Keystone Microtech Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2023 and 2022 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Keystone Microtech Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Keystone Microtech Corporation (the Company) and its subsidiaries (the Group) as of June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, its consolidated financial performance for the three months ended June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chung Chen Chen and Chiang Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 7, 2023

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,443,873	55	$ 1,181,605	48	$ 1,087,085	43
Trade receivables (Notes 7 and 18)	220,290	9	214,902	9	284,159	11
Inventories (Note 8)	451,654	17	540,455	22	640,735	25
Prepayments (Note 13)	7,989	-	9,746	-	10,327	1
Total current assets	2,123,806	81	1,946,708	79	2,022,306	80
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 10 and 27)	457,272	17	459,015	19	470,054	18
Right-of-use assets (Note 11)	12,166	1	7,059	-	5,772	-
Other intangible assets (Note 12)	10,652	-	9,046	-	15,504	1
Deferred tax assets (Note 4)	20,527	1	17,387	1	13,634	1
Other non-current assets (Note 13)	8,552	-	17,554	1	12,005	-
Total non-current assets	509,169	19	510,061	21	516,969	20
TOTAL	$ 2,632,975	100	$ 2,456,769	100	$ 2,539,275	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Note 18)	$ 115,371	5	$ 120,660	5	$ 69,181	3
Trade payables (Note 14)	70,868	3	80,252	3	180,687	7
Other payables (Notes 15 and 23)	344,099	13	145,194	6	358,357	14
Current tax liabilities (Note 4)	53,462	2	36,416	2	56,291	2
Lease liabilities - current (Note 11)	6,515	-	4,318	-	4,188	-
Other current liabilities (Note 15)	1,110	-	1,062	-	939	-
Total current liabilities	591,425	23	387,902	16	669,643	26
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	3,435	-	4,815	-	-	-
Lease liabilities - non-current (Note 11)	5,328	-	2,843	-	1,678	-
Total non-current liabilities	8,763	-	7,658	-	1,678	-
Total liabilities	600,188	23	395,560	16	671,321	26
EQUITY (Note 17)						
Share capital						
Ordinary shares	272,257	10	272,257	11	270,757	11
Capital surplus	325,166	12	325,166	13	298,616	12
Retained earnings						
Legal reserve	236,621	9	195,976	8	195,976	8
Unappropriated earnings	1,213,859	46	1,289,748	53	1,102,605	43
Total retained earnings	1,450,480	55	1,485,724	61	1,298,581	51
Other Equity	(15,116)	-	(21,938)	(1)	-	-
Total equity	2,032,787	77	2,061,209	84	1,867,954	74
TOTAL	$ 2,632,975	100	$ 2,456,769	100	$ 2,539,275	100

The accompanying notes are an integral part of the consolidated financial statements.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Note 18)	$ 345,386	100	$ 389,687	100	$ 717,843	100	$ 757,387	100
OPERATING COSTS								
Cost of goods sold (Notes 8, 12 and 19)	(170,699)	(50)	(186,870)	(48)	(361,504)	(51)	(373,303)	(50)
GROSS PROFIT	174,687	50	202,817	52	356,339	49	384,084	50
OPERATING EXPENSES (Notes 12, 19 and 26)								
Selling and marketing expenses	14,001	4	10,634	3	28,006	4	19,151	3
General and administrative expenses	14,854	4	12,916	3	27,062	4	24,811	3
Research and development expenses	44,310	13	51,509	13	85,965	12	94,524	12
Expected credit loss (gain) (Note 7)	4,220	1	284	-	3,892	-	(148)	-
Total operating expenses	77,385	22	75,343	19	144,925	20	138,338	18
PROFIT FROM OPERATIONS	97,302	28	127,474	33	211,414	29	245,746	32
NON-OPERATING INCOME AND EXPENSES (Note 19)								
Interest income	5,591	2	359	-	9,732	1	457	-
Other income	70	-	17	-	247	-	17	-
Other gains and losses	(2,133)	(1)	17,768	4	(2,309)	-	41,754	6
Finance costs	(224)	-	(44)	-	(314)	-	(85)	-
Total non-operating income and expenses	3,304	1	18,100	4	7,356	1	42,143	6
PROFIT BEFORE INCOME TAX	100,606	29	145,574	37	218,770	30	287,889	38
INCOME TAX EXPENSE (Notes 4 and 20)	(27,598)	(8)	(39,304)	(10)	(49,822)	(7)	(68,581)	(9)
NET PROFIT FOR THE PERIOD	73,008	21	106,270	27	168,948	23	219,308	29
NET OTHER COMPREHENSIVE LOSS								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations (Note 17)	(378)	-	-	-	(449)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 72,630	21	$ 106,270	27	$ 168,499	23	$ 219,308	29

(Continued)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE (Note 21)								
Basic	$ 2.70		$ 3.92		$ 6.24		$ 8.10	
Diluted	$ 2.68		$ 3.90		$ 6.17		$ 8.03	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital		Retained Earnings		Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others	Total Equity
BALANCE AT JANUARY 1, 2022	$ 270,757	$ 298,616	$ 154,006	$ 1,136,457	$ -	$ -	$ 1,859,836
Appropriation of 2021 earnings (Note 17)							
Legal reserve	-	-	41,970	(41,970)	-	-	-
Cash dividends distributed by the Company	-	-	-	(211,190)	-	-	(211,190)
Net profit for the six months ended June 30, 2022	-	-	-	219,308	-	-	219,308
Total comprehensive income for the six months ended June 30, 2022	-	-	-	219,308	-	-	219,308
BALANCE AT JUNE 30, 2022	$ 270,757	$ 298,616	$ 195,976	$ 1,102,605	$ -	$ -	$ 1,867,954
BALANCE AT JANUARY 1, 2023	$ 272,257	$ 325,166	$ 195,976	$ 1,289,748	$ -	$ (21,938)	$ 2,061,209
Appropriation of 2022 earnings (Note 17)							
Legal reserve	-	-	40,645	(40,645)	-	-	-
Cash dividends distributed by the Company	-	-	-	(204,192)	-	-	(204,192)
Share-based payment transactions (Notes 17 and 22)	-	-	-	-	-	7,271	7,271
Net profit for the six months ended June 30, 2023	-	-	-	168,948	-	-	168,948
Other comprehensive loss for the three months ended June 30, 2023 net of income tax (Note 17)	-	-	-	-	(449)	-	(449)
Total comprehensive income for the six months ended June 30, 2023	-	-	-	168,948	(449)	-	168,499
BALANCE AT JUNE 30, 2023	$ 272,257	$ 325,166	$ 236,621	$ 1,213,859	$ (449)	$ (14,667)	$ 2,032,787

The accompanying notes are an integral part of the consolidated financial statements.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 218,770	$ 287,889
Adjustments for:		
Depreciation expense	28,435	24,487
Amortization expense	5,580	9,405
Expected credit loss (reversed) on trade receivables	3,892	(148)
Finance costs	314	85
Interest income	(9,732)	(457)
Gain arising from lease modifications	(59)	-
Compensation costs of employee share options	7,271	-
Write-downs of inventories	12,266	3,507
Net loss (gain) on foreign currency exchange	4,322	(41,431)
Changes in operating assets and liabilities		
Notes receivable	-	322
Trade receivables	(10,917)	(97,021)
Inventories	76,535	(62,880)
Prepayments	1,757	(2,581)
Contract liabilities	(5,289)	(30,865)
Trade payables	(8,599)	69,371
Other payables	(9,202)	4,560
Other current liabilities	48	139
Cash generated from operations	315,392	164,382
Interest received	9,732	457
Interest paid	(314)	(85)
Income tax paid	(37,296)	(67,847)
Net cash generated from operating activities	287,514	96,907
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	-	21,940
Payments for property, plant and equipment	(7,371)	(21,982)
Increase in refundable deposits	(2,428)	-
Decrease in refundable deposits	2,804	-
Payments for intangible assets	(6,542)	(6,158)
Increase in prepayments for equipment	(3,110)	(7,885)
Net cash used in investing activities	(16,647)	(14,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(4,672)	(2,430)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(3,927)	39,096

(Continued)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	**2022**
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 262,268	$ 119,488
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,181,605	967,597
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,443,873	$ 1,087,085

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Keystone Microtech Corporation (the "Company"), which was established under the Company Law on September 4, 2006, is engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards.

The Company's shares have been listed on the Taipei Exchange since April 2019.

On March 9, 2020, the Company's board of directors approved a short-form merger with Relight Technology Corporation, a 100%-owned subsidiary of the Company, in accordance with the provisions of Business Mergers and Acquisitions Act with the Company as the surviving company and Relight Technology Corporation as the dissolved company. Relight Technology Corporation's main business is the wholesale of electronic materials while its legal rights and obligations are assumed by the Company after the merger.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan Dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on August 7, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Group's accounting policies.

b. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

(Concluded)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The requirement that the Group applies the exception and the requirement to disclose that fact is applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are applied for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical costs are generally determined by the fair value of the payment for asset acquisition.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Notes 9, Tables 1 and 2 for the detailed information of subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting polices

Except for the following, please refer to the financial statements for the year ended December 31, 2022.

1) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3) Deferred tax

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of inflation and volatility in interest markets on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Checking accounts and demand deposits	$ 854,623	$ 713,795	$ 1,087,085
Cash equivalents (investments with original maturities of 3 months or loss)			
Time deposits	589,250	467,810	-
	$ 1,443,873	$ 1,181,605	$ 1,087,085

The interest rates intervals of cash in bank at the end of the reporting period were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Demand deposits	0.001%-4.900%	0.001%-4.500%	0.001%-0.350%

7. TRADE RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Trade receivables			
At amortized cost			
Gross carrying amount	$ 227,584	$ 218,304	$ 284,605
Less: Allowance for impairment loss	(7,294)	(3,402)	(446)
	$ 220,290	$ 214,902	$ 284,159

Trade Receivables

The average credit period of sales of goods is 30 to 120 days after the end of the month.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated using a provision matrix approach considering past experiences, current market conditions, and forward-looking information. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

June 30, 2023

		Past Due							
	Not Past Due	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**121 to 150 Days**	**151 to 180 Days**	**Over 180 Days**	**Total**
Expected credit loss rate	0.03%	0.17%	0.57%	1.26%	2.20%	5.18%	20.15%	100.00%	
Gross carrying amount	$ 119,307	$ 14,319	$ 489	$ 53,634	$ 11,134	$ -	$ 28,036	$ 665	$ 227,584
Loss allowance (Lifetime ECLs)	(32)	(24)	(3)	(677)	(245)	-	(5,648)	(665)	(7,294)
Amortized cost	$ 119,275	$ 14,295	$ 486	$ 52,957	$ 10,889	$ -	$ 22,388	$ -	$ 220,290

December 31, 2022

		Past Due							
	Not Past Due	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**121 to 150 Days**	**151 to 180 Days**	**Over 180 Days**	**Total**
Expected credit loss rate	0.02%	0.11%	0.50%	1.35%	2.55%	6.82%	26.91%	100%	
Gross carrying amount	$ 164,755	$ 27,037	$ 14,573	$ -	$ 8,894	$ -	$ -	$ 3,045	$ 218,304
Loss allowance (Lifetime ECLs)	(27)	(30)	(73)	-	(227)	-	-	(3,045)	(3,402)
Amortized cost	$ 164,728	$ 27,007	$ 14,500	$ -	$ 8,667	$ -	$ -	$ -	$ 214,902

June 30, 2022

		Past Due							
	Not Past Due	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**121 to 150 Days**	**151 to 180 Days**	**Over 180 Days**	**Total**
Expected credit loss rate	0.01%	0.07%	0.31%	0.85%	1.53%	3.60%	16.67%	100%	
Gross carrying amount	$ 185,259	$ 79,425	$ -	$ 3,190	$ 12,259	$ 4,472	$ -	$ -	$ 284,605
Loss allowance (Lifetime ECLs)	(15)	(55)	-	(27)	(188)	(161)	-	-	(446)
	$ 185,244	$ 79,370	$ -	$ 3,163	$ 12,071	$ 4,311	$ -	$ -	$ 284,159

The movements of the loss allowance of trade receivables were as follows:

	For the Six Months Ended June 30	
	2023	2022
Balance at January 1	$ 3,402	$ 594
Add: Net remeasurement of loss allowance	3,892	-
Less: Net remeasurement of loss allowance	-	(148)
Balance at June 30	$ 7,294	$ 446

8. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Finished goods (including storage inventories awaiting acceptance)	$ 344,240	$ 406,932	$ 436,520
Work in progress	1,291	19,385	14,485
Semi-finished goods	11,504	9,077	61,659
Raw materials	94,619	105,061	128,071
	$ 451,654	$ 540,455	$ 640,735

The nature of the cost of goods sold is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Cost of inventories sold	$ 164,243	$ 184,985	$ 349,238	$ 369,796
Inventory write-downs	6,456	1,885	12,266	3,507
	$ 170,699	$ 186,870	$ 361,504	$ 373,303

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	June 30, 2023	December 31, 2022	June 30, 2022	Remark
The Company	KEYSTONE MICROTECH International Ltd	General investment business	100	-	-	1
KEYSTONE MICROTECH International Ltd	SHANGHAI XINCHENG TECHNOLOGY CO., LTD.	Sales of semiconductor test components and provision of technical consultation and technical services	100	-	-	2

Note 1: On March 23, 2023, the Company participated in a cash capital increase of US$600 thousand in KEYSTONE MICROTECH International Ltd.

Note 2: On March 24, 2023, KEYSTONE MICROTECH International Ltd. participated in a cash capital increase of US$590 thousand in SHANGHAI XINCHENG TECHNOLOGY CO., LTD.

10. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Office Equipment	Transportation	Other Equipment	Total
Cost							
Balance at January 1, 2023	$ 217,232	$ 168,635	$ 212,897	$ 31,969	$ 500	$ 1,898	$ 633,131
Additions	-	6,123	2,736	1,783	-	-	10,642
Disposals	-	-	-	(316)	-	-	(316)
Reclassified (Note)	-	1,867	9,869	-	-	-	11,736
Balance at June 30, 2023	$ 217,232	$ 176,625	$ 225,502	$ 33,436	$ 500	$ 1,898	$ 655,193
Accumulated depreciation							
Balance at January 1, 2023	$ -	$ 30,918	$ 116,609	$ 24,538	$ 500	$ 1,551	$ 174,116
Depreciation expense	-	3,840	17,730	2,416	-	135	24,121
Disposals	-	-	-	(316)	-	-	(316)
Balance at June 30, 2023	$ -	$ 34,758	$ 134,339	$ 26,638	$ 500	$ 1,686	$ 197,921
Carrying amount at June 30, 2023	$ 217,232	$ 141,867	$ 91,163	$ 6,798	$ -	$ 212	$ 457,272
Carrying amount at December 31, 2022 and January 1, 2023	$ 217,232	$ 137,717	$ 96,288	$ 7,431	$ -	$ 347	$ 459,015
Cost							
Balance at January 1, 2022	$ 217,232	$ 166,164	$ 178,504	$ 25,795	$ 500	$ 1,898	$ 590,093
Additions	-	2,056	12,846	4,533	-	-	19,435
Disposals	-	-	-	(54)	-	-	(54)
Reclassified (Note)	-	-	11,929	-	-	-	11,929
Balance at June 30, 2022	$ 217,232	$ 168,220	$ 203,279	$ 30,274	$ 500	$ 1,898	$ 621,403
Accumulated depreciation							
Balance at January 1, 2022	$ -	$ 23,466	$ 84,764	$ 19,370	$ 500	$ 1,246	$ 129,346
Disposals	-	-	-	(54)	-	-	(54)
Depreciation expense	-	3,679	15,525	2,696	-	157	22,057
Balance at June 30, 2022	$ -	$ 27,145	$ 100,289	$ 22,012	$ 500	$ 1,403	$ 151,349
Carrying amount at June 30, 2022	$ 217,232	$ 141,075	$ 102,990	$ 8,262	$ -	$ 495	$ 470,054

Note: Reclassified from prepayments for equipment to property, plant and equipment.

No impairment loss or reversal of impairment loss was recognized for the six months ended June 30, 2023 and 2022.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Construction appurtenance	10-20 years
Machinery and equipment	1-9 years
Office equipment	1-5 years
Transportation	5 years
Other equipment	3 years

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount			
Buildings	$ 6,398	$ 3,968	$ 989
Transportation equipment	5,768	3,091	4,783
	$ 12,166	$ 7,059	$ 5,772

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Additions to right-of-use assets			$ 10,598	$ 1,314
Depreciation charge for right-of-use assets				
Buildings	$ 1,203	$ 469	$ 2,074	$ 814
Transportation equipment	1,098	845	2,240	1,616
	$ 2,301	$ 1,314	$ 4,314	$ 2,430

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2023 and 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount			
Current	$ 6,515	$ 4,318	$ 4,188
Non-current	$ 5,328	$ 2,843	$ 1,678

Range of discount rates for lease liabilities was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings	2.366%-4.300%	2.366%-2.741%	2.366%
Transportation equipment	2.366%-2.992%	2.366%-2.616%	2.366%-2.616%

c. Material lease-in activities and terms

The Group leases buildings for the use of offices with lease term of 2 years. The Group does not have bargain purchase options to acquire buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor’s consent.

The Group also leases transportation equipment for use in operations with lease term of 3 years. The Group does not have bargain purchase options to acquire vehicles at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	$ 28	$ 34	$ 55	$ 105
Expenses relating to low-value asset leases	$ 157	$ 60	$ 262	$ 120
Total cash outflow for leases			$ (5,303)	$ (2,740)

The Group leases certain buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the amount of short-term lease commitments for which the recognition exemption was applied was $245 thousand, $107 thousand and $122 thousand, respectively.

12. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2023	$ 97,810
Additions	7,186
Disposal	(1,325)
Balance at June 30, 2023	$ 103,671
Accumulated amortization and impairment	
Balance at January 1, 2023	$ 88,764
Amortization expense	5,580
Disposal	(1,325)
Balance at June 30, 2023	$ 93,019
Carrying amount at June 30, 2023	$ 10,652
Carrying amount at December 31, 2022 and January 1, 2023	$ 9,046

(Continued)

	Computer Software
Cost	
Balance at January 1, 2022	$ 86,939
Additions	9,111
Balance at June 30, 2022	$ 96,050
Accumulated amortization and impairment	
Balance at January 1, 2022	$ 71,141
Amortization expense	9,405
Balance at June 30, 2022	$ 80,546
Carrying amount at June 30, 2022	$ 15,504

(Concluded)

The computer software is amortized on a straight-line basis over their estimated useful lives of 1 to 6 years.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
An analysis of amortization by function				
Operating costs	$ 150	$ 178	$ 300	$ 356
General and administrative expenses	544	656	1,096	1,189
Research and development expenses	2,307	4,175	4,184	7,860
	$ 3,001	$ 5,009	$ 5,580	$ 9,405

13. OTHER ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Prepayments	$ 7,989	$ 9,746	$ 10,327
Non-current			
Prepayments for equipment	$ 4,096	$ 12,722	$ 7,885
Refundable deposits	4,456	4,832	4,120
	$ 8,552	$ 17,554	$ 12,005

14. TRADE PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Trade payables			
Operating	$ 70,868	$ 80,252	$ 180,687

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. OTHER LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Other payables			
Payables for salaries and bonuses	$ 120,312	$ 128,276	$ 127,414
Payables for dividends	204,192	-	211,190
Payables for purchases of equipment	5,269	1,998	1,901
Payables for purchases of computer software	1,888	1,244	2,953
Payables for pensions	2,968	2,915	2,708
Payables for insurance	4,276	4,168	3,850
Others	5,194	6,593	8,341
	$ 344,099	$ 145,194	$ 358,357
Other liabilities			
Receipts under custody	$ 1,110	$ 1,062	$ 939

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Group has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

17. EQUITY

a. Share capital

	June 30, 2023	December 31, 2022	June 30, 2022
Number of shares authorized (in thousands)	36,000	36,000	36,000
Shares authorized	$ 360,000	$ 360,000	$ 360,000
Number of shares issued and fully paid (in thousands)	27,226	27,226	27,076
Shares issued	$ 272,257	$ 272,257	$ 270,757

b. Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Premium from issuance ordinary shares	$ 277,535	$ 277,535	$ 277,535
Treasury share transactions	6,923	6,923	6,923
Conversion of employee share options premium	1,682	1,682	1,682
May be used to offset a deficit (Note 2)			
Disgorgement exercise	12,476	12,476	12,476
May not be used for any purpose			
Employee restricted shares	26,550	26,550	-
	$ 325,166	$ 325,166	$ 298,616

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends, or transferred to share capital limited to a certain percentage of the Company's capital surplus and to once a year.

Note 2: Such capital surplus arises from when the right of disgorgement is exercised that may be used to offset a deficit.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profits shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit unless accumulated legal capital reserves have already reached the total capital of the company, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Refer to employees' compensation and remuneration of directors in Note 19 (f) for details.

As set forth in the Articles, the Company's policy on the distribution of dividends to shareholders is subject to the Company's current and future investment environment, future investment plans, financial structure and operating performance, with the interests of shareholders taken into account. The distribution of dividends shall not be less than 20% of the current total earnings (not including accumulated undistributed earnings), unless the current total earnings (not including unappropriated earnings) is less than 10% of the Company's paid-in capital. Dividends may be distributed in cash or shares, and cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve can be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meeting on June 26, 2023 and June 27, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	**2021**
Legal reserve	$ 40,645	$ 41,970
Cash dividends	$ 204,192	$ 211,190
Cash dividends per share (NT$)	$ 7.5	$ 7.8

d. Other equity

1) Exchange differences on the translation of the financial statements of foreign operations

	For the Six Months Ended June 30	
	2023	**2022**
Balance at January 1	$ -	$ -
Recognized for the period		
Exchange differences on the translation of the financial statements of foreign operations	(449)	-
Balance at June 30	$ (449)	$ -

2) Unearned employee benefits

In the shareholders' meetings on August 2, 2021, the shareholders approved the issuance of restricted shares to employees (refer to Note 22).

	For the Six Months Ended June 30	
	2023	**2022**
Balance at January 1	$ (21,938)	$ -
Share-based payment expenses recognized	7,271	-
Balance at June 30	$ (14,667)	$ -

18. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Revenue from contracts with customers				
Revenue from sale of goods	$ 345,386	$ 389,687	$ 717,843	$ 757,387

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Contract balances				
Notes receivable (Note 7)	$ -	$ -	$ -	$ 322
Trade receivables (Note 7)	$ 220,290	$ 214,902	$ 284,159	$ 183,571
Contract liabilities - current				
Sale of goods	$ 115,371	$ 120,660	$ 69,181	$ 100,046

The change in contract liabilities is mainly due to the difference between the point at which the performance obligation is satisfied and the point at which the customer pays.

Revenue recognized in the current reporting period from contract liabilities at the beginning of the year was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Contract liabilities at the beginning of the year sale of goods	$ 35,632	$ 22,020	$ 75,596	$ 92,040

19. NET PROFIT

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Bank deposits	$ 5,580	$ 353	$ 9,711	$ 353
Financial assets at amortized cost	-	-	-	92
Others	11	6	21	12
	$ 5,591	$ 359	$ 9,732	$ 457

b. Other gains and (losses)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net foreign exchange (losses) gains	$ (2,155)	$ 17,802	$ (2,291)	$ 41,836
Gain arising from lease modifications	59	-	59	-
Others	(37)	(34)	(77)	(82)
	$ (2,133)	$ 17,768	$ (2,309)	$ 41,754

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	$ 224	$ 44	$ 314	$ 85

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
An analysis of depreciation by function				
Operating costs	$ 8,536	$ 7,939	$ 17,380	$ 15,676
Operating expenses	5,792	4,604	11,055	8,811
	$ 14,328	$ 12,543	$ 28,435	$ 24,487
An analysis of amortization by function				
Operating costs	$ 150	$ 178	$ 300	$ 356
Operating expenses	2,851	4,831	5,280	9,049
	$ 3,001	$ 5,009	$ 5,580	$ 9,405

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term benefits	$ 69,693	$ 73,921	$ 138,147	$ 143,270
Post-employment benefits				
Defined contribution plans	2,720	2,450	5,388	4,880
Other employee benefits	8,332	7,534	17,817	15,934
Equity-settled share-based payments	3,635	-	7,271	-
Total employee benefits expense	$ 84,380	$ 83,905	$ 168,623	$ 164,084
An analysis of employee benefits expense by function				
Operating costs	$ 41,714	$ 40,546	$ 83,258	$ 79,326
Operating expenses	42,666	43,359	85,365	84,758
	$ 84,380	$ 83,905	$ 168,623	$ 164,084

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates no less than 10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended and the six months ended June 30, 2023 and 2022, the compensation of employees and remuneration of directors are as follows:

Accrual rate

	For the Six Months Ended June 30	
	2023	**2022**
Compensation of employees	10.19%	10.10%
Remuneration of directors	0.25%	0.19%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Compensation of employees	$ 11,700	$ 15,400	$ 24,900	$ 32,400
Remuneration of directors	300	$ 300	600	$ 600

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors on March 6, 2023 and March 7, 2022, respectively, are as shown below:

	For the Year Ended December 31			
	2022		**2021**	
	Cash	**Shares**	**Cash**	**Shares**
Compensation of employees	$ 60,105	$ -	$ 61,230	$ -
Remuneration of directors	$ 1,400	$ -	$ 1,470	$ -

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company’s board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Foreign exchange gains	$ 11,876	$ 17,802	$ 18,660	$ 56,806
Foreign exchange losses	(14,031)	-	(20,951)	(14,970)
Net (losses) gains	$ (2,155)	$ 17,802	$ (2,291)	$ 41,836

20. INCOME TAX EXPENSE

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	$ 22,846	$ 27,272	$ 47,479	$ 49,993
Income tax on unappropriated earnings	6,977	6,340	6,977	6,340
Adjustments for prior year	795	2,517	(114)	4,663
	30,618	36,129	54,342	60,996
Deferred tax				
In respect of the current period	(3,020)	3,175	(4,520)	7,585
Income tax expense recognized in profit or loss	$ 27,598	$ 39,304	$ 49,822	$ 68,581

b. Income tax assessments

The Company’s income tax returns through 2021 have been assessed by the tax authorities. As of June 30, 2023, the Group has no unsettled tax litigation.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Basic earnings per share	$ 2.70	$ 3.92	$ 6.24	$ 8.10
Diluted earnings per share	$ 2.68	$ 3.90	$ 6.17	$ 8.03

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net profit for the period	$ 73,008	$ 106,270	$ 168,948	$ 219,308

Number of Shares

Unit: Thousand Shares

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	27,076	27,076	27,076	27,076
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees	110	158	213	248
Restricted employee share options	79	-	78	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands)	27,265	27,234	27,367	27,324

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARE PLAN FOR EMPLOYEES

On August 2, 2021, the shareholders approved a restricted share plan for employees with a total amount of $1,500 thousand, consisting of 150 thousand shares. The subscription base date of July 27, 2022 was determined by the board of directors on July 21, 2022. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

a. The employees who acquire the restricted shares (including share dividends) under the Regulation but have not met the vesting conditions should provide the shares to the agency designated by the company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.

b. In addition to the restrictions stipulated in the custody of the preceding paragraph, the employees who acquire the restricted shares (including share dividends) under the Regulation but have not met the vesting conditions except occurrence of inheritance due to this Regulation shall not sell, mortgage, transfer, donate, pledge or, in any other way, dispose of these shares (including share dividends).

c. Employees who acquire the restricted shares but have not met the vesting conditions have other rights the same as those of ordinary shareholders of the Company, including but not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.

d. The attendance proposals, speeches, voting rights and other equity-related matters at the shareholders' meeting of the company are delegated to trust custody agencies before the vesting conditions are met.

e. During the vested period, if the company handles capital reduction not due to statutory capital reduction, the new shares with restricted employee rights shall be canceled according to the capital reduction ratio. If the company is handling cash capital reduction, the cash returned by the company must be delivered to the trust and can only be delivered to the employees after the vested conditions are met. However, if the employees do not meet the vested conditions, the Company will recover such cash.

The vesting conditions of restricted shares are lift restrictions according to the following timeline and the proportion of restricted shares granted to the employees:

Still employed after one-year anniversary of the grant can obtain the following proportion of shares: 25%
Still employed after two-year anniversary of the grant can obtain the following proportion of shares: 25%
Still employed after three-year anniversary of the grant can obtain the following proportion of shares: 25%
Still employed after four-year anniversary of the grant can obtain the following proportion of shares: 25%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares (including share dividends).

The fair value of NT$187 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of $28,050 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vesting period. Compensation costs of $7,271 thousand were recognized, respectively, within the vesting period for the six months ended June 30, 2023.

Information on the restricted share plan for employees was as follows:

Number of Shares

	For the Six Months Ended June 30	
	2023	**2022**
Balance at January 1	150	-
Issuance of shares	-	-
Balance at June 30	150	-

23. CASH FLOWS INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the six months ended June 30, 2023 and 2022:

1) As of June 30, 2023, December 31, 2022 and June 30, 2022, the unsettled payments for purchases of property, plant and equipment were $5,269 thousand, $1,998 thousand and $1,901 thousand, respectively, and were recorded as other payables in the financial statements.

2) As of June 30, 2023, December 31, 2022 and June 30, 2022, the unsettled payments for purchases of intangible assets were $1,888 thousand, $1,244 thousand and $2,953 thousand, respectively, and were recorded as other payables in the financial statements.

b. Changes in liabilities arising from financing activities

For the six months ended June 30, 2023

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Lease Modifications	Non-cash Changes: Interest Expense	Others	Closing Balance
Lease liabilities	$ 7,161	$ (4,672)	$ 10,598	$ (1,244)	$ 314	$ (314)	$ 11,843

For the six months ended June 30, 2022

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Lease Modifications	Non-cash Changes: Interest Expense	Others	Closing Balance
Lease liabilities	$ 6,982	$ (2,430)	$ 1,314	$ -	$ 85	$ (85)	$ 5,866

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities of the Group will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance. There were no significant changes in the Group's overall strategy.

The capital structure of the Group consists of equity of the Group (comprising share capital, capital reserve and retained earnings).

The Group is not subject to any externally imposed capital requirements.

Under the recommendations of the key management, to balance the overall capital structure, the Group may distribute dividends and adjust the number of new shares issued.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets			
Financial assets at amortized cost (1)	$ 1,668,619	$ 1,401,339	$ 1,375,364
Financial liabilities			
Financial liabilities at amortized cost (2)	83,219	90,087	193,882

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, and refundable deposits (included in other non-current assets).

2) The balances include financial liabilities at amortized cost, which comprise trade payables and other payables (not including payables for salaries and bonuses, pensions, insurance and dividends) that are measured at amortized cost.

c. Financial risk management objectives and policies

The Group's major financial instruments included trade receivables, trade payables and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports regularly to the board of directors, who monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Group was mainly exposed to the fluctuations in the USD and the RMB.

The following table details shows the Group's sensitivity to a 1% increase and decrease in the functional currencies of the entities of the Group against the relevant foreign currencies (the USD and RMB). A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the functional currencies of the entities of the Group weakened by 1% against the relevant foreign currency. For a 1% strengthening of the functional currencies of the entities of the Group against the relevant foreign currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact		**RMB Impact**	
	For the Six Months Ended June 30		**For the Six Months Ended June 30**	
	2023	**2022**	**2023**	**2022**
Profit or loss	$ 6,129	$ 4,505	$ 5,447	$ 2,420

The above impact on profit and loss was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, RMB bank deposits, RMB receivables and RMB payables at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of a increase in USD bank deposits. The Group's sensitivity to the RMB increased during the current period mainly because of an increased in RMB bank deposits.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	June 30, 2023	**December 31, 2022**	**June 30, 2022**
Interest rate risk on fair value			
Financial assets	$ 589,250	$ 467,810	$ -
Financial liabilities	11,843	7,161	5,866
Interest rate risk on cash flow			
Financial assets	852,386	711,881	1,084,983

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Group's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the six months ended June 30, 2023 and 2022 would have increased/decreased by $4,262 thousand and $5,425 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risks on its floating-rate bank deposits.

The Group's sensitivity to interest rates decreased during the current period mainly because of the decrease in floating-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties.

The Group's concentration of credit risk of 51%, 53% and 78% of total amounts of trade receivables as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, was attributable to the Group's ten largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

June 30, 2023

	Less than 3 Months	**3 Months to 1 Year**	**Over 1 Year to 5 Years**	**More than 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 285,686	$ 1,725	$ -	$ -
Lease liabilities	1,785	5,480	5,472	-
	$ 287,471	$ 7,205	$ 5,472	$ -

December 31, 2022

	Less than 3 Months	**3 Months to 1 Year**	**Over 1 Year to 5 Years**	**More than 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 89,149	$ 938	$ -	$ -
Lease liabilities	1,396	3,050	2,892	-
	$ 90,545	$ 3,988	$ 2,892	$ -

June 30, 2022

	Less than 3 Months	**3 Months to 1 Year**	**Over 1 Year to 5 Years**	**More than 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 403,603	$ 1,469	$ -	$ -
Lease liabilities	1,287	2,992	1,701	-
	$ 404,890	$ 4,461	$ 1,701	$ -

26. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of Key Management Personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Short-term employee benefits	$ 3,332	$ 3,594	$ 17,981	$ 18,919

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

27. UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	$ 6,934	$ 5,946	$ 10,475

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

June 30, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 20,154	31.14 (USD:NTD)	$ 627,591
USD	490	6.925 (USD:RMB)	15,261
RMB	127,214	4.282 (RMB:NTD)	544,732
Financial liabilities			
Monetary items			
USD	960	31.14 (USD:NTD)	29,907

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 17,557	30.71 (USD:NTD)	$ 539,161
RMB	78,436	4.408 (RMB:NTD)	345,745
Financial liabilities			
Monetary items			
USD	1,337	30.71 (USD:NTD)	41,070

June 30, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 17,412	29.720 (USD:NTD)	$ 517,477
RMB	54,508	4.439 (RMB:NTD)	241,960
Financial liabilities			
Monetary items			
USD	2,255	29.720 (USD:NTD)	67,019

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Three Months Ended June 30			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	30.705 (USD:NTD)	$ 1,715	29.455 (USD:NTD)	$ 16,118
RMB	4.374 (RMB:NTD)	(3,887)	4.446 (RMB:NTD)	1,543
		$ (2,172)		$ 17,661

	For the Six Months Ended June 30			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	30.550 (USD:NTD)	$ 1,305	28.725 (USD:NTD)	$ 38,674
RMB	4.408 (RMB:NTD)	(3,501)	4.426 (RMB:NTD)	2,709
		$ (2,196)		$ 41,383

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: None

10) Intercompany relationships and significant intercompany transactions: None

b. Information on investees: Table 1.

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 2.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 3)

30. SEGMENT INFORMATION

Financial Information

The Group is mainly an important operating department engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards. The financial report is the measurement basis for the chief operating decision maker of the Company to allocate resource and evaluate performance, thus reporting single related segment operating information is not necessary.

TABLE 1

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of June 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2023	December 31, 2022	Number of Shares (Thousand)	Percentage of Ownership	Carrying Amount			
The Company	KEYSTONE MICROTECH International Ltd	SAMOA	General investment business	$ 18,251 (US$ 600)	$ - US$ -	600	100	$ 16,978	$ (824)	$ (824)	Notes 1 and 2

Note 1: The amount recognized was determined based on the financial statements which were reviewed and attested by certified public accountants engaged by the Company during the same period.

Note 2: The transactions have been eliminated in the consolidated financial statements.

Note 3: Refer to Table 2 for information on our mainland China investee companies.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2023 (Note 2)	Accumulated Repatriation of Investment Income as of June 30, 2023
					Outward	Inward						
SHANGHAI XINCHENG TECHNOLOGY CO., LTD	Sales of semiconductor test components and provision of technical consultation and technical services	$ 18,373 (US$ 590)	(b)	$ -	$ 18,373 (US$ 590)	$ -	$ 18,373 (US$ 590)	$ (825)	100	$ (825)	$ 16,666	$ -

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$18,373 (US$590 thousand) (Note 3)	(Notes 3 and 4)	$1,219,672 (Note 5)

Note 1: Three methods of investment are the following:

a. Direct investment.
b. Reinvestment in China through a company located in a third region (specify the investment company registered in the third jurisdiction.
c. Other methods.

Note 2: The amount recognized was determined based on the financial statements which were reviewed and attested by certified public accountants engaged by the Company during the same period.

Note 3: The amount was calculated by the actual outflow exchange rate from each time.

Note 4: The investment was made on March 24, 2023 and has not yet been approved by the Investment Commission, MOEA.

Note 5: According to the “Principle of Examination on Investment and Technical Cooperation on Mainland China” of the Investment Review Committee, MOEA, the upper limit of the investment amount is “60% of the net value”. (The consolidated equity for the six months ended June 30, 2023, was $2,032,787 thousand × 60% = $1,219,672 thousand.)

Note 6: Eliminated from the consolidated financial statements.

Note 7: The above amounts of asset account and liability account are converted by exchange rate US$1=NT$31.1400 into New Taiwan dollar as of June 30, 2023. The amounts of income accounts are converted by average exchange rate, US$1=NT$30.550 into New Taiwan dollar as of January 1, 2023 to June 30, 2023.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kuan Yi Investment Corporation	3,097,490	11.37

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.