INTELLIGENT EPITAXY TECHNOLOGY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the PricewaterhouseCoopers, Taiwan – IntelliEPI Inc. (Cayman) Group Audit Team

As requested in your instructions, we have audited the accompanying financial statements of Intelligent Epitaxy Technology, Inc. (the "Company"), which comprise the balance sheets as at December 31, 2022 and 2021, and the statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Scope

Except as explained in the paragraph below, we conducted our audits in accordance with International Standards on Auditing. As requested, our audit procedures also included the procedures identified in your instructions, which the instructions indicate are required by the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants in the Republic of China.

As requested, the scope of our audit was restricted by the overall materiality level of US$323,000 specified in your instructions.

Basis for opinion

Because of the restriction described in the scope paragraph above, the scope of our work was not sufficient to enable us to express, and we do not express, an unrestricted opinion on the accompanying financial statements. However, in our opinion, based on our audit performed within the limits of materiality referred to above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Taiwan Financial Supervisory Commission.

Restriction of use

This report is intended solely for the use of PricewaterhouseCoopers, Taiwan - IntelliEPI Inc. (Cayman) Group Audit Team in connection with the audit of the consolidated financial statements of IntelliEPI Inc. (Cayman) and should not be used for any other purpose.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan
March 22, 2023

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditor's report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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INTELLIGENT EPITAXY TECHNOLOGY, INC.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in United States dollars)

Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
Current assets					
Cash	6(1)	$ 2,149,937	4	$ 6,678,967	12
Financial assets at amortized cost	6(2)	5,019,848	9	-	-
Accounts receivable, net	6(3), 7 and 10(4)	4,295,868	7	5,213,141	9
Other receivables	7	103,529	-	34,315	-
Inventories, net	6(4)	7,124,722	12	5,913,215	11
Prepayments		214,178	-	608,367	1
Total current assets		18,908,082	32	18,448,005	33
Non-current assets					
Investments accounted for under equity method	6(5)	1,292,324	2	1,336,206	3
Property, plant and equipment	6(6)	39,272,252	66	35,228,569	63
Right-of-use assets	6(7)	87,541	-	99,128	-
Intangible assets	6(8)	9,449	-	14,555	-
Other non-current assets	6(9)	268,669	-	524,658	1
Total non-current assets		40,930,235	68	37,203,116	67
Total assets		$ 59,838,317	100	$ 55,651,121	100
Liabilities and Equity					
Current liabilities					
Current contract liabilities	6(15)	$ 296,865	1	$ 314,459	-
Accounts payable	7	1,382,964	2	1,604,207	3
Accrued expenses and other payables	6(10) and 7	2,653,215	4	1,608,882	3
Current lease liabilities		16,351	-	15,302	-
Total current liabilities		4,349,395	7	3,542,850	6
Non-current liabilities					
Deferred income tax liabilities	6(22)	255,528	1	288,976	1
Non-current lease liabilities		75,963	-	87,495	-
Other non-current liabilities	6(5)	-	-	492,327	1
Total non-current liabilities		331,491	1	868,798	2
Total liabilities		4,680,886	8	4,411,648	8
Equity					
Share capital					
Common share	6(12)	192,870	-	192,870	-
Capital surplus	6(13)				
Capital surplus		48,775,803	82	48,482,478	87
Retained earnings	6(14)				
Unappropriated earnings		6,188,758	10	2,564,125	5
Total equity		55,157,431	92	51,239,473	92
Significant contingent liabilities and unrecognized contract commitments	8				
Significant event after the balance sheet date	9				
Total liabilities and equity		$ 59,838,317	100	$ 55,651,121	100

The accompanying notes are an integral part of these financial statements.

INTELLIGENT EPITAXY TECHNOLOGY, INC.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States dollars)

Items	Notes	Years ended December 31 2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
Operating revenue	6(15)	$ 29,583,948	100	$ 26,190,904	100
Operating costs	6(4)(15)(16)(21)	(17,858,435)	(60)	(17,148,847)	(65)
Net gross profit		11,725,513	40	9,042,057	35
Operating expenses	6(16)(21)				
Selling expenses		(207,528)	(1)	(98,608)	-
General and administrative expenses		(3,786,595)	(13)	(3,842,803)	(15)
Research and development expenses		(1,412,806)	(5)	(1,340,042)	(5)
Impairment loss determined in accordance with IFRS 9	10(4)	(95,013)	-	(5,935)	-
Total operating expenses		(5,501,942)	(19)	(5,287,388)	(20)
Operating income		6,223,571	21	3,754,669	15
Non-operating income and expenses					
Interest income	6(17)	84,586	-	11,885	-
Other income	6(18)	1,046	-	289,052	1
Other gains and losses	6(19)	495,662	2	(1,865)	-
Finance costs	6(7)(20)	(3,420)	-	(3,809)	-
Share of (loss) profit of associates and joint ventures accounted for using equity method, net	6(5)	(43,882)	-	40,901	-
Total non-operating income and expenses		533,992	2	336,164	1
Income before income tax		6,757,563	23	4,090,833	16
Income tax expense	6(22)	(1,132,930)	(4)	(488,718)	(2)
Profit for the year		$ 5,624,633	19	$ 3,602,115	14
Total comprehensive income for the year		$ 5,624,633	19	$ 3,602,115	14

The accompanying notes are an integral part of these financial statements.

INTELLIGENT EPITAXY TECHNOLOGY, INC.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States dollars)

	Notes	Common share - common stock	Capital surplus	Unappropriated earnings	Total
2021					
Balance at January 1, 2021		$ 192,870	$ 47,944,448	$ 962,010	$ 49,099,328
Profit for 2021		-	-	3,602,115	3,602,115
Total comprehensive income		-	-	3,602,115	3,602,115
Appropriation for cash dividends	6(14)	-	-	(2,000,000)	(2,000,000)
Share-based payment	6(11)(13)	-	538,030	-	538,030
Balance at December 31, 2021		$ 192,870	$ 48,482,478	$ 2,564,125	$ 51,239,473
2022					
Balance at January 1, 2022		$ 192,870	$ 48,482,478	$ 2,564,125	$ 51,239,473
Profit for 2022		-	-	5,624,633	5,624,633
Total comprehensive income		-	-	5,624,633	5,624,633
Appropriation for cash dividends	6(14)	-	-	(2,000,000)	(2,000,000)
Share-based payment	6(11)(13)	-	293,325	-	293,325
Balance at December 31, 2022		$ 192,870	$ 48,775,803	$ 6,188,758	$ 55,157,431

The accompanying notes are an integral part of these financial statements.

INTELLIGENT EPITAXY TECHNOLOGY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States dollars)

	Notes	Years ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 6,757,563	$ 4,090,833
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(16)	3,249,165	2,656,084
Amortization	6(8)(16)	11,181	178,453
Provision for uncollectible accounts	10(4)	95,013	5,935
Provision for obsolete inventories	6(4)	512,166	407,147
Losses (gains) on long-term equity investments	6(5)	43,882	(40,901)
Share-based payment expense	6(11)	293,325	538,030
Losses on disposals of property, plant and equipment	6(6)(19)	643	2,971
Gains on disposals of investments	6(19)	(504,781)	-
Interest income	6(17)	(84,586)	(11,885)
Interest expenses	6(7)(20)	3,420	3,809
Changes in assets and liabilities			
Changes in operating assets			
Accounts receivable		822,260	44,407
Other receivables		(26,170)	8,521
Inventories		(1,723,673)	(139,185)
Prepayments		(772,304)	(223,459)
Other non-current assets		(571,840)	(310,997)
Changes in operating liabilities			
Contract liabilities		(17,594)	114,445
Accounts payable		(221,243)	676,733
Accrued expenses and other payables		815,250	384,455
Cash inflow generated from operations		8,681,677	8,385,396
Interest received		54,111	11,885
Interest paid		(3,420)	(3,809)
Net cash flows from operating activities		8,732,368	8,393,472
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(23)	(6,322,631)	(2,675,870)
Acquisition of intangible assets	6(8)	(6,075)	(4,550)
Proceeds from disposals of property, plant and equipment		1,500	20,000
Government grants	6(6)	100,000	100,000
Increase in financial assets at amortized cost		(5,019,848)	-
Net cash flows used in investing activities		(11,247,054)	(2,560,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	6(14)	(2,000,000)	(2,000,000)
Lease principal repayment		(14,344)	(14,457)
Net cash flows used in financing activities		(2,014,344)	(2,014,457)
Net (decrease) increase in cash		(4,529,030)	3,818,595
Cash at beginning of year		6,678,967	2,860,372
Cash at end of year		$ 2,149,937	$ 6,678,967

The accompanying notes are an integral part of these financial statements.

INTELLIGENT EPITAXY TECHNOLOGY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Intelligent Epitaxy Technology, Inc. (the "Company") was incorporated in January 1999 in Richardson, Texas, USA. The main activities of the Company include manufacturing and selling epitaxy wafers to serve the semiconductor industries for wireless and satellite communications applications. The Company established IntelliEPI Inc. (Cayman) (the "IET Cayman") on April 26, 2011. Subsequently, IET Cayman acquired 100% of the Company's shares and issued new shares to the Company's original shareholders with an exchange ratio of 1.5:1 on May 31, 2011. IET Cayman is the Company's ultimate parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 22, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – 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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance. The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Taiwan FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. The financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States Dollars (USD), which is the Company's functional and presentation currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(6) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using equity method/associates

A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and buildings improvements	5 ~ 40 years
Machinery and equipment	7 ~ 15 years
Computer equipment	3 years
Furniture and fixtures	5 ~ 7 years
Others	1 ~ 5 years

(12) Leasing arrangements (lessee)-right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

   Lease payments are comprised of the following:

   (a) Fixed payments, less any lease incentives receivable;

   (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

   (c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

   The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(13) Intangible assets

A. Computer software

   Computer software expenditures are stated at cost and amortized over the estimated life of 3 years using the straight-line method.

B. Know-how

   Know-how which refers to process technology purchased externally is recognized at cost and amortized over 7 years using the straight-line method.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and those resulting from operating and non-operating activities.

B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(16) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(17) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions - defined contribution plans

The Company has a defined contribution pension plan. Net periodic pension costs are recognized as incurred.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. When the employees resign during the vesting period, the Group will repurchase the stocks without consideration.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

A. Sales of goods

The Company manufactures and sells epitaxy wafers products. Revenue is measured at the fair value of the consideration received or receivable less business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. The Company recognizes revenue when the performance obligation has been satisfied after the delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

(a) The Company provides testing results and reports for specific manufacturing technology, and research products with specified sizes. The Company recognizes revenue when the performance obligation has been satisfied after reaching appointed testing process, presenting written paper and/or delivering research and development finished goods for counterparties' inspection.

(b) The Company provides research and development reports for specific manufacturing technology. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total expected costs.

(24) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was $7,124,722.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	December 31, 2022	December 31, 2021
Cash on hand	$ 1,809	$ 2,947
Checking accounts and demand deposits	2,148,128	6,676,020
	$ 2,149,937	$ 6,678,967

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Current items:		
Time deposit	$ 5,019,848	$ -

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

		2022		2021
Interest income	$	53,505	$	-

B. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was $5,019,848 and $0, respectively.

(3) Accounts receivable

		December 31, 2022		December 31, 2021
Accounts receivable	$	4,397,965	$	5,220,225
Less: Allowance for uncollectible accounts	(	102,097)	(	7,084)
	$	4,295,868	$	5,213,141

A. The aging analysis of accounts receivable is as follows:

		December 31, 2022		December 31, 2021
Up to 30 days	$	2,009,495	$	2,721,013
31 to 90 days		2,111,998		1,759,325
91 to 180 days		140,172		721,627
Over 180 days		136,300		18,260
	$	4,397,965	$	5,220,225

The above aging analysis was based on invoice date.

B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers.

C. The Company does not hold any collateral as security.

D. Information relating to credit risk of accounts receivable is provided in Note 10 (4).

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 6,045,286	($ 1,039,934)	$ 5,005,352
Work in progress	825,592	(7,824)	817,768
Finished goods	3,168,949	(1,867,347)	1,301,602
	$ 10,039,827	($ 2,915,105)	$ 7,124,722

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,972,642	($ 859,268)	$ 4,113,374
Work in progress	550,808	(3,911)	546,897
Finished goods	2,792,704	(1,539,760)	1,252,944
	$ 8,316,154	($ 2,402,939)	$ 5,913,215

The cost of inventories recognized as expense for the year:

	2022	2021
Cost of goods sold	$ 16,480,201	$ 15,082,065
Loss on market value decline, obsolete and slow-moving inventories	512,166	407,147
	$ 16,992,367	$ 15,489,212

(5) Investments accounted for using equity method

Details of long-term equity investments accounted for under the equity method are set forth below:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Percentage of ownership	Carrying Amount	Percentage of ownership
IntelliEPI China, Ltd.	$ -	-	($ 492,327)	100%
IntelliEPI Japan, Ltd.	15,885	51%	16,859	51%
IntelliEPI IR, Inc.	1,276,439	40%	1,319,347	40%
	1,292,324		843,879	
Add: Classified as other non-current liabilities	-		492,327	
	$ 1,292,324		$ 1,336,206	

The Company's share of losses in IntelliEPI China, Ltd. has exceeded its interest in IntelliEPI China, Ltd. The Company has recognized loss continuously in proportion to its ownership. The credit balance of its long-term equity investment as of December 31, 2021 was classified as other non-current liabilities. In addition, IntelliEPI China, Ltd. had been liquidated during this period, and the liquidation end date was October 31, 2022.

Investment (loss) income accounted for under the equity method for the years ended December 31, 2022 and 2021 was ($43,882) and $40,901, respectively.

The Company holds 40% of IntelliEPI IR, and has 100% of the rights for profit sharing; therefore, the Company has controlling power over IntelliEPI IR.

The parent company, IET Cayman, has prepared consolidated financial statements which includes the Company, IntelliEPI China, IntelliEPI Japan and IntelliEPI IR.

(6) Property, plant and equipment

	Land	Buildings and buildings improvements	Machinery and equipment	Computer equipment	Furniture and fixtures	Others	Total
At January 1, 2022							
Cost	$ 1,237,276	$ 20,916,451	$ 33,223,802	$ 106,513	$ 256,670	$ 5,808,135	$ 61,548,847
Accumulated depreciation and impairment	-	(3,934,191)	(22,190,503)	(61,239)	(87,656)	(46,689)	(26,320,278)
	$ 1,237,276	$ 16,982,260	$ 11,033,299	$ 45,274	$ 169,014	$ 5,761,446	$ 35,228,569
2022							
Opening net book amount as at January 1	$ 1,237,276	$ 16,982,260	$ 11,033,299	$ 45,274	$ 169,014	$ 5,761,446	$ 35,228,569
Additions	-	131,266	1,387,806	13,928	13,857	5,260,846	6,807,703
Government grants	-	(100,000)	-	-	-	-	(100,000)
Disposals	-	-	(2,143)	-	-	-	(2,143)
Transfers	-	12,312	1,947,615	-	-	(1,388,087)	571,840
Depreciation charge	-	(666,205)	(1,952,469)	(19,158)	(37,192)	(558,693)	(3,233,717)
Closing net book amount as at December 31	$ 1,237,276	$ 16,359,633	$ 12,414,108	$ 40,044	$ 145,679	$ 9,075,512	$ 39,272,252
At December 31, 2022							
Cost	$ 1,237,276	$ 20,960,029	$ 36,554,223	$ 120,441	$ 270,527	$ 9,680,894	$ 68,823,390
Accumulated depreciation and impairment	-	(4,600,396)	(24,140,115)	(80,397)	(124,848)	(605,382)	(29,551,138)
	$ 1,237,276	$ 16,359,633	$ 12,414,108	$ 40,044	$ 145,679	$ 9,075,512	$ 39,272,252

	Land	Buildings and buildings improvements	Machinery and equipment	Computer equipment	Furniture and fixtures	Others	Total
At January 1, 2021							
Cost	$ 1,237,276	$ 21,143,445	$ 31,450,882	$ 58,938	$ 242,063	$ 5,169,685	$ 59,302,289
Accumulated depreciation and impairment	-	(3,348,375)	(20,491,944)	(49,658)	(52,086)	(46,016)	(23,988,079)
	$ 1,237,276	$ 17,795,070	$ 10,958,938	$ 9,280	$ 189,977	$ 5,123,669	$ 35,314,210
2021							
Opening net book amount as at January 1	$ 1,237,276	$ 17,795,070	$ 10,958,938	$ 9,280	$ 189,977	$ 5,123,669	$ 35,314,210
Additions	-	24,580	271,062	47,575	14,607	2,009,724	2,367,548
Government grants	-	(100,000)	-	-	-	-	(100,000)
Disposals	-	(3,337)	(19,634)	-	-	-	(22,971)
Transfers	-	-	1,682,271	-	-	(1,371,274)	310,997
Depreciation charge	-	(734,053)	(1,859,338)	(11,581)	(35,570)	(673)	(2,641,215)
Closing net book amount as at December 31	$ 1,237,276	$ 16,982,260	$ 11,033,299	$ 45,274	$ 169,014	$ 5,761,446	$ 35,228,569
At December 31, 2021							
Cost	$ 1,237,276	$ 20,916,451	$ 33,223,802	$ 106,513	$ 256,670	$ 5,808,135	$ 61,548,847
Accumulated depreciation and impairment	-	(3,934,191)	(22,190,503)	(61,239)	(87,656)	(46,689)	(26,320,278)
	$ 1,237,276	$ 16,982,260	$ 11,033,299	$ 45,274	$ 169,014	$ 5,761,446	$ 35,228,569

(7) Leasing arrangements—lessee

A. The Company leases machinery and equipment. Rental contracts are typically made for periods ending in 2022 to 2028. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise plant.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Machinery and equipment	$ 87,541	$ 99,128

	2022	2021
	Depreciation charge	Depreciation charge
Machinery and equipment	$ 15,448	$ 14,869

D. For the years ended December 31, 2022 and 2021, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 3,420	$ 3,809

F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were $26,764 and $16,864, respectively.

(8) Intangible assets

	Software	Know-how in production	Total
At January 1, 2022			
Cost	$ 117,168	$ 2,000,000	$ 2,117,168
Accumulated amortization	(102,613)	(2,000,000)	(2,102,613)
	$ 14,555	$ -	$ 14,555
2022			
At January 1	$ 14,555	$ -	$ 14,555
Additions	6,075	-	6,075
Amortization charge	(11,181)	-	(11,181)
December 31	$ 9,449	$ -	$ 9,449
At December 31, 2022			
Cost	$ 123,243	$ 2,000,000	$ 2,123,243
Accumulated amortization	(113,794)	(2,000,000)	(2,113,794)
	$ 9,449	$ -	$ 9,449

	Software	Know-how in production	Total
At January 1, 2021			
Cost	$ 112,618	$ 2,000,000	$ 2,112,618
Accumulated amortization	(90,827)	(1,833,333)	(1,924,160)
	$ 21,791	$ 166,667	$ 188,458
2021			
At January 1	$ 21,791	$ 166,667	$ 188,458
Additions	4,550	-	4,550
Amortization charge	(11,786)	(166,667)	(178,453)
December 31	$ 14,555	$ -	$ 14,555
At December 31, 2021			
Cost	$ 117,168	$ 2,000,000	$ 2,117,168
Accumulated amortization	(102,613)	(2,000,000)	(2,102,613)
	$ 14,555	$ -	$ 14,555

(9) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayment for equipment	$ 268,669	$ 524,658

(10) Accrued expenses and other payables

	December 31, 2022	December 31, 2021
Payables to related parties	$ 821,587	$ 201,008
Property tax payable	586,609	619,126
Employee compensation payable	324,742	163,290
Employee bonus payable	324,742	163,290
Payables on property, plant and equipment	305,317	76,234
Accrued bonus for unused vacation	129,778	116,628
Federal payroll tax payable	63,447	40,964
Accrued professional fees	21,374	36,839
Income tax payable	-	126,096
Others	75,619	65,407
	$ 2,653,215	$ 1,608,882

(11) Share-based payment

A. Since the Company was incorporated in Texas, the Company has granted its employees several types of share-based payment plans. After IET Cayman acquired the Company on May 31, 2011, unexercised options have to be exchanged for IET Cayman's common stocks at an exchange ratio of 1.5:1. As of December 31, 2022, the Company and IET Cayman's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	March 27, 2013	84,000 shares (Note)	10 years	1 month service for one forty-eighth until 100%
Restricted stocks to employees	November 7, 2018	100,000 shares (Note)	5 years	1 year service for one-five until 100%
Restricted stocks to employees	June 14, 2019	300,000 shares (Note)	5 years	1 year service for one-five until 100%
Restricted stocks to employees	October 11, 2022	257,500 shares (Note)	27 months	3 months service for 40%, 15 months service for 30% and 27 months service for 30%

Note: The parent company, IET Cayman, granted the Company's employees stock options and restricted stocks to the Company's employees that the employees can exchange for IET Cayman's shares.

The quantity of shares is the number of IET Cayman's shares.

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	250	$ 0.64	250	$ 0.64
Options forfeited	(250)	0.64	-	-
Options outstanding at December 31	-	-	250	0.64
Options exercisable at December 31	-	-	250	0.64

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2022		December 31, 2021	
Issue date approved	Expiry date	No. of shares	Exercise price (in dollars)	No. of shares	Exercise price (in dollars)
March 27, 2013	March 26, 2023	-	$ -	250	$ 0.64

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model or other models. Relevant information is as follows:

Type of arrangement	Valuation currency	Grant date	Fair value of stock options per unt (in dollars) (Note)	Exercise price per share (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	USD	March 27, 2013 (Note)	$ 1.42	$ 0.64	52.74%	6.25 years	2%	1.048%	$ 0.8373

Note: As the Company was not yet a listed company at the grant date of the above share-based payment, the Company used historical stock price of similar companies as basis. The Company estimates expected volatility based on expected duration of similar stock options as sample interval and standard deviation of return rate of similar companies.

E. The fair value of restricted stocks issued to employees were measured at the grant date with the closing price, $1.53, $1.89 and $1.91 per share of the Group's stock at November 7, 2018, June 14, 2019 and October 11, 2022, respectively.

F. Expenses incurred on share-based payment transactions are shown below:

	2022	2021
Equity-settled:		
-Employee restricted shares	$ 293,325	$ 127,630
-Transfer treasury shares to employees	-	410,400
	$ 293,325	$ 538,030

(12) Share capital

As of December 31, 2022, the Company's authorized capital was $400,000, consisting of 20,000,000 shares of common stock and 20,000,000 shares of preferred stock with a par value of $0.01 per share.

As of December 31, 2022 and 2021, the issued and outstanding common stock totaled 19,286,954 shares, with par value of $0.01 per share.

(13) Capital surplus

Capital surplus are as follows:

	2022				
	Share premium	Treasury share transactions	Employee stock options	Restricted stock to employees	Total
At January 1	$ 46,488,564	$ 490,955	$ 1,137,492	$ 365,467	$ 48,482,478
Employee restricted shares	-	-	-	293,325	293,325
At December 31	$ 46,488,564	$ 490,955	$ 1,137,492	$ 658,792	$ 48,775,803

	2021				
	Share premium	Treasury share transactions	Employee stock options	Restricted stock to employees	Total
At January 1	$ 46,488,564	$ 490,955	$ 727,092	$ 237,837	$ 47,944,448
Transfer treasury shares to employees	-	-	410,400	-	410,400
Employee restricted shares	-	-	-	127,630	127,630
At December 31	$ 46,488,564	$ 490,955	$ 1,137,492	$ 365,467	$ 48,482,478

(14) Retained earnings

A. The Company recognized dividends distributed to owners amounting to $2,000,000 and $2,000,000 for the years ended December 31, 2022 and 2021, respectively. On March 22, 2023, the Board of Directors proposed the distribution of dividends from 2022 earnings in the amount of $2,800,000.

B. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, refer to Note 6(21).

(15) Operating revenue and cost

A. Disaggregation of revenue from contracts with external customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following:

2022	Sales Revenue	Service Revenue	Total
Timing of revenue			
At a point in time	$ 28,640,154	$ 694,535	$ 29,334,689
Over time	-	249,259	249,259
	$ 28,640,154	$ 943,794	$ 29,583,948

2021	Sales Revenue	Service Revenue	Total
Timing of revenue			
At a point in time	$ 22,405,427	$ 1,156,172	$ 23,561,599
Over time	-	2,629,305	2,629,305
	$ 22,405,427	$ 3,785,477	$ 26,190,904

	2022	2021
Cost of sales	$ 16,992,367	$ 15,489,212
Cost of services	866,068	1,659,635
	$ 17,858,435	$ 17,148,847

B. Contract liabilities

	December 31, 2022	December 31, 2021
Contract liabilities	$ 296,865	$ 314,459

Changes in contract liabilities mainly represent the difference between performance obligations satisfied and customers' payment.

Revenue recognized that was included in the contract liability balance at the beginning of the year was $261,959.

(16) Expenses by nature

	2022			2021		
	Costs	Expenses	Total	Costs	Expenses	Total
Raw materials and supplies used	$ 9,067,356	$ -	$ 9,067,356	$ 8,282,398	$ -	$ 8,282,398
Employee benefit expense	4,098,899	2,747,198	6,846,097	3,668,906	2,862,375	6,531,281
Depreciation charges on property, plant and equipment and right-of-use assets	2,926,333	322,832	3,249,165	2,315,469	340,615	2,656,084
Amortization charges on intangible assets	8,945	2,236	11,181	176,095	2,358	178,453
Other expenses	1,756,902	2,429,676	4,186,578	2,705,979	2,082,040	4,788,019
	$ 17,858,435	$ 5,501,942	$ 23,360,377	$ 17,148,847	$ 5,287,388	$ 22,436,235

(17) Interest income

		2022		2021
Interest income from bank deposits	$	31,081	$	11,885
Interest income from financial assets measured at amortized cost		53,505		-
	$	84,586	$	11,885

(18) Other income

		2022		2021
Settlement of insurance claim	$	-	$	289,052
Others		1,046		-
	$	1,046	$	289,052

(19) Other gains and losses

		2022		2021
Gains on disposals of investments accounted for under equity method	$	504,781	$	-
Foreign exchange gain		5,404		1,106
Losses on disposals of property, plant and equipment	(	643)	(	2,971)
Others	(	13,880)		-
	$	495,662	($	1,865)

(20) Finance costs

		2022		2021
Interest expense	$	3,420	$	3,809

(21) Employee benefit expense

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Wages and salaries	$ 3,207,910	$ 1,987,331	$ 5,195,241	$ 2,891,213	$ 1,893,239	$ 4,784,452
Labor and health insurance fees	812,939	400,314	1,213,253	723,822	375,934	1,099,756
Pension costs	58,836	55,241	114,077	50,929	48,410	99,339
Share-based payment	-	293,324	293,324	-	538,030	538,030
Other personnel expenses	19,214	10,988	30,202	2,942	6,762	9,704
	$ 4,098,899	$ 2,747,198	$ 6,846,097	$ 3,668,906	$ 2,862,375	$ 6,531,281

Note: As of December 31, 2022 and 2021, the Company had 68 and 62 employees, respectively.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at $324,742 and $163,290, respectively, while no directors' and supervisors' remuneration was accrued. The aforementioned amounts were recognized in salary expenses.

(22) Income tax

A. Income tax expense

Components of income tax expense:

	2022	2021
Current tax:		
Current tax on profits for the year	$ 1,168,680	$ 491,947
Prior year income tax overestimation	(2,302)	(308,942)
Total current tax	1,166,378	183,005
Deferred tax:		
Origination and reversal of temporary differences	(33,448)	305,713
Total deferred tax	(33,448)	305,713
Income tax expense	$ 1,132,930	$ 488,718

B. Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before income tax and statutory income tax rate (Note)	$ 1,421,632	$ 861,189
Expenses disallowed by tax regulation	65,560	6,008
Tax exempt income by tax regulation	(135,677)	(11,099)
Change in assessment of realization of deferred tax assets	35,821	180,610
Prior year income tax overestimation	(2,302)	(308,942)
Effect from Alternative Minimum Tax	(47,770)	(97,963)
Effect from tax credit of research activities	(108,309)	(117,727)
Effect from GILTI and FDII Deduction	(96,025)	(23,358)
Income tax expense	$ 1,132,930	$ 488,718

Note: The basis for computing the applicable tax rate are the rates applicable in the United States where the Company operates.

For the years ended December 31, 2022 and 2021, the Company applied a statutory tax rate of 21%.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2022		
	January 1	Recognized in profit or loss	December 31
—Deferred tax assets:			
Temporary differences:			
Allowance for obsolescence of inventory	$ 504,617	$ 107,556	$ 612,173
Accruals for annual leave	24,492	2,761	27,253
Share-based payment	2,311	(2,311)	-
Research and development expense	-	267,020	267,020
Allowance for bad debt reserves	1,488	19,952	21,440
Allowance for other accruals	40,144	33,972	74,116
Amortization of intangible assets	216,712	(29,500)	187,212
	789,764	399,451	1,189,215
—Deferred tax liabilities:			
Temporary differences:			
Book-tax difference on fixed assets	(1,078,740)	(366,003)	(1,444,743)
	($ 288,976)	$ 33,448	($ 255,528)

	2021		
	January 1	Recognized in profit or loss	December 31
—Deferred tax assets:			
Temporary differences:			
Allowance for obsolescence of inventory	$ 425,101	$ 79,516	$ 504,617
Accruals for annual leave	23,127	1,365	24,492
Share-based payment	22,837	(20,526)	2,311
Allowance for bad debt reserves	241	1,247	1,488
Allowance for other accruals	23,012	17,132	40,144
Amortization of intangible assets	230,268	(13,556)	216,712
	724,586	65,178	789,764
—Deferred tax liabilities:			
Temporary differences:			
Book-tax difference on fixed assets	(707,849)	(370,891)	(1,078,740)
	$ 16,737	($ 305,713)	($ 288,976)

(23) Supplemental cash flow information

A. Investing activities with partial cash payments

	2022	2021
Purchase of property, plant and equipment	$ 6,807,703	$ 2,367,548
Add: Opening balance of payable on equipment	76,234	196,588
Less: Ending balance of payable on equipment	(305,317)	(76,234)
Less: Opening balance of prepayment on equipment	(524,658)	(336,690)
Add: Ending balance of prepayment on equipment	268,669	524,658
Cash paid during the year	$ 6,322,631	$ 2,675,870

(24) Seasonality of operations

Gallium Arsenide (GaAs) and Indium Phosphide (InP) are the Company's major products. The demand of the products depends on the stock planning policy and the stock level of direct customers at different times. In addition, the Company keeps developing other products and other services. The Company maintains stable relationship with major customers to provide products and technical research development services. The impact of seasonality on the Company's operations is minimal.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
IntelliEPI Inc. (Cayman) (IET-Cayman)	Parent Company
IntelliEPI China, Ltd. (IET-China)	Subsidiary Company
IntelliEPI Japan, Ltd. (IET-Japan)	Subsidiary Company
IntelliEPI IR, Inc. (IET-IR)	Subsidiary Company

(2) Significant related party transactions

A. Purchases:

	2022	2021
IET-China	$ 10,800	$ 168,100

The term of payment offered to related parties is the same as that offered to third parties, i.e, within 30 days.

B. Contract cost:

	2022	2021
IET-IR	$ 254,711	$ 185,611

C. Commission expenses:

	2022	2021
IET-Japan	$ 67,697	$ 49,835

D. Service revenues:

	2022	2021
IET-IR	$ -	$ 264,551

E. Receivables from related parties:

	December 31, 2022	December 31, 2021
Accounts receivable:		
IET-IR	$ -	$ 48,638
Other receivables:		
IET-Cayman	59,779	33
IET-China	13,184	-
IET-IR	-	30,608
	72,963	30,641
	$ 72,963	$ 79,279

F. Payables to related parties:

	December 31, 2022	December 31, 2021
Accounts payable:		
IET-IR	$ 154,245	$ 38,128
IET-Japan	3,446	-
IET-China	-	8,446
	157,691	46,574
Other payables:		
IET-Cayman	821,587	201,008
	$ 979,278	$ 247,582

(3) Key management compensation

	2022	2021
Short-term employee benefits	$ 999,392	$ 833,579
Share-based payments	58,006	274,347
	$ 1,057,398	$ 1,107,926

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

9. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

10. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash, financial assets at amortized cost, accounts receivable, other receivables, other current assets, accounts payable and other payables) are approximate to their fair values.

(3) Financial risk management policies

A. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

B. Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

(4) Significant financial risks and degrees of financial risks

A. Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, Management has set up a policy to require its subsidiaries to manage their foreign exchange risk against their functional currency. The foreign exchange risk arising from each functional currency to the currency of consolidated statements is managed with the Company treasury. The Company's main operating activities of purchases and sales are valued in the Company's functional currency, "US dollars". Therefore, the Company's exposure to foreign exchange risk is considered immaterial.

B. Credit risk

a. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

b. The Company manages its credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'good' are accepted. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

c. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

d. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

ii. For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

e. The Company classifies customer's accounts receivable in accordance with industrial characteristic. The Company applies the modified approach using the provision matrix, loss rate methodology to estimate expected credit loss.

f. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

g. The Company used the forecast ability of semiconductor industrial report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due	Up to 90 days past due	91~180 days past due	More than 180 days past due	Total
At December 31, 2022					
Expected loss rate	0.0067%	0.0222%	4.2779%	100%	
Total book value	$ 2,206,722	$ 2,054,943	$ 36,630	$ 99,670	$ 4,397,965
Loss allowance	$ 148	$ 456	$ 1,823	$ 99,670	$ 102,097

	Not past due	Up to 90 days past due	91~180 days past due	More than 180 days past due	Total
At December 31, 2021					
Expected loss rate	0.0074%	0.0246%	4.7557%	100%	
Total book value	$ 3,913,553	$ 1,226,330	$ 75,342	$ 5,000	$ 5,220,225
Loss allowance	$ 291	$ 302	$ 3,673	$ 5,000	$ 9,266

h. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022
	Accounts receivable
At January 1	$ 7,084
Provision for impairment	95,013
At December 31	$ 102,097

	2021
	Accounts receivable
At January 1	$ 1,149
Provision for impairment	5,935
At December 31	$ 7,084

The Company used the forecast ability of semiconductor industrial report to adjust historical and timely information to assess the default possibility of accounts receivable on December 31, 2022 and 2021, held by the Company to estimate expected credit loss.

C. Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii. Except for lease liabilities, the maturity date of all the non-derivative financial liabilities the company held at December 31, 2022 and 2021 were within one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022

Non-derivative financial liabilities	Less than 3 months	Between 3 months and 6 months	Between 6 months and 9 months	Between 9 months and 12 months	Over 1 year	Total
Accounts payable	$ 1,382,964	$ -	$ -	$ -	$ -	$ 1,382,964
Acrrued expenses and other payables	1,348,536	380	324,742	979,557	-	2,653,215
Lease liabilities	5,940	4,455	4,455	4,455	83,153	102,458

December 31, 2021

Non-derivative financial liabilities	Less than 3 months	Between 3 months and 6 months	Between 6 months and 9 months	Between 9 months and 12 months	Over 1 year	Total
Accounts payable	$ 1,604,207	$ -	$ -	$ -	$ -	$ 1,604,207
Acrrued expenses and other payables	973,988	126,096	163,290	345,508	-	1,608,882
Lease liabilities	5,722	4,292	4,292	4,292	97,275	115,873

11. SEGMENT INFORMATION

(1) General information

The Company operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

Information on segment profit (loss), assets and liabilities of the Company are measured in a manner consist with that in the financial statements.

(2) Measurement of segment information

The Company's Chief Operating Decision-Maker evaluates performance of operating segments based on the financial statements. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4 in the financial statements.

Information on segment profit (loss), assets and liabilities of the Company are measured in a manner consist with that in the consolidated financial statements.

(3) Information about segment profit or loss, assets, and liabilities

Information on segment profit (loss), assets and liabilities of the Company are measured in a manner consistent with that in the financial statements.

(4) Information on products and services

Refer to Note 6 (15) for the related information in the financial statements.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
USA	$ 21,316,878	$ 40,930,235	$ 18,043,797	$ 37,203,116
Germany	1,823,204	-	2,603,645	-
China	1,752,910	-	1,151,160	-
Japan	1,582,900	-	1,301,470	-
Korea	881,533	-	1,833,377	-
Others	2,226,523	-	1,257,455	-
	$ 29,583,948	$ 40,930,235	$ 26,190,904	$ 37,203,116

(6) Major customer information

Major customer information of the Company for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
A	$ 4,662,909	16%	$ 3,467,835	13%
B	4,544,190	15%	3,744,960	14%
C	2,325,126	8%	1,042,310	4%
D	1,927,160	6%	631,570	2%
E	1,776,204	6%	2,573,925	10%
	$ 15,235,589		$ 11,460,600	

12. SUBSEQUENT EVENTS

None.