



**Innovation, Teamwork, Excellence, Quality**

# **ITEQ Corporation**

## **2020 Annual Meeting of Shareholders**

### **Agenda Handbooks**

Time: 9:00 a.m. on June 16, 2020 (Tuesday)

Location: No. 17, Daluge Rd., Xipu Township, Hsinchu County  
305, Taiwan (ITEQ)

**ITEQ CORPORATION**

# **Handbook for the 2020 Annual Meeting of Shareholders**

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# **ITEQ CORPORATION**

## **2020 Agenda of Annual Meeting of Shareholders**

Time: June 16, 2020 (Tuesday) at 9:00 am

Location: No. 17, Daluge Rd., Xinpu Township, Hsinchu County 305, Taiwan

Chairman: Chin-Tsai, Chen

Call the Meeting to Order

Chairperson Remarks

### **I. Report Items**

- (I) To report Business report of 2019
- (II) Audit Committee's review report on 2019 financial statements
- (III) To report distribution of 2019 remuneration to employees and Directors

### **II. Proposed Resolutions**

- (I) To accept 2019 Business Report and Financial Statements
- (II) To approve the proposal for distribution of 2019 earnings

### **III. Discussion Item**

- (I) To amend partial "Articles of Incorporation"

### **IV. Questions and Motions**

### **V. Adjournment**

## **I. Report Items**

### **Motion 1**

**Proposal:** To report Business Report of 2019

**Explanation:** The Business Report of 2019 is attached as hereto as Attachment 1 (page 6)

### **Motion 2**

**Proposal:** Audit Committee's review report on 2019 financial statements

**Explanation:**

- I. Audit Committee's Review Report is attached as hereto as Attachment 2 (page 9)
- II. The convener of the Auditing Committee presents the Audit Report.

### **Motion 3**

**Proposal:** To report distribution of 2019 remuneration to employees and Directors

**Explanation:**

- I. Handled pursuant to Article 27 of the Company's Articles of Incorporation
- II. The Company's 2019 pre-tax surplus was NTD 2,726,052,834. Directors' remuneration was NTD 27,260,528 (pre-tax surplus of 1.0%) and total employee remuneration was NTD 136,302,642 (pre-tax surplus of 5.0%). The above are distributed in cash.

## II. Proposed Resolutions

### **Motion 1**

**[Proposed by the Board of Directors]**

**Proposal:** To accept 2019 Business Report and Financial Statements

**Explanation:**

- I. The Company's 2019 Individual Financial Statements and Consolidated Financial Statements have been audited and have issued their unqualified opinion auditing report by Deloitte & Touch Yang-Cheng, Hsiu and Po-Jen, Weng, and business report are submitted to the Audit Committee for review. As attached are balance sheet, statement of comprehensive Income, statement of change in equity, statement of cash flows and business report.
- II. Business reports, CPA's auditing reports and financial statements are attached as hereto as Attachment 1 (page 6) and Attachment 3 (page 11).
- III. The above are submitted for approval.

**Resolutions:**

**Motion 2****[Proposed by the Board of Directors]****Proposal:** To approve the proposal for distribution of 2019 earnings**Explanation:**

- I. Pursuant to the Company Act and Company's Articles of Incorporation, the proposed allocation of 2019 earnings is as follows:

**ITEQ CORPORATION  
PROFIT DISTRIBUTION TABLE  
2019**

Unit: NTD

Item	Amount	Remarks
Beginning undistributed earnings	1,785,621,990	NTD 5.0 per share
Less: Remeasurement of the defined benefit plan recorded in retained earnings	(794,131)	
Adjusted undistributed earnings	1,784,827,859	
Add: Net income after tax	2,463,300,177	
Less: Legal reserve (10%)	(246,330,018)	
Less: Special reserve	(377,710,750)	
Available earning for distribution	3,624,087,268	
Distributable items:		
Cash Dividends to Shareholders	1,664,786,090	
Unappropriated retained earnings	1,959,301,178	

Note:

- The above is calculated based on the total outstanding shares of 332,957,218 shares as of May 5, 2020.
- 2019 earnings are prioritized in the distribution.

Chairman: Chin-Tsai, Chen

Manager: Hsin-Hui, Tsai

Chief Accounting Officer: Jung-Tsan, Chou

- II. The distribution of cash dividends has been approved by the Board. The total cash dividend to shareholders is NTD 1,664,786,090, with cash dividend of NTD 5.0 per share, rounded down to the nearest NTD. The fractional balance of dividends less than NTD 1 will be summed up and recognized as other income of the Company. After passing the resolution of the Annual Meeting of Shareholders, it is proposed to authorize the Chairman to set the ex-dividend base date, issuance date and other related matters. In case of buying back the Company's shares, the transfer or cancellation of treasury shares, conversion of convertible corporate bond, exercise of employee share warrants, which incur an increase or decrease in number of shares and affects the number of shares outstanding and the shareholder's dividend rate, it is proposed at the Annual Meeting of Shareholders to authorize the Chairman to decide on such matters.

**Resolutions:**

### **III. Discussion Item:**

#### **Motion 1**

**[Proposed by the Board of Directors]**

**Proposal:** To amend partial “Articles of Incorporation”

**Explanation:**

- I. Pursuant to the Company Act, it is proposed to amend the Article 5-1 and Article 6 of Article of Incorporation to comply with the laws and regulations and business requirements.
- II. Refer to [Attachment 4] (page 31) of this handbook for detailed comparison before and after amendment.

**Resolutions:**

### **IV. Questions and Motions**

### **V. Adjournment**

## 2019 Business report

### I. Business Policy

- (I) The Company focuses on "high-end electronic material": To become a leading manufacturer of environmentally-friendly materials such as lead-free, halogen-free and high-speed, high-frequency and low-loss materials. The application of the Company's products include network communications, automotive electronics, smart phones, consumer electronics and other related products. With the aim to increase the Company's market share in the high-end copper clad laminate market.
- (II) Quality is the basis for sustainable development of the Company: We strive to strengthen the quality control system for complete supply chain including raw material supplier management, in-plant process control, shipment quality and reliability monitoring, in aim to comply with regulations and specifications regarding customers' material purchase, and establish a comprehensive product control system and capability, reduce quality complaints and sales costs, improve product yield and management efficiency, strengthen the Company's operation and enhance profitability.
- (III) The global data sphere is expanding and IP traffic is growing at a rapid rate, driving the increasing demand for high-speed transmission. ITEQ Corp. continues to invest in R&D and the promotion of high-speed and high-frequency materials. The Company has a well-expanded product portfolio and cost advantages in high-speed transmission, RF / microwave, mobile devices / high-density multilayer boards, automotive electronics and other professional fields. ITEQ Corp. is confident to achieve a leading position in this field.

### II. Execution

With the efforts of all employees, the Company's 2019 revenue reached NTD 23.8 billion, a year-on-year growth of 6.20%. The main reason is product mix of high-end product portfolios (high-speed / high-frequency / low-loss) has continued to rise under the rapid development of industries such as Network Communication, 5G, and data centers. Gross profit has increased significantly from 14.53% in 2018 to 19.89% in 2019 by 5.36% . Therefore profit after tax has increased from 7.92% last year to 10.35% in this year by 2.43%, with a growth rate of 38.81%.



### III. Execution of Business Plan (consolidated financial statement)

Unit: NTD thousand

Items	2019	2018	YoY(%)
Operating revenue	23,791,315	22,401,722	6.20
Gross profit	4,779,572	3,255,562	46.81
Operating profit	3,103,529	1,784,390	73.93
Non-Operating Income and Expenses	(9,493)	407,493	(102.33)
Income after taxation	2,463,300	1,774,557	38.81
Net profit rate (%)	10.35%	7.92%	

### IV. Execution of Budgets

The Company did not disclose forecasts to the public in 2019. Therefore, there is no need to disclose the implementation of the budget. However the overall actual operating conditions and performance are roughly equivalent to the operating plans formulated by the Company.

### V. Profitability Analysis (consolidated financial statements)

Items	2019	2018
ROA (%)	11.95	9.89
ROE (%)	29.12	23.23
Operating Income to Paid-in Capital (%)	102.44	58.90
Pre-tax Income to Paid-in Capital (%)	102.13	72.35
Net profit rate (%)	10.35	7.92
EPS after tax (NTD)	8.13	5.86

### VI. Research and development

In recent years, we have devoted ourselves to the development of high-frequency and high-speed materials, and the results are gradually emerging. In the 5G infrastructure application market, we successfully launched products such as ultra-high frequency and ultra-low loss material in year 2019. These products well feedback received by customers in terms of quality and performance. In response to data center, 5G communications, the IoT, and the electric vehicle industry's need for the high-speed transmission, low loss, and high reliability materials, the Company's R&D continues to lay emphasis on low-dielectric and ultra-low loss material to optimize and upgrade existing low Dk / Df materials, and further reducing the transmission loss.

In terms of flexible boards, in addition to the existing low-loss flexible board materials solutions, we also focus on the development of ultra-low electrical loss coverlay and bonding sheets, and enhance the products' operability and heat resistance. In response to the increasing demand for miniaturization of electronic products and the refinement of circuits,

the reliability of materials in fine circuits is enhanced, and the competitiveness of products is improved.

For the niche market, we will evaluate market trends and customer needs, and jointly develop customized materials to enhance product diversity. The end applications are broad, including and not limited to data centers, cloud devices, radio frequency antennas, autonomous driving, the IoT and other related applications.

Chairman: Chin-Tsai, Chen      Manager: Hsin-Hui, Tsai      Chief Financial Officer: Jung-Tsan, Chou

**ITEQ CORPORATION**  
**Audit Committee' Review Report**

We have audited the 2019 financial statements (incl. consolidated and individual financial statements) and business report. The aforementioned financial statements are audited by Yang-Cheng, Hsiu and Po-Jen, Weng of Deloitte & Touch, and the CPAs have issued a report with unqualified opinions. The aforementioned financial reports and business report have been reviewed by the Audit Committee, and deemed correct.

Sincerely,

ITEQ CORPORATION

2020 Annual Meeting of Shareholders

Convener of the Auditing Committee: Po-Chiao, Chou

March 17, 2020

**ITEQ CORPORATION**  
**Audit Committee' Review Report**

We have audited the 2019 distribution of retained earnings. The aforementioned distribution of retained earnings have been reviewed by the Audit Committee, and deemed correct.

Sincerely,

ITEQ CORPORATION

2020 Annual Meeting of Shareholders

Convener of the Auditing Committee: Po-Chiao, Chou

May 5, 2020

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
ITEQ Corporation

### Opinion

We have audited the accompanying consolidated financial statements of ITEQ Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Assessment of Inventory**

The inventory of the Group is susceptible to price fluctuations and obsolescence due to changes in demand for finished goods and raw materials caused by price fluctuations in the market. Management estimated the allowance for impairment loss of inventory based on its historical stock sales, and market conditions may also influence management's reasonableness in estimating the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 9 to the consolidated financial statements for disclosures on the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We understood and tested the design and implementation of the internal control related to inventory, which included the evaluation of the impairment and obsolescence of inventory which were recognized and approved by management.
2. To verify the existence and the completeness of the inventory, we obtained the year-end inventory quantity and compared it with the year-end inventory count data. We also participated and observed the year-end inventory count. We assessed the condition of the inventory to evaluate the reasonableness of the inventory impairment provisions for obsolete and damaged goods.
3. We selected samples from the year-end inventory record details and compared the purchase price of raw materials or sales price of inventories and we recalculated the net realizable value to confirm the correctness of its calculation. We took samples and compared the net realizable value of inventories with their carrying amount to assess the reasonableness of the inventory impairment provisions.
4. We obtained and verified the slow-moving inventory and the aging report of inventory in detail, analyzed the difference between the current and prior years, and recalculated the impairment of obsolete inventory to confirm the correctness of its calculation.

## **Other Matter**

We have also audited the parent company only financial statements of ITEQ Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for 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, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee and supervisors, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Hsiu Yang and Po-Jen Weng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2020

#### Notice to Readers

*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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*



# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 3,538,060	15	\$ 3,697,384	20
Financial assets at fair value through profit or loss - current (Note 7)	93,019	1	40,771	-
Net accounts receivable and notes receivable (Note 8)	10,599,239	45	8,806,881	47
Other receivables (Notes 20 and 24)	214,796	1	309,906	2
Inventories, net (Notes 9 and 20)	2,663,876	11	1,590,643	8
Other current assets (Note 14)	<u>873,761</u>	<u>4</u>	<u>671,281</u>	<u>4</u>
Total current assets	<u>17,982,751</u>	<u>77</u>	<u>15,116,866</u>	<u>81</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Note 7)	-	-	55,998	-
Financial assets at fair value through other comprehensive income - non-current (Note 10)	28,505	-	29,434	-
Property, plant and equipment (Notes 11 and 20)	3,622,555	15	2,392,737	13
Right-of-use assets (Notes 12 and 25)	425,833	2	-	-
Intangible assets (Note 13)	9,675	-	9,055	-
Deferred tax assets (Note 21)	219,744	1	101,875	1
Other non-current assets (Notes 14, 17 and 25)	<u>1,191,285</u>	<u>5</u>	<u>989,339</u>	<u>5</u>
Total non-current assets	<u>5,497,597</u>	<u>23</u>	<u>3,578,438</u>	<u>19</u>
<b>TOTAL</b>	<u>\$ 23,480,348</u>	<u>100</u>	<u>\$ 18,695,304</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 3,374,824	14	\$ 3,258,454	17
Short-term bills payable, net (Note 15)	389,819	2	389,827	2
Accounts payable and notes payable	6,383,549	27	4,272,168	23
Other payables	1,298,996	6	734,141	4
Current tax liabilities (Note 21)	865,270	4	570,668	3
Provisions - current (Note 16)	23,173	-	17,417	-
Lease liabilities - current (Notes 12 and 25)	51,830	-	-	-
Current portion of long-term borrowings (Note 15)	117,647	-	117,647	1
Other current liabilities	<u>39,318</u>	<u>-</u>	<u>43,761</u>	<u>-</u>
Total current liabilities	<u>12,544,426</u>	<u>53</u>	<u>9,404,083</u>	<u>50</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 12 and 25)	329,235	1	-	-
Long-term borrowings, net of current portion (Note 15)	1,288,235	6	905,882	5
Deferred tax liabilities (Note 21)	361,821	2	367,708	2
Guarantee deposits received	<u>31,100</u>	<u>-</u>	<u>25,659</u>	<u>-</u>
Total non-current liabilities	<u>2,010,391</u>	<u>9</u>	<u>1,299,249</u>	<u>7</u>
Total liabilities	<u>14,554,817</u>	<u>62</u>	<u>10,703,332</u>	<u>57</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)</b>				
Share capital	<u>3,029,572</u>	<u>13</u>	<u>3,029,572</u>	<u>16</u>
Capital surplus	<u>653,239</u>	<u>3</u>	<u>653,239</u>	<u>4</u>
Retained earnings				
Legal reserve	1,372,300	6	1,194,845	6
Special reserve	205,680	1	-	-
Unappropriated earnings	<u>4,248,130</u>	<u>18</u>	<u>3,319,996</u>	<u>18</u>
Total retained earnings	<u>5,826,110</u>	<u>25</u>	<u>4,514,841</u>	<u>24</u>
Other items in equity	<u>(583,390)</u>	<u>(3)</u>	<u>(205,680)</u>	<u>(1)</u>
Total equity	<u>8,925,531</u>	<u>38</u>	<u>7,991,972</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 23,480,348</u>	<u>100</u>	<u>\$ 18,695,304</u>	<u>100</u>

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

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 25)	\$ 23,791,315	100	\$ 22,401,722	100
COST OF GOODS SOLD (Notes 9 and 25)	<u>19,011,743</u>	<u>80</u>	<u>19,146,160</u>	<u>85</u>
GROSS PROFIT	<u>4,779,572</u>	<u>20</u>	<u>3,255,562</u>	<u>15</u>
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	556,388	2	539,813	2
General and administrative expenses	772,010	3	599,010	3
Research and development expenses	<u>347,645</u>	<u>2</u>	<u>332,349</u>	<u>2</u>
Total operating expenses	<u>1,676,043</u>	<u>7</u>	<u>1,471,172</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>3,103,529</u>	<u>13</u>	<u>1,784,390</u>	<u>8</u>
NON-OPERATING INCOME (Notes 20 and 25)				
Other income	102,128	-	125,565	1
Finance costs	(70,731)	-	(53,026)	-
Other gains	<u>(40,890)</u>	<u>-</u>	<u>334,954</u>	<u>1</u>
Total non-operating income and expenses	<u>(9,493)</u>	<u>-</u>	<u>407,493</u>	<u>2</u>
INCOME BEFORE INCOME TAX	3,094,036	13	2,191,883	10
INCOME TAX EXPENSE (Note 21)	<u>630,736</u>	<u>3</u>	<u>417,326</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>2,463,300</u>	<u>10</u>	<u>1,774,557</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	(794)	-	1,328	-
Unrealized gain on equity investments through other comprehensive income (Note 18)	(929)	-	377	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>186</u>	<u>-</u>	<u>(75)</u>	<u>-</u>
	<u>(1,537)</u>	<u>-</u>	<u>1,630</u>	<u>-</u>

(Continued)

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 18)	\$ (471,209)	(2)	\$ (163,097)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>94,242</u>	<u>1</u>	<u>35,382</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(376,967)</u>	<u>(1)</u>	<u>(127,715)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(378,504)</u>	<u>(1)</u>	<u>(126,085)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,084,796</u>	<u>9</u>	<u>\$ 1,648,472</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 2,463,300</u>	<u>10</u>	<u>\$ 1,774,557</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 2,084,796</u>	<u>9</u>	<u>\$ 1,648,472</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	<u>\$ 8.13</u>		<u>\$ 5.86</u>	
Diluted	<u>\$ 8.10</u>		<u>\$ 5.82</u>	

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

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Shares (Thousands)	Share Capital (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Other Item Equity (Note 18)			Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	302,957	\$ 3,029,572	\$ 653,239	\$ 1,070,375	\$ -	\$ 2,439,520	\$ (76,429)	\$ 169,557	\$ -	\$ 7,285,834
Effect of retrospective application	-	-	-	-	-	168,228	-	(169,557)	(1,838)	(3,167)
BALANCE AT JANUARY 1, 2018 AS RESTATED	302,957	3,029,572	653,239	1,070,375	-	2,607,748	(76,429)	-	(1,838)	7,282,667
Appropriation of the 2017 earnings										
Legal reserve	-	-	-	124,470	-	(124,470)	-	-	-	-
Cash dividends	-	-	-	-	-	(939,167)	-	-	-	(939,167)
Net consolidated income for the year ended December 31, 2018	-	-	-	-	-	1,774,557	-	-	-	1,774,557
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,328	(127,715)	-	302	(126,085)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,775,885	(127,715)	-	302	1,648,472
BALANCE AT DECEMBER 31, 2018	302,957	3,029,572	653,239	1,194,845	-	3,319,996	(204,144)	-	(1,536)	7,991,972
Appropriation of the 2018 earnings										
Legal reserve	-	-	-	177,455	-	(177,455)	-	-	-	-
Special reserve	-	-	-	-	205,680	(205,680)	-	-	-	-
Cash dividends	-	-	-	-	-	(1,151,237)	-	-	-	(1,151,237)
Net consolidated income for the year ended December 31, 2019	-	-	-	-	-	2,463,300	-	-	-	2,463,300
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(794)	(376,967)	-	(743)	(378,504)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,462,506	(376,967)	-	(743)	2,084,796
BALANCE AT DECEMBER 31, 2019	<u>302,957</u>	<u>\$ 3,029,572</u>	<u>\$ 653,239</u>	<u>\$ 1,372,300</u>	<u>\$ 205,680</u>	<u>\$ 4,248,130</u>	<u>\$ (581,111)</u>	<u>\$ -</u>	<u>\$ (2,279)</u>	<u>\$ 8,925,531</u>

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

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,094,036	\$ 2,191,883
Adjustments for:		
(Reversal) bad debt expense	1,214	(13,774)
Depreciation expense	593,420	527,152
Amortization of prepayments for leases	-	2,291
Amortization of prepayments	16,208	15,808
Finance costs	70,731	53,026
Recognition/(reversal) of provisions	6,580	(11,673)
Interest income	(19,492)	(16,532)
Dividend income	(753)	(5,745)
Loss on disposal of property, plant and equipment	1,588	5,334
Net gain on financial assets at fair value through profit or loss	(39,956)	(277,372)
Loss on fire	-	77,558
Recognition/(reversal) of write-down of inventories	15,770	(5,411)
Gain on foreign currency exchange	(15,823)	(6,890)
Proceeds from insurance claim	-	(157,072)
Changes in operating assets and liabilities		
Notes receivable	(661,176)	(126,302)
Accounts receivable	(1,394,428)	(112,292)
Other receivables	87,136	559,723
Inventories	(1,141,854)	(17,064)
Offset against value-added tax payable	(203,006)	(347,277)
Other current assets	(22,218)	14,407
Notes payable	(570)	(856)
Accounts payable	2,115,473	(723,851)
Other payables	(48,913)	161,747
Other current liabilities	(2,781)	(3,248)
Cash generated from operations	2,451,186	1,783,570
Interest paid	(68,571)	(48,838)
Income tax paid	(362,005)	(779,218)
Net cash generated from operating activities	<u>2,020,610</u>	<u>955,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(206,851)	(458,005)
Proceeds from sale of financial assets at fair value through profit or loss	258,548	1,219,479
Payments for property, plant and equipment	(171,854)	(208,588)
Proceeds from disposal of property, plant and equipment	10,840	-
Increase in refundable deposits	(4,985)	(1,725)
Decrease in refundable deposits	3,919	7,998
Increase in other non-current assets	(10,365)	(81,350)
Increase in prepayments for equipment	(1,237,757)	(582,786)
Interest received	18,407	16,532

(Continued)

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Dividends received	\$ 753	\$ 5,745
Obtain subsidies for land use rights	<u>54,170</u>	<u>-</u>
Net cash used in investing activities	<u>(1,285,175)</u>	<u>(82,700)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	124,346	1,055,759
Decrease in short-term bills payable	(2,870)	(109,938)
Proceeds from long-term borrowings	1,200,000	700,000
Repayments of long-term borrowings	(817,647)	(917,647)
Increase in guarantee deposits received	19,725	13,183
Decrease in guarantee deposits received	(13,179)	(4,840)
Repayment of the principal portion of lease liabilities	(49,549)	-
Cash dividends paid	<u>(1,151,237)</u>	<u>(939,167)</u>
Net cash used in financing activities	<u>(690,411)</u>	<u>(202,650)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(204,348)</u>	<u>(329,777)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(159,324)	340,387
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,697,384</u>	<u>3,356,997</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,538,060</u>	<u>\$ 3,697,384</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
ITEQ Corporation

### **Opinion**

We have audited the accompanying financial statements of ITEQ Corporation (the “Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Assessment of Inventory**

The inventory of the Company is susceptible to price fluctuations and obsolescence due to changes in demand for finished goods and raw materials caused by price fluctuations in the market. Management estimated the allowance for impairment loss of inventory based on its historical stock sales, and market conditions may also influence management's reasonableness in estimating the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 10 to the financial statements for disclosures on the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We understood and tested the design and implementation of the internal control related to inventory, which included the evaluation of the impairment and obsolescence of inventory which were recognized and approved by management.
2. To verify the existence and completeness of the inventory, we obtained the year-end inventory quantity and compared it with the year-end inventory count data. We also participated and observed the year-end inventory count. We assessed the condition of the inventory to evaluate the reasonableness of the inventory impairment provisions for obsolete and damaged goods.
3. We selected samples from the year-end inventory record details and compared the purchase price of raw materials or sales price of inventories and we recalculated the net realizable value to confirm the correctness of its calculation. We took samples and compared the net realizable value of inventories with their carrying amount to assess the reasonableness of the inventory impairment provisions.
4. We obtained and verified the slow-moving inventory and the aging report of inventory in detail, analyzed the difference between the current and prior years, and recalculated the impairment of obsolete inventory to confirm the correctness of its calculation.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee and supervisors, are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Hsiu Yang and Po-Jen Weng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2020

#### Notice to Readers

*The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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' report and financial statements shall prevail.*

# ITEQ CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 477,516	3	\$ 330,658	2
Accounts receivable and notes receivable, net (Note 7)	712,893	4	788,655	6
Accounts receivable - related parties (Note 23)	1,033,603	6	416,084	3
Other receivables (Note 22)	177,667	1	114,764	1
Other receivables - related parties (Note 23)	329,855	2	458,945	3
Inventories, net (Note 8)	721,045	5	311,815	2
Other current assets	<u>6,737</u>	<u>-</u>	<u>2,236</u>	<u>-</u>
Total current assets	<u>3,459,316</u>	<u>21</u>	<u>2,423,157</u>	<u>17</u>
NON-CURRENT ASSETS				
Investment accounted for using the equity method (Note 9)	11,889,401	71	10,703,125	76
Property, plant and equipment (Note 10)	694,635	4	816,832	6
Right-of-use assets (Notes 11 and 23)	258,025	2	-	-
Deferred tax assets (Note 19)	183,442	1	63,292	-
Prepayments for equipment	11,909	-	10,378	-
Other non-current assets (Notes 12, 15, 23 and 25)	<u>139,619</u>	<u>1</u>	<u>147,854</u>	<u>1</u>
Total non-current assets	<u>13,177,031</u>	<u>79</u>	<u>11,741,481</u>	<u>83</u>
TOTAL	<u>\$ 16,636,347</u>	<u>100</u>	<u>\$ 14,164,638</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 3,070,000	18	\$ 3,026,985	22
Short-term bills payable, net (Note 13)	389,819	2	389,827	3
Accounts payable and notes payable	1,478,737	9	749,537	5
Accounts payable - related parties (Note 23)	161,342	1	145,644	1
Other payables	427,124	3	307,577	2
Other payables - related parties (Note 23)	550	-	101,046	1
Current tax liabilities (Note 19)	95,601	1	28,111	-
Provisions - current (Note 14)	3,420	-	987	-
Lease liabilities - current (Notes 11 and 23)	26,695	-	-	-
Current portion of long-term borrowings (Notes 13 and 23)	117,647	1	117,647	1
Other current liabilities	<u>62,103</u>	<u>-</u>	<u>28,555</u>	<u>-</u>
Total current liabilities	<u>5,833,038</u>	<u>35</u>	<u>4,895,916</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 13)	1,288,235	8	905,882	6
Deferred tax liabilities (Note 19)	361,821	2	367,708	3
Lease liabilities - non-current (Notes 11 and 23)	223,130	1	-	-
Guarantee deposits received	<u>4,592</u>	<u>-</u>	<u>3,160</u>	<u>-</u>
Total non-current liabilities	<u>1,877,778</u>	<u>11</u>	<u>1,276,750</u>	<u>9</u>
Total liabilities	<u>7,710,816</u>	<u>46</u>	<u>6,172,666</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)				
Share capital	<u>3,029,572</u>	<u>18</u>	<u>3,029,572</u>	<u>21</u>
Capital surplus	<u>653,239</u>	<u>4</u>	<u>653,239</u>	<u>5</u>
Retained earnings				
Legal reserve	1,372,300	8	1,194,845	8
Special reserve	205,680	1	-	-
Unappropriated earnings	<u>4,248,130</u>	<u>26</u>	<u>3,319,996</u>	<u>24</u>
Total retained earnings	<u>5,826,110</u>	<u>35</u>	<u>4,514,841</u>	<u>32</u>
Other items in equity	<u>(583,390)</u>	<u>(3)</u>	<u>(205,680)</u>	<u>(2)</u>
Total equity	<u>8,925,531</u>	<u>54</u>	<u>7,991,972</u>	<u>56</u>
TOTAL	<u>\$ 16,636,347</u>	<u>100</u>	<u>\$ 14,164,638</u>	<u>100</u>

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

# ITEQ CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 17 and 23)	\$ 5,024,371	100	\$ 4,042,620	100
COST OF GOODS SOLD (Notes 8, 18 and 23)	<u>4,242,597</u>	<u>84</u>	<u>3,594,190</u>	<u>89</u>
GROSS PROFIT	<u>781,774</u>	<u>16</u>	<u>448,430</u>	<u>11</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(40,898)	(1)	(7,561)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>7,561</u>	<u>-</u>	<u>3,818</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>748,437</u>	<u>15</u>	<u>444,687</u>	<u>11</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	100,838	2	66,747	2
General and administrative expenses	369,743	8	295,714	7
Research and development expenses	<u>213,238</u>	<u>4</u>	<u>212,490</u>	<u>5</u>
Total operating expenses	<u>683,819</u>	<u>14</u>	<u>574,951</u>	<u>14</u>
PROFIT (LOSS) FROM OPERATIONS	<u>64,618</u>	<u>1</u>	<u>(130,264)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 18 and 23)	34,802	1	103,852	2
Finance costs (Notes 18 and 23)	(51,882)	(1)	(42,967)	(1)
Other gains and losses (Note 18)	(36,890)	(1)	63,790	2
Share of loss of subsidiaries (Note 9)	<u>2,551,923</u>	<u>51</u>	<u>1,813,768</u>	<u>45</u>
Total non-operating income and expenses	<u>2,497,953</u>	<u>50</u>	<u>1,938,443</u>	<u>48</u>
INCOME BEFORE INCOME TAX	2,562,571	51	1,808,179	45
INCOME TAX EXPENSE (Note 19)	<u>99,271</u>	<u>2</u>	<u>33,622</u>	<u>1</u>
NET INCOME FOR THE YEAR	<u>2,463,300</u>	<u>49</u>	<u>1,774,557</u>	<u>44</u>

(Continued)

# ITEQ CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	\$ (794)	-	\$ 1,328	-
Share of other comprehensive income (loss) of subsidiaries	(743)	-	302	-
	<u>(1,537)</u>	<u>-</u>	<u>1,630</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 16)	(471,209)	(10)	(163,097)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	94,242	2	35,382	1
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(376,967)</u>	<u>(8)</u>	<u>(127,715)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>(378,504)</u>	<u>(8)</u>	<u>(126,085)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,084,796</u>	<u>41</u>	<u>\$ 1,648,472</u>	<u>41</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	<u>\$ 8.13</u>		<u>\$ 5.86</u>	
Diluted	<u>\$ 8.10</u>		<u>\$ 5.82</u>	

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

(Concluded)

# ITEQ CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Shares (Thousands)	Share Capital (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Item Equity (Note 16)			Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	302,957	\$ 3,029,572	\$ 653,239	\$ 1,070,375	\$ -	\$ 2,439,520	\$ (76,429)	\$ 169,557	\$ -	\$ 7,285,834
Effect of retrospective application	-	-	-	-	-	168,228	-	(169,557)	(1,838)	(3,167)
BALANCE AT JANUARY 1, 2018 AS RESTATED	302,957	3,029,572	653,239	1,070,375	-	2,607,748	(76,429)	-	(1,838)	7,282,667
Appropriation of the 2017 earnings										
Legal reserve	-	-	-	124,470	-	(124,470)	-	-	-	-
Cash dividends	-	-	-	-	-	(939,167)	-	-	-	(939,167)
Net consolidated income for the year ended December 31, 2018	-	-	-	-	-	1,774,557	-	-	-	1,774,557
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,328	(127,715)	-	302	(126,085)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,775,885	(127,715)	-	302	1,648,472
BALANCE AT DECEMBER 31, 2018	302,957	3,029,572	653,239	1,194,845	-	3,319,996	(204,144)	-	(1,536)	7,991,972
Appropriation of the 2018 earnings										
Legal reserve	-	-	-	177,455	-	(177,455)	-	-	-	-
Special reserve	-	-	-	-	205,680	(205,680)	-	-	-	-
Cash dividends	-	-	-	-	-	(1,151,237)	-	-	-	(1,151,237)
Net consolidated income for the year ended December 31, 2019	-	-	-	-	-	2,463,300	-	-	-	2,463,300
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(794)	(376,967)	-	(743)	(378,504)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,462,506	(376,967)	-	(743)	2,084,796
BALANCE AT DECEMBER 31, 2019	<u>302,957</u>	<u>\$ 3,029,572</u>	<u>\$ 653,239</u>	<u>\$ 1,372,300</u>	<u>\$ 205,680</u>	<u>\$ 4,248,130</u>	<u>\$ (581,111)</u>	<u>\$ -</u>	<u>\$ (2,279)</u>	<u>\$ 8,925,531</u>

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

# ITEQ CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,562,571	\$ 1,808,179
Adjustments for:		
Expected credit loss	1,214	-
Depreciation expense	231,584	204,976
Amortization of prepayments	2,720	3,455
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(39,926)
Finance costs	51,882	42,967
Interest income	(2,768)	(1,368)
Share of loss of subsidiaries	(2,551,923)	(1,813,768)
Loss on disposal of property, plant and equipment	968	-
Write-downs of inventories	9,283	-
Unrealized gain on transactions with subsidiaries	115,076	7,561
Realized gain on the transactions with subsidiaries	(7,561)	(3,818)
(Gain) loss on foreign currency exchange	16,590	(15,907)
Reversal of provisions	2,433	987
Changes in operating assets and liabilities		
Notes receivable	74,680	(53,148)
Accounts receivable	(6,406)	75,611
Accounts receivable - related parties	(634,260)	(118,061)
Other receivables	(62,902)	109,751
Other receivables - related parties	28,871	(13,781)
Inventories	(418,513)	21,020
Other current assets	(4,501)	674
Notes payable	(570)	(856)
Accounts payable	741,008	(52,756)
Accounts payable - related parties	18,271	(258,807)
Other payables	122,681	(33,008)
Other payables - related parties	(100,486)	97,451
Other current liabilities	(3,448)	(642)
Cash (used in) generated from operations	186,494	(33,214)
Interest paid	(52,155)	(42,633)
Income tax paid	(38,872)	(294,289)
Net cash generated from (used in) operating activities	<u>95,467</u>	<u>(370,136)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(532)
Proceeds from sale of financial assets at fair value through profit or loss	-	218,240
Refund of shares of invested companies using equity method	300,000	-
Proceeds from disposal of property, plant and equipment	200	-
Increase in refundable deposits	(3,373)	(202)
Decrease in refundable deposits	1,700	-

(Continued)

# ITEQ CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
Increase in other non-current assets	\$ (3,921)	\$ (6,379)
Increase in prepayments for equipment	(82,686)	(31,599)
Interest received	1,683	1,368
Dividends received from subsidiaries	<u>591,296</u>	<u>788,652</u>
Net cash generated from investing activities	<u>804,899</u>	<u>969,548</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	43,015	819,985
Decrease in short-term bills payable	(2,870)	(109,938)
Proceeds from long-term borrowings	1,200,000	700,000
Repayments of long-term borrowings	(817,647)	(917,647)
Increase in guarantee deposits received	1,432	160
Repayment of the principal portion of lease liabilities	(26,201)	-
Cash dividends paid	<u>(1,151,237)</u>	<u>(939,167)</u>
Net cash used in financing activities	<u>(753,508)</u>	<u>(446,607)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	146,858	152,805
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>330,658</u>	<u>177,853</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 477,516</u>	<u>\$ 330,658</u>

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

(Concluded)



# ITEQ CORPORATION

## Corporate Charter (Articles of Incorporation)

### Comparison Table of Corporate Charter (Articles of Incorporation)

Clauses	before amendments	after amendments	Reason
<b>Chapter II</b>	<b>Shares</b>	<b>Shares</b>	
Article 5-1	Shall the Company issues employee stock warrant at an exercise price lower than the closing price of the Company stock or lower than the average buyback price of treasury shares, such matter must be approved by more than two-third of voting shares with more than half of the voting shares present.	Shall the Company issues employee stock warrant at an exercise price lower than the closing price of the Company stock or lower than the average buyback price of treasury shares, such matter must be approved by more than two-third of voting shares with more than half of the voting shares present. <u>Pursuant to the Company Act, the Company's bought-back treasury shares are assigned or transferred to subsidiary or controlling company employees meeting specific requirements.</u> <u>The Company's share subscription warrants are entitled to subsidiary or controlling company employees meeting specific requirements.</u> <u>When the Company issues new share, the obtaining of new shares are entitled to subsidiary or controlling company employees meeting specific requirements.</u> <u>The Company's restricted stocks are entitled to subsidiary or controlling company employees meeting specific requirements.</u>	Amended pursuant to Paragraph 4 Article 167-1, Paragraph 3 Article 167-2, and Paragraph 7 and 11 Article 267 of the Company Act.
Article 6	The Company issues registered shares and each stock certificate shall be affixed with the authorized signature/seal and be numbered by <u>at least 3 Directors</u> , and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company is exempted from printing any share certificate for the shares issued, but shall register the issued shares with a centralized securities depository enterprise.	The Company issues registered shares and each stock certificate shall be affixed with the authorized signature/seal and be numbered by <u>Director(s) representing the Company</u> , and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company is exempted from printing any share certificate for the shares issued, but shall register the issued shares with a centralized securities depository enterprise.	Amended pursuant to Paragraph 1 Article 162 of the Company Act.
Article 32	This Article of Incorporation was constituted on Mar. 24, 1996, with the consent of all the promoter, and came into effect on the day when the competent authority approved the registration. Amendment for the 1 <sup>st</sup> instance: August 11, 1997 ~ omitted ~ Amendment for the 23 <sup>rd</sup> instance: June 15, 2018 Amendment for the 24 <sup>th</sup> instance: June 13, 2019 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.	This Article of Incorporation was constituted on Mar. 24, 1996, with the consent of all the promoter, and came into effect on the day when the competent authority approved the registration. Amendment for the 1 <sup>st</sup> instance: August 11, 1997 ~ omitted ~ Amendment for the 23 <sup>rd</sup> instance: June 15, 2018 Amendment for the 24 <sup>th</sup> instance: June 13, 2019 <u>Amendment for the 25<sup>th</sup> instance: June 16, 2020</u> These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.	Date of amendment

## **ITEQ CORPORATION**

### **Rules of Procedure for Shareholder Meetings**

Approved by Shareholders Meeting on Jun. 15, 2018

#### **1. Objective**

Rules of Procedure for Shareholder Meetings has been formulated for the Company to follow regarding the convening, procedure, resolution and records of minutes, and to comply with the laws and regulations.

#### **2. Scope**

Matters regarding the Company's shareholders meetings, except as otherwise provided by law, regulation, shall be handled as provided in these Rules. Such matters include convening of Shareholders' Meeting, procedure of meetings, resolutions, and recording of meeting minutes.

#### **3. Procedure**

##### **3.1. Convening of shareholders meetings**

- 3.1.1. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the chairman shall appoint a person to act in place of the chairman. If there is no person appointed, one shall be select from among the directors to serve as chair. If the meeting is called for by an entitled party beyond the members of the board, such party shall preside over the meeting.
- 3.1.2. The venue for a shareholders meeting shall be the premises of the company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

##### **3.2. Attendance at Shareholders' Meeting**

- 3.2.1. Shareholders or proxies attending the meeting shall submit the attendance card for the purpose of signing in. The number of shares in attendance shall be calculated according to the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- 3.2.2. The attendance and voting in the shareholders' meeting shall be based on the quantity of shares being represented.
- 3.2.3. The company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

##### **3.3. Procedures and Resolution of Shareholders' Meeting**

- 3.3.1. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, a tentative resolution may be passed pursuant to the company act. After the preceding tentative resolution

is passed, if the presence of shareholders or proxies in the meeting represent more than half of the issued shares, the chairman shall refer the tentative resolution for the final decision of the meeting.

- 3.3.2. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The aforementioned principle shall be applicable to shareholders' meetings being called for by any third party beyond the board. Unless a resolution is passed, the chairman may not dismiss any meeting before the motions (incl. extempore motion) set out in the agenda are finished. After meetings are adjourned, shareholders may not elect a new chairman and continue the meeting at the original venue or at another venue. where the chairman dismisses the meeting in violation of the rules, a person shall be elected by the present shareholders to preside over and carry on the meeting by a simple majority in due process of law.

The shareholders may submit proposals in written documents pursuant to Article 172-1 of the Company Act. Where the listed proposals type proposed by the shareholders coincide with that proposed by the Board, the proposals may be merged and handled in accordance with the preceding regulations.

The sequence of discussion of proposals proposed by shareholders at extempore motion, and order of voting should be decided by the chairman.

- 3.3.3. Before speaking, an attending shareholder or proxy must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card), and account name. The order in which shareholders speak will be set by the chair. Shareholders or proxies who just delivered their speeches without submitting the request note shall be deemed no delivery of speech. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When any attending shareholder gives a speech, other shareholders may not incur any disruption by giving a speech, unless the consent from the chairman and the speaking shareholder are granted otherwise. Violator shall be stopped by the chairman,
- 3.3.4. Except with the consent of the chair, a shareholder or proxy may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- 3.3.5. When a juristic person is appointed to attend as proxy, it may designate only one juridic person to represent it in the meeting. For institutional shareholders appointing more than 2 representatives to the shareholders' meeting, only 1 representative may express opinion on the same motion.
- 3.3.6. The chairman shall respond to the query of the shareholder on the floor in person or appoint designated person to respond to the query of the shareholder.
- 3.3.7. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
- 3.3.8. Vote monitoring, counting personnel and other personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the company. The results of the voting

shall be reported on-site and recorded in the minute.

3.3.9. During the meeting, the chairman may, at his discretion, set time for intermission.

3.3.10. Except as otherwise provided in the company act and in the company's articles of incorporation the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders or proxies. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. On the same day the meeting is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the mops.

3.3.11. If there is an amendment to or substitute for specific motion, the chairman shall set the priority of voting on the original motion, the amendment and the substitute. If one of the motions has been passed, the remainder shall be deemed vetoed and shall not be referred to further voting.

3.3.12. The chairman shall order the disciplinary officers (or the security guards) to keep the venue of the meeting in order. In keeping order in the venue of the meeting, the disciplinary officers (or the security guards) shall wear arm badge inscribed with the wording of “disciplinary officers” or id badge.

#### 3.4. Shareholders’ Meeting Minute

The Company shall keep the minutes of the meeting by voice recording, and retain the record for at least 1 year.

### **4. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.**

The Rules and Procedure is formulated on June 20, 2002.

Amendment for the 1st instance: June 15, 2006.

Amendment for the 2nd instance: June 15, 2018.

## **ITEQ CORPORATION**

### **Corporate Charter (Articles of Incorporation)**

Approved by Shareholders Meeting on Jun. 13, 2019

#### **Chapter 1     General Provision**

- Article 1            The Company is duly incorporated in accordance with the Company Act and bears the title of ITEQ Corporation.
- Article 2            The scope of business undertaken by the Company:
1. Multilayer printed circuit board substrate and copper clad laminate and the production, processing and sales of work-in-process and finished goods.
  2. The international trade of the production equipment of the preceding products.
  3. CC01080 Electronic Parts and Components Manufacturing
  4. F119010 Wholesale of Electronic Materials
  5. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3            The Company is headquartered in Hsinchu County and may establish branches domestically and internationally at the resolution of the Board where necessary.
- Article 4            The Company shall make public announcements in accordance with Article 28 of the Company Act.
- Article 4-1          The foreign investment in the Company shall be determined by the Board of Directors. The total amount of the Corporation's reinvestment may exceed the restriction of forty percent of the Corporation's paid-up capital.

#### **Chapter II     Shares of Stock**

- Article 5            The total capital stock of the Corporation shall be in the amount of NTD 5,000,000,000 (incl. Employee share warrants of NTD 50,000,000), divided into 500,000,000 shares at NTD 10 each. The Board may be authorized to issue the un-issued shares in installments. The Company may, while requested by the Taiwan Securities Central Depository Co., Ltd., consolidate shares to issue share certificates of large denomination.
- Article 5-1          If the Company wishes to revoke the public offering, unless approved by the Board of Directors, it may only revoke the public offering after the resolution is approved by the shareholders' meeting.
- Shall the Company issues employee stock warrant at an exercise price lower than the closing price of the Company stock or lower than the average buyback price of treasury shares, such matter must be approved by more than two-third of voting shares with more than half of the voting shares present.
- Article 6            The Company issues registered shares and each stock certificate shall be affixed with the authorized signature/seal and be numbered by at least 3 Directors, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company is exempted from printing any share certificate for the shares issued, but shall register the issued shares with a centralized securities depository enterprise.
- Article 7            Shareholders should send the pattern of their seals to the Company for record. In the future, when shareholders receive dividends from the Company or

exercise their shares in writing, the pattern of seals retained by the company will serve as the basis for transfer, gift, establishment and release of pledge, loss, damage or other share affairs. Such matters shall be handled in accordance with the “Regulations Governing the Administration of Shareholder Services of Public Companies” and other relevant laws and regulations.

Article 8 No transfer of share certificates shall be permitted within sixty days prior to a regular meeting of shareholders, thirty days prior to a special meeting of shareholders, or within five days prior to the date fixed for distributing dividends, bonuses, or other benefits.

### **Chapter III General Meeting of Shareholders**

Article 9 Shareholders’ meetings shall be convened as follows

1. Regular meetings are convened annually within six (6) months after the close of each fiscal year.
2. Special meetings shall be convened at any time as necessary in accordance with relevant regulations.

Article 10 The Chairman shall preside the Shareholders Meeting. In case the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the Vice chairman shall act on his behalf. In case the Vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, one of the Directors shall be appointed to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman.

Article 11 All shareholder shall be informed of the date, venue and purposes for the convening of Shareholders’ Meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings.

Article 12 The following matters of the Company shall be decided by the shareholders meeting:

1. Amendment to the Corporate Charter (Articles of Incorporation)
2. Increase or decrease of the Company’s paid-on capital
3. Merge or Acquisition of other Company
4. Entrusting business
5. Dissolve or liquidation of the Company
6. Election of Directors
7. Implementation and amendment to the shareholder dividends and employee bonus
8. Other matters to be decided by the Shareholders’ Meeting as required by law

Article 13 Shareholders who are unable to attend the General Meeting of Shareholders in person, may appoint a proxy to attend the meeting by providing a signed and sealed proxy form issued by the Company stating the scope of the proxy's authorization Shareholders’ Meeting in accordance to the “ Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”. Pursuant to the regulations formulated by the competent authority, the Shareholders of the Company may exercise their voting power by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the meeting in person.

- Article 14 Shareholders of the Company shall be entitled to one voting right for the holding of each share unless provided otherwise by laws or regulations.
- Article 15 Resolutions at a General Meeting of Shareholders shall, unless otherwise provided for Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. The minutes of Shareholders' Meeting shall record the date, place, number of shareholders attended, number of voting shares, name of the chairman, motions and the method of adopting resolutions. And signed by the chairman or affixed with the chairman's seal. The minutes shall be kept jointly with shareholders' register and proxy forms at the Board of Directors. The minutes shall be given to each shareholder within twenty (20) days after the meeting and may be effected by means of a public notice.

#### **Chapter IV Directors, Audit Committee and Managers**

- Article 16 The Company shall establish 7 to 10 seats of Directors each with term of office for 3 years and may be eligible for re-election. The system of candidate nomination is adopted where the Shareholders' Meeting shall elect prospective candidates.  
The total percentage of shareholding of Directors is as stipulated by the competent authority.  
The Company shall take professional liabilities insurance for the protection of the Directors within their scope of assigned duties against claim for damages under law. The Board shall be authorized to handle matters regarding such insurance.
- Article 16-1 Regarding the aforementioned seats of Directors, Independent Directors shall consist of no less than 3 seats, and no less than one-fifth of the seats of Directors.  
The Independent Directors' professional qualifications, shareholdings, restrictions on concurrent positions, nomination and election methods, and other matters to be complied with shall be handled in accordance with relevant regulations of the competent authorities.  
The Company shall establish an Audit Committee consists by only the Directors of the Company. Audit Committee shall have no less than three (3) seats, among which, one (1) shall act as the convener, and at least one (1) shall possess profession in accounting or finance.
- Article 17 The powers of the Board of Directors shall be as follows:
1. Determining of the business objectives, review of the business plans, supervision of the implementation
  2. Assignment and Dismissal of President and Vice President of the Company.
  3. Formulation of and amendment to major Articles of Incorporation and Corporate Organization Structure
  4. Establishment and dissolve of branch offices
  5. Convening of shareholders meetings
  6. Other duties entitled by the Company Act and the Shareholders' Meeting.
- Article 18 The Board of Directors has one (1) Chairman and one (1) Vice Chairman elected among the Directors. The Chairman is the chair of the Board of Directors and represents the Company.
- Article 19 Shareholders' Meetings are convened by the Board.  
Board Meetings are convened by the Chairman. Chairman shall preside

Board Meetings. When the Chairman is unable to convene the meetings for any reason, the Vice Chairman shall convene the meeting in place of the chairman. However, if the Vice Chairman is unable to convene the meetings on the required date or within seven (7) of the required date, The Chairman shall, in advance, appoint a Director to convene the meetings on his behalf. If there is no person appointed, one shall be select from among the Directors to serve as chair.

In case a Board Meeting is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. If a Director is not able to attend Board Meetings in person, he shall submit a proxy form stating the motions and scope of authorization to appoint a Direct to act on his behalf. The preceding is limited to one (1) proxy only.

All Directors shall be informed of the Board Meeting seven (7) days in advance. However, in the case of emergency, the meeting may be convened at any time.

The preceding matter shall be stated in written, E-mail or fax.

#### Article 20

The Directors organize the Board. Board Meetings shall be convened once every season, and the duties are as follows:

1. Decision on foreign and domestic investment
2. Review of internal rules and regulations
3. Election of Chairman and Vice Chairman
4. Approval of the assignment and dismissal of President and Vice President
5. Review of budget and final calculation.
6. Decision on matters regarding borrowings
7. Proposal at Shareholders' Meeting regarding amendments to the Article of Incorporation, change in Company capital, and the dissolve or merge of Company
8. Proposal at Shareholders' Meeting regarding the distribution of surplus or setting off loss
9. Resolution of the distribution cash dividends
10. Hiring of CPAs
11. Other matters entitled by the Company Act or the Shareholders' Meeting
12. Establishment and dissolve of branch offices
13. For business operations, establishment of Audit Committee, nomination of committee members, risk management and other various functional committees

#### Article 21

Unless otherwise provided for under the Company Act, resolutions of the Board shall be approved by a majority of the directors at a meeting attended by a majority of the directors. The following matters shall be approved by more than two-third of the attending Directors with more than half of the Directors present:

1. Resolution on foreign investment
2. (deleted)
2. Review of budget and final calculation.
3. The provisions on the recording of minutes of Shareholders' Meeting be applicable to Board Meeting.

#### Article 22

(deleted)

#### Article 23

(deleted)

#### Article 24

The Board of Directors is authorized to determine the remuneration to all



Article 25 Directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry. The Company may have several managers. The appointment, discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act.

## **Chapter V Accounting**

Article 26 The business year of the Corporation shall begin on January 1st and end on December 31<sup>st</sup> of each year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the General Shareholders' Meeting for acceptance:

1. Business Report
2. Financial Statements
3. Proposal Concerning the Distribution of Earnings or Covering of Losses

Article 27 The Company shall appropriate no less than 2% of its earnings, if applicable, as remuneration to employees. The Board of Directors shall determine if the employees' remuneration distributed, in the form of shares or in cash. The Company's Board of Directors shall be authorized to determine the targets of remuneration shall include the employees of controlling or subsidiary companies meeting certain specific requirement. The Company shall also allocate no more than 2% of the aforementioned amount of earnings as remuneration to the Directors. The proposal for the remuneration to employees and Directors shall be reported to the General Meeting of shareholders.

If there is loss carried forward, specific amount shall be retained to cover the loss and appropriate the remainder in the aforementioned percentage as remuneration to employees and Directors.

Article 27-1 The Company's annual profit shall be distributed in the following order:

1. Payment of taxes
2. Set off accumulated losses
3. Appropriate ten percent (10%) as legal reserve
4. Appropriate or return to special reserve pursuant to regulations formulated by the competent authority
5. Besides the amount of appropriated to retained earnings, the remaining amount shall be appropriated to undistributed earnings. The Board shall propose for the distribution of earnings subject to the final approval of the General Meeting of shareholders for distribution of dividend to shareholders.

The Company is in the growing stage. The distribution of earnings depends on factors such as the Company's current and future investment environment, capital requirements, domestic and international competition, future capital expenditures, and working capital planning, taking into account shareholders' interests, balancing dividends, and long-term financial planning. The amount of shareholder dividends is determined based on the aforementioned matters, and the amount of cash dividends must be no less than 20%.

Article 28 Dividends will be paid only to those shareholders whose names are recorded on the shareholders' register five (5) days prior to the date fixed for distributing dividends.

## **Chapter VI Miscellaneous**

Article 29	The Company may provide guarantees in accordance with laws formulated by the government.
Article 30	Issues that are not fully addressed in the Articles of Incorporation shall be processed in accordance with the Company Act.
Article 31	(deleted)
Article 32	<p>This Article of Incorporation was constituted on Mar. 24, 1996, with the consent of all the promoter, and came into effect on the day when the competent authority approved the registration.</p> <p>Amendment for the 1<sup>st</sup> instance: August 11, 1997</p> <p>Amendment for the 2<sup>nd</sup> instance: July 9, 1998</p> <p>Amendment for the 3<sup>rd</sup> instance: June 16, 2000</p> <p>Amendment for the 4<sup>th</sup> instance: July 25, 2000</p> <p>Amendment for the 5<sup>th</sup> instance: May 25, 2001</p> <p>Amendment for the 6<sup>th</sup> instance: December 28, 2001</p> <p>Amendment for the 7<sup>th</sup> instance: June 12, 2002</p> <p>Amendment for the 8<sup>th</sup> instance: October 22, 2002</p> <p>Amendment for the 9<sup>th</sup> instance: June 6, 2003</p> <p>Amendment for the 10<sup>th</sup> instance: February 13, 2004</p> <p>Amendment for the 11<sup>th</sup> instance: May 4, 2004</p> <p>Amendment for the 12<sup>th</sup> instance: June 11, 2005</p> <p>Amendment for the 13<sup>th</sup> instance: June 15, 2006</p> <p>Amendment for the 14<sup>th</sup> instance: June 15, 2007</p> <p>Amendment for the 15<sup>th</sup> instance: June 13, 2008</p> <p>Amendment for the 16<sup>th</sup> instance: June 16, 2009</p> <p>Amendment for the 17<sup>th</sup> instance: June 18, 2010</p> <p>Amendment for the 18<sup>th</sup> instance: June 17, 2011</p> <p>Amendment for the 19<sup>th</sup> instance: June 6, 2012</p> <p>Amendment for the 20<sup>th</sup> instance: June 14, 2013</p> <p>Amendment for the 21<sup>st</sup> instance: June 18, 2015</p> <p>Amendment for the 22<sup>nd</sup> instance: June 15, 2016</p> <p>Amendment for the 23<sup>rd</sup> instance: June 15, 2018</p> <p>Amendment for the 24<sup>th</sup> instance: June 13, 2019</p> <p>These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.</p>

**ITEQ CORPORATION**

Chairman: Chin-Tsai, Chen

## Appendix 3

### Shareholding of Directors

As in the Shareholders' Register on the date for suspension of share transfer (Apr. 18, 2020):

Position	Name	Date elected	Term	Type	Shares held on the date of accession		Current shareholding	
					Shares	Percentage	Shares	Percentage
Chairman	Chin-Tsai, Chen	Jun. 15, 2018	3 years	Ordinary share	1,255,000	0.41%	1,354,419	0.41%
Director	Fu Cun Constructin Co., Ltd. Representative: Mao-Chen, Tsai	Jun. 15, 2018	3 years	Ordinary share	30,215,038	9.97%	30,215,038	9.07%
Director	Fu Cun Constructin Co., Ltd. Representative: Shih-Fang, Cheng	Jun. 15, 2018	3 years	Ordinary share	30,215,038	9.97%	30,215,038	9.07%
Director	Gemtek Technology Co., Ltd. Representative: Hsi-An, Liao	Jun. 15, 2018	3 years	Ordinary share	1,730,511	0.57%	870,511	0.26%
Director	Hsin-Hui, Tsai	Jun. 15, 2018	3 years	Ordinary share	496,487	0.16%	505,600	0.15%
Independent Director	Po-Chiao, Chou	Jun. 15, 2018	3 years	Ordinary share	0	0.00%	2,158	0.00%
Independent Director	Hsiu-Tsung, Liang	Jun. 15, 2018	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Yu-Chin, Tsai	Jun. 15, 2018	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Hui-Fen, Chan	Jun. 15, 2018	3 years	Ordinary share	0	0.00%	6,475	0.00%

Total share issued as of Apr. 18, 2020: 332,957,218 shares

Total legal shareholdings of all Directors: 13,318,288 shares

Total shareholdings of all Directors as of Apr. 18, 2020: 32,954,201 shares (9.89%)