

**ITEQ CORPORATION**  
**2020 Annual General Shareholders' Meeting Minutes**  
**(Translation)**

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

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

Attending Shareholders: The total number of shares represented by shareholders attending the meeting in person or by proxy is 271,084,233 shares (including casted electronically 269,583,080 shares), representing 81.41% of the total number of issued shares of the Company (i.e. 332,957,218 shares.)

Attending Directors: Chin-Tsai Chen (Chairman), Fu Cun Construction Co., Ltd. Representative: Mao-Chen Tsai (Director), Hsin-Hui, Tsai (Director), Fu Cun Construction Co., Ltd. Representative: Shih-Fang, Cheng (Director), Gemtek Technology Co., Ltd. Representative: Hsi-An, Liao (Director), Po-Chiao, Chou (Convener of the Auditing Committee, Independent Director), Hsiu-Tsung, Liang (Independent Director), Yu-Chin, Tsai (Independent Director), Hui-Fen, Chan (Independent Director)

Attendees: Cheng-Hsiu, Yang (CPA, Deloitte & Touch)  
Chun-Yi, Jen (Attorney-at-Law, HL&Partners)

Chairman: Chin-Tsai Chen

Recorder: Ke-Yu, Chang

**I. As the number of shares represented by attending shareholder has reached the required quorum for shareholders' meeting, the chairman declares the shareholders' meeting begins**

**II. Chairperson Remarks:** (Omitted)

**III. Report Items**

**Motion 1**

**Proposal:** Business Report of 2019 (see Attachment 1 (page 5))

**Motion 2**

**Proposal:** Audit Committee's review report on 2019 financial statements (see Attachment 2 (page 8))

**Motion 3**

**Proposal:** Distribution of 2019 remuneration to Employees and Board of Directors (see handbook)

#### IV. 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 Financial Statements were audited by independent auditors Cheng-Hsiu, Yang and Po-Jen, Weng of Deloitte & Touch; with business report examined by the Audit Committee of the Company. Attached are balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows and business report.
- II. Business reports, CPA's audit reports and financial statements are attached hereto as Attachment 1 (page 5) and Attachment 3 (page 10).
- III. The above are submitted for approval.

**Voting Results:**

Shares represented at the time of voting : 271,084,233

Voting Results*	% of the total represented share present
Votes in favor : 262,898,880 votes ( 261,400,103 votes)	96.98%
Votes against : 9,698 votes (9,698 votes)	0.00%
Votes invalid : 0 votes	0.00%
Votes abstained : 8,175,655 votes (8,173,279 votes)	3.01%

\*including votes casted electronically(numbers in brackets)

**RESOLVED**,that the 2019 Business Report and Financial Statements be and hereby were accepted as submitted.

##### **Motion 2**

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

**Proposal:** To approve the prososal 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	
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 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.

**Voting Results:**

Shares represented at the time of voting : 271,084,233

Voting Results*	% of the total represented share present
Votes in favor : 262,901,901 votes ( 261,403,124 votes)	96.98%
Votes against : 9,699 votes (9,699 votes)	0.00%
Votes invalid : 0 votes	0.00%
Votes abstained : 8,172,633 votes	3.01%

(8,170,257 votes)	
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\*including votes casted electronically(numbers in brackets)

**RESOLVED**,that the above proposal be and hereby were accepted as submitted.

## V. 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.

#### **Voting Results:**

Shares represented at the time of voting : 271,084,233

Voting Results*	% of the total represented share present
Votes in favor : 262,858,086 votes (261,359,309 votes)	96.96%
Votes against : 9,913 votes (9,913 votes)	0.00%
Votes invalid : 0 votes	0.00%
Votes abstained : 8,216,234 votes ( 8,213,858 votes)	3.03%

\*including votes casted electronically(numbers in brackets)

**RESOLVED**,that the above proposal be and hereby were accepted as submitted.

## **VI. Questions and Motions:** None.

## **VII. Adjournment:** At 9:16 a.m of June 16, 2020.

## 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	%
<b>CURRENT ASSETS</b>				
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>2,236</u>	-
Total current assets	<u>3,459,316</u>	<u>21</u>	<u>2,423,157</u>	<u>17</u>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 16,636,347</u>	<u>100</u>	<u>\$ 14,164,638</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>28,555</u>	-
Total current liabilities	<u>5,833,038</u>	<u>35</u>	<u>4,895,916</u>	<u>35</u>
<b>NON-CURRENT LIABILITIES</b>				
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>3,160</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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)</b>				
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>
<b>TOTAL</b>	<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)

	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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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