\$ 42,682
Income from government subsidy	8,839	6,241
Profit from lease modification	27	290
Others	<u>18,052</u>	<u>9,250</u>
	<u>\$101,916</u>	<u>\$ 58,463</u>

(III) Other Gains and Losses

	<u>2023</u>	<u>2022</u>
Gain (loss) of financial assets and financial liabilities		
Financial assets at fair value through profit or loss	\$ 6,339	\$ 6,876
Financial liabilities at fair value through profit or loss	( 236)	10
Gain on disposal of property, plant and equipment	-	15,140
Net foreign exchange loss	<u>( 1,656)</u>	<u>( 490)</u>
	<u>\$ 4,447</u>	<u>\$ 21,536</u>

(IV) Financial Cost

	2023	2022
Interest on bank loans	\$ 53,654	\$ 38,801
Interest on lease liabilities	7,616	7,759
Amortization of the expenses incurred by the organizer of syndicated loans	600	600
Computed interest on security deposits	198	75
Less: Amounts listed in cost of qualifying assets	( 7,714)	( 6,029)
	<u>\$ 54,354</u>	<u>\$ 41,206</u>

Information relevant to capitalization of interest is as follows:

	2023	2022
Capitalized interest	<u>\$ 7,714</u>	<u>\$ 6,029</u>
Interest rate for capitalization of interest	1.93%~2.38%	1.26%~1.99%

(V) Depreciation and Amortization

	2023	2022
Depreciation expenses by functions:		
Operating cost	\$546,229	\$559,747
Operating expenses	<u>136,735</u>	<u>122,289</u>
	<u>\$682,964</u>	<u>\$682,036</u>
Amortization expenses by function:		
Operating cost	\$ 4,033	\$ 4,116
Management expenses	<u>2,341</u>	<u>3,142</u>
	<u>\$ 6,374</u>	<u>\$ 7,258</u>

(VI) Employee Benefit Expenses

	2023	2022
Short-term employee benefits	\$ 1,207,219	\$ 1,065,801
Post-employment benefits		
Defined contribution plan	36,642	31,718
Defined benefit plan (Note 18)	( 290)	( 112)
Share-based payment		
Equity settlement	<u>7,720</u>	<u>14,776</u>
Total employee benefit expenses	<u>\$ 1,251,291</u>	<u>\$ 1,112,183</u>

Compiled by functions

Operating cost	\$ 930,595	\$ 810,166
Operating expenses	<u>320,696</u>	<u>302,017</u>
	<u>\$ 1,251,291</u>	<u>\$ 1,112,183</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

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

Amount

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

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

There is no difference between the actually distributed amounts of the employees' remuneration and directors' remuneration for the years 2022 and 2021 and the corresponding amounts recognized in the parent-company-only 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.

XXII. Income Tax

(I) Income Tax Recognized in Profit or Loss

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

	<u>2023</u>	<u>2022</u>
Current income tax		
Incurred for the current year	\$ 51,178	\$ 98,595
Adjustments for previous years	( <u>17,623</u> )	( <u>17,783</u> )
	33,555	80,812
Deferred income tax		
Incurred for the current year	( <u>152</u> )	<u>789</u>
Income tax expense recognized in profit or loss	<u>\$ 33,403</u>	<u>\$ 81,601</u>

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

	<u>2023</u>	<u>2022</u>
Net profit before tax	<u>\$418,957</u>	<u>\$486,747</u>
Income tax computed based on the net profit before tax at the legal tax rate	\$ 83,791	\$ 97,349
Temporary differences	( 32,765 )	2,035
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>\$ 33,403</u>	<u>\$ 81,601</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>\$ 193</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>Beginning balance</u>	<u>Recognized in profit (loss)</u>	<u>Ending balance</u>
Deferred income tax liabilities			
Temporary difference	( <u>\$ 620</u> )	<u>\$ 152</u>	( <u>\$ 468</u> )

2022

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

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</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.

XXIII. 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.

#### XXIV. Share-based Payment Arrangement

##### Employee Stock Options

IST resolved at the board meeting of Mar. 5, 2021 to issue 2,000 thousand units of employee stock warrant for 2021. Each unit entitled its holder to subscribe one 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.

#### XXV. Capital Risk Management

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

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

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

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

## XXVI. Financial Instruments

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

### 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

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

3. Reconciliation of Financial Instruments Measured at Level 3 Fair Value

2023

Financial assets	Measured at fair value through profit or loss
	Beneficiary certificates of funds
Beginning balance	\$ 27,282
Recognized in profit (loss)	6,862
Disposals	( 6,452 )
Ending balance	<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>\$ 6,862</u>

2022

Financial assets	Measured at fair value through profit or loss
	Beneficiary certificates of funds
Beginning balance	\$ 21,945
Recognized in profit (loss)	6,353
Disposals	( 1,016 )
Ending balance	<u>\$ 27,282</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>\$ 6,353</u>

4. Valuation Technique and Input Value Measured at Level 3 Fair Value

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	520,940	426,082
Notes and accounts receivable, net	1,380,403	1,239,357
Accounts receivable due from related parties	25,101	20,575
Other receivables (Listed as prepayments and other current assets in the books)	11,366	16
Other receivables due from related parties	38,267	34,131
Other current financial assets	3,719	5,197
Guarantee deposits paid	16,106	12,643
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Measured at fair value through profit or loss compulsorily	236	-
Financial assets at amortized cost		
Current borrowings	862,476	565,709
Notes and accounts payable	162,598	242,206
Accounts payable to related parties	5,353	732
Payable on machinery and equipment	155,416	167,984
Other payables to related parties (Listed as other current liabilities in the books)	373	2,469
Long-term borrowings (including the current portion thereof)	1,738,000	1,803,400

### (III) Purpose and Policy of Financial Risk Management

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

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

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

#### 1. Market Risks

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

##### (1) Exchange Rate Risk

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

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

##### Sensitivity Analysis

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

The table below presents IST's sensitivity analysis for the situations when the exchange rate of the NT Dollar (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 year is adjusted by 5% exchange rate fluctuation. The table below shows the increase or decrease in the pretax net profit when the NT Dollar 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)	\$ 4,476	\$ 3,645	(\$ 951)	(\$ 727)	\$ 2	\$ 6

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

## (2) Interest Rate Risk

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

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

	Dec. 31, 2023	Dec. 31, 2022
With fair value interest rate risk		
— Financial assets	\$ -	\$ -
— Financial liabilities	421,347	336,173
With cash flow interest rate risk		
— Financial assets	524,490	431,154
— Financial liabilities	2,478,000	2,307,400

## 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 main 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 19,535 thousand and NTD 18,762 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 IST. As of the balance sheet date, the greatest credit risk to which IST was exposed due to failure by any counterparty to a transaction to perform its obligations would probably come from the book amount of financial assets recognized on the parent-company-only balance sheet.

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

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

## 3. Liquidity Risk

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

A bank loan is an important source of liquidity for IST. For the line of credit unused by IST as of Dec. 31, 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 IST 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	\$ 187,380	\$ 153,889	\$ 133,088	\$ -	\$ -

interest					
Lease liabilities	5,503	10,595	44,950	123,440	195,859
Floating rate instruments	50,000	197,000	587,944	1,400,975	242,081
Fixed rate instruments	-	69,823	52,653	-	-
	<u>\$ 242,883</u>	<u>\$ 431,307</u>	<u>\$ 818,635</u>	<u>\$ 1,524,415</u>	<u>\$ 437,940</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>\$ 61,048</u>	<u>\$ 123,440</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 81,730</u>
Floating rate instruments	<u>\$ 834,944</u>	<u>\$ 1,400,975</u>	<u>\$ 242,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 122,476</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	\$ 177,803	\$ 161,778	\$ 138,743	\$ -	\$ -
Lease liabilities	4,275	8,549	38,054	104,502	203,467
Floating rate instruments	-	237,000	395,000	1,572,000	103,400
Fixed rate instruments	32,135	11,989	17,585	-	-
	<u>\$ 214,213</u>	<u>\$ 419,316</u>	<u>\$ 589,382</u>	<u>\$ 1,676,502</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>\$ 50,878</u>	<u>\$ 104,502</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 89,338</u>
Floating rate instruments	<u>\$ 632,000</u>	<u>\$ 1,572,000</u>	<u>\$ 103,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 61,709</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	\$ 2,244,476	\$ 1,805,709
— Unused within the credit line	<u>1,774,650</u>	<u>981,337</u>
	<u>\$ 4,019,126</u>	<u>\$ 2,787,046</u>
Secured bank loan commitment		
— Used within the	\$ 357,000	\$ 565,000

credit line		
— Unused within the		
credit line	<u>-</u>	<u>-</u>
	<u>\$ 357,000</u>	<u>\$ 565,000</u>

XXVII. Transactions with Related Parties

Transactions between IST and 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 IST</u>
ITS Company	A subsidiary
PPT Company	A subsidiary
Samoa IST	A subsidiary
Integrated Service Technology USA Inc. (Integrated USA)	A subsidiary
System Integration Professional Technology (SIP KS Company)	A subsidiary
Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	A subsidiary
He Chou Technology Inc. (He Chou Company)	A subsidiary
Dekra Company	An associate
Dekra IST Reliability Services Limited (Dekra IST KS Company)	An associate
BTL Inc.	An associate

(II) Service Income

Item Listed in the Books	Type / Name of Related Party	2023	2022
Service income	Associates	\$ 79,671	\$ 79,892
	Subsidiaries	<u>50,172</u>	<u>35,213</u>
		<u>\$ 129,843</u>	<u>\$ 115,105</u>

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

(III) Accounts Receivable from Related Parties

Item Listed in the Books	Type / Name of Related Party	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable due from related parties	Associates		
	Dekra Company	\$ 18,516	\$ 16,404
	Dekra IST KS Company	-	43
	BTL Inc.	-	189
	Subsidiaries		
	Integrated USA	4,823	2,976
	PPT Company	349	957
	ITS Company	<u>1,413</u>	<u>6</u>
		<u>\$ 25,101</u>	<u>\$ 20,575</u>
Other receivables due from related parties	Subsidiaries		
	PPT Company	\$ 10,681	\$ 10,317
	ITS Company	2,598	2,549
	IST KS Company	1,800	1,444
	Associates		
	Dekra Company	<u>23,188</u>	<u>19,821</u>
		<u>\$ 38,267</u>	<u>\$ 34,131</u>
Other current assets			
	Subsidiaries	<u>\$ 646</u>	<u>\$ 646</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, rent incomes and advances 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	\$ 4,689	\$ 642
	Subsidiaries		
	PPT Company	664	-
	ITS Company	-	90
		<u>\$ 5,353</u>	<u>\$ 732</u>
Payables on equipment	Subsidiaries		
	Integrated USA	<u>\$ 7,297</u>	<u>\$ 7,298</u>
Other payable to related parties	Associates		
	Dekra Company	\$ -	\$ 1,535
	Subsidiaries		
	PPT Company	-	535
	Others	373	399
		<u>\$ 373</u>	<u>\$ 2,469</u>
Other current liabilities	Subsidiaries	<u>\$ 110</u>	<u>\$ 110</u>

(V) Acquisition of Property, Plant and Equipment

Type / Name of Related Party	Amount acquired	
	2023	2022
Subsidiaries	<u>\$ -</u>	<u>\$ 7,990</u>

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

(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.

IST rented out building and structure as well as mechanical equipment under operating leases to PPT Company, and the lease periods were 5 to 5.5 years. The total lease payments to be collected as of Dec. 31, 2023 and Dec. 31, 2022 were NTD 162,078 thousand and NTD 208,105 thousand respectively. Rents were determined based on the rents for similar assets, and fixed lease payments were collected pursuant to lease agreements monthly. Lease incomes recognized for 2023 and 2022 were NTD 30,160 thousand and NTD 16,968 thousand respectively.

#### Subleasing under Finance Lease

IST 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
	Subsidiaries		
	PPT Company	7,638	7,638
	ITS Company	<u>3,589</u>	<u>3,589</u>
		<u>\$ 13,232</u>	<u>\$ 13,232</u>

(VIII) Manufacturing Expenses and Operating Expenses

Item Listed in the Books	Type / Name of Related Party	2023	2022
Manufacturing expenses	Associates	\$ 11,253	\$ 10,328
	Subsidiaries	<u>155</u>	<u>1,202</u>
		<u>\$ 11,408</u>	<u>\$ 11,530</u>
Operating expenses	Associates	\$ 5,486	\$ 397
	Subsidiaries	<u>4</u>	<u>-</u>
		<u>\$ 5,490</u>	<u>\$ 397</u>

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

(IX) Non-operating Incomes and Expenses

Item Listed in the Books	Type / Name of Related Party	2023	2022
Lease incomes	Associates		
	Dekra Company	\$ 23,019	\$ 22,268
	Subsidiaries		
	PPT Company	30,160	16,968
	ITS Company	18,106	18
	He Chou Company	<u>34</u>	<u>-</u>
		<u>\$ 71,319</u>	<u>\$ 39,254</u>
Other incomes	Associates		
	Dekra Company	\$ 7,015	\$ 6,639
	Subsidiaries	<u>7,338</u>	<u>1,218</u>
		<u>\$ 14,353</u>	<u>\$ 7,857</u>
Interest expenses	Associates	\$ 30	\$ 16
	Subsidiaries	<u>168</u>	<u>60</u>



\$ 198      \$ 76

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

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

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

(X) Remunerations to Main Managements

	<u>2023</u>	<u>2022</u>
Short-term benefits	\$ 54,633	\$ 35,711
Post-employment benefits	400	400
Share-based payment	<u>579</u>	<u>1,108</u>
	<u>\$ 55,612</u>	<u>\$ 37,219</u>

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

XXVIII. Pledged Assets

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

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Property, plant and equipment	\$737,647	\$824,670
Demand deposit (Listed as other current financial assets in the books)	<u>3,719</u>	<u>5,197</u>
	<u>\$741,366</u>	<u>\$829,867</u>

XXIX. Material Contingent Liabilities and Unrecognized Contractual Commitments

Contingencies

Phoenix Silicon International Corporation ("Phoenix Silicon") accused an employee of IST of misappropriating the trade secrets of Phoenix Silicon. After the investigation concluded, IST received on Feb. 24, 2021 the indictment from Taiwan Hsinchu District Prosecutors Office against the employee and his/her employer IST, and also received in March 2021 the criminal and civil complaint submitted by Phoenix Silicon to Taiwan Hsinchu District Court. In the complaint, Phoenix Silicon claimed that its trade secrets were reproduced and used by IST and its employee without

authorization and the concerned parties should compensate Phoenix Silicon for its loss. IST believed that the aforementioned lawsuit did not have significant effect on its financial conditions. Relevant operating activities were conducted normally.

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

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

	Dec. 31, 2023			Dec. 31, 2022		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Foreign currency assets						
<u>Monetary item</u>						
USD	\$ 9,085	30.705 (USD : NTD)	\$ 278,965	\$ 6,115	30.7100 (USD : NTD)	\$ 187,792
CNY	9	4.3352 (CNY : NTD)	38	27	4.4094 (CNY : NTD)	119
JPY	6,000	0.2172 (JPY : NTD)	<u>1,303</u>	10,211	0.2324 (JPY : NTD)	<u>2,373</u>
			<u>\$ 280,306</u>			<u>\$ 190,284</u>
<u>Investments</u>						
<u>accounted for</u>						
<u>using the equity</u>						
<u>method</u>						
USD	10,070	30.705 (USD : NTD)	<u>\$ 309,192</u>	8,593	30.7100 (USD : NTD)	<u>\$ 304,891</u>
<u>Non-monetary item</u>						
JPY	-	-	<u>\$ -</u>	2,252	0.2324 (JPY : NTD)	<u>\$ 523</u>

(Continued on next page)

(Brought forward from previous page)

	Dec. 31, 2023			Dec. 31, 2022		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Foreign currency liabilities						
<u>Monetary item</u>						
USD	\$ 6,170	30.7050 (USD : NTD)	\$ 189,451	\$ 3,741	30.7100 (USD : NTD)	\$ 114,886
JPY	93,550	0.2172 (JPY : NTD)	20,319	72,759	0.2324 (JPY : NTD)	16,909
			<u>\$ 211,438</u>			<u>\$ 131,795</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		Net foreign exchange gain (loss)	2022		Net foreign exchange gain (loss)
	Exchange rate			Exchange rate		
USD	30.705 (USD : NTD)	( \$ 2,792 )		30.7100 (USD : NTD)	( \$ 2,574 )	
JPY	0.2172 (JPY : NTD)	431		0.2324 (JPY : NTD)	( 520 )	
CNY	4.3352 (CNY : NTD)	( 4 )		4.4094 (CNY : NTD)	( 7 )	
		<u>( \$ 2,365 )</u>			<u>( \$ 3,101 )</u>	

### XXXI. 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 26)
10. Name and location of each investee company (not including investee companies in Mainland China) and other relevant information (Schedule 3)

(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 4) 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 4)
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)

Integrated Service Technology Inc.  
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.  
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  Pin Wen Company	<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
	<u>Stocks</u> Frame Magic Studios Co., Ltd.	—	Non-current financial assets at fair value through profit or loss	-	-	10.53%	-	Note

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

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

Schedule 3

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)
Hot Light Co., Ltd.	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.  
Information of Investments in Mainland China  
2023

Schedule 4

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 IST 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.



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Integrated Service Technology Inc.  
Schedule of Cash and Cash Equivalents

Dec. 31, 2023

Table 1

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

Item	Description	Amount
Bank deposits		
Checking and demand deposits	—	\$492,033
Foreign currency demand deposits	i.e. USD 1,036 thousand (exchange rate USD 1 : NTD 30.7050); JPY 2,988 thousand (exchange rate JPY 1 : NTD 0.2172); CNY 5 thousand (exchange rate CNY 1 : NTD 4.3352)	32,496
Restricted deposits	Listed as “Other current financial assets” in the books	( <u>3,719</u> )
		520,810
Petty cash	—	<u>130</u>
		<u>\$520,940</u>

Integrated Service Technology Inc.  
Schedule of Notes and Accounts Receivable

Dec. 31, 2023

Table 2

Unit: In Thousands of New Taiwan Dollars

<u>Customer name</u>	<u>Amount</u>
Customer A	\$ 379,064
Customer B	147,449
Customer C	79,970
Others (Note 1)	<u>790,038</u>
	1,396,521
Loss allowance	( <u>16,118</u> )
	<u>\$ 1,380,403</u>

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

Note 2: The amount of the accounts receivables due for over a year was NTD 5,876 thousand. IST has allocated a proper loss allowance for the amount that cannot be collected successfully.

Integrated Service Technology Inc.  
Schedule of Changes in Non-current Financial Assets at Fair Value through Profit or Loss  
For the year ended Dec. 31, 2023

Table 3

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

Name of investee company	Beginning balance		Gains from measurement at fair value	Decrease in the year		Ending balance		
	Number of shares	Fair value		Number of shares	Amount	Number of shares	Ratio of shareholding %	Fair value
Funds								
TIEF FUND,L.P	-	<u>\$ 27,282</u>	<u>\$ 6,862</u>	-	( <u>\$ 6,452</u> )	-	4.35	<u>\$ 27,692</u>

Integrated Service Technology Inc.  
Schedule of Changes in Investments Accounted for Using the Equity Method  
For the year ended Dec. 31, 2023

Table 4

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

Name of investee company	Beginning balance		Increase in the year		Decrease in the year		Changes in the owned equity of subsidiaries and associates	Investment gain (loss) recognized by using the equity method	Exchange differences on translation of foreign financial statements of foreign operations	Ending balance				Remarks
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Ratio of shareholding (%)	Amount	Net equity	
Samoa IST	4,916,770	\$ 265,024	-	\$ -	-	\$ -	( \$ 14,612 )	\$ 7,060	\$ 410	4,916,770	100	\$ 257,882	\$ 257,882	Note 1
Dekra Company	19,262,390	631,647	-	-	-	-	-	50,347	( 3,052 )	19,262,390	49	678,942	461,248	Note 2
BTL Inc.	2,550,000	120,566	-	-	-	( 6,958 )	11,255	( 6,402 )	( 814 )	2,550,000	10	117,647	81,571	Notes 1 and 3
Pin Wen Company	5,841,258	54,675	4,000,000	40,000	-	-	6,140	( 27,587 )	-	9,841,258	100	73,228	73,228	Notes 1 and 4
Supreme Corp.	1,655,000	37,288	-	-	-	-	14,612	( 669 )	79	1,655,000	100	51,310	51,309	Note 1
ITS Company	22,728,603	21,256	5,926,479	59,265	( 15,032,640 )	-	( 28,746 )	( 33,053 )	-	13,622,442	51	18,722	17,280	Notes 1 and 5
PPT Company	45,000,000	<u>300,037</u>	-	<u>-</u>	( 15,749,708 )	<u>-</u>	<u>-</u>	( <u>115,155</u> )	<u>-</u>	29,250,292	75	<u>184,882</u>	<u>174,857</u>	Notes 1 and 6
		<u>\$ 1,430,493</u>		<u>\$ 99,265</u>		( <u>\$ 6,958</u> )	( <u>\$ 11,351</u> )	( <u>\$ 125,459</u> )	( <u>\$ 3,377</u> )			<u>\$ 1,382,613</u>	<u>\$ 1,117,375</u>	

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

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

Note 3: The decrease in the year refers to the dividends NTD 6,958 thousand received from associates.

Note 4: The increase in the year refers to the cash capital increase NTD 4,000 thousand.

Note 5: The increase in the year refers to the cash capital increase NTD 59,265 thousand. The decrease in the year refers to the capital reduction of 15,032 thousand shares for making good of loss.

Note 6: The decrease in the year refers to the capital reduction of 15,750 thousand shares for making good of loss.

Integrated Service Technology Inc.

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

For the year ended Dec. 31, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars

	Land	Building	Transportation equipment	Office equipment	Total
Cost					
Balance at Jan. 1, 2023	\$ 172,965	\$ 178,563	\$ 16,363	\$ -	\$ 367,891
Additions	-	78,477	5,934	666	85,077
Decrease	-	( 12,678 )	( 4,034 )	-	( 16,712 )
Balance at Dec. 31, 2023	<u>172,965</u>	<u>244,362</u>	<u>18,263</u>	<u>666</u>	<u>436,256</u>
Accumulated depreciation					
Balance at Jan. 1, 2023	19,416	84,099	5,549	-	109,064
Depreciation	4,849	45,527	5,862	20	56,258
Decrease	-	( 12,678 )	( 2,660 )	-	( 15,338 )
Balance at Dec. 31, 2023	<u>24,265</u>	<u>116,948</u>	<u>8,751</u>	<u>20</u>	<u>149,984</u>
Net at Dec. 31, 2023	<u>\$ 148,700</u>	<u>\$ 127,414</u>	<u>\$ 9,512</u>	<u>\$ 646</u>	<u>\$ 286,272</u>

Integrated Service Technology Inc.  
Schedule of Short-term Borrowings  
Dec. 31, 2023

Table 6

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

Creditor	Loan period	Annual interest rate (%)	Balance	Line of credit (Note)	Mortgage or guarantee
Yuanta Bank	2023/12/07 ~ 2024/05/03	2.00	\$ 80,000	\$ -	None
Taipei Fubon Commercial Bank	2023/10/30 ~ 2024/03/20	1.99~2.02	130,000	70,000	None
Cathay United Bank	2023/12/06 ~ 2024/03/15	1.82	80,000	-	None
First Bank	2023/11/02 ~ 2024/01/31	1.92	100,000	-	None
Land Bank of Taiwan	2023/12/13 ~ 2024/03/12	1.92	100,000	-	None
Taiwan Business Bank	2023/12/14 ~ 2024/06/14	2.08	50,000	-	None
Chang Hwa Commercial Bank	2023/08/17 ~ 2024/06/18	6.54~6.73	31,688	168,312	None
Hua Nan Bank	2023/10/06 ~ 2024/04/06	6.70~6.74	90,788	96,326	None
Shin Kong Bank	2023/11/10 ~ 2024/01/10	2.00	100,000	-	None
Taishin Bank	2023/11/24 ~ 2024/01/24	1.98	<u>100,000</u>	<u>30,000</u>	None
Total short-term borrowings			<u>\$ 862,476</u>	<u>\$ 364,638</u>	

Note: As of the end of 2023, the amount unused within the line of credit was NTD 364,638 thousand.

Integrated Service Technology Inc.  
Schedule of Notes and Accounts Payable  
Dec. 31, 2023

Table 7

Unit: In Thousands of New Taiwan Dollars

Name of Supplier	Amount
Supplier A	\$ 25,726
Supplier B	12,504
Supplier C	9,543
Supplier D	8,327
Others (Note)	<u>106,498</u>
	<u>\$162,598</u>

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



Table 8		Integrated Service Technology Inc. Schedule of Long-term Borrowings Dec. 31, 2023			Unit: In Thousands of New Taiwan Dollars	
Creditor	Term of contract	Repayment terms	Annual interest rate (%)	Borrowed amount	Mortgage or guarantee	Remarks
Credit loans						
Bank SinoPac	Mar. 24, 2017 ~ Mar. 24, 2032	From May 24, 2017, interest shall be paid during the credit period. The grace period is 2 years. After that, NTD 7 million shall be repaid every quarter before full repayment by March 2032.	1.70	\$ 217,000	Note 1	To supplement working capital
Bank SinoPac	Dec. 4, 2023 ~ Mar. 3, 2024	From Mar. 25, 2022, interest shall be paid during the credit period. A principal shall be repaid upon maturity. The loan shall be completely repaid by March 2024.	1.92	110,000	None	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. From the date of drawdown, the principal shall be repaid in installments every 6 months, which shall be regarded as a repayment term, for 10 terms. From the 1st term to the 9th term, the 5% of the principal shall be repaid. For the 10th term, the 55% of the principal shall be repaid. The loan shall be completely repaid by September 2025.	2.53	140,000	Note 2	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. From the date of drawdown, the principal shall be repaid in installments every 6 months, which shall be regarded as a repayment term, for 10 terms. From the 1st term to the 9th term, the 5% of the principal shall be repaid. For the 10th term, the 55% of the principal shall be repaid. The loan shall be completely repaid by September 2025.	2.64	30,000	None	To supplement working capital
Mega International Commercial Bank	Sep. 25, 2020 ~ Sep. 25, 2025	From Sep. 25, 2020, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by September 2025.	2.64	100,000	None	To supplement working capital
Mega International Commercial Bank	June 28, 2023 ~ June 27, 2024	From June 28, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by June 2024.	2.12	100,000	None	To supplement working capital
Hua Nan Bank	Nov. 24, 2023 ~ Nov. 24, 2025	From Nov. 24, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2025.	2.01	100,000	Note 3	To supplement working capital
CTBC Bank	Nov. 25, 2023 ~ Nov. 25, 2025	From Nov. 25, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2025.	2.08	200,000	None	To supplement working capital
Agricultural Bank of Taiwan	May 8, 2023 ~ Sep. 8, 2025	From May 8, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by May 2026.	2.13	50,000	None	To supplement working capital
Far Eastern International Bank	Sep. 8, 2023 ~ Sep. 8, 2025	From Sep. 8, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by September 2025.	1.90	100,000	None	To supplement working capital
Bank of Panhsin	Mar. 30, 2023 ~ Mar. 30, 2025	From Mar. 30, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by March 2025.	1.92	100,000	None	To supplement working capital
Bank of Taiwan	Nov. 17, 2023 ~ Nov. 17, 2025	From Nov. 17, 2023, interest shall be paid during the credit period. Capital shall be repaid upon maturity. The loan shall be completely repaid by November 2025.	2.05	50,000	None	To supplement working capital
Chang Hwa Bank	July 28, 2023 ~ July 15, 2030	From July 28, 2023, interest shall be paid during the credit period. The grace period is 1 year. After that, NTD 1,389 thousand shall be repaid every day before full repayment by July 2030.	1.53	100,000	None	To supplement working capital
First Bank	Aug. 2, 2023 ~ July 15, 2030	From Aug. 2, 2023, interest shall be paid during the credit period. The grace period is 3 years. After that, NTD 3,854 thousand shall be repaid every day before full repayment by July 2030.	1.53	185,000	None	To supplement working capital
Hua Nan Bank	Aug. 21, 2023 ~ Aug. 15, 2030	From Aug. 21, 2023, interest shall be paid during the credit period. The grace period is 3 years. After that, NTD 2,083 thousand shall be repaid every day before full repayment by August 2030.	1.52	100,000	None	To supplement working capital
Mega International Commercial Bank	Nov. 16, 2023 ~ Nov. 15, 2030	From Jan. 16, 2023, interest shall be paid during the credit period. The grace period is 3 years. After that, NTD 510 thousand shall be repaid every day before full repayment by November 2030.	1.53	25,000	None	To supplement working capital
Mega International Commercial Bank	Sep. 8, 2023 ~ Aug. 15, 2030	From Sep. 8, 2023, interest shall be paid during the credit period. The grace period is 3 years. After that, NTD 653 thousand shall be repaid every day before full repayment by August 2030.	1.53	<u>32,000</u>	None	To supplement working capital
				1,739,000		
Current portion of long-term borrowings				( 94,944 )		
Expenses incurred by the organizer of syndicated loans				( <u>1,000</u> )		
				<u>\$ 1,643,056</u>		

Note 1: The building and structure of a net amount NTD 345,344 thousand have been provided for the bank as security for the long-term loan.  
Note 2: The building and structure of a net amount NTD 355,628 thousand and a bank deposit of NTD 3,719 thousand have been provided for the bank as security for the long-term loan.  
Note 3: The building and structure of a net amount NTD 36,675 thousand have been provided for the bank as secondary security for the long-term loan.

Integrated Service Technology Inc.

Schedule of Lease Liabilities

Dec. 31, 2023

Table 9

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

Item	Lease period	Discount rate	Amount
Land	October 2017 ~ September 2057	2.76%	\$ 157,651
Building	March 2007 ~ August 2028	1.62%~2.76%	130,843
Transportation equipment	January 2021 ~ September 2026	4.97%~5.78%	9,784
Office equipment	September 2023 ~ August 2026	5.78%	<u>593</u>
Total			298,871
Less: Lease liabilities — Current			( <u>54,024</u> )
Lease liabilities — Non-current			<u>\$ 244,847</u>

Integrated Service Technology Inc.  
Schedule of Operating Revenue  
For the year ended Dec. 31, 2023

Table 10

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Service of integrated circuit testing	Note	\$ 3,442,427
Sales discount	—	( <u>18,095</u> )
		<u>\$ 3,424,332</u>

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

Integrated Service Technology Inc.  
Schedule of Operating Cost  
For the year ended Dec. 31, 2023

Table 11

Unit: In Thousands of New Taiwan Dollars

Item	Operating cost
Salary expense	\$ 779,914
Depreciation expense	546,229
Miscellaneous purchases	440,348
Consumables	124,497
Utilities	123,610
Others (Note)	<u>338,303</u>
	<u>\$ 2,352,901</u>

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

Integrated Service Technology Inc.  
Schedule of Operating Expenses  
For the year ended Dec. 31, 2023

Table 12

Unit: In Thousands of New Taiwan Dollars

Item	Selling expense	Management expense	R&D expense
Salary expense	\$ 51,524	\$ 143,039	\$ 61,869
Testing expense	5,382	576	-
Traveling expense	5,213	623	-
Insurance premium	4,362	12,457	5,059
Depreciation expense	2,377	85,612	48,746
Service expense	-	16,307	-
Miscellaneous expenses	2,078	29,112	-
Others (Note)	<u>14,897</u>	<u>82,524</u>	<u>6,930</u>
	<u>\$ 85,833</u>	<u>\$ 370,250</u>	<u>\$ 122,604</u>

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

Integrated Service Technology Inc.  
Summary Statement of the Year's Employee Benefits, Depreciation and Amortization Expenses Classified by Functions  
For the years ended Dec. 31, 2023 and 2022

Table 13

Unit: In Thousands of New Taiwan Dollars

	2023			2022		
	In operating cost	In operating expenses	Total	In operating cost	In operating expenses	Total
Employee benefit expenses						
Salary expense	\$ 779,914	\$ 256,432	\$1,036,346	\$ 680,921	\$ 237,503	\$ 918,424
Labor and national health insurance premium expense	63,611	20,529	84,140	53,307	18,388	71,695
Retirement pension expense	26,607	9,745	36,352	22,735	8,871	31,606
Remuneration to directors	-	8,850	8,850	-	6,000	6,000
Other employee benefit expenses	<u>60,463</u>	<u>25,140</u>	<u>85,603</u>	<u>53,203</u>	<u>31,255</u>	<u>84,458</u>
	<u>\$ 930,595</u>	<u>\$ 320,696</u>	<u>\$1,251,291</u>	<u>\$ 810,166</u>	<u>\$ 302,017</u>	<u>\$1,112,183</u>
Depreciation expenses	<u>\$ 546,229</u>	<u>\$ 136,735</u>	<u>\$ 682,964</u>	<u>\$ 559,747</u>	<u>\$ 122,289</u>	<u>\$ 682,036</u>
Amortization expense	<u>\$ 4,033</u>	<u>\$ 2,341</u>	<u>\$ 6,374</u>	<u>\$ 4,116</u>	<u>\$ 3,142</u>	<u>\$ 7,258</u>

Note 1: The average number of IST employees per month in 2023 and 2022 was 1,065 and 949 respectively and there were 8 directors that were not employees in 2023 and 2022.

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

- (1) Average employee benefit expenses of the current year NTD 1,175 thousand: (Total employee benefit expenses of the current year — Total remuneration to directors) / (Number of employees for the current year — Number of directors who are not employees)  
Average employee benefit expenses of the previous year NTD 1,176 thousand: (Total employee benefit expenses of the previous year — Total remuneration to directors for the previous year) / (Number of employees for the previous year — Number of directors who were not employees for the previous year)
- (2) Average employee salary expenses of the year NTD 980 thousand: Total employee salary expenses of the current year / (Number of employees for the current year — Number of directors who are not employees)  
Average employee salary expenses of the previous year NTD 976 thousand: Total employee salary expenses of the previous year / (Number of employees for the previous year — Number of directors who were not employees for the previous year)
- (3) Adjustment or change of average employee salary expenses 0.40%: (Average employee salary expenses of the year — Average employee salary expenses of the previous year) / Average employee salary expenses of the previous year
- (4) The remuneration to independent directors for 2023 and 2022 has been included into the remuneration to directors for the purpose of disclosure.
- (5) Please specify the remuneration policy of IST (including remunerations to directors, supervisors, managers and employees).  
A. Remunerations to directors, remuneration committee members and managers are allocated pursuant to the IST Policy of Remunerations to Directors, Remuneration Committee Members and Managers. When IST has earnings, remunerations are allocated in compliance with its articles of incorporation. Allocated remunerations shall be resolved by the board of directors and reported at the shareholders' meeting.

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- B. With respect to remunerations to managers, the fixed salary is determined based on length of service, job value and salary structure while a variable pay is provided reasonably based on performance, the competitive environment where managers in relevant fields are paid, and standards of salaries paid in the same industry after personal performance, corporate performance and correlation to future risks are taken into account. Such remunerations shall be reviewed and approved by the remuneration committee and approved by the board of directors.
- C. The salary structure used by IST includes the fixed salary, variable bonuses and a bonus from earnings. The fixed salary is approved based on relevant work experience, job structure, and salary level in the industry. Variable bonuses and the bonus from earnings are subject to the status of IST's profitability, and departmental and personal performance. IST shares business results with employees.