

Integrated Service Technology  
Inc. and Subsidiaries

Consolidated Financial  
Statements for the Six Months  
Ended June 30, 2024 and 2023  
and Independent Auditors'  
Review Report

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## **Independent Auditors' Review Report**

To: Integrated Service Technology Inc.

### **Introduction**

We have reviewed the financial statements of Integrated Service Technology Inc. and its subsidiaries, which comprise the consolidated balance sheet of June 30, 2024 and June 30, 2023, the consolidated statement of comprehensive income for the six months ended June 30, 2024 and 2023, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2024 and 2023, and the notes to the consolidated financial statements (including a summary of material accounting policies). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, and the Statement No. 34 "Interim Financial Reporting" of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission. Our responsibilities are to draw a conclusion, based on the results of the review, on the consolidated financial statements.

### **Scope of Review**

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

detect all material matters identifiable through audit tasks. As a result, we are unable to issue our audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 11 to the consolidated financial statements, the financial statements of the same period of some non-material subsidiaries included in the consolidated financial statements were not reviewed by CPAs. Their assets in total as of Jun. 30, 2024 and Jun. 30, 2023 were NTD 322,959 thousand and NTD 385,102 thousand respectively, which accounted for 4% and 5% of the total consolidated assets. Their liabilities in total were NTD 67,391 thousand and NTD 66,383 thousand respectively, which accounted for 2% of the total consolidated liabilities. Their comprehensive income in total for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 was NTD (5,405) thousand, NTD 1,187 thousand, NTD (6,985) thousand and NTD 857 thousand respectively, which accounted for (3)%, 1%, (2)% and 0% of the total consolidated comprehensive income. In addition, as stated in Note 12 to the consolidated statements, the amount of investments accounted for using the equity method as of Jun. 30, 2024 and Jun. 30, 2023 was NTD 729,332 thousand and NTD 812,762 thousand respectively. The share of the comprehensive income of associates accounted for using the equity method recognized for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 was NTD 9,888 thousand, NTD 6,900 thousand, NTD 15,817 thousand and NTD 12,100 thousand respectively; however, it was recognized based on those investee companies' financial statements of the same period that were not reviewed by CPAs. Besides, such information relevant to aforementioned subsidiaries and investee companies as stated in the reinvestment-related information in Note 34 "Disclosures" to the consolidated financial statements has not been reviewed by CPAs yet.

### **Qualified Conclusion**

Except for some adjustments that would have been made to the consolidated financial statements if both the financial statements of those non-material subsidiaries and associates stated in the Basis for Qualified Conclusion below and the information disclosed in Note 34 to the consolidated financial statements had been reviewed by CPAs, we have not found, based on our reviews, such non-compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers or the

Statement No. 34 “Interim Financial Reporting” of the International Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission that resulted in the consolidated financial statements not presenting fairly the consolidated financial conditions of Integrated Service Technology Inc. and its subsidiaries as of Jun. 30, 2024 and Jun. 30, 2023, the consolidated financial performance for 2024 Q2 and 2023 Q2, and the consolidated financial performance and consolidated cash flows for 2024 H1 and 2023 H1.

Deloitte & Touche

Huang Yu-Feng, CPA

Chang Ya-Yun, CPA

Securities and Futures Bureau

Approval No.:

Tai-Cai-Zheng-6-Zi No. 0920123784

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi No.  
1110348898

August 5, 2024

Integrated Service Technology Inc. and Subsidiaries  
Consolidated Balance Sheet  
Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023

							Unit: In Thousands of New Taiwan Dollars						
Assets	Jun. 30, 2024		Dec. 31, 2023		Jun. 30, 2023		Liabilities and Equity	Jun. 30, 2024		Dec. 31, 2023		Jun. 30, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets							Current liabilities						
Cash and cash equivalents (Note 6)	\$ 752,761	10	\$ 928,238	12	\$ 774,420	10	Short-term borrowings (Note 17)	\$ 732,942	9	\$ 961,126	13	\$ 669,282	9
Current contract assets (Note 22)	4,450	-	5,963	-	9,288	-	Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	242	-	236	-	67	-
Notes and accounts receivable, net (Note 9)	1,608,765	20	1,468,385	19	1,551,106	21	Current contract liabilities (Note 22)	123,433	2	134,493	2	102,322	1
Finance lease receivables (Notes 10 and 30)	16,053	-	-	-	2,188	-	Notes and accounts payable	250,516	3	184,209	2	232,322	3
Accounts receivable due from related parties (Note 30)	16,231	-	19,140	-	14,967	-	Accounts payable to related parties (Note 30)	2,431	-	4,696	-	3,174	-
Other receivables	249	-	11,462	-	1,271	-	Payable on machinery and equipment (Note 30)	208,268	3	149,777	2	127,911	2
Other receivables due from related parties (Note 30)	21,900	-	23,188	1	25,992	-	Dividends payable	125,850	2	151,065	2	149,550	2
Current tax assets (Notes 4 and 24)	71	-	234	-	24	-	Current tax liabilities (Notes 4 and 24)	11,323	-	-	-	38,224	-
Prepayments and other current assets (Note 16)	124,782	2	145,646	2	128,635	2	Current lease liabilities (Note 14)	71,689	1	59,353	1	57,021	1
Other current financial assets (Note 31)	15,723	-	15,010	-	16,757	-	Current portion of long-term borrowings (Notes 18 and 31)	121,006	1	131,199	2	193,891	3
Total current assets	2,560,985	32	2,617,266	34	2,524,648	33	Other current liabilities, others (Notes 19 and 30)	633,958	8	574,526	7	544,099	7
							Total current liabilities	2,281,658	29	2,350,680	31	2,117,863	28
Non-current assets							Non-current liabilities						
Non-current financial assets at fair value through profit or loss (Notes 4 and 7)	30,405	-	27,692	1	32,361	1	Long-term borrowings (Notes 18 and 31)	1,821,606	23	1,718,942	23	1,724,920	23
Financial assets measured at fair value through other comprehensive income (Notes 4 and 8)	206,295	3	-	-	-	-	Deferred tax liabilities (Notes 4 and 24)	3,673	-	4,903	-	3,969	-
Investments accounted for using equity method (Note 12)	729,332	9	833,830	11	812,762	11	Non-current lease liabilities (Note 14)	281,588	4	258,396	3	252,063	3
Property, plant and equipment (Notes 13 and 31)	3,950,511	50	3,820,524	50	3,867,320	51	Guarantee deposits received (Note 30)	2,005	-	2,005	-	2,005	-
Right-of-use assets (Note 14)	289,657	4	306,669	4	295,834	4	Total non-current liabilities	2,108,872	27	1,984,246	26	1,982,957	26
Other intangible assets (Note 15)	12,777	-	10,800	-	11,810	-							
Deferred tax assets (Notes 4 and 24)	366	-	348	-	346	-	Total liabilities	4,390,530	56	4,334,926	57	4,100,820	54
Prepayments for machinery and equipment	49,604	1	5,676	-	11,297	-							
Guarantee deposits paid	20,628	-	24,444	-	20,712	-	Equity attributed to owners of parent (Notes 21, 25 and 27)						
Long-term finance leases receivable (Notes 10 and 30)	38,172	1	-	-	-	-	Ordinary share	740,409	9	755,409	10	747,751	10
Net non-current defined benefit asset (Notes 4 and 20)	19,701	-	19,579	-	21,605	-	Capital collected in advance	11,168	-	1,577	-	28,292	-
Other non-current financial assets (Note 31)	-	-	200	-	200	-	Capital reserve	2,117,920	27	2,172,448	28	2,157,803	28
Total non-current assets	5,347,448	68	5,049,762	66	5,074,247	67	Retained earnings						
							Legal reserve	214,250	3	204,651	3	180,380	3
							Special reserve	70,291	1	69,941	1	79,013	1
							Unappropriated retained earnings	388,030	5	298,129	4	330,139	4
							Other equity, others	( 68,247)	( 1)	( 85,830)	( 1)	( 86,562)	( 1)
							Treasury shares	-	-	( 139,797)	( 2)	-	-
							Total equity attributable to owners of parent	3,473,821	44	3,276,528	43	3,436,816	45
							Non-controlling interests	44,082	-	55,574	-	61,259	1
							Total equity	3,517,903	44	3,332,102	43	3,498,075	46
Total assets	\$ 7,908,433	100	\$ 7,667,028	100	\$ 7,598,895	100	Total liabilities and equity	\$ 7,908,433	100	\$ 7,667,028	100	\$ 7,598,895	100

The accompanying notes constitute part of the consolidated financial statements.  
(Please see the review report made by Deloitte & Touche on Aug. 5, 2024.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

2024 Q2, 2023 Q2, 2024 H1, and 2023 H1

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

	2024 Q2		2023 Q2		2024 H1		2023 H1	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Notes 22 and 30)	\$1,053,057	100	\$ 973,048	100	\$2,122,349	100	\$1,954,366	100
Operating costs (Notes 23 and 30)	<u>759,681</u>	<u>72</u>	<u>696,578</u>	<u>71</u>	<u>1,546,588</u>	<u>73</u>	<u>1,398,316</u>	<u>72</u>
Gross profit from operations	<u>293,376</u>	<u>28</u>	<u>276,470</u>	<u>29</u>	<u>575,761</u>	<u>27</u>	<u>556,050</u>	<u>28</u>
Operating expenses (Notes 23 and 30)								
Selling expenses	40,259	4	30,194	3	73,974	3	58,947	3
Administrative expenses	132,063	12	107,161	11	251,706	12	218,129	11
Research and development expenses	41,771	4	33,846	4	77,668	4	69,170	4
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	<u>228</u>	<u>-</u>	<u>945</u>	<u>-</u>	<u>( 821 )</u>	<u>-</u>	<u>1,054</u>	<u>-</u>
Total operating expenses	<u>214,321</u>	<u>20</u>	<u>172,146</u>	<u>18</u>	<u>402,527</u>	<u>19</u>	<u>347,300</u>	<u>18</u>
Net operating income	<u>79,055</u>	<u>8</u>	<u>104,324</u>	<u>11</u>	<u>173,234</u>	<u>8</u>	<u>208,750</u>	<u>10</u>
Non-operating income and expenses								
Interest income (Note 23)	2,685	-	2,227	-	4,925	-	4,382	-
Other income (Notes 23 and 30)	16,755	1	11,519	1	26,371	1	21,576	1
Other gains and losses (Note 23)	104,677	10	7,014	1	115,117	5	2,385	-
Finance costs (Notes 23 and 30)	<u>( 13,799 )</u>	<u>( 1 )</u>	<u>( 14,485 )</u>	<u>( 1 )</u>	<u>( 29,238 )</u>	<u>( 1 )</u>	<u>( 28,188 )</u>	<u>( 1 )</u>
Share of profit of associates for using equity method (Note 12)	<u>7,968</u>	<u>1</u>	<u>11,564</u>	<u>1</u>	<u>10,084</u>	<u>1</u>	<u>17,257</u>	<u>1</u>
Total non-operating income and expenses	<u>118,286</u>	<u>11</u>	<u>17,839</u>	<u>2</u>	<u>127,259</u>	<u>6</u>	<u>17,412</u>	<u>1</u>
Profit before tax	197,341	19	122,163	13	300,493	14	226,162	11
Tax expense (income) (Notes 4 and 24)	<u>26,735</u>	<u>3</u>	<u>( 8,481 )</u>	<u>( 1 )</u>	<u>10,180</u>	<u>1</u>	<u>19,704</u>	<u>1</u>
Profit	<u>170,606</u>	<u>16</u>	<u>130,644</u>	<u>14</u>	<u>290,313</u>	<u>13</u>	<u>206,458</u>	<u>10</u>
Other comprehensive income (Note 21)								

Components of other comprehensive income that will not be reclassified to profit or loss									
Unrealized gains (losses) from equity instrument investment measured at fair value through other comprehensive income	( 3,315)	-	-	-	( 3,315)	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss:									
Exchange differences on translation of financial statements of overseas operations	2,571	-	( 2,885)	-	14,297	1	1,048	-	-
Share of other comprehensive income of associates accounted for using equity method	<u>1,920</u>	<u>-</u>	<u>( 4,664)</u>	<u>( 1)</u>	<u>5,733</u>	<u>-</u>	<u>( 5,157)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income (net)	<u>1,176</u>	<u>-</u>	<u>( 7,549)</u>	<u>( 1)</u>	<u>16,715</u>	<u>1</u>	<u>( 4,109)</u>	<u>-</u>	<u>-</u>
Total comprehensive income	\$ <u>171,782</u>	<u>16</u>	\$ <u>123,095</u>	<u>13</u>	\$ <u>307,028</u>	<u>14</u>	\$ <u>202,349</u>	<u>10</u>	<u>10</u>

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	2024 Q2		2023 Q2		2024 H1		2023 H1	
	Amount	%	Amount	%	Amount	%	Amount	%
Profit (loss) attributable to:								
Owners of parent	\$ 172,449	16	\$ 151,206	15	\$ 305,769	15	\$ 249,162	13
Non-controlling interests	( <u>1,843</u> )	<u>-</u>	( <u>20,562</u> )	( <u>2</u> )	( <u>15,456</u> )	( <u>1</u> )	( <u>42,704</u> )	( <u>2</u> )
	<u>\$ 170,606</u>	<u>16</u>	<u>\$ 130,644</u>	<u>13</u>	<u>\$ 290,313</u>	<u>14</u>	<u>\$ 206,458</u>	<u>11</u>
Comprehensive income attributable to:								
Owners of parent	\$ 173,625	16	\$ 143,657	15	\$ 322,484	15	\$ 245,053	12
Non-controlling interests	( <u>1,843</u> )	<u>-</u>	( <u>20,562</u> )	( <u>2</u> )	( <u>15,456</u> )	( <u>1</u> )	( <u>42,704</u> )	( <u>2</u> )
	<u>\$ 171,782</u>	<u>16</u>	<u>\$ 123,095</u>	<u>13</u>	<u>\$ 307,028</u>	<u>14</u>	<u>\$ 202,349</u>	<u>10</u>
Earnings per share (Note 25)								
Total basic earnings per share	<u>\$ 2.33</u>		<u>\$ 2.02</u>		<u>\$ 4.13</u>		<u>\$ 3.33</u>	
Total diluted earnings per share	<u>\$ 2.31</u>		<u>\$ 1.98</u>		<u>\$ 4.09</u>		<u>\$ 3.26</u>	

The accompanying notes constitute part of the consolidated financial statements.

(Please see the review report made by Deloitte & Touche on August 5, 2024.)

Integrated Service Technology Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the six months ended Jun. 30, 2024 and 2023

Unit: In Thousands of New Taiwan Dollars

	Equity attributed to owners of parent												
	Ordinary share		Capital collected in advance	Capital reserve	Retained earnings			Other equity		Treasury shares	Total owners' equity	Non-controlling interests	Total equity
								Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of financial statements of overseas operations				
	Number of shares (in thousands of shares)	Amount			Legal reserve	Special reserve	Unappropriated retained earnings						
Balance at Jan. 1, 2023	74,775	\$ 747,751	\$ -	\$ 2,143,012	\$ 160,486	\$ 74,898	\$ 254,536	\$ -	( \$ 82,453 )	\$ -	\$ 3,298,230	\$ 103,963	\$ 3,402,193
Appropriation and distribution of earnings													
Legal reserve allocated	-	-	-	-	19,894	-	( 19,894 )	-	-	-	-	-	-
Special reserve allocated	-	-	-	-	-	4,115	( 4,115 )	-	-	-	-	-	-
Cash dividends to shareholders of the company	-	-	-	-	-	-	( 149,550 )	-	-	-	( 149,550 )	-	( 149,550 )
Changes in associates accounted for using the equity method	-	-	-	11,222	-	-	-	-	-	-	11,222	-	11,222
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	19	-	-	-	-	-	-	19	-	19
Profit (loss) for 2023 H1	-	-	-	-	-	-	249,162	-	-	-	249,162	( 42,704 )	206,458
Other comprehensive income after tax for 2023 H1	-	-	-	-	-	-	-	-	( 4,109 )	-	( 4,109 )	-	( 4,109 )
Total comprehensive income for 2023 H1	-	-	-	-	-	-	249,162	-	( 4,109 )	-	245,053	( 42,704 )	202,349
Ordinary shares issued under the employee stock option plan	-	-	28,292	-	-	-	-	-	-	-	28,292	-	28,292
Share-based payment transactions	-	-	-	3,550	-	-	-	-	-	-	3,550	-	3,550
Balance at Jun. 30, 2023	74,775	\$ 747,751	\$ 28,292	\$ 2,157,803	\$ 180,380	\$ 79,013	\$ 330,139	\$ -	( \$ 86,562 )	\$ -	\$ 3,436,816	\$ 61,259	\$ 3,498,075
Balance at Jan. 1, 2024	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
Appropriation and distribution of earnings													
Legal reserve allocated	-	-	-	-	9,599	-	( 9,599 )	-	-	-	-	-	-
Special reserve allocated	-	-	-	-	-	350	( 350 )	-	-	-	-	-	-
Cash dividends to shareholders of the company	-	-	-	-	-	-	( 125,850 )	-	-	-	( 125,850 )	-	( 125,850 )
Changes in associates accounted for using the equity method	-	-	-	1,956	-	-	-	-	-	-	1,956	-	1,956
Profit (loss) for 2024 H1	-	-	-	-	-	-	305,769	-	-	-	305,769	( 15,456 )	290,313
Other comprehensive income after tax for 2024 H1	-	-	-	-	-	-	-	( 3,315 )	20,030	-	16,715	-	16,715
Total comprehensive income for 2024 H1	-	-	-	-	-	-	305,769	( 3,315 )	20,030	-	322,484	( 15,456 )	307,028
Retirement of treasury share	( 1,562 )	( 15,620 )	-	( 44,108 )	-	-	( 80,069 )	-	-	139,797	-	-	-

Disposal of investments accounted for using equity method	-	-	-	( 12,710 )	-	-	-	-	868	-	( 11,842 )	-	( 11,842 )
Changes in ownership interests in subsidiaries	-	-	-	( 3,964 )	-	-	-	-	-	-	( 3,964 )	3,964	-
Share-based payments	-	-	-	1,689	-	-	-	-	-	-	1,689	-	1,689
Ordinary shares issued under the employee stock option plan	<u>62</u>	<u>620</u>	<u>9,591</u>	<u>2,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,820</u>	<u>-</u>	<u>12,820</u>
Balance at Jun. 30, 2024	<u>74,041</u>	<u>\$ 740,409</u>	<u>\$ 11,168</u>	<u>\$ 2,117,920</u>	<u>\$ 214,250</u>	<u>\$ 70,291</u>	<u>\$ 388,030</u>	<u>( \$ 3,315 )</u>	<u>( \$ 64,932 )</u>	<u>\$ -</u>	<u>\$ 3,473,821</u>	<u>\$ 44,082</u>	<u>\$ 3,517,903</u>

The accompanying notes constitute part of the consolidated financial statements.  
(Please see the review report made by Deloitte & Touche on Aug. 5, 2024.)

Integrated Service Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the six months ended Jun. 30, 2024 and 2023

Unit: In Thousands of New Taiwan Dollars

	2024 H1	2023 H1
Cash flows from operating activities		
Profit before tax	\$ 300,493	\$ 226,162
Adjustments to reconcile profit (loss)		
Depreciation expense	381,477	387,263
Amortization expense	3,695	5,232
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	( 821 )	1,054
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	( 2,707 )	( 4,489 )
Financial cost	29,238	28,188
Interest income	( 4,925 )	( 4,382 )
Share-based payments	1,689	3,550
Share of loss (profit) of associates for using equity method	( 10,084 )	( 17,257 )
Net loss on disposals of property, plant and equipment	8	-
Gains on disposal of investments accounted for using equity method	( 99,181 )	-
Net foreign exchange loss (gain)	( 5,226 )	( 2,941 )
Profit from lease modification	( 73 )	-
Net changes in operating assets and liabilities		
Contract assets	1,513	2,332
Notes and accounts receivable	( 132,847 )	( 236,656 )
Accounts receivable due from related parties	3,154	2,364
Other receivables	11,205	3
Other receivables due from related parties	1,288	787

Prepayments and other current assets	20,864	23,719
Defined benefit assets, net	( 122)	( 145)
Contract liabilities	( 11,060)	( 15,507)
Notes and accounts payable	66,207	( 38,280)
Accounts payable to related parties	( 2,265)	2,482
Other current liabilities	<u>60,540</u>	<u>7,755</u>
Cash generated from operations	612,060	371,234
Interest paid	( 35,157)	( 31,547)
Income tax paid	( <u>168</u> )	( <u>37,150</u> )
Net cash generated from operating activities	<u>576,735</u>	<u>302,537</u>

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	2024 H1	2023 H1
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	\$ -	(\$ 39,974)
Acquisition of property, plant and equipment	( 462,703)	( 388,637)
Proceeds from disposal of property, plant and equipment	3,180	-
Decrease in refundable deposits	3,816	1,899
Acquisition of other intangible assets	( 5,515)	( 2,846)
Decrease in lease and installment receivables	7,856	2,170
Increase in other financial assets	( 513)	( 324)
Interest received	<u>4,925</u>	<u>4,382</u>
Net cash used in investing activities	( <u>448,954</u> )	( <u>423,330</u> )
Cash flows from financing activities		
Increase (decrease) in short-term loans	( 229,065)	18,838
Proceeds from long-term debts	540,884	450,000
Repayments of long-term debts	( 448,413)	( 374,657)
Payments of lease liabilities	( 38,995)	( 33,565)
Cash dividends paid	( 151,065)	( 74,775)
Exercise of employee stock options	12,820	28,292
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	<u>-</u>	<u>19</u>
Net cash generated from (used in) financing activities	( <u>313,834</u> )	<u>14,152</u>
Effect of exchange rate changes on cash and cash equivalents	<u>10,576</u>	<u>5,714</u>
Net decrease in cash and cash equivalents	( 175,477)	( 100,927)
Cash and cash equivalents at beginning of period	<u>928,238</u>	<u>875,347</u>

Cash and cash equivalents at end of period	<u>\$ 752,761</u>	<u>\$ 774,420</u>
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The accompanying notes constitute part of the consolidated financial statements.

(Please see the review report made by Deloitte & Touche on August 5, 2024.)

Integrated Service Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the six months ended Jun. 30, 2024 and 2023

(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 August 5, 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 FSC to be Applied in 2025

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 21 Lack of Exchangeability	January 1, 2025 (Note 1)

Note 1: These amendments are applicable for the annual reporting periods beginning on and after Jan. 1, 2025. For initial implementation of these amendments, the comparative period will not be rearranged and effects will be recognized in the retained earnings or the exchange differences on translation of foreign operations (as applicable) at the date of initial application and the assets and liabilities affected accordingly.

(III) IFRSs Published by International Accounting Standards Board (IASB) Already but Not Recognized or Published by FSC Yet:

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
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	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1, 2027

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.

1. IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements.

Main changes in the Standard include:

- The income statement should divide incomes, expenses and taxes into business, investment, financing, income tax and discontinuing operation categories.
- The income statement should list the subtotal and the total of the operating income, the profit or loss before financing and tax, and the profit or loss.
- Guidance provided for consolidation of the rules of aggregation and disaggregation: The Company should identify the assets, liabilities, equity, incomes, expenses, losses and cash flows being generated from individual transactions and other events, and classify and aggregate based on their common characteristics to ensure that every item listed in each single column in the primary financial statements share at least one similar characteristic. In the primary financial statements and the notes thereto, items with different characteristics shall be disaggregated. The Company lists items as “others” only when the Company is unable to find a more informative name for such items.
- Addition of the disclosure of the performance measurement defined by the management: For conducting public communication beyond financial statements and sharing a specific concept of overall financial performance with users of the financial statements, the Company shall disclose, in the notes to the financial statements, the information of the performance measurement defined by the management, including description of the measurement, calculation

methods, adjustment of the subtotal or total amount specified in the IFRSs, and income tax and non-controlling interest effects.

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 IAS 34 Interim Financial Reporting recognized and published by the FSC. Not all information required to be disclosed in annual financial statements in accordance with IFRSs is disclosed in the consolidated financial statements.

##### (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 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.

##### (III) Consolidation Basis

The consolidated financial statements include the financial statements of IST and the entities that it controls (subsidiaries). The consolidated statement

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

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

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

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

Please refer to Note 11 and Schedules 3 and 4 for the detailed information, shareholding and business activities of each subsidiary.

(IV) Other Material Accounting Policies

For further information beyond the following explanations, please refer to the Explanations of Material Accounting Policies stated in the consolidated financial statements of 2023.

1. 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 which exist on the balance sheet date without any substantial right to postpone the repayment period 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.

2. Financial Instruments

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

If financial assets or financial liabilities are not measured at fair value through profit or loss ("FVTPL"), the financial assets or financial

liabilities, when being recognized originally, shall be 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 shall be recognized as profits or losses immediately.

### Financial Assets

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

#### (1) Type of Measurement

Financial assets held by the Company are financial assets at FVTPL, financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income ("FVTOCI").

##### A. Financial Assets at FVTPL

Financial assets at FVTPL include the financial assets that are required or designated to be measured at FVTPL. The financial assets required 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, and the dividends and interest thereof and the incomes or losses generated from remeasurement are recognized in other profits or losses. For the method used to determine fair value, please refer to Note 29.

##### B. Financial Assets at Amortized Cost

Financial assets invested by the Company are classified as the financial assets 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 possess the financial assets for the purpose of acquisition of contractual cash flows; and
- b. Cash flows generated on such specific date as indicated in contractual terms are completely used to pay the principal and the interest on the outstanding amount of the principal.

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

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

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.

#### C. Investments in Equity Instruments at FVTOCI

Upon original recognition, the Company may irrevocably choose to indicate that the investments in equity instruments which are not possessed for sale and not recognized by acquirers of business combinations or for which considerations are provided shall be measured at FVTOCI.

Investments in equity instruments at FVTOCI are measured at fair value, and the subsequent changes in fair value are listed in other comprehensive incomes or losses and

accumulated in other equity. Upon disposal of investments, accumulated profits or losses are transferred directly to retained earnings and will not be reclassified as profits or losses.

Dividends for investments in equity instruments at FVTOCI are recognized in profits immediately when the Company's right to collect payments has been established unless the dividends obviously represent part of the investment cost recovered.

### 3. Defined-benefit Postemployment Benefit

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

### 4. Income Tax Expense

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

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

For the main sources of material accounting judgments, estimates and assumption uncertainty adopted in the consolidated financial statements, please refer to the consolidated financial statements of 2023.

## VI. Cash and Cash Equivalents

	<u>June 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>June 30, 2023</u>
Cash on hand and revolving funds	\$ 229	\$ 225	\$ 228
Bank checks and saving	597,892	737,667	579,758

deposits of bank			
Cash equivalents			
Time deposits	<u>154,640</u>	<u>190,346</u>	<u>194,434</u>
	<u>\$ 752,761</u>	<u>\$ 928,238</u>	<u>\$ 774,420</u>

VII. Financial Instruments at Fair Value through Profit and Loss

	<u>June 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial assets —</u>			
<u>Non-current</u>			
At fair value through profit or loss compulsorily —			
Not listed (non-OTC)			
Beneficiary certificates of funds	<u>\$ 30,405</u>	<u>\$ 27,692</u>	<u>\$ 32,361</u>
<u>Financial liabilities —</u>			
<u>Current</u>			
Held for trading			
Derivatives (not designed for hedging)			
— Forward exchange agreement	<u>\$ 242</u>	<u>\$ 236</u>	<u>\$ 67</u>

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>June 30, 2024</u>			
Forward foreign exchange purchase	TWD to JPY	July to September 2024	TWD 4,336/ JPY 20,160
<u>Dec. 31, 2023</u>			
Forward foreign exchange purchase	TWD to JPY	January 2024 to July 2024	TWD 13,367/ JPY 85,610
<u>June 30, 2023</u>			
Forward foreign exchange purchase	TWD to JPY	July 2023	TWD 734/ JPY 3,100

The Company engages in forward exchange transactions primarily for the purpose of avoiding the risk incurred from foreign exchange fluctuation for foreign currency assets and liabilities.

VIII. Financial Assets Measured at Fair Value through Other Comprehensive Income

## Investments in Equity Instruments

June 30, 2024

### Non-current

#### Domestic investment

Listed (OTC) shares

Ordinary shares of BTL Inc.

\$206,295

IST resigned as a director of BTL Inc. in June 2024. The Company invested in ordinary shares of BTL Inc. based on a medium- and long-term strategy and expected to make profits through the long-term investment. The Company chose to have such investment measured at fair value through other comprehensive income because the management of the Company believed that short-term fluctuations in fair value of such investment to be listed in profits or losses would be inconsistent with the aforementioned long-term investment planning. For relevant explanation, please refer to Note 12.

## IX. Notes and Accounts Receivable –Net

	<u>June 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>June 30, 2023</u>
<u>Notes and Accounts</u>			
<u>Receivable</u>			
Measured at amortized cost			
Notes receivable	\$ 885	\$ 387	\$ 550
Accounts receivable	1,623,946	1,484,874	1,565,622
Less: Loss allowance	( <u>16,066</u> )	( <u>16,876</u> )	( <u>15,066</u> )
	<u>\$ 1,608,765</u>	<u>\$ 1,468,385</u>	<u>\$ 1,551,106</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:

#### June 30, 2024

	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	\$ 1,374,624	\$ 189,099	\$ 45,958	\$ 12,766	\$ 1,499	\$ 1,623,946
Loss allowance (Expected credit loss for the duration)	( <u>4,327</u> )	( <u>1,716</u> )	( <u>2,741</u> )	( <u>5,783</u> )	( <u>1,499</u> )	( <u>16,066</u> )
Amortized cost	<u>\$ 1,370,297</u>	<u>\$ 187,383</u>	<u>\$ 43,217</u>	<u>\$ 6,983</u>	<u>\$ -</u>	<u>\$ 1,607,880</u>

#### 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)	( <u>1,949</u> )	( <u>1,810</u> )	( <u>5,688</u> )	( <u>1,066</u> )	( <u>6,363</u> )	( <u>16,876</u> )
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>

#### June 30, 2023

	Not overdue	Overdue for 1~90 days	Overdue for 91~180 days	Overdue for 180~365 days	Overdue for over 365 days	Total
Total book amount	\$ 1,405,135	\$ 139,599	\$ 8,798	\$ 1,998	\$ 10,092	\$ 1,565,622
Loss allowance (Expected credit loss)	( <u>1,898</u> )	( <u>1,299</u> )	( <u>513</u> )	( <u>1,264</u> )	( <u>10,092</u> )	( <u>15,066</u> )

for the duration)						
Amortized cost	\$ 1,403,237	\$ 138,300	\$ 8,285	\$ 734	\$ -	\$ 1,550,556

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

	2024 H1	2023 H1
Beginning balance	\$ 16,876	\$ 14,052
Add: Impairment loss allocated for the period	-	1,054
Less: Impairment loss reversed for the period	( 821)	-
Less: Amounts written off actually for the period	-	( 35)
Foreign exchange differences	11	( 5)
Ending balance	\$ 16,066	\$ 15,066

#### X. Finance Leases Receivable

	June 30, 2024	Dec. 31, 2023	June 30, 2023
Lease payments not discounted			
1 <sup>st</sup> year	\$ 16,936	\$ -	\$ 2,196
2 <sup>nd</sup> year	16,095	-	-
3 <sup>rd</sup> year	13,850	-	-
4 <sup>th</sup> year	6,438	-	-
5 <sup>th</sup> year	2,757	-	-
	56,076	-	2,196
Less: Finance incomes not earned yet	( 1,851)	-	( 8)
Lease payments receivable	54,225	-	2,188
Net investment in the lease (expressed as finance leases receivable)	\$ 54,225	\$ -	\$ 2,188

#### XI. Subsidiaries

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding percentage			Explanation
			June 30, 2024	Dec. 31, 2023	June 30, 2023	
IST	Samoa IST	Investment	100%	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%	100%	—
	Supreme Fortune Corp.	Investment	100%	100%	100%	—

	Prosperity Power Technology Inc. (PPT Company)	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	71%	75%	75%	Notes 2 and 5
Samoa IST	Seychelles IST Integrated Service Technology USA Inc. (Integrated USA)	Investment	100%	100%	100%	—
		R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.	100%	100%	100%	—

(Continued on next page)

(Brought forward from previous page)

Name of investing company	Name of subsidiary	Nature of business	Shareholding percentage			Explanation
			June 30, 2024	Dec. 31, 2023	June 30, 2023	
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%	6%	Notes 2 and 5
Seychelles IST	Integrated Service Technology (Kunshan) Co., Ltd. (IST KS Company)	Product testing and relevant business	100%	100%	100%	—
	System Integration Professional Technology (SIP KS Company)	Circuit design service	100%	100%	100%	Note 3
Supreme Fortune Corp.	Hot Light Co., Ltd.	Investment	100%	100%	100%	—
IST KS Company	Instrument Supply Technology (Kunshan) Co., Ltd. (IST-trade KS Company)	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	100%	100%	100%	—
	Integrated Service Technology (Shanghai) Co., Ltd (Xinchuang IST Shanghai)	Service of inspection and testing	100%	-	-	Note 6
Hot Light Co., Ltd.	He Chou Technology Inc. (He Chou Company)	Circuit design service	100%	100%	100%	Note 4

Note 1: As of June 30, 2023, 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. In addition, ITS Company merged with PPT Company on Mar. 31, 2024. (PPT Company is the surviving company while ITS Company is the dissolved company. For further information, please refer to Note 5.) All the ITS shares possessed by the Company were exchanged for PPT shares as of June 30, 2024.

Note 2: As of Dec. 31, 2023 and June 30, 2023, the percentage of the total ITS shares possessed by the Company was 81%. ITS Company merged with PPT Company on Mar. 31, 2024. (PPT Company is the surviving company while ITS Company is the dissolved company. For further information, please refer to Note 5.) IST exchanged 13,622 thousand shares of ITS Company for 3,593 thousand shares of PPT Company, and the percentage of the PPT shares held by IST decreased from 75% to 71%. Pin Wen Company exchanged 2,672 thousand shares of ITS Company for 705 thousand shares of PPT Company, and the percentage of the PPT shares held by Pin Wen Company was 6%. The Company held 77% of PPT shares aggregately as of June 30, 2024.

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 June 30, 2024, Dec. 31, 2023 and June 30, 2023.

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 ITS Company and PPT Company 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 ITS Company. The new shares will be issued to shareholders of ITS Company at the aforementioned exchange ratio. The merger was resolved at the extraordinary meeting of shareholders held on Dec. 8, 2023. For the merger and ownership swap case, PPT Company issued a total of 6,982 thousand ordinary shares for increase of capital, and the capital increase base date was Mar. 31, 2024.

Note 6: In April 2024, IST KS Company invested in and established Xinchuang IST Shanghai, which mainly provides the service of inspection and testing.

The aforementioned subsidiaries did not meet the definition of important subsidiaries provided in Article 2-1 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants revised and published on Jan. 24, 2019 by Financial Supervisory Commission for 2024 H1, except Samoa IST, ITS Company and PPT Company, and for 2023 H1 except ITS Company and PPT Company. Their financial statements have not been reviewed by CPAs.

## XII. Investments Accounted for Using the Equity Method

	<u>June 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>June 30, 2023</u>
Investments in Associates			
Dekra iST (Dekra Company)	\$ 699,487	\$ 678,942	\$ 648,311
BTL Inc. (BTL Inc.)	-	117,647	122,484
Motor Semiconductor Co., Ltd. (MS Company)	27,537	32,870	39,116
Individual immaterial associates			
EFUN Technology Inc. (EFUN Company)	748	947	897
Huan Ying Sustainable Development Technology (Huan Ying Company)	<u>1,560</u>	<u>3,424</u>	<u>1,954</u>

(Note)

\$ 729,332      \$ 833,830      \$ 812,762

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

Material Associates are listed as follows:

Company Name	Percentage of ownership and voting rights held by the Company		
	June 30, 2024	Dec. 31, 2023	June 30, 2023
Dekra Company	49%	49%	49%
BTL Inc.	-	10%	10%
MS Company	21%	21%	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. IST resigned as a director of BTL Inc. in June 2024. IST possessed the shares of BTL Inc. for investment based on a medium- and long-term strategy and expected to make profits through the long-term investment. Thus, the shares were transferred to the financial assets measured at fair value through other comprehensive income.

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:

Company Name	Dec. 31, 2023	June 30, 2023
BTL Inc.	<u>\$184,620</u>	<u>\$170,850</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."

Investments accounted for using the equity method and the profits and other comprehensive incomes thereof enjoyed by the Company are recognized based on the financial statements not reviewed by CPAs.

XIII. Property, Plant and Equipmen

	June 30, 2024	Dec. 31, 2023	June 30, 2023
Self-used	\$ 3,920,661	\$ 3,786,941	\$ 3,829,038
Rented out under operating lease	<u>29,850</u>	<u>33,583</u>	<u>38,282</u>
	<u>\$ 3,950,511</u>	<u>\$ 3,820,524</u>	<u>\$ 3,867,320</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, 2024	\$ 30,852	\$ 2,177,663	\$ 3,285,753	\$ 4,261	\$ 24,403	\$ 271,074	\$ 343,649	\$ 282,609	\$ 6,420,264
Additions	-	3,075	25,005	-	1,265	6,036	1,251	445,325	481,957
Disposals	-	( 14,355)	( 334,983)	-	( 9,939)	( 5,956)	( 34,585)	-	( 399,818)
Reclassification	-	47,540	291,650	-	600	-	18,129	( 357,919)	-
Net exchange difference	-	2,244	5,707	177	153	-	62	-	8,343
Balance at Jun. 30, 2024	<u>\$ 30,852</u>	<u>\$ 2,216,167</u>	<u>\$ 3,273,132</u>	<u>\$ 4,438</u>	<u>\$ 16,482</u>	<u>\$ 271,154</u>	<u>\$ 328,506</u>	<u>\$ 370,015</u>	<u>\$ 6,510,746</u>
<u>Accumulated depreciation</u>									
Balance at Jan. 1, 2024	\$ -	\$ 555,673	\$ 1,671,329	\$ 2,736	\$ 21,053	\$ 176,374	\$ 171,834	\$ -	\$ 2,598,999
Depreciation expenses	-	69,496	245,006	325	2,441	4,190	26,008	-	347,466
Disposals	-	( 14,355)	( 327,604)	-	( 9,939)	( 5,956)	( 34,585)	-	( 392,439)
Net exchange difference	-	928	4,186	123	126	-	24	-	5,387
Balance at Jun. 30, 2024	<u>\$ -</u>	<u>\$ 611,742</u>	<u>\$ 1,592,917</u>	<u>\$ 3,184</u>	<u>\$ 13,681</u>	<u>\$ 174,608</u>	<u>\$ 163,281</u>	<u>\$ -</u>	<u>\$ 2,559,413</u>
<u>Accumulated impairment</u>									
Balance at Jan. 1, 2024	\$ -	\$ -	\$ 34,190	\$ -	\$ 134	\$ -	\$ -	\$ -	\$ 34,324
Disposals	-	-	( 4,191)	-	-	-	-	-	( 4,191)
Net exchange difference	-	-	532	-	7	-	-	-	539
Balance at Jun. 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,531</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,672</u>
Net at Jun. 30, 2024	<u>\$ 30,852</u>	<u>\$ 1,604,425</u>	<u>\$ 1,649,684</u>	<u>\$ 1,254</u>	<u>\$ 2,660</u>	<u>\$ 96,546</u>	<u>\$ 165,225</u>	<u>\$ 370,015</u>	<u>\$ 3,920,661</u>
Net at Dec. 31, 2023 and Jan. 1, 2024	<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>

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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>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	-	12,020	35,530	-	23	853	5,409	285,989	339,824
Disposals	-	( 770)	( 439,495)	-	( 1,310)	( 8,524)	( 5,142)	-	( 455,241)
Reclassification	-	50,270	148,001	-	-	3,327	16,608	( 209,935)	8,271
Net exchange difference	-	( 1,012)	( 2,539)	( 82)	( 70)	-	( 29)	-	( 3,732)
Balance at Jun. 30, 2023	<u>\$ 30,852</u>	<u>\$ 2,182,209</u>	<u>\$ 3,849,847</u>	<u>\$ 4,239</u>	<u>\$ 34,474</u>	<u>\$ 318,807</u>	<u>\$ 350,646</u>	<u>\$ 232,359</u>	<u>\$ 7,003,433</u>
<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	-	67,965	253,875	320	3,248	3,167	24,570	-	353,145
Disposals	-	( 770)	( 439,451)	-	( 1,310)	( 8,524)	( 5,142)	-	( 455,197)
Reclassification	-	-	3,308	-	-	-	-	-	3,308
Net exchange difference	-	( 345)	( 1,767)	( 48)	( 52)	-	( 8)	-	( 2,220)
Balance at Jun. 30, 2023	<u>\$ -</u>	<u>\$ 491,606</u>	<u>\$ 2,202,820</u>	<u>\$ 2,407</u>	<u>\$ 28,257</u>	<u>\$ 232,868</u>	<u>\$ 182,147</u>	<u>\$ -</u>	<u>\$ 3,140,105</u>
<u>Accumulated impairment</u>									
Balance at Jan. 1, 2023	\$ -	\$ -	\$ 34,445	\$ -	\$ 136	\$ -	\$ -	\$ -	\$ 34,581
Disposals	-	-	( 44)	-	-	-	-	-	( 44)
Net exchange difference	-	-	( 244)	-	( 3)	-	-	-	( 247)
Balance at Jun. 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,157</u>	<u>\$ -</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,290</u>
Net at Jun. 30, 2023	<u>\$ 30,852</u>	<u>\$ 1,690,603</u>	<u>\$ 1,612,870</u>	<u>\$ 1,832</u>	<u>\$ 6,084</u>	<u>\$ 85,939</u>	<u>\$ 168,499</u>	<u>\$ 232,359</u>	<u>\$ 3,829,038</u>

No impairment loss was recognized by the Company in either 2024 H1 or 2023 H1.

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

Building and structure	
Main buildings in the plant	35~50 years
Building renovation	5~20 years
Mechanical equipment	1~10 years
Transportation equipment	2~6 years
Office equipment	2~6 years
Leased improvements	2~15 years
Other equipment	3~20 years

For the amounts of the property, plant and equipment pledged by the Company, please refer to Note 31.

## (II) Renting Out Under Operating Lease

	Land	Building and structure	Other equipment	Total
<u>Cost</u>				
Balance at Jan. 1 and Jun. 30, 2024	<u>\$ 12,583</u>	<u>\$ 84,402</u>	<u>\$ -</u>	<u>\$ 96,985</u>
<u>Accumulated depreciation</u>				
Balance at Jan. 1, 2024	\$ -	\$ 63,402	\$ -	\$ 63,402

Depreciation expenses	<u>          -</u>	<u>      3,733</u>	<u>          -</u>	<u>      3,733</u>
Balance at Jun. 30, 2024	<u>\$          -</u>	<u>\$  67,135</u>	<u>\$          -</u>	<u>\$  67,135</u>
Net at Jun. 30, 2024	<u>\$  12,583</u>	<u>\$  17,267</u>	<u>\$          -</u>	<u>\$  29,850</u>
Net at Dec. 31, 2023 and Jan. 1, 2024	<u>\$  12,583</u>	<u>\$  21,000</u>	<u>\$          -</u>	<u>\$  33,583</u>

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	Land	Building and structure	Other equipment	Total
<u>Cost</u>				
Balance at Jan. 1, 2023	\$ 12,583	\$ 123,664	\$ 278	\$ 136,525
Disposals	<u>-</u>	<u>( 2,193)</u>	<u>( 278)</u>	<u>( 2,471)</u>
Balance at Jun. 30, 2023	<u>\$ 12,583</u>	<u>\$ 121,471</u>	<u>\$ -</u>	<u>\$ 134,054</u>
<u>Accumulated depreciation</u>				
Balance at Jan. 1, 2023	\$ -	\$ 93,049	\$ 261	\$ 93,310
Depreciation expenses	-	4,916	17	4,933
Disposals	<u>-</u>	<u>( 2,193)</u>	<u>( 278)</u>	<u>( 2,471)</u>
Balance at Jun. 30, 2023	<u>\$ -</u>	<u>\$ 95,772</u>	<u>\$ -</u>	<u>\$ 95,772</u>
Net at Jun. 30, 2023	<u>\$ 12,583</u>	<u>\$ 25,699</u>	<u>\$ -</u>	<u>\$ 38,282</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:

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
1st year	\$ 7,088	\$ 7,088	\$ 7,088
2nd year	7,088	7,088	7,088
3rd year	7,088	7,088	7,088
4th year	2,952	6,496	7,088
5th year	<u>-</u>	<u>-</u>	<u>2,952</u>
	<u>\$ 24,216</u>	<u>\$ 27,760</u>	<u>\$ 31,304</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

#### XIV. Lease Agreement

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

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Book amount of right-of-use assets			
Land	\$ 146,276	\$ 148,700	\$ 151,125
Building	130,290	142,776	128,977
Transportation equipment	7,880	9,581	10,484
Mechanical equipment	4,686	4,966	5,248
Office equipment	<u>525</u>	<u>646</u>	<u>-</u>
	<u>\$ 289,657</u>	<u>\$ 306,669</u>	<u>\$ 295,834</u>

	<u>2024 Q2</u>	<u>2023 Q2</u>	<u>2024 H1</u>	<u>2023 H1</u>
Added right-of-use assets			<u>\$ 46,130</u>	<u>\$ 41,487</u>
Expense of depreciation of right-of-use assets				
Land	\$ 1,212	\$ 1,212	\$ 2,424	\$ 2,424
Building	12,191	11,833	24,310	23,044
Transportation equipment	1,547	1,537	3,143	3,023
Mechanical equipment	140	140	280	694
Office equipment	<u>61</u>	<u>-</u>	<u>121</u>	<u>-</u>
	<u>\$ 15,151</u>	<u>\$ 14,722</u>	<u>\$ 30,278</u>	<u>\$ 29,185</u>
Proceeds from sublease of right-of-use assets (Listed as other incomes in the books)	<u>( \$ 4,234 )</u>	<u>( \$ 1,098 )</u>	<u>( \$ 8,410 )</u>	<u>( \$ 2,196 )</u>

Except the depreciation expenses added and recognized above, neither material sublease nor material impairment occurred with respect to the right-of-use assets of the Company for either 2024 H1 or 2023 H1.

##### (II) Lease Liabilities

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Book amount of lease liabilities			
Current	<u>\$ 71,689</u>	<u>\$ 59,353</u>	<u>\$ 57,021</u>
Non-current	<u>\$ 281,588</u>	<u>\$ 258,396</u>	<u>\$ 252,063</u>

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

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Land	2.76%	2.76%	2.76%
Building	1.62%~4.75%	1.62%~4.75%	1.62%~4.75%
Transportation equipment	4.97%~5.78%	2.50%~5.78%	2.50%~5.78%
Mechanical equipment	1.56%~2.00%	1.56%~2.00%	1.56%~2.00%
Office equipment	5.78%	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 2 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 10 and 13.

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:

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
1 <sup>st</sup> year	\$ 2,592	\$ -	\$ 6,638
2 <sup>nd</sup> year	2,592	-	-
3 <sup>rd</sup> year	1,728	-	-
	<u>\$ 6,912</u>	<u>\$ -</u>	<u>\$ 6,638</u>

(V) Other Lease Information

	2024 Q2	2023 Q2	2024 H1	2023 H1
Short-term lease expenses	<u>\$ 2,836</u>	<u>\$ 1,141</u>	<u>\$ 5,526</u>	<u>\$ 2,263</u>
Low-value asset lease expenses	<u>\$ 129</u>	<u>\$ 38</u>	<u>\$ 177</u>	<u>\$ 90</u>
Total cash provided from (used in) leases			( <u>\$ 49,434</u> )	( <u>\$ 40,267</u> )

XV. Other Intangible Assets

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Computer software	\$ 12,011	\$ 9,966	\$ 10,877
Others	<u>766</u>	<u>834</u>	<u>933</u>
	<u>\$ 12,777</u>	<u>\$ 10,800</u>	<u>\$ 11,810</u>

Neither material disposal nor impairment occurred with respect to other intangible assets of the Company for either 2024 H1 or 2023 H1, except the amortization expenses increased and recognized. Amortization expenses were allocated based on the following service lives on a straight-line basis.

Computer software	2~10 years
Others	3 years

XVI. Prepayments and Other Current Assets

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Inventory of supplies	\$ 40,322	\$ 36,623	\$ 38,057
Prepaid materials			
stipulated in work order	28,126	66,159	54,223
Tax overpaid retained for			
offsetting the future tax			
payable	22,856	19,473	16,531
Prepaid expenses	15,843	10,577	16,365
Payment in advance	15,654	10,671	1,830
Others	<u>1,981</u>	<u>2,143</u>	<u>1,629</u>
	<u>\$ 124,782</u>	<u>\$ 145,646</u>	<u>\$ 128,635</u>

XVII. Short-term Borrowings

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
<u>Loans without collateral</u>			
Working capital loan	<u>\$ 732,942</u>	<u>\$ 961,126</u>	<u>\$ 669,282</u>

Interest rates for the working capital loans provided by the bank were 1.95%~6.58%, 1.82%~6.74% and 1.82%~6.26% on Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023, respectively.

XVIII. Long-term Borrowings

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
<u>Guaranteed loans</u>			
Syndicated bank loans -			
A-1 (1)	\$ 120,000	\$ 140,000	\$ 300,000

Bank loans (2)	11,846	263,160	269,386
<u>Loans without collateral</u>			
Syndicated bank loans -			
A-2 (1)	20,000	30,000	150,000
Syndicated bank loans - B	-		-
(1)		100,000	
Credit loan (3)	<u>1,791,466</u>	<u>1,317,981</u>	<u>1,200,725</u>
	1,943,312	1,851,141	1,920,111
Less: Unamortized balance			
of the expenses			
incurred by the			
organizer of			
syndicated loans	( 700)	( 1,000)	( 1,300)
Current portion of			
non-current			
borrowings	( <u>121,006</u> )	( <u>131,199</u> )	( <u>193,891</u> )
Long-term borrowings	<u>\$ 1,821,606</u>	<u>\$ 1,718,942</u>	<u>\$ 1,724,920</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 2.67%~2.77%, 2.53%~2.64% and 2.53%~2.64% on Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023, respectively. For the aforementioned credit contract, certain buildings, mechanical equipment and bank deposits of IST have been mortgaged to the bank. (Please see Note 31.)

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 31.) The maturity dates of the loans as of Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 are at the end of August 2028, March 2032 and March 2032. The annual interest rates on Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 were 2.58%, 1.70%~2.45% and 1.70%~2.25% respectively.
- (III) The maturity dates of the credit loans as of Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 are at the end of March 2032, November 2030 and March 2028. The annual interest rates on Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 were 0.50%~3.94%, 1.52%~3.81% and 1.86%~3.81% 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 an 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%.

XIX. Other Current Liabilities

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
<u>Other payables</u>			
Wages and bonuses payable	\$ 322,220	\$ 300,179	\$ 252,972
Remunerations payable to employees and directors	54,720	30,920	50,240
Bonus for unused leave	<u>20,143</u>	<u>16,544</u>	<u>15,100</u>
	397,083	347,643	318,312
<u>Other current liabilities</u>			
Others (Note)	<u>236,857</u>	<u>226,883</u>	<u>225,787</u>
	<u>\$ 633,958</u>	<u>\$ 574,526</u>	<u>\$ 544,099</u>

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

XX. Post-employment Benefit Plan

The defined benefit plan related pension benefits recognized for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 were calculated at the pension cost rate

determined actuarially on Dec. 31, 2023 and Dec. 31, 2022 respectively, and the amount of such pension benefits was NTD (61) thousand and NTD (73) thousand, NTD(122) thousand and NTD (145) thousand respectively.

## XXI. Equity

### (I) Ordinary Share

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Authorized number of shares (In thousands of shares)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (In thousands of shares)	<u>74,041</u>	<u>75,541</u>	<u>74,775</u>
Capital stock issued	<u>\$ 740,409</u>	<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. The date of capital increase was Aug. 4, 2023. The change registration was completed on Sep. 21, 2023.

IST resolved at the board meeting of Nov. 3, 2023 to approve conversion of employee stock warrants into 234 thousand shares with par value NTD 10. The subscription price per share was NTD 53.22. The date of capital increase was Nov. 3, 2023. The change registration was completed on Dec. 4, 2023.

IST resolved at the board meeting of Mar. 6, 2024 to approve conversion of employee stock warrants into 30 thousand shares with par value NTD 10. The subscription price per share was NTD 52.14~NTD 52.76. The date of capital increase was Mar. 6, 2024. The change registration was completed on Apr. 17, 2024.

IST resolved at the board meeting of Apr. 26, 2024 to approve conversion of employee stock warrants into 32 thousand shares with par value NTD 10. The subscription price per share was NTD 51.55~NTD 52.14. The date of capital increase was Apr. 29, 2024. The change registration was completed on May 21, 2024.

IST employees exercised their stock options for 219 thousand shares in June 2024. The subscription price per share was NTD 51.11. The received amount for the shares was NTD 11,168 thousand in total. The board of directors resolved on July 11, 2024 that the date of capital increase should be July 11, 2024. As of June 30, 2024, the amount was listed in the capital

collected in advance because the procedure of the required change registration had not been completed.

(II) Capital Reserve

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
<u>May be used to offset</u> <u>deficits, distribute</u> <u>cash or transfer to</u> <u>share capital (Note 1)</u>			
Additional paid-in capital	\$ 2,092,369	\$ 2,132,703	\$ 2,085,234
<u>May be Used to offset</u> <u>deficits only</u>			
Changes in equity of associates accounted for using the equity method	2,943	13,697	13,687
Recognized changes in ownership interests in subsidiaries (Note 2)	3,958	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	19	19
<u>Not used for any</u> <u>purpose</u>			
Stock option	<u>18,631</u>	<u>18,107</u>	<u>28,325</u>
	<u>\$ 2,117,920</u>	<u>\$ 2,172,448</u>	<u>\$ 2,157,803</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 2024 H1 and 2023 H1 is as follows:

<u>Stock issuance</u> <u>premium</u>	<u>Stock option</u>	<u>Recognized</u> <u>changes in</u>	<u>Changes in</u> <u>equity of</u>	<u>Others</u>
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			ownership interests of subsidiaries	associates accounted for using the equity method	
Balance at Jan. 1, 2023	\$ 2,085,234	\$ 24,775	\$ 30,538	\$ 2,465	\$ -
Changes in equity of associates accounted for using the equity method	-	-	-	11,222	-
Share-based payment	-	3,550	-	-	-
Exercise of the right to obtain gains on the sale of shares held by their holders for less than 6 months	-	-	-	-	19
Balance at Jun. 30, 2023	<u>\$ 2,085,234</u>	<u>\$ 28,325</u>	<u>\$ 30,538</u>	<u>\$ 13,687</u>	<u>\$ 19</u>
Balance at Jan. 1, 2024	\$ 2,132,703	\$ 18,107	\$ 7,922	\$ 13,697	\$ 19
Recognized changes in ownership interests of subsidiaries	-	-	( 3,964 )	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	1,956	-
Disposal of investments accounted for using equity method	-	-	-	( 12,710 )	-
Share-based payment	-	1,689	-	-	-
Share premium of ordinary shares issued under employee stock option plan	3,774	( 1,165 )	-	-	-
Treasury shares retired	( 44,108 )	-	-	-	-
Balance at Jun. 30, 2024	<u>\$ 2,092,369</u>	<u>\$ 18,631</u>	<u>\$ 3,958</u>	<u>\$ 2,943</u>	<u>\$ 19</u>

### (III) Retained Earnings and Dividend Policies

According to IST's articles of incorporation, for any distribution of earnings, IST shall make good of the previous year's loss (including the adjusted amount of undistributed earnings) first, and allocate 10% of the rest of the earnings as legal reserve. However, if legal reserve reaches the amount of IST's total paid-in capital, no legal reserve shall be allocated. Then special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. After retaining such earnings as considered necessary by the board of directors for business operation, the board of directors shall prepare an earning distribution proposal for the rest of the earnings, together with the undistributed earnings at the beginning of the year (including the adjusted amount of undistributed earnings), and resolve to allocate dividends and bonuses to shareholders based on the proposal. For such policies concerning remunerations to employees and directors as provided in IST's articles of incorporation, please refer to Note 23(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 2024, 2023 and 2022 and the cash dividends per share were resolved at the board meeting as follows:

	<u>2024 Q2</u>	<u>2024 Q1</u>
Date of resolution by the board of director	Aug. 5, 2024	Apr. 26, 2024
Legal reserve	<u>\$ 17,245</u>	<u>\$ 5,325</u>

Special reserve	(\$ 2,044)	(\$ 15,539)
Cash dividends	<u>\$ 96,644</u>	<u>\$ 74,040</u>
Cash dividends per share (NTD)	\$ 1.3	\$ 1

	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

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, 2024 and June 14, 2023 to resolve on distribution of earnings for 2023 and 2022.

The above cash dividends for each quarter of 2024 have been resolved by the board of directors to be allocated.

(IV) Special Reserve

	2024 H1	2023 H1
Beginning balance	<u>\$ 69,941</u>	<u>\$ 74,898</u>
Allocated special reserve		
Allocated deduction of other equity items	<u>350</u>	<u>4,115</u>
Ending balance	<u>\$ 70,291</u>	<u>\$ 79,013</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 reversal 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

1. Exchange Differences on Translation of Financial Statements of Foreign Operations

	2024 H1	2023 H1
	<u>(\$ 85,830)</u>	<u>(\$ 82,453)</u>
Beginning balance		
Generated in the		
current period		
Exchange		
differences		
arising on		
translating		
financial		
statements of		
foreign		
operations	14,297	1,048
Share of		
translation		
differences of		
associates		
accounted for		
using the equity		
method	5,733	( 5,157)
Reclassification		
Disposal of		
investments		
accounted for		
using equity		
method	<u>868</u>	<u>-</u>
Ending balance	<u>(\$ 64,932)</u>	<u>(\$ 86,562)</u>

2. Unrealized Gains (Losses) from Financial Assets Measured at Fair Value through Other Comprehensive Income

	<u>2024 H1</u>
Beginning balance	\$ -
Generated in the current period	
Unrealized gains or losses	
Equity instruments	( <u>3,315</u> )
Other comprehensive income for the period	( <u>3,315</u> )
Ending balance	( <u><u>\$ 3,315</u></u> )

(VI) Non-controlling Interests

	<u>2024 H1</u>	<u>2023 H1</u>
Beginning balance	\$ 55,574	\$103,963
Net loss of the period	( 15,456 )	( 42,704 )
Non-controlling interests increasing due to share swap by cash (Note 27)	<u>3,964</u>	<u>-</u>
Ending balance	<u><u>\$ 44,082</u></u>	<u><u>\$ 61,259</u></u>

(VII) Treasury Shares

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

(Continued on next page)

(Brought forward from previous page)

Reason of recall	Purchased back to be retired (In thousands of shares)
Number of shares at Jan. 1, 2024	1,562
Shares decreased in the period	( <u>1,562</u> )
Number of shares at Jun. 30, 2024	<u><u>-</u></u>

To maintain corporate credit and shareholders' equity, the Company resolved at the board meeting of Nov. 3, 2023 to buy 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 purchased back 1,562 thousand treasury shares and the buyback cost 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 registration of such change was completed on Apr. 17, 2024.

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.

## XXII. Revenue

	2024 Q2	2023 Q2	2024 H1	2023 H1
Revenue from contracts with customers				
Revenue from inspection and testing services	<u>\$ 1,053,057</u>	<u>\$ 973,048</u>	<u>\$ 2,122,349</u>	<u>\$ 1,954,366</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 merchandise is transferred and 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

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023	Jan. 1, 2023
Accounts receivable (Note 9)	<u>\$ 1,607,880</u>	<u>\$ 1,467,998</u>	<u>\$ 1,550,556</u>	<u>\$ 1,310,395</u>
Accounts receivable due from related parties (Note 30)	<u>\$ 16,231</u>	<u>\$ 19,140</u>	<u>\$ 14,967</u>	<u>\$ 17,316</u>
Contract assets				
Labor service	<u>\$ 4,450</u>	<u>\$ 5,963</u>	<u>\$ 9,288</u>	<u>\$ 11,620</u>
Contract liabilities				
Customer loyalty program	\$ 78,019	\$ 87,570	\$ 58,497	\$ 62,145
Unearned sales revenue	<u>45,414</u>	<u>46,923</u>	<u>43,825</u>	<u>55,684</u>
	<u>\$ 123,433</u>	<u>\$ 134,493</u>	<u>\$ 102,322</u>	<u>\$ 117,829</u>

(III) Itemized Revenue from Contracts with Customers

	2024 H1	2023 H1
<u>Main regional markets</u>		
Asia	\$ 1,637,904	\$ 1,608,517
America	398,885	300,744
Others	<u>85,560</u>	<u>45,105</u>
	<u>\$ 2,122,349</u>	<u>\$ 1,954,366</u>

XXIII. Net Profit of Continuing Operations

(I) Interest Income

	2024 Q2	2023 Q2	2024 H1	2023 H1
Bank deposits	\$ 2,354	\$ 2,178	\$ 4,201	\$ 4,289
Net investment in the lease	269	11	554	26
Others	<u>62</u>	<u>38</u>	<u>170</u>	<u>67</u>
	<u>\$ 2,685</u>	<u>\$ 2,227</u>	<u>\$ 4,925</u>	<u>\$ 4,382</u>

(II) Other Incomes

	2024 Q2	2023 Q2	2024 H1	2023 H1
Income from operating lease	\$ 3,877	\$ 7,012	\$ 7,815	\$ 13,556
Income from government subsidy	-	2,535	1,613	3,824
Profit from lease modification	-	-	73	-
Others	12,878	1,972	16,870	4,196
	<u>\$ 16,755</u>	<u>\$ 11,519</u>	<u>\$ 26,371</u>	<u>\$ 21,576</u>

(III) Other Gains and Losses

	2024 Q2	2023 Q2	2024 H1	2023 H1
Gains on disposal of investments accounted for using equity method	\$ 99,181	\$ -	\$ 99,181	\$ -
Net foreign exchange gain (loss)	4,085	1,769	13,253	( 2,084 )
Gain (loss) of financial assets and financial liabilities				
Financial assets at fair value through profit or loss	1,545	5,310	2,713	4,556
Financial liabilities at fair value through profit or loss	( 120 )	( 49 )	( 6 )	( 67 )
Net loss on disposals of property, plant and equipment	( 8 )	-	( 8 )	-
Others	( 6 )	( 16 )	( 16 )	( 20 )
	<u>\$ 104,677</u>	<u>\$ 7,014</u>	<u>\$ 115,117</u>	<u>\$ 2,385</u>

(IV) Financial Cost

	2024 Q2	2023 Q2	2024 H1	2023 H1
Interest on bank loans	\$ 13,977	\$ 14,201	\$ 28,676	\$ 27,446
Interest on lease liabilities	2,351	2,151	4,736	4,349
Amortization of the expenses incurred by the organizer of syndicated loans	150	150	300	300
Computed interest on security deposits	9	7	17	15
Other interest expenses	-	111	268	111
Less: Amounts listed in cost of qualifying assets	( 2,688 )	( 2,135 )	( 4,759 )	( 4,033 )
	<u>\$ 13,799</u>	<u>\$ 14,485</u>	<u>\$ 29,238</u>	<u>\$ 28,188</u>

Information relevant to capitalization of interest is as follows:

	2024 Q2	2023 Q2	2024 H1	2023 H1
Capitalized interest	\$ 2,688	\$ 2,135	\$ 4,759	\$ 4,033
Interest rate for capitalization of interest	2.05%~2.27%	2.25%~2.31%	2.05%~2.29%	1.93%~2.35%

(V) Depreciation and Amortization

	2024 Q2	2023 Q2	2024 H1	2023 H1
Depreciation expenses by functions				
Operating cost	\$ 154,116	\$ 156,028	\$ 311,562	\$ 316,044
Operating expenses	<u>35,166</u>	<u>35,637</u>	<u>69,915</u>	<u>71,219</u>
	<u>\$ 189,282</u>	<u>\$ 191,665</u>	<u>\$ 381,477</u>	<u>\$ 387,263</u>
Amortization expenses by function				
Operating cost	\$ 830	\$ 1,460	\$ 1,642	\$ 2,897
Management expenses	<u>1,236</u>	<u>1,185</u>	<u>2,053</u>	<u>2,335</u>
	<u>\$ 2,066</u>	<u>\$ 2,645</u>	<u>\$ 3,695</u>	<u>\$ 5,232</u>

(VI) Employee Benefit Expenses

	2024 Q2	2023 Q2	2024 H1	2023 H1
Short-term employee benefits	\$ 425,094	\$ 365,609	\$ 827,586	\$ 726,424
Post-employment benefits				
Defined contribution plan	12,083	11,246	23,937	22,242
Defined benefit plan (Note 20)	( 61 )	( 73 )	( 122 )	( 145 )
Share-based payment				
Equity settlement	<u>844</u>	<u>1,412</u>	<u>1,689</u>	<u>3,550</u>
Total employee benefit expenses	<u>\$ 437,960</u>	<u>\$ 378,194</u>	<u>\$ 853,090</u>	<u>\$ 752,071</u>
Compiled by functions				
Operating cost	\$ 310,602	\$ 277,053	\$ 614,192	\$ 550,917
Operating expenses	<u>127,358</u>	<u>101,141</u>	<u>238,898</u>	<u>201,154</u>
	<u>\$ 437,960</u>	<u>\$ 378,194</u>	<u>\$ 853,090</u>	<u>\$ 752,071</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 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 are listed as follows:

Estimated Percentage

	2024 H1	2023 H1
Employees' remuneration	5%	5%
Directors' remuneration	2%	2%

Amount

	2024 Q2	2023 Q2	2024 H1	2023 H1
Employees' remuneration	\$ 9,660	\$ 7,660	\$ 17,000	\$ 14,460
Directors' remuneration	\$ 4,270	\$ 3,050	\$ 6,800	\$ 5,780

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

The employees' remuneration and directors' remuneration for 2023 and 2022 were resolved at the board meeting held on Mar. 6, 2024 and Mar. 14, 2023 respectively.

Amount

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

There is no difference between the actually distributed amounts of the employees' remuneration and directors' remuneration for the years 2023 and

2022 and the corresponding amounts recognized in the consolidated financial statements of 2023 and 2022.

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.

#### XXIV. Income Tax

##### (I) Income Tax Recognized in Profit or Loss

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

	2024 Q2	2023 Q2	2024 H1	2023 H1
Current income tax				
Incurred for the current period	\$ 24,072	\$ 9,282	\$ 24,147	\$ 38,219
Adjustments for previous years	<u>2,905</u>	<u>( 17,623 )</u>	<u>( 12,719 )</u>	<u>( 17,623 )</u>
	26,977	( 8,341 )	11,428	20,596
Deferred income tax				
Incurred for the current period	<u>( 242 )</u>	<u>( 140 )</u>	<u>( 1,248 )</u>	<u>( 892 )</u>
Income tax expense (income) recognized in profit or loss	<u>\$ 26,735</u>	<u>( \$ 8,481 )</u>	<u>\$ 10,180</u>	<u>\$ 19,704</u>

##### (II) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by IST as of 2022 have been assessed by the tax authority.

#### XXV. Earnings Per Share

Unit : NTD per share

	2024 Q2	2023 Q2	2024 H1	2023 H1
Basic earnings per share	<u>\$ 2.33</u>	<u>\$ 2.02</u>	<u>\$ 4.13</u>	<u>\$ 3.33</u>
Diluted earnings per share	<u>\$ 2.31</u>	<u>\$ 1.98</u>	<u>\$ 4.09</u>	<u>\$ 3.26</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 Period

	2024 Q2	2023 Q2	2024 H1	2023 H1
Net profit used to calculate basic	<u>\$ 172,449</u>	<u>\$ 151,206</u>	<u>\$ 305,769</u>	<u>\$ 249,162</u>

earnings per share				
Net profit used to				
calculate diluted				
earnings per share	\$ 172,449	\$ 151,206	\$ 305,769	\$ 249,162

### Number of Shares

Unit: In Thousands of Shares

	2024 Q2	2023 Q2	2024 H1	2023 H1
Number of weighted average ordinary shares used to calculate basic earnings per share	74,031	74,775	74,009	74,775
Impact of the ordinary shares with dilution effect:				
Employee stock options	475	1,315	517	1,328
Employees' remuneration	111	149	170	253
Number of weighted average ordinary shares used to calculate diluted earnings per share	74,617	76,239	74,696	76,356

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.

## XXVI. 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	2024 H1		2023 H1	
	Unit (In thousands)	Exercise price (NTD)	Unit (In thousands)	Exercise price (NTD)
Outstanding at the beginning of the period	1,234	\$ 52.14	2,000	\$ 53.81
Issued this period	( 62 )	51.11~52.14	-	-
Outstanding at the end of the period	<u>1,172</u>	51.11	<u>2,000</u>	53.22
Exercisable at the end of the period	<u>404</u>		<u>1,000</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 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 was NTD 844 thousand, NTD 1,412 thousand, NTD 1,689 thousand and NTD 3,550 thousand respectively.

## XXVII. Equity Transactions with Non-controlling Interests

IST acquired 3,593 thousand shares of PPT Company by means of stock swap in March 2024, and the percentage of the PPT shares held by IST decreased from 75% to 71%. Pin Wen Company also acquired 705 thousand shares of PPT Company by means of stock swap, and the percentage of the PPT shares held by Pin Wen Company was 6%. The Company held 77% of PPT shares aggregately as of June 30, 2024.

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

	<u>PPT Company</u>
Received cash considerations	\$ -
Amount of non-controlling interests transferred from the book amount of net assets of subsidiaries calculated based on relative changes in equity	<u>3,964</u>
Differences in equity transactions	<u>\$ 3,964</u>
<u>Adjustments for differences in equity transactions</u>	
Capital reserve	<u>\$ 3,964</u>

#### XXVIII. 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 main 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 main management to balance its entire capital structure by paying dividends, issuing new shares, repurchasing shares, issuing new debts or repaying old debts.

XXIX. Financial Instruments

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

1. Hierarchy of Fair Value

June 30, 2024

	<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>30,405</u>	\$ <u>30,405</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments — Listed (OTC) — Domestic stocks	\$ <u>206,295</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>206,295</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivatives	\$ <u>-</u>	\$ <u>242</u>	\$ <u>-</u>	\$ <u>242</u>

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>

June 30, 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>32,361</u>	\$ <u>32,361</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivatives	\$ <u>-</u>	\$ <u>67</u>	\$ <u>-</u>	\$ <u>67</u>

There was no transfer between level 1 and level 2 fair value measurements in 2024 H1 and 2023 H1.

2. Valuation Technique and Input Value Measured at Level 2 Fair Value

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

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

	<u>Financial assets measured at fair value through profit or loss – Beneficiary certificates of funds</u>	
<u>Financial assets</u>	<u>2024 H1</u>	<u>2023 H1</u>
Beginning balance	\$ 27,692	\$ 27,282
Recognized in profit (loss)	<u>2,713</u>	<u>5,079</u>
Ending balance	\$ <u>30,405</u>	\$ <u>32,361</u>
Changes in the current unrealized profit or loss that are relevant to the assets held at the end of the period and recognized in	\$ <u>2,713</u>	\$ <u>5,079</u>

	Financial assets measured at fair value through profit or loss – Beneficiary certificates of funds	
Financial assets	2024 H1	2023 H1
profit or loss		

4. Valuation Technique and Input Value Measured at Level 3 Fair Value

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

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Liquidity discount	20%	20%	20%

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

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Liquidity discount			
Increased by			
1%	(\$ 380)	(\$ 346)	(\$ 405)
Decreased by			
1%	\$ 380	\$ 346	\$ 405

## (II) Type of Financial Instrument

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Measured at fair value through profit or loss compulsorily	\$ 30,405	\$ 27,692	\$ 32,361
Financial assets measured at fair value through other comprehensive income			
Equity instruments	206,295	-	-
Financial assets at amortized cost			
Cash and cash equivalents	752,761	928,238	774,420
Notes and accounts receivable, net	1,608,765	1,468,385	1,551,106
Accounts receivable due from related parties	16,231	19,140	14,967
Other receivables	249	11,462	1,271
Other receivables due from related parties	21,900	23,188	25,992
Other financial assets	15,723	15,210	16,957
Guarantee deposits paid	20,628	24,444	20,712
<u>Financial liabilities</u>			
Measured at fair value through profit or loss			
Measured at fair value through profit or loss compulsorily	242	236	67
Measured at amortized cost			
Current borrowings	732,942	961,126	669,282
Notes and accounts payable	250,516	184,209	232,322

Accounts payable to related parties	2,431	4,696	3,174
Payable on machinery and equipment	208,268	149,777	127,911
Long-term borrowings (including the current portion thereof)	1,942,612	1,850,141	1,918,811

### (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 33.

### Sensitivity Analysis

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

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

	Impact of USD		Impact of CNY		Impact of JPY	
	2024 H1	2023H1	2024 H1	2023 H1	2024 H1	2023 H1
Gain (loss)	\$ 8,040	\$ 3,617	\$ 480	\$ 14	( \$ 267 )	( \$ 230 )

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

## (2) Interest Rate Risk

Since entities in the Company borrow funds at both the fixed interest rate and the floating interest rate simultaneously, the Company is exposed to interest rate risk. The Company tries to maintain a combination of fixed and floating interest rates to manage interest rate risk.

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

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
With fair value			
interest rate risk			
— Financial			
assets	\$ 154,640	\$ 190,346	\$ 194,434
— Financial			
liabilities	498,140	480,225	446,751
With cash flow			
interest rate risk			
— Financial			
assets	606,875	749,887	591,064
— Financial			
liabilities	2,530,691	2,648,791	2,450,426

### 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 2024 H1 and 2023 H1 would be decreased/increased by NTD 9,619 thousand and NTD 9,297 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 Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023, 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. The maturity analysis for other non-derivative financial liabilities is prepared based on the agreed dates of repayment.

Jun. 30, 2024

	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	\$ 260,709	\$ 205,586	\$ 146,786	\$ -	\$ -
Lease liabilities	7,095	15,310	57,472	164,287	192,054
Floating rate instruments	112,173	222,470	374,442	1,588,239	233,367
Fixed rate instruments	-	28,555	116,308	-	-
	<u>\$ 379,977</u>	<u>\$ 471,921</u>	<u>\$ 695,008</u>	<u>\$1,752,526</u>	<u>\$ 425,421</u>

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

	Less than 1 year	1 ~ 5 years	5 ~ 10 years	10 ~ 15 years	15 ~ 20 years	Over 20years
Lease liabilities	<u>\$ 79,877</u>	<u>\$ 164,287</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 38,043</u>	<u>\$ 77,925</u>
Floating rate instruments	<u>\$ 709,085</u>	<u>\$1,588,239</u>	<u>\$ 233,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed rate instruments	<u>\$ 144,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### 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	\$ -	\$ -	\$ -	\$ -	\$ -

### Jun. 30, 2023

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

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

	Less than 1 year	1 ~ 5 years	5 ~ 10 years	10 ~ 15 years	15 ~ 20 years	Over 20years
Lease liabilities	\$ 88,865	\$ 205,914	\$ 38,043	\$ 38,043	\$ 38,043	\$ 85,534
Floating rate instruments	\$ 725,506	\$1,635,220	\$ 89,700	\$ -	\$ -	\$ -
Fixed rate instruments	\$ 137,667	\$ -	\$ -	\$ -	\$ -	\$ -

(2) Line of Credit

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Unsecured bank loan commitment, reviewed regularly			
— Used within the credit line	\$ 2,544,408	\$ 2,409,107	\$ 2,020,007
— Unused within the credit line	<u>2,258,124</u>	<u>2,039,260</u>	<u>1,992,887</u>
	<u>\$ 4,802,532</u>	<u>\$ 4,448,367</u>	<u>\$ 4,012,894</u>
Secured bank loan commitment			
— Used within the credit line	\$ 131,846	\$ 403,160	\$ 569,386
— Unused within the credit line	<u>-</u>	<u>6,000</u>	<u>40,000</u>
	<u>\$ 131,846</u>	<u>\$ 409,160</u>	<u>\$ 609,386</u>

XXX. 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 (which became a non-related party after June 2024)

(II) Service Income

<u>Item Listed in the Books</u>	<u>Type of Related Party</u>	<u>2024 Q2</u>	<u>2023 Q2</u>	<u>2024 H1</u>	<u>2023 H1</u>
Service income	Associates	<u>\$ 15,088</u>	<u>\$ 14,151</u>	<u>\$ 32,036</u>	<u>\$ 37,490</u>

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

(III) Accounts Receivable from Related Parties

<u>Item Listed in the Books</u>	<u>Type / Name of Related Party</u>	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Accounts receivable due from related parties	Associates			
	Dekra Company	\$ 13,790	\$ 18,516	\$ 14,587
	Dekra IST KS Company	2,378	624	380
	BTL Inc.	63	-	-
		<u>\$ 16,231</u>	<u>\$ 19,140</u>	<u>\$ 14,967</u>

Other receivables due from related parties	Associates			
	Dekra Company	\$ 21,900	\$ 23,188	\$ 19,034
	BTL Inc.	<u>-</u>	<u>-</u>	<u>6,958</u>
		<u>\$ 21,900</u>	<u>\$ 23,188</u>	<u>\$ 25,992</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 2024 H1 and 2023 H1 respectively.

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

(IV) Accounts Payable to Related Parties

Item Listed in the Books	Type / Name of Related Party	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Accounts payable to related parties	Associates			
	Dekra Company	\$ 2,348	\$ 4,693	\$ 3,158
	Dekra IST KS Company	<u>83</u>	<u>3</u>	<u>16</u>
		<u>\$ 2,431</u>	<u>\$ 4,696</u>	<u>\$ 3,174</u>
Payable on machinery and equipment	Associates	<u>\$ 1,299</u>	<u>\$ -</u>	<u>\$ -</u>
Other current liabilities	Associates	<u>\$ 1,347</u>	<u>\$ -</u>	<u>\$ 1,798</u>

(V) 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 3.17 to 10 years. Rents were determined based on the rents for similar assets, and fixed lease payments were collected pursuant to lease agreements monthly. The total lease payments to be collected as of Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 were NTD 31,128 thousand, NTD 27,760 thousand and NTD

37,942 thousand respectively. Lease incomes recognized for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1 were NTD 2,891 thousand, NTD 6,034 thousand, NTD 5,773 thousand and NTD 11,604 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 2024 H1 and 2023 H1. The net investment in the lease at the lease commencement date was NTD 62,081 thousand and NTD 4,718 thousand respectively, and the lease period was 3~5 years and 1.08 years respectively. The balance of finance leases receivable as of Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023 was NTD 54,225 thousand, NTD 0 and NTD 2,188 thousand respectively.

#### (VI) Guarantee Deposits Received

Item Listed in the Books	Type / Name of Related Party	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Guarantee deposits received	Associates Dekra Company	<u>\$ 2,005</u>	<u>\$ 2,005</u>	<u>\$ 2,005</u>

#### (VII) Manufacturing Expenses and Operating Expenses

Item Listed in the Books	Type of Related Party	2024 Q2	2023 Q2	2024 H1	2023 H1
Manufacturing expenses	Associates	<u>\$ 3,536</u>	<u>\$ 3,667</u>	<u>\$ 7,426</u>	<u>\$ 6,386</u>
Operating expenses	Associates	<u>\$ 54</u>	<u>\$ 1,154</u>	<u>\$ 85</u>	<u>\$ 3,254</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.

#### (VIII) Non-operating Incomes and Expenses

Item Listed in the Books	Type / Name of Related Party	2024 Q2	2023 Q2	2024 H1	2023 H1
Lease incomes	Associates Dekra Company	<u>\$ 2,891</u>	<u>\$ 6,034</u>	<u>\$ 5,773</u>	<u>\$ 11,604</u>

Other incomes	Associates Dekra Company	<u>\$ 1,957</u>	<u>\$ 1,834</u>	<u>\$ 3,913</u>	<u>\$ 3,508</u>
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Interest expenses	Associates	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 15</u>
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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.

(IX) Remunerations to Main Managements

	<u>2024 Q2</u>	<u>2023 Q2</u>	<u>2024 H1</u>	<u>2023 H1</u>
Short-term benefits	\$ 9,543	\$ 8,283	\$ 27,980	\$ 29,942
Post-employment benefits	100	100	200	200
Share-based payment	<u>64</u>	<u>161</u>	<u>127</u>	<u>321</u>
	<u>\$ 9,707</u>	<u>\$ 8,544</u>	<u>\$ 28,307</u>	<u>\$ 30,463</u>

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

XXXI. Pledged Assets

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

	<u>Jun. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jun. 30, 2023</u>
Property, plant and equipment	\$ 730,451	\$ 807,715	\$ 822,327
Demand deposit (Listed as other financial assets in the books)	15,723	15,010	16,757
Time deposit (Listed as other financial assets in the books)	<u>-</u>	<u>200</u>	<u>200</u>
	<u>\$ 746,174</u>	<u>\$ 822,925</u>	<u>\$ 839,284</u>

### XXXII. Material Contingent Liabilities and Unrecognized Contractual Commitments Contingencies

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

### XXXIII. 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									
	Jun. 30, 2024			Dec. 31, 2023			Jun. 30, 2023		
	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount	Foreign currency	Exchange rate	Book amount
Foreign currency assets									
<u>Monetary item</u>									
USD	\$ 13,469	32.4500 (USD: NTD)	\$ 437,069	\$ 10,122	30.7050 (USD: NTD)	\$ 310,796	\$ 8,281	31.1400 (USD: NTD)	\$ 257,870
JPY	63,173	0.2017 (JPY: NTD)	12,742	6,000	0.2172 (JPY: NTD)	1,303	6,383	0.2150 (JPY: NTD)	1,372
CNY	2,108	4.5532 (CNY: NTD)	<u>9,598</u>	9	4.3352 (CNY: NTD)	<u>39</u>	65	4.3096 (CNY: NTD)	<u>280</u>
			<u>\$ 459,409</u>			<u>\$ 312,138</u>			<u>\$ 259,522</u>
Foreign currency liabilities									
<u>Monetary item</u>									
USD	8,514	32.4500 (USD: NTD)	\$ 276,279	6,213	30.7050 (USD: NTD)	\$ 190,770	5,958	31.1400 (USD: NTD)	\$ 185,532
JPY	89,637	0.2017 (JPY: NTD)	<u>18,080</u>	96,469	0.2172 (JPY: NTD)	<u>20,953</u>	27,753	0.2150 (JPY: NTD)	<u>5,967</u>
			<u>\$ 294,359</u>			<u>\$ 211,723</u>			<u>\$ 191,499</u>
<u>Non-monetary item</u>									
JPY	1,202	0.2017 (JPY: NTD)	<u>\$ 242</u>	1,088	0.2172 (JPY: NTD)	<u>\$ 236</u>	309	0.2150 (JPY: NTD)	<u>\$ 67</u>

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

Functional currency	2024 Q2		2023 Q2	
	Functional currency to presentation currency	Net foreign exchange gain (loss)	Functional currency to presentation currency	Net foreign exchange gain (loss)
USD	32.4500 (USD: NTD)	\$ 819	31.1400 (USD: NTD)	\$ 1,938
JPY	0.2017 (JPY: NTD)	246	0.2150 (JPY: NTD)	133
CNY	4.5532 (CNY: NTD)	4	4.3096 (CNY: NTD)	1
		<u>\$ 1,069</u>		<u>\$ 2,072</u>

  

Functional currency	2024 H1		2023 H1	
	Functional currency to presentation currency	Net foreign exchange gain (loss)	Functional currency to presentation currency	Net foreign exchange gain (loss)
USD	32.4500 (USD: NTD)	\$ 4,531	31.1400 (USD: NTD)	\$ 2,743
JPY	0.2017 (JPY: NTD)	464	0.2150 (JPY: NTD)	203
CNY	4.5532 (CNY: NTD)	230	4.3096 (CNY: NTD)	( 5 )
		<u>\$ 5,225</u>		<u>\$ 2,941</u>

#### XXXIV. Disclosures in the Notes

(I) Information Relevant to Material Transactions, and (II) Information Relevant to Reinvestments:

1. Funds lent to others (None)
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 1)
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 29)

10. Others: Business relationship between the parent company and its subsidiaries and between the subsidiaries, and important transactions among them and transaction amounts (Schedule 2)
11. 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)
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)

XXXV. Information of Segments

The information given by the Company to its main decision makers for allocation of resources and evaluation of departmental performance focuses on types of the products delivered or services provided each time. The measurement base of the information concerning financial statements is the same as that of the consolidated financial statements. IST is a single operating segment. The measurement base of the losses, profits, assets and liabilities of the operating segment is the same as the preparation basis of the consolidated financial statements. As the result, for the reportable segment revenue and operating result for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1, please refer to the Consolidated Statement of Comprehensive Income for 2024 Q2, 2023 Q2, 2024 H1 and 2023 H1. For the reportable segment assets and liabilities as of Jun. 30,

2024, Dec. 31, 2023 and Jun. 30, 2023, please refer to the Consolidated Balance Sheet of Jun. 30, 2024, Dec. 31, 2023 and Jun. 30, 2023.

Integrated Service Technology Inc. and Subsidiaries  
Marketable Securities Held at the End of the Period  
Jun. 30, 2024

Schedule 1

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 period				Remarks
				Number of shares	Book amount	Ratio of shareholding	Fair value	
IST	<u>Funds</u> TIEF FUND, L.P.	—	Non-current financial assets at fair value through profit or loss	-	\$ 30,405	4.35%	\$ 30,405	Note
	<u>Stocks</u> BTL Inc.	—	Non-current financial assets measured at fair value through Other Comprehensive Income	2,550,000	206,295	10.09%	206,295	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 Jun. 30, 2024.

Integrated Service Technology Inc. and Subsidiaries  
Business Relations and Important Transactions between Parent Company and Each Subsidiary  
For the six months ended Jun. 30, 2024

Schedule 2

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	\$ 90	—	-
				Rent income	5,425	—	-
				Other incomes	655	—	-
				Interest expense	14	—	-
		Integrated USA	1	Net operating revenue	16,899	—	1%
				Accounts receivable due from related parties	8,580	—	-
				Payable on machinery and equipment	7,712	—	-
				Net operating revenue	15,237	—	1%
		IST KS Company	1	Manufacturing expenses	86	—	-
				Receivables due from related parties	2,926	—	-
				Other receivables due from related parties	2,484	—	-
				Other payables to related parties	346	—	-
		Samoa IST	1	Inventory of supplies	646	—	-
		SIP KS Company	1	Net operating revenue	1,528	—	-
		PPT Company	1	Manufacturing expenses	217	—	-
				Rent income	21,350	—	1%
				Other incomes	2,416	—	-
				Interest expense	75	—	-
		He Chou Technology INC.	1	Accounts receivable due from related parties	580	—	-
				Other receivables due from related parties	20,734	—	-
				Accounts payable to related parties	793	—	-
				Guarantee deposits received	11,227	—	-
				Net operating revenue	19	—	-
				Manufacturing expenses	1,841	—	-
				Other receivables due from related parties	1	—	-
				Accounts payable to related parties	482	—	-
				Other incomes	2	—	-
				Manufacturing expenses	11,766	—	1%
1	PPT Company	ITS Company	2	Net operating revenue	273	—	-
2	IST KS Company	SIP KS Company	2	Accounts receivable due from related parties	147	—	-

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, their Locations, etc.  
For the six months ended Jun. 30, 2024

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 period			Profit (loss) of the investee company for the period	Investment gain (loss) recognized for the period	Remarks
				End of the period	End of last year	Number of shares	Ratio (%)	Book amount			
IST	Samoa IST	Samoa	Investment	USD 9,500	USD 10,000	4,416,770	100	\$ 250,492	(\$ 4,464)	(\$ 4,464)	A subsidiary (Note 1)
	Dekra Company	Hsinchu City	Product testing and relevant business	\$ 192,624	\$ 192,624	19,262,390	49	699,487	32,491	15,921	An associate (Note 2)
	BTL Inc.	Taipei City	Product testing and relevant business	-	95,225	-	-	-	19,255	1,559	An associate (Notes 2 and 4)
	Pin Wen Company	Hsinchu City	Investment	237,000	237,000	9,841,258	100	62,103	( 12,085)	( 12,085)	A subsidiary (Note 2)
	Supreme Fortune Corp.	Belize	Investment	USD 125	USD 1,655	125,000	100	3,636	( 790)	( 790)	A subsidiary (Note 2)
	ITS Company	Hsinchu City	Electronic product testing and relevant business	\$ -	\$ 326,543	-	-	-	( 18,727)	( 9,448)	A subsidiary (Note 1, 3)
	PPT Company	Hsinchu City	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	776,543	450,000	32,842,807	71	159,641	( 41,098)	( 29,594)	A subsidiary (Notes 1 and 3)
Samoa IST	Seychelles IST	Seychelles	Investment	USD 7,159	USD 6,159	7,158,575	100	USD 6,587	(USD 180)	(USD 180)	A sub-subsiidiary (Note 2)
	Integrated USA	USA	R&D and manufacturing of integrated circuits, analysis and burn-in, testing, semiconductor spare parts and relevant equipment, electronic spare parts, etc.	USD 3,130	USD 3,130	3,130,000	100	USD 448	USD 1	USD 1	A sub-subsiidiary (Note 2)
Supreme Fortune Corp.	Hot Light Co., Ltd.	Seychelles	Investment	USD 125	USD 1,655	125,000	100	USD 112	(USD 25)	(USD 25)	A sub-subsiidiary (Note 2)
Pin Wen Company	ITS Company	Hsinchu City	Electronic product testing and relevant business	\$ -	\$ 186,038	-	-	\$ -	(\$ 18,727)	(\$ 1,840)	A subsidiary (Note 1, 3)
	PPT Company	Hsinchu City	Manufacturing and sale of various integrated circuits (wafers), thinning, metal deposition and relevant business	235,538	49,500	2,849,679	6	12,236	( 41,098)	( 2,355)	A subsidiary (Notes 1 and3)
	EFUN Company	Hsinchu City	Information software service	3,700	3,700	370,000	26	748	( 752)	( 199)	An associate (Note 2)
	Huan Ying Company	Hsinchu City	Information software management service and relevant business	5,100	5,100	510,000	29	1,560	( 6,396)	( 1,864)	An associate (Note 2)
	MS Company	Hsinchu County	IC design	39,974	39,974	2,954,600	21	27,537	( 25,277)	( 5,333)	An associate (Note 2)
Hot Light Co., Ltd.	He Chou Company	Hsinchu City	Circuit design service	USD 125	USD 125	400,000	100	USD 47	(USD 41)	(USD 41)	A sub-subsiidiary (Note 2)

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

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

Note 3: ITS Company merged with PPT Company on Mar. 31, 2024.

Note 4: In June 2024, BTL Inc. was transferred to be listed as the financial assets measured at fair value through other comprehensive income

Integrated Service Technology Inc. and Subsidiaries

Information of Investments in Mainland China

For the six months ended Jun. 30, 2024

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 period	Investment amount remitted or recovered in the period		Accumulated investment amount remitted from Taiwan as of the end of the period	Investee company's profit (loss) of the period	Ratio of shares held by the Company through direct or indirect investment	Investment gain (loss) recognized for the period	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the period	Remarks
					Remitted	Recovered							
IST KS Company	Product testing and relevant business	\$ 120,065 ( USD 3,700 )	Note1	\$ 307,399 ( USD 9,473 ) (Note4)	\$ -	\$ -	\$ 307,399 ( USD 9,473 ) (Note4)	( \$ 1,021 ) ( USD (32) )	100%	( \$ 1,021 ) ( USD (32) )	\$ 186,458 ( USD 5,746 )	\$ -	Note2
SIP KS Company	Circuit design service	52,569 ( USD 1,620 )	Note1	- (Note5)	-	-	- (Note5)	( 989 ) ( USD (31) )	100%	( 989 ) ( USD (31) )	17,977 ( USD 554 )	-	Note2
IST-trade KS Company	Purchase and sale of electric testing and relevant equipment, and conduction of sale and trading as an agent	11,383 ( CNY 2,500 )	Note1	- (Note5)	-	-	- (Note5)	175 ( CNY 39 )	100%	175 ( CNY 39 )	12,171 ( CNY 2,673 )	-	Note2
Xinchuang Shanghai	Service of inspection and testing	4,553 ( CNY 1,000 )	Note1	- (Note5)	-	-	- (Note5)	( 377 ) ( CNY (84) )	100%	( 377 ) ( CNY (84) )	4,171 ( CNY 916 )	-	Note2

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the period	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs_
\$ 357,047 (USD11,003)	\$ 596,366 (USD18,378)	\$ 2,084,293

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

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

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

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

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