

ITEQ

Innovation, Teamwork, Excellence, Quality

ITEQ Corporation

2021 Annual Meeting of Shareholders

Agenda Handbooks

Time: 9:00 a.m. on June 16, 2021 (Wednesday)

Location: No. 17, Daluge Rd., Xinpu Township, Hsinchu County
30544, Taiwan (R.O.C.)

ITEQ Corporation

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ITEQ Corporation

Agenda of the 2021 Annual Meeting of Shareholders

Meeting Time: 9:00 a.m. on Wednesday, June 16, 2021

Place: No. 17, Daluge Rd., Xinpu Township, Hsinchu County 30544, Taiwan (R.O.C.)

Meeting Chairman: Mr. Chin-Tsai Chen, Chairman of the Board

Meeting Called to Order

Chairman Remarks

I. Management Presentations

- (I) 2020 Business Report
- (II) 2020 Report on the Review of the Financial Statement from the Audit Committee
- (III) 2020 Report on the Distribution of Remuneration for Employees and Directors

II. Adoptions

- (I) Adoption of the 2020 Business Report and Financial Statements
- (II) Adoption of the 2020 Proposal for Distribution of Profits

III. Discussions

- (I) Amendment to the "Articles of Incorporation"
- (II) Amendment to the "Rules and Procedures of the Shareholders' Meeting"
- (III) Amendment to the "Procedures for the Acquisition or Disposal of Assets"
- (IV) Proposal for issuing employee stock option certificates below the market price

IV. Elections

The elections of the Directors for the 9th Term

V. Other Matters

Proposal for removal of the non-competition prohibition on the newly elected Director of the Board

VI. Questions and Motions

VII. Adjournment

I. Management Presentations

Report No. 1

Subject: 2020 Business Report

Explanation: Please refer to Appendix I (on page 14 of this handbook) for the 2020 Business Report.

Report No. 2

Subject: Audit Committee's Review Report on the 2020 Financial Statements

Explanation:

- I. Please refer to Appendix II (on page 17 of this handbook) for the preceding Audit Committee's Review Report.
- II. Earnestly invite the Convener of the Audit Committee to read out the preceding Audit Committee's Review Report.

Report No. 3

Subject: Report on the Distribution of Remuneration for Employees and Directors of 2020

Explanation:

- I. This matter is handled in accordance with Article 27 of the Corporation's Articles of Incorporation.
- II. The Corporation's pretax earnings for 2020 was NT\$2,934,227,404 (excluding Directors' remuneration and employees' remuneration). NT\$44,013,411 (1.5% of pre-tax earnings) and NT\$190,724,781 (6.5% of pre-tax earnings) were provided for Directors' remuneration and employees' remuneration respectively, the total amount of which was distributed in cash and was identical from the recognized expense.

II. Adoptions

Proposal 1

(proposed by the Board of Directors)

Subject: Adoption of the 2020 Business Report and Financial Statements

Explanation:

- I. The Corporation's 2020 financial statements have been reviewed by Cheng-Hsiu Yang and Po-Jen Weng, CPAs of Deloitte & Touche, and concluded with an unmodified opinion audit report. The 2020 Business Report and aforementioned 2020 financial statements have been examined by the Audit Committee and concluded with the Audit Committee's Review Report herein. It is hereby to provide the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and business report as attached.
- II. Please refer to Appendix I (on page 14 of this handbook) and Appendix III (on page 18 of this handbook)) for the attached 2020 Business Reports, CPA's audit report and the preceding financial statements.
- III. The above-mentioned are submitted hereby for adoption at this shareholders' meeting.

Resolution:

Proposal 2

(proposed by the Board of Directors)

Subject: Adoption of the proposal for distribution of 2020 profits

Explanation:

- I. Pursuant to the Taiwan Company Act and the Corporation's Articles of Incorporation, the 2020 Profit Distribution Table is proposed as below:

ITEQ Corporation
Profit Distribution Table
2020

Currency Unit: NT\$

Item	Amount	Remark
Beginning balance of retained earnings	1,959,301,178	
Add: Remeasurements of defined benefit plans recognized in retained earnings	78,894	
Adjusted balance of retained earnings	1,959,380,072	
Add: Net profit	2,665,565,081	
Less: Legal reserve (10%)	(266,564,398)	
Add: Reversal of special reserve	138,454,883	
Earnings available for distribution	4,496,835,638	
Distributable items:		

Dividend to shareholders (in cash)	1,664,786,090	NT\$5.0 per share
Unappropriated retained earnings	2,832,049,548	

Notes:

1. The above-mentioned dividend distribution ratio is based on the number of 332,957,218 shares outstanding as of March 23, 2021.
2. 2020 profit distribution shall take the first priority.

Chairman of the Board:
Chin-Tsai chan

Managerial Officer:
Hsin-Hui Tsai

Managerial Officer:
Jung-Tsan Chou

- II. The proposed cash dividends of NT\$1,664,786,090 to shareholders, calculated at NT\$5.0 per share, are rounded to the nearest dollar and the aggregate amount of dividends from fractional shares is counted into Corporation's other income. Upon adoption of said proposal by this shareholders' meeting, the Chairman of the Board is authorized to fix an ex-dividend record date, payment date and other related matters. In the event of any subsequent buy-back of the Corporation's shares, transfer or cancellation of treasury shares, conversion of convertible bonds, exercise of employee stock options, or other increase or decrease in shares which affects the number of outstanding shares and result in changes in dividend payout ratio, we propose that this shareholders' meeting fully authorizes the Chairman of the Board to handle all relevant matters thereof.

Resolution:

III. Discussions

Proposal 1

(proposed by the Board of Directors)

Subject: Amendment to the "Articles of Incorporation"

Explanation:

- I. Pursuant to Article 240, Paragraph 5 of the Taiwan Company Act, allowing the Corporation to authorize the distributable earning and reserves in cash through resolutions by the Board of Directors, we propose to amend Article 27-1 of the Corporation's Articles of Incorporation to simplify the procedures for the payment of cash dividends and bonuses, good for meeting operational requirements.
- II. Please refer to Appendix IV (on page 38 of this handbook) for the Comparison Table for the Amendments to the Articles of Incorporation.

Resolution:

Proposal 2

(proposed by the Board of Directors)

Subject: Amendment to the "Rules and Procedures of the Shareholders' Meeting"

Explanation:

- I. Pursuant to Tai Zheng Zhi Li Zi No. 1100001446 Announcement of TWSE on January 28, 2021, we propose to amend Article 3, Paragraph 3, Subparagraph 2 of the "Rules of Procedure for Shareholder Meetings."
- II. The original wording specified can be easily misinterpreted that an extemporary motion may be brought up except for the matters regulated by Article 185, Paragraph 1 of the Taiwan Company Act. Consequently, pursuant to the amended Article 172, Paragraph 5 of the Taiwan Company Act and Jing Shang Zi No.10700105410 official letter from the Ministry of Economic Affairs, R.O.C., regulations other than the Taiwan Company Act that shall not be brought up as extemporary motions are listed in aforementioned Rules and Procedures to avoid misunderstanding.
- III. To enhance corporate governance and protect the interests of shareholders, we propose to amend Article 3, Paragraph 3, Subparagraph 1 of the "Rules of Procedure of the Shareholders' Meeting" and to add paragraphs regarding election matters at shareholders' meetings.
- IV. Please refer to Appendix V (on page 41 of this handbook) for the Comparison Table of Amendments to the Rules and Procedures of the Shareholders' Meeting.

Resolution:

Proposal 3

(proposed by the Board of Directors)

Subject: Amendment to the "Procedures for the Acquisition or Disposal of Assets"

Explanation:

- I. Pursuant to Article 7, Paragraph 4 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," requesting that the Corporation shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with said Regulations.
- II. To be in line with the amendment to Article 369-2 of the Taiwan Company Act, regarding the explanation of the definition of subsidiary.
- III. To eliminate the need for the Corporation's subsidiaries to formulate their own "Procedures for the Acquisition or Disposal of Assets" individually, we propose to amend Article 9, Paragraph 1 of said Procedures so that it also applies to the Corporation's subsidiaries.

- IV. Please refer to Appendix VI (on page 45 of this handbook) for the Comparison Table of Amendments to the Procedures for the Acquisition or Disposal of Assets.

Resolution:

Proposal 4

(proposed by the Board of Directors)

Subject: Issuance of employee stock option certificates below the market price

Explanation:

- I. In order to attract and retain the talents needed by the Corporation and to enhance employee motivation, we propose to issue employee stock option certificates at below the market price in accordance with Article 5 and Article 5-1 of the Articles of Incorporation, which may be issued in one or several installments within one year from the service date of the notice of effective registration with the competent authority. We propose to authorize the Chairman to determine the actual issue date of said employee stock option certificates.
- II. Please refer to Attachment VII (on page 46 of this handbook) for the issuance of employee stock option certificates & the stock subscription method thereof.
- III. Pursuant to Article 56-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the main descriptions are as follows:
 1. Total number of stock option certificates issued, number of shares subscribed per unit of option certificates and total number of new shares to be issued upon exercise of stock option certificates:

The total number of stock option certificates to be issued is 1,000 units. Each unit is allowed to subscribe 1,000 ordinary shares. The total number of new ordinary shares to be issued in connection with exercise of the stock option certificates is 1,000,000 shares.
 2. Basis and reasonableness of the exercise price:

The actual option certificate exercise price is authorized to be set by the Chairman of the Board at a price no less than 70% of the closing price of the ordinary share on the date of issuance of the option certificates. The option certificate exercise price is determined by considering the Corporation's selection and retention of employees and incentives as well as

shareholders' equity and the condition that employee stock option certificates can be exercised through installments 2 years after the issuance date. These are the rationale for offering a discounted price lower than the fair market value on employee stock option certificates.

3. Qualification requirements for option certificate subscribers, and the number of shares they are allowed to subscribe for:

Limited to full-time regular employees of the companies whose more than 50% of shares are held by the Corporation either through direct or indirect investments. (Mainland Chinese employees only). After taking into consideration factors such as work experience, grade, work performance, overall contributions (including possible future contributions) or special achievements, the Chairman of the Board shall determine eligible employees and the number of option certificates they are allowed to subscribe to before presenting them to the Board of Directors for approval. However, the consent of the remuneration committee is required for anyone at the managerial officer level.

Where the Corporation issues employee stock option certificates under Article 56-1, Paragraph 1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the cumulative number of shares subscribable by a single option certificate holder of the employee stock option certificates, in combination with the cumulative number of new restricted employee shares obtained by the single option certificate holder, is not allowed to exceed 0.3 percent of the issuer's total issued shares. And the above in combination with the cumulative number of shares subscribable by the single option certificate holder of employee stock option certificates issued by the Corporation under the preceding Article 56, Paragraph 1, is not allowed to exceed 1 percent of the Corporation's total issued shares.

4. Reasons necessary for the issuance of this employee stock option certificates:

To attract and retain the talents needed by the Corporation and enhance employee motivation so that they can create benefits for the Corporation and its shareholders.

5. Impacts on shareholder equity:

- (1) The expansible amount, and dilution of the Corporation's earnings per share:
Assuming the volume weighted average price of NT\$137.88 in February 2021 as the closing price of the stock on the issue date of the stock option

certificates, and the employee stock option certificates subscription price as at 70% of its preceding price, the amount that may be expensed and amortized on a straight-line basis over the vesting period on an annual basis is as follows: the impact on the EPS dilution is NT\$0.124 over a five-year period, which is low.

Year	110	111	112	113	114	Total
Annual amount that is potentially expensed: (NTD in Thousands)	8,619	17,238	11,032	3,447	1,034	41,370
EPS Dilution (NTD)	0.026	0.052	0.033	0.010	0.003	0.124

(2) If the contract is performed by means of issued shares, the financial burden on the Corporation should be stated: Not applicable.

IV. During the course of submitting this Method to the competent authority for examination, the Chairman is authorized to amend the terms as requested by the competent authority and subsequently submit them to the Board of Directors for ratification.

V. If there are any other outstanding matters that need to be amended in the future due to changes in laws and regulations of competent authorities or other objective environmental factors, it is intended that the shareholders' meeting will authorize the Board of Directors to act in accordance with the relevant regulations.

Resolution:

IV. Elections

(proposed by the Board of Directors)

Subject: The elections of the Directors for the Ninth Term

Explanation:

- I. The eighth term of the Directors will expire on June 14, 2021. We propose and to proceed with the election of the Directors for the ninth term at this 2021 shareholders' meeting.

- II. According to the Corporation's Articles of Incorporation, 9 Directors (including 3 Independent Directors) for the ninth term are to be elected at this shareholders' meeting, whose term will be three (3) years, starting from June 16, 2021 to June 15, 2024.
- III. The candidate nomination system is adopted by the Corporation for the election of Directors (including Independent Directors). The list of candidates examined and approved by the Board of Directors on May 4, 2021 is as below:

Director Candidates	Professional (Academic) Background	Number of shares held as of April 18, 2021.
Chin-Tsai Chen	Master Degree in Public Administration, University of San Francisco, USA M.S. in Accounting, TKU Chairman, ITEQ Corporation Chairman and President, WIN Semiconductors Corp. Vice Chairman, HIWIN Technologies Corp. Independent Director, Kinsus Interconnect Technology Corp. Independent Director, Tong Hsing Electronic Industries, Ltd. Independent Director, Inventec Besta Co., Ltd. Director (Legal Representative), Taipei Financial Center Corp. Director (Legal Representative), Mercuries Life Insurance Co., Ltd. Director of the Board, Namchow Chemical Industrial Co., Ltd.	1,354,419
Hsin-Hui Tsai	EMBA, NTU Finance B.S. in Finance and Taxation, NCCU Director of the Board, ITEQ Corporation CEO & General Manager, ITEQ Corporation Director of Accounting Office, Director of Secretariat of the Board, EnTie Commercial Bank	505,600
WIN Semiconductors Corp.	Director of the Board, Grand Fortune Venture Capital Co., Ltd.	33,538,011
Fu-Cun Development Co., Ltd. Legal Representative: Shih-Fang Cheng	University of Wisconsin-Madison, Master of Business Administration Director (Legal Representative), ITEQ Corporation Executive Assistant to the Chairman, ITEQ Corporation Deputy General Manager, Mag.Layers Scientific-Technics Co., Ltd.	29,915,038
Fu-Cun Development Co., Ltd. Legal Representative:	Master of Electrical Engineering, NTU Director (Legal Representative), ITEQ Corporation	29,915,038

Jin-Yuan Wang	Section Chief of Network Division & Director of Telecommunication Value-added Division of Data Communications Business Group, Chunghwa Telecom Co., Ltd.	
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Independent Director Candidates	Professional (Academic) Background	Number of shares held as of April 18, 2021.
YANG, ZHAO-RONG	Bachelor in Accounting & M.S. in Accounting, NCCU Independent Director, Tigerair Taiwan Co., Ltd. Independent Director, Jing-Jan Retail Business Co., Ltd. Director, Securities Analysts Association, Chinese Taipei Chairman, Hua Nan Securities Co., Ltd. Deputy General Manager & Listing Scrutiny Member & Convener of Surveillance Report, Taiwan Stock Exchange Corporation Chief Secretary, Taipei Exchange	0
Po-Chiao Chou	Bachelor in Accounting, NCKU Independent Director, ITEQ Corporation Independent Director, CLEVO Co. Managing Director & General Manager, First Commercial Bank; Director & Deputy General Manager, First Financial Holding Co., Ltd. Passed the Civil Service Special Examination of Auditing Officers	2,158
Xiu-Zong Liang	Masters in IT, CYCU Independent Director, ITEQ Corporation Chairman & CEO, Stark Technology, Inc. Director, National Information Infrastructure Enterprise Promotion Association Manager, Acer Inc. Electronic & Optoelectronic System Research Laboratories, ITRI	0
Hui-Fen Chan	LLM, Boston University, USA Bachelor in Law, NTU Independent Director, ITEQ Corporation Independent Director, Stark Technology, Inc. Independent Director, Formosa I Wind Power Co., Ltd Director (Legal Representative), Kino Co., Ltd. Project Legal Counsel, National Center for High-performance Computing (NCHC) Partner Attorney at Law, hl-partners, Attorneys-at-Law Head of Legal Affairs, Siliconware Precision Industries Co., Ltd.	216

Note: Independent Director candidate, Liang, Xiu-Chong has served as an independent director of the Company for three terms (2009/6/16~2021/6/14, 12 years in total). His professional experience in information security and corporate

governance is immensely valuable to the Company while he performed his duties as an independent director for supervising and providing advice to the Board of Directors.

Note: Independent Director candidate, Chan, Hui-Fen has served as an independent director of the Company for three terms (2009/6/16~2021/6/14, 12 years in total). Her professional experience in law and corporate governance is immensely valuable to the Company while she performed her duties as an independent director for supervising and providing advice to the Board of Directors.

IV. The proposal is hereby submitted to the shareholders meeting for resolution.

Election results:

V. Other Matters

(proposed by the Board of Directors)

Subject: Proposal for removal of the non-competition prohibition on the newly elected Director of the Board

Explanation:

- I. We propose to handle it in accordance with Article 209 of the Taiwan Company Act.
- II. In consideration of that the Directors of the Corporation may have invested in or carried on other companies in the same or similar business scope as the Corporation or acted also as Directors of companies external to the Corporation, provided that their participation in the preceding operations would be beneficial to the development of the Corporation's diversification, we propose to seek the approval of the shareholders' meeting, for the purpose of leveraging their expertise and experience for the Corporation's strategic operational needs without sacrificing the Corporation's interests, to remove the non-competition prohibition on the newly elected Director of the Board.
- III. Removal of the non-competition prohibition on the newly elected Director of the Board is as below:

Director Candidates	Professional (Academic) Background
Chin-Tsai Chen	Chairman and President, WIN Semiconductors Corp. Vice Chairman, HIWIN Technologies Corp. Independent Director, Kinsus Interconnect Technology Corp. Independent Director, Tong Hsing Electronic Industries, Ltd. Independent Director, Inventec Besta Co., Ltd. Director (Legal Representative), Taipei Financial Center Corp. Director (Legal Representative), Mercuries Life Insurance Co., Ltd.
WIN Semiconductors Corp.	Director of the Board, Grand Fortune Venture Capital Co., Ltd.
YANG, ZHAO-RONG	Independent Director, Tigerair Taiwan Co., Ltd. Independent Director, Jing-Jan Retail Business Co., Ltd. Director, Securities Analysts Association, Chinese Taipei
Po-Chiao Chou	Independent Director, CLEVO Co.
Xiu-Zong Liang	Chairman & CEO, Stark Technology, Inc. Director, National Information Infrastructure Enterprise Promotion Association
Hui-Fen Chan	Independent Director, Stark Technology, Inc. Independent Director, Formosa I Wind Power Co., Ltd Director (Legal Representative), Kino Co., Ltd. Project Legal Counsel, National Center for High-

Resolution:

VI. Questions and Motions

VII. Adjournment

2020 Business Report

I. Management Principles

- (I) Focusing on our existing business of "High-end Electronic Materials" : The Corporation will strive to become a leading manufacturer of lead-free, halogen-free and other environmentally friendly materials, as well as high-speed, high-frequency and low-loss materials, the product applications of which include 5G infrastructure, network communications, automotive electronics, smartphones, consumer electronics and other related products, and continue to increase its market share in the high-end copper foil laminate market.
- (II) Quality as the basis for sustainable business development: The Corporation will strengthen and improve its quality control system of the supply chain, including raw material supplier management, in-plant process control, and quality and reliability monitoring of output, in order to comply with customers' incoming material regulations and standards, establish a comprehensive quality assurance system and capability, reduce quality complaints and cost of sales, improve product yield rate and management efficiency, strengthen the company's quality and increase profitability.

With the accelerated expansion of the global data sector and the rapid growth of IP traffic driving the increasing demand for high-speed transmission, coupled with strong demand for various end-use applications on carriers, the Corporation will continue to invest in research, development and marketing of high speed and high frequency materials and carrier materials. As the Corporation offers a complete product portfolio and cost advantages in the areas of high-speed transmission, RF/microwave, mobile device/high density multilayer boards, automotive electronics, and carriers, the Corporation is confident in creating our leading position in this area.

II. Implementation Overview

With the efforts of all employees, the Company's revenue reached NTD25.4 billion in 2020, an increase of 6.85% compared to the same period last year. In addition to the continued increase of revenue due to the rapid development of high-end products (high speed/high frequency/low loss) in 5G networks and data center applications, given the impact of COVID-19 epidemic, remote work and home economy terminal boosts continue to drive the growth momentum such as networking communication and consumer electronics product demand. However, in the second half of 2020, the prices of raw materials rose sharply, which affected the gross profit margin, dropping from 20.09% in 2019 to 19.47% in 2020, while the net profit rate after tax in 2020 increased to 10.49% compared with 10.35% in the same period of 2019 due to the appreciation of the RMB.

III. Business Plan Implementation Results (Consolidated Statement)

Unit: NT\$1,000

Item	2020	2019	YoY(%)
Operating Revenue	25,421,687	23,791,315	6.85
Gross Profit	4,950,614	4,779,572	3.58
Operating Income	3,218,206	3,103,529	3.70
Non-operating Income (or Expenses)	176,315	(9,493)	1,957.32
Net income after tax	2,665,565	2,463,300	8.21
Net Profit Margin (%)	10.49%	10.35%	

IV. Performance of operating budget

The Company did not make public its forecast for 2020, so there is no need to disclose the operating budget performance. However, the overall actual operating conditions and performance are generally in line with the Corporation's internal operating plan.

V. Profitability Analysis (Consolidated Statement)

Item	2020	2019
Return on Assets (ROA) (%)	11.09	11.95
Return on Equity (ROE) (%)	23.89	29.12
Ratio of Operating Income to Paid-in Capital (%)	96.66	102.44
Ratio of Net Profit Before Tax to Paid-in Capital (%)	101.95	102.13
Net Profit Margin (%)	10.49	10.35
Earnings Per Share After Tax (NT\$)	8.19	8.13

VI. Research Development Status

In recent years, we have devoted ourselves to developing high-frequency and high-speed materials, and the results are gradually bearing fruit. In 2020, we successfully launched high-frequency and low loss products, leading the industry in market share of high-end servers, switches, and storage applications. In the future, with aim of focusing on developing high-end copper foil laminate materials for data center construction, 5G communication, Internet of Things and electric vehicle industry, and continue to optimize and upgrade existing low Dk/Df materials to enhance product quality and reliability.

In the area of FPC, we are developing ultra-low loss MPI laminates and fluorine laminates for 5G millimeter wave applications. We will also continue to optimize our ultra-low loss cover film and pure plastic products to improve downstream process suitability and further reduce product transmission loss, and continue to enhance the competitiveness of our low-loss FPC material solutions.

For niche markets, we will evaluate market trends and customer needs, and jointly develop special designated materials to enhance our product diversity as the terminal application

scope is very broad, covering and not limited to 5G network communication, cloud data center, RF antenna, autonomous-driving, Internet of Things and other related applications.

Chairman of the Board:
Chin-Tsai Chen

Managerial Officer:
Hsin-Hui Tsai

Finance and Accounting
Supervisor:
Jung-Tsan Chou

ITEQ Corporation

Audit Committee's Report

Now that the Board of Directors has compiled and submitted the 2020 financial statements (including consolidated and individual financial reports), profit distribution table, business report and proposals thereof, wherein the 2020 financial statements have been reviewed by Cheng-Hsiu Yang and Po-Jen Weng, CPAs of Deloitte & Touche, and concluded with an unmodified opinion audit report. The aforesaid financial statements, business report and proposals thereof have been examined by the Audit Committee with the opinion that they are not yet inconsistent with, we hereby report the above in accordance with the provisions in the Taiwan Securities and Exchange Act and Taiwan Company Act for the review and approval of all our shareholders.

Sincerely,

ITEQ Corporation

2021 Annual Shareholders' Meeting

Convener of the Audit Committee: Bo-Jiao Zhou

March 23,2021

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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2020 and 2019, 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, 2020. 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.

Key audit matter in the audit of the Group's consolidated financial statements is stated below:

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 estimation of 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 obtained an understanding 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. We selected samples from the year-end inventory record details and verified 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.
3. We obtained and verified the slow-moving inventory and the aging report of inventory in detail, analyzed the differences between the current and prior years, and we 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, 2020 and 2019 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, 2020 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 audits resulting in this independent auditors' report are Chen-Hsiu Yang and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 3,287,134	13	\$ 3,538,060	15
Financial assets at fair value through profit or loss - current (Note 7)	5,696	-	93,019	1
Net accounts receivable and notes receivable (Note 8)	10,813,071	42	10,599,239	45
Other receivables (Note 26)	89,485	-	214,796	1
Current tax assets (Note 22)	911	-	-	-
Inventories, net (Notes 9 and 21)	3,243,143	13	2,663,876	11
Other current assets (Note 14)	<u>1,165,187</u>	<u>4</u>	<u>873,761</u>	<u>4</u>
Total current assets	<u>18,604,627</u>	<u>72</u>	<u>17,982,751</u>	<u>77</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 10)	37,655	-	28,505	-
Property, plant and equipment (Note 11)	4,529,625	18	3,622,555	15
Right-of-use assets (Notes 12 and 27)	370,720	1	425,833	2
Intangible assets (Note 13)	8,713	-	9,675	-
Deferred tax assets (Note 22)	193,380	1	219,744	1
Other non-current assets (Notes 14, 18 and 27)	<u>1,939,658</u>	<u>8</u>	<u>1,191,285</u>	<u>5</u>
Total non-current assets	<u>7,079,751</u>	<u>28</u>	<u>5,497,597</u>	<u>23</u>
TOTAL	<u>\$ 25,684,378</u>	<u>100</u>	<u>\$ 23,480,348</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 2,231,446	9	\$ 3,374,824	14
Short-term bills payable, net (Note 15)	49,985	-	389,819	2
Accounts payable and notes payable	4,857,717	19	6,383,549	27
Other payables (Note 16)	1,744,610	7	1,298,996	6
Current tax liabilities (Note 22)	870,907	4	865,270	4
Provisions - current (Note 17)	31,619	-	23,173	-
Lease liabilities - current (Notes 12 and 27)	54,788	-	51,830	-
Current portion of long-term borrowings (Note 15)	88,235	-	117,647	-
Other current liabilities	<u>49,454</u>	<u>-</u>	<u>39,318</u>	<u>-</u>
Total current liabilities	<u>9,978,761</u>	<u>39</u>	<u>12,544,426</u>	<u>53</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 12 and 27)	277,342	1	329,235	1
Long-term borrowings, net of current portion (Note 15)	1,640,000	6	1,288,235	6
Deferred tax liabilities (Note 22)	358,118	2	361,821	2
Guarantee deposits received	<u>36,503</u>	<u>-</u>	<u>31,100</u>	<u>-</u>
Total non-current liabilities	<u>2,311,963</u>	<u>9</u>	<u>2,010,391</u>	<u>9</u>
Total liabilities	<u>12,290,724</u>	<u>48</u>	<u>14,554,817</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	<u>3,329,572</u>	<u>13</u>	<u>3,029,572</u>	<u>13</u>
Capital surplus	<u>3,682,051</u>	<u>14</u>	<u>653,239</u>	<u>3</u>
Retained earnings				
Legal reserve	1,618,630	7	1,372,300	6
Special reserve	583,390	2	205,680	1
Unappropriated earnings	<u>4,624,947</u>	<u>18</u>	<u>4,248,130</u>	<u>18</u>
Total retained earnings	<u>6,826,967</u>	<u>27</u>	<u>5,826,110</u>	<u>25</u>
Other items in equity	<u>(444,936)</u>	<u>(2)</u>	<u>(583,390)</u>	<u>(3)</u>
Total equity	<u>13,393,654</u>	<u>52</u>	<u>8,925,531</u>	<u>38</u>
TOTAL	<u>\$ 25,684,378</u>	<u>100</u>	<u>\$ 23,480,348</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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 25,421,687	100	\$ 23,791,315	100
COST OF GOODS SOLD (Note 9)	<u>20,471,073</u>	<u>81</u>	<u>19,011,743</u>	<u>80</u>
GROSS PROFIT	<u>4,950,614</u>	<u>19</u>	<u>4,779,572</u>	<u>20</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	580,739	2	556,388	2
General and administrative expenses	801,485	3	770,796	3
Research and development expenses	393,591	2	347,645	2
Expected credit loss (gain)	<u>(43,407)</u>	<u>-</u>	<u>1,214</u>	<u>-</u>
Total operating expenses	<u>1,732,408</u>	<u>7</u>	<u>1,676,043</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>3,218,206</u>	<u>12</u>	<u>3,103,529</u>	<u>13</u>
NON-OPERATING INCOME (Notes 21 and 27)				
Other income	73,052	-	102,128	-
Finance costs	(76,680)	-	(70,731)	-
Other gains	<u>179,943</u>	<u>1</u>	<u>(40,890)</u>	<u>-</u>
Total non-operating income and expenses	<u>176,315</u>	<u>1</u>	<u>(9,493)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	3,394,521	13	3,094,036	13
INCOME TAX EXPENSE (Note 22)	<u>728,956</u>	<u>3</u>	<u>630,736</u>	<u>3</u>
NET INCOME FOR THE YEAR	<u>2,665,565</u>	<u>10</u>	<u>2,463,300</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	78	-	(794)	-
Unrealized gain on equity investments through other comprehensive income (Note 19)	(187)	-	(929)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>37</u>	<u>-</u>	<u>186</u>	<u>-</u>
	<u>(72)</u>	<u>-</u>	<u>(1,537)</u>	<u>-</u>

(Continued)

ITEQ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 19)	\$ 173,255	1	\$ (471,209)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	<u>(34,651)</u>	<u>-</u>	<u>94,242</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>138,604</u>	<u>1</u>	<u>(376,967)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>138,532</u>	<u>1</u>	<u>(378,504)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,804,097</u>	<u>11</u>	<u>\$ 2,084,796</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 2,665,565</u>	<u>10</u>	<u>\$ 2,463,300</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 2,804,097</u>	<u>11</u>	<u>\$ 2,084,796</u>	<u>9</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	<u>\$ 8.19</u>		<u>\$ 8.13</u>	
Diluted	<u>\$ 8.15</u>		<u>\$ 8.10</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Shares (Thousands)	Share Capital (Note 19)	Capital Surplus (Note 19)	Retained Earnings (Note 19)			Other Item Equity (Note 19)		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	302,957	\$ 3,029,572	\$ 653,239	\$ 1,194,845	\$ -	\$ 3,319,996	\$ (204,144)	\$ (1,536)	\$ 7,991,972
Appropriation of 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 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	302,957	3,029,572	653,239	1,372,300	205,680	4,248,130	(581,111)	(2,279)	8,925,531
Appropriation of 2019 earnings									
Legal reserve	-	-	-	246,330	-	(246,330)	-	-	-
Special reserve	-	-	-	-	377,710	(377,710)	-	-	-
Cash dividends	-	-	-	-	-	(1,664,786)	-	-	(1,664,786)
Issuance of ordinary shares for cash	30,000	300,000	2,994,216	-	-	-	-	-	3,294,216
Share-based payment due to issuance of ordinary shares (Note 24)	-	-	34,596	-	-	-	-	-	34,596
Net consolidated income for the year ended December 31, 2020	-	-	-	-	-	2,665,565	-	-	2,665,565
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	78	138,604	(150)	138,532
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,665,643	138,604	(150)	2,804,097
BALANCE AT DECEMBER 31, 2020	332,957	\$ 3,329,572	\$ 3,682,051	\$ 1,618,630	\$ 583,390	\$ 4,624,947	\$ (442,507)	\$ (2,429)	\$ 13,393,654

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,394,521	\$ 3,094,036
Adjustments for:		
Expected credit (gain) loss	(43,407)	1,214
Depreciation expense	777,564	593,420
Amortization of prepayments	33,461	16,208
Finance costs	76,680	70,731
Recognition of provisions	7,917	6,580
Interest income	(10,659)	(19,492)
Dividend income	-	(753)
Share-based compensation	34,596	-
Loss on disposal of property, plant and equipment	10,043	1,588
Net loss (gain) on financial assets at fair value through profit or loss	16,228	(39,956)
Recognition of write-down of inventories	82,321	15,770
Loss (gain) on foreign currency exchange	4,125	(15,823)
Changes in operating assets and liabilities		
Notes receivable	(482,591)	(661,176)
Accounts receivable	(225,107)	(1,394,428)
Other receivables	123,466	87,136
Inventories	(787,366)	(1,141,854)
Offset against value-added tax payable	(361,472)	(203,006)
Other current assets	14,317	(22,218)
Notes payable	-	(570)
Accounts payable	(1,285,648)	2,115,473
Other payables	495,007	(48,913)
Other current liabilities	13,402	(2,781)
Cash generated from operations	1,887,398	2,451,186
Interest paid	(63,552)	(68,571)
Income tax paid	(778,132)	(362,005)
Net cash generated from operating activities	<u>1,045,714</u>	<u>2,020,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(10,000)	-
Return of investments	663	-
Purchase of financial assets at fair value through profit or loss	-	(206,851)
Proceeds from sale of financial assets at fair value through profit or loss	71,095	258,548
Payments for property, plant and equipment	(1,289,209)	(171,854)
Proceeds from disposal of property, plant and equipment	2,976	10,840
Increase in refundable deposits	(58,991)	(4,985)
Decrease in refundable deposits	2,583	3,919
Increase in other non-current assets	(125,704)	(10,365)
Increase in prepayments for equipment	(928,804)	(1,237,757)

(Continued)

ITEQ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest received	\$ 9,562	\$ 18,407
Dividends received	-	753
Subsidies obtained for land use rights	<u>-</u>	<u>54,170</u>
Net cash used in investing activities	<u>(2,325,829)</u>	<u>(1,285,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(decrease)in short-term borrowings	(1,107,416)	124,346
Decrease in short-term bills payable	(340,609)	(2,870)
Proceeds from long-term borrowings	1,339,999	1,200,000
Repayments of long-term borrowings	(1,017,646)	(817,647)
Increase in guarantee deposits received	27,985	19,725
Decrease in guarantee deposits received	(23,081)	(13,179)
Repayment of the principal portion of lease liabilities	(51,882)	(49,549)
Cash dividends paid	(1,664,786)	(1,151,237)
Proceeds from issuance of ordinary shares	<u>3,294,216</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>456,780</u>	<u>(690,411)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>572,409</u>	<u>(204,348)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(250,926)	(159,324)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,538,060</u>	<u>3,697,384</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,287,134</u>	<u>\$ 3,538,060</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, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2020 and 2019, 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, 2020. 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 estimation of the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 8 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 obtained an understanding 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. We selected samples from the year-end inventory record details and verified 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.
3. We obtained and verified the slow-moving inventory and the aging report of inventory in detail, analyzed the differences between the current and prior years, and we 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, 2020 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 audits resulting in this independent auditors' report are Chen-Hsiu Yang and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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ITEQ CORPORATION

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 402,393	2	\$ 477,516	3
Accounts receivable and notes receivable, net (Note 7)	476,924	3	712,893	4
Accounts receivable - related parties (Note 25)	821,909	4	1,033,603	6
Other receivables (Note 24)	54,544	-	177,667	1
Other receivables - related parties (Note 25)	313,395	2	329,855	2
Current tax assets (Note 20)	753	-	-	-
Inventories, net (Note 8)	663,709	4	721,045	5
Other current assets	9,846	-	6,737	-
Total current assets	<u>2,743,473</u>	<u>15</u>	<u>3,459,316</u>	<u>21</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 9)	10,000	-	-	-
Investment accounted for using the equity method (Note 10)	14,668,632	79	11,889,401	71
Property, plant and equipment (Note 11)	543,675	3	694,635	4
Right-of-use assets (Notes 12 and 25)	229,848	1	258,025	2
Deferred tax assets (Note 20)	149,794	1	183,442	1
Prepayments for equipment	29,759	-	11,909	-
Other non-current assets (Notes 13, 16 and 25)	144,218	1	139,619	1
Total non-current assets	<u>15,775,926</u>	<u>85</u>	<u>13,177,031</u>	<u>79</u>
TOTAL	<u>\$ 18,519,399</u>	<u>100</u>	<u>\$ 16,636,347</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 1,390,000	8	\$ 3,070,000	18
Short-term bills payable, net (Note 14)	49,985	-	389,819	2
Accounts payable and notes payable	546,510	3	1,478,737	9
Accounts payable - related parties (Note 25)	265,200	1	161,342	1
Other payables	482,545	3	427,124	3
Other payables - related parties (Note 25)	15,467	-	550	-
Current tax liabilities (Note 20)	-	-	95,601	1
Provisions - current (Note 15)	-	-	3,420	-
Lease liabilities - current (Notes 12 and 25)	27,347	-	26,695	-
Current portion of long-term borrowings (Note 14)	88,235	1	117,647	1
Other current liabilities	60,126	-	62,103	-
Total current liabilities	<u>2,925,415</u>	<u>16</u>	<u>5,833,038</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 14)	1,640,000	9	1,288,235	8
Deferred tax liabilities (Note 20)	358,118	2	361,821	2
Lease liabilities - non-current (Notes 12 and 25)	197,015	1	223,130	1
Guarantee deposits received	5,197	-	4,592	-
Total non-current liabilities	<u>2,200,330</u>	<u>12</u>	<u>1,877,778</u>	<u>11</u>
Total liabilities	<u>5,125,745</u>	<u>28</u>	<u>7,710,816</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)				
Share capital	3,329,572	18	3,029,572	18
Capital surplus	3,682,051	20	653,239	4
Retained earnings				
Legal reserve	1,618,630	9	1,372,300	8
Special reserve	583,390	3	205,680	1
Unappropriated earnings	4,624,947	25	4,248,130	26
Total retained earnings	6,826,967	37	5,826,110	35
Other items in equity	(444,936)	(3)	(583,390)	(3)
Total equity	<u>13,393,654</u>	<u>72</u>	<u>8,925,531</u>	<u>54</u>
TOTAL	<u>\$ 18,519,399</u>	<u>100</u>	<u>\$ 16,636,347</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 18 and 25)	\$ 5,218,052	100	\$ 5,024,371	100
COST OF GOODS SOLD (Notes 8, 19 and 25)	<u>4,627,289</u>	<u>89</u>	<u>4,242,597</u>	<u>84</u>
GROSS PROFIT	<u>590,763</u>	<u>11</u>	<u>781,774</u>	<u>16</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(25,276)	-	(40,898)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>40,898</u>	<u>1</u>	<u>7,561</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>606,385</u>	<u>12</u>	<u>748,437</u>	<u>15</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	124,371	2	100,838	2
General and administrative expenses	445,908	9	368,529	8
Research and development expenses	238,299	5	213,238	4
Expected credit loss (gain)	<u>(1,815)</u>	<u>-</u>	<u>1,214</u>	<u>-</u>
Total operating expenses	<u>806,763</u>	<u>16</u>	<u>683,819</u>	<u>14</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(200,378)</u>	<u>(4)</u>	<u>64,618</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 25)	53,519	1	34,802	1
Finance costs (Notes 19 and 25)	(35,548)	-	(51,882)	(1)
Other gains and losses (Note 19)	(55,159)	(1)	(36,890)	(1)
Share of the profit of subsidiaries (Note 10)	<u>2,937,055</u>	<u>56</u>	<u>2,551,923</u>	<u>51</u>
Total non-operating income and expenses	<u>2,899,867</u>	<u>56</u>	<u>2,497,953</u>	<u>50</u>
INCOME BEFORE INCOME TAX	2,699,489	52	2,562,571	51
INCOME TAX EXPENSE (Note 20)	<u>33,924</u>	<u>1</u>	<u>99,271</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>2,665,565</u>	<u>51</u>	<u>2,463,300</u>	<u>49</u>

(Continued)

ITEQ CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	\$ 78	-	\$ (794)	-
Share of other comprehensive income (loss) of subsidiaries	<u>(150)</u>	<u>-</u>	<u>(743)</u>	<u>-</u>
	<u>(72)</u>	<u>-</u>	<u>(1,537)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 17)	173,255	3	(471,209)	(10)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>(34,651)</u>	<u>-</u>	<u>94,242</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>138,604</u>	<u>3</u>	<u>(376,967)</u>	<u>(8)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>138,532</u>	<u>3</u>	<u>(378,504)</u>	<u>(8)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,804,097</u>	<u>54</u>	<u>\$ 2,084,796</u>	<u>41</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21)				
Basic	<u>\$ 8.19</u>		<u>\$ 8.13</u>	
Diluted	<u>\$ 8.15</u>		<u>\$ 8.10</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Shares (Thousands)	Share Capital (Note 17)	Capital Surplus (Note 17)	Retained Earnings (Note 17)			Other Item Equity (Note 17)		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	302,957	\$ 3,029,572	\$ 653,239	\$ 1,194,845	\$ -	\$ 3,319,996	\$ (204,144)	\$ (1,536)	\$ 7,991,972
Appropriation of 2018 earnings									
Legal reserve	-	-	-	177,455	-	(177,455)	-	-	-
Special reserve	-	-	-	-	205,680	(205,680)	-	-	-
Cash dividends	-	-	-	-	-	(1,151,237)	-	-	(1,151,237)
Net income for the year ended December 31, 2019	-	-	-	-	-	2,463,300	-	-	2,463,300
Other comprehensive 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	302,957	3,029,572	653,239	1,372,300	205,680	4,248,130	(581,111)	(2,279)	8,925,531
Appropriation of 2019 earnings									
Legal reserve	-	-	-	246,330	-	(246,330)	-	-	-
Special reserve	-	-	-	-	377,710	(377,710)	-	-	-
Cash dividends	-	-	-	-	-	(1,664,786)	-	-	(1,664,786)
Issuance of ordinary shares for cash	30,000	300,000	2,994,216	-	-	-	-	-	3,294,216
Share-based payment due to issuance of ordinary shares (Note 22)	-	-	34,596	-	-	-	-	-	34,596
Net income for the year ended December 31, 2020	-	-	-	-	-	2,665,565	-	-	2,665,565
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	78	138,604	(150)	138,532
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,665,643	138,604	(150)	2,804,097
BALANCE AT DECEMBER 31, 2020	332,957	\$ 3,329,572	\$ 3,682,051	\$ 1,618,630	\$ 583,390	\$ 4,624,947	\$ (442,507)	\$ (2,429)	\$ 13,393,654

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

ITEQ CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,699,489	\$ 2,562,571
Adjustments for:		
Expected credit (gain) loss	(1,815)	1,214
Depreciation expense	231,257	231,584
Amortization of prepayments	4,303	2,720
Finance costs	35,548	51,882
Interest income	(1,936)	(2,768)
Share-based compensation	34,596	-
Share of loss of subsidiaries	(2,937,055)	(2,551,923)
Loss on disposal of property, plant and equipment	(2,099)	968
Write-downs of inventories	48,757	9,283
Unrealized gain on transactions with subsidiaries	25,276	115,076
Realized gain on the transactions with subsidiaries	(72,688)	(7,561)
Loss on foreign currency exchange	3,313	16,590
(Reversal) recognized of provisions	(3,420)	2,433
Changes in operating assets and liabilities		
Notes receivable	23,727	74,680
Accounts receivable	217,813	(6,406)
Accounts receivable - related parties	229,851	(634,260)
Other receivables	123,123	(62,902)
Other receivables - related parties	(40)	28,871
Inventories	8,579	(418,513)
Other current assets	(3,109)	(4,501)
Notes payable	-	(570)
Accounts payable	(942,632)	741,008
Accounts payable - related parties	105,402	18,271
Other payables	56,151	122,681
Other payables - related parties	15,064	(100,486)
Other current liabilities	10,232	(3,448)
Cash (used in) generated from operations	(92,313)	186,494
Interest paid	(35,515)	(52,155)
Income tax paid	(101,829)	(38,872)
Net cash (used in) generated from operating activities	(229,657)	95,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(10,000)	-
Refund of shares of invested companies using equity method	-	300,000
Proceeds from disposal of property, plant and equipment	3,528	200
Increase in refundable deposits	(6)	(3,373)
Decrease in refundable deposits	-	1,700
Increase in other non-current assets	(4,787)	(3,921)
Increase in prepayments for equipment	(72,957)	(82,686)

(Continued)

ITEQ CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest received	\$ 839	\$ 1,683
Dividends received from subsidiaries	<u>332,977</u>	<u>591,296</u>
Net cash generated from investing activities	<u>249,594</u>	<u>804,899</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(1,680,000)	43,015
Decrease in short-term bills payable	(340,609)	(2,870)
Proceeds from long-term borrowings	1,339,999	1,200,000
Repayments of long-term borrowings	(1,017,646)	(817,647)
Increase in guarantee deposits received	605	1,432
Repayment of the principal portion of lease liabilities	(26,839)	(26,201)
Cash dividends paid	(1,664,786)	(1,151,237)
Proceeds from issuance of ordinary shares	<u>3,294,216</u>	<u>-</u>
Net cash used in financing activities	<u>(95,060)</u>	<u>(753,508)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(75,123)	146,858
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>477,516</u>	<u>330,658</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 402,393</u>	<u>\$ 477,516</u>

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

(Concluded)

ITEQ Corporation
Comparison Table for
the Amendments to the Articles of Incorporation

Amended Provisions	Current Provisions	Explanation
<p>Article 5</p> <p>The Corporation's capital is NT\$5 billion (including NT\$50 million in employee stock option certificates), divided into 500 million shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in several tranches.</p> <p>~Hereinafter omitted~</p>	<p>Article 5</p> <p>The Corporation's capital is NT\$5 billion (including NT\$50 million in employee stock option certificates), divided into 500 million shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in several tranches. To meet the needs of share management, the Corporation may consolidate newly issued shares with other already issued shares into large denomination share certificates at the request of Taiwan Central Depository & Clearing Corporation.</p> <p>~Hereinafter omitted~</p>	<p>Amended to slightly revise this Article according to the Corporation practices.</p>
<p>Article 15</p> <p>Unless otherwise provided for in the Taiwan Company Act, resolutions shall be adopted by a large majority representing over one-half of the votes at a meeting attended by shareholders representing a majority of the total number of issued shares. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes, specifying the date and place of the meeting, the number of shareholders present, the number of voting rights, the name of the meeting Chairman, the resolution items and the resolution methods thereto. The meeting minutes shall be signed or sealed by the Chairman of Board or shareholders' meeting Chairman, and shall be retained on the Corporation's Board of Directors together with the <u>sign-in cards</u> of the attending shareholders and letters of authorization for attendance. The meeting minutes shall be distributed to shareholders within 20 days after the meeting, the distribution of which may be made by public announcement.</p>	<p>Article 15</p> <p>Unless otherwise provided for in the Taiwan Company Act, resolutions shall be adopted by a large majority representing over one-half of the votes at a meeting attended by shareholders representing a majority of the total number of issued shares. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes, specifying the date and place of the meeting, the number of shareholders present, the number of shares represented, the number of voting rights, the name of the meeting Chairman, the resolution items and the resolution methods thereto. The meeting minutes shall be signed or sealed by the Chairman of Board or shareholders' meeting Chairman, and shall be retained on the Corporation's Board of Directors together with the <u>attendance book</u> and sign-in cards of the attending shareholders and letters of authorization for attendance. The meeting minutes shall be distributed to shareholders within 20 days after the meeting, the distribution of which may be made by public announcement.</p>	<p>Amended to slightly revise this Article according to the Corporation practices.</p>
<p>Article 26</p>	<p>Article 26</p>	<p>Amended to</p>

Amended Provisions	Current Provisions	Explanation
<p>The Corporation's fiscal year shall commence on January 1 and end on December 31 of each year. Upon closing of each fiscal year, the Board of Directors shall prepare the following tables and documents and submit the same for adoption at the annual shareholders' meeting according the law.</p> <p>~Hereinafter omitted~</p>	<p>The Corporation's fiscal year shall commence on January 1 and end on December 31 of each year. Upon closing of each fiscal year, the Board of Directors shall prepare the following tables and documents, and upon their being examined by the Audit Committee for examination 30 days prior to the date of the annual shareholders' meeting, submit the same for adoption at the annual shareholders' meeting.</p> <p>~Hereinafter omitted~</p>	<p>slightly revise this Article according to the Corporation practices.</p>
<p>Article 27-1</p> <p>If the Corporation's earnings are present after the closing of a fiscal year, they shall be distributed in accordance with the following order:</p> <ol style="list-style-type: none"> I. Payment of taxes required by law. II. Making up the accumulated losses. III. Setting aside 10% of said earnings as legal reserve. IV. Appropriating or reversing the special surplus reserve as provided by laws or by competent authority regulations. V. Except for discretionary retention of earnings, the remaining balance, together with the accumulated undistributed earnings, shall be resolved by the shareholders' meeting after the Board of Directors has prepared a proposal for the distribution of earnings. <p>The Corporation is in a growth phase, so the amount of dividends to shareholders will be determined by taking into account factors, such as the Corporation's current and future investment environment, capital requirements, domestic and international competition, and future capital expenditures and working capital planning, as well as the interests of shareholders and balancing dividends with the Corporation's long-term financial planning, wherein no less than 20% of the earnings to be distributed shall be cash dividends.</p> <p><u>The Corporation authorizes the distributable dividends and bonuses, or legal reserve and special surplus reserve, specified in Paragraph 1 of this Article, in whole or in part may be paid in cash after a resolution has been adopted by a</u></p>	<p>Article 27-1</p> <p>If the Corporation's earnings are present after the closing of a fiscal year, they shall be distributed in accordance with the following order:</p> <ol style="list-style-type: none"> I. Payment of taxes required by law. II. Making up the accumulated losses. III. Setting aside 10% of said earnings as legal reserve. IV. Appropriating or reversing the special surplus reserve as provided by laws or by competent authority regulations. V. Except for discretionary retention of earnings, the remaining balance, together with the accumulated undistributed earnings, shall be resolved by the shareholders' meeting after the Board of Directors has prepared a proposal for the distribution of earnings. <p>The Corporation is in a growth phase, so the amount of dividends to shareholders will be determined by taking into account factors, such as the Corporation's current and future investment environment, capital requirements, domestic and international competition, and future capital expenditures and working capital planning, as well as the interests of shareholders and balancing dividends with the Corporation's long-term financial planning, wherein no less than 20% of the earnings to be distributed shall be cash dividends.</p>	<p>To add Paragraph 3 of this Article in accordance with the amendment to Article 240, Paragraph 5 of the Taiwan Company Act, thereby simplifying the Corporation's the procedures for the distribution of dividends and bonuses in cash.</p>

Amended Provisions	Current Provisions	Explanation
<p><u>majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition, thereto a report of such distribution shall be submitted to the shareholders' meeting.</u></p>		
<p>Article 32 These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on March 24, 1997, and come into force on the date of approval and registration by the competent authority. The 1st amendment was made on August 11, 1997.</p> <p>~Hereinafter omitted~</p> <p>The 23rd amendment was made on June 15, 2018. The 24th amendment was made on June 13, 2019. The 25th amendment was made on June 16, 2020. <u>The 26 amendment was made on June 16, 2021.</u> Effective from the resolution of the shareholders' meeting, and upon amendment.</p>	<p>Article 32 These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on March 24, 1997, and come into force on the date of approval and registration by the competent authority. The 1st amendment was made on August 11, 1997.</p> <p>~Hereinafter omitted~</p> <p>The 23rd amendment was made on June 15, 2018. The 24th amendment was made on June 13, 2019. The 25th amendment was made on June 16, 2020. Effective from the resolution of the shareholders' meeting, and upon amendment.</p>	<p>To add the date of amendment</p>

ITEQ Corporation
Comparison Table for
the Rules and Procedures of the Shareholders' Meeting

Amended Provisions	Current Provisions	Explanation
<p>3.3.1.</p> <p>Upon the Meeting time, the Meeting's Chairman shall declare a Meeting open immediately, <u>and shall at the same time announce the information on the number of shares without voting rights and the number of shares present.</u> However, if not enough shareholders representing more than half of the total number of issued shares are present, said Chairman may declare a postponement of the Meeting for not more than two times and the total time of the postponement shall not exceed one hour. 3.3.1. Upon the Meeting time, the Meeting's Chairman shall declare a Meeting open immediately. However, if not enough shareholders representing more than half of the total number of issued shares are present, said Chairman may declare a postponement of the Meeting for not more than two times and the total time of the postponement shall not exceed one hour. In the event that the Meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with the provisions of the Taiwan Company Act. Upon passing of the preceding tentative resolution, if the number of shares represented by the shareholders or proxies present reaches more than one-half of the total number of issued shares, the Meeting Chairman may re-submit said tentative resolution to the Meeting for a vote.</p>	<p>3.3.1.</p> <p>Upon the Meeting time, the Meeting's Chairman shall declare a Meeting open immediately. However, if not enough shareholders representing more than half of the total number of issued shares are present, said Chairman may declare a postponement of the Meeting for not more than two times and the total time of the postponement shall not exceed one hour. In the event that the Meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with the provisions of the Taiwan Company Act. Upon passing of the preceding tentative resolution, if the number of shares represented by the shareholders or proxies present reaches more than one-half of the total number of issued shares, the Meeting Chairman may re-submit said tentative resolution to the Meeting for a vote.</p>	<p>Amended to enhance corporate governance and to protect the interests of shareholders.</p>
<p>3.3.2.</p> <p>The agenda for the Meeting shall be set by the Board of Directors if such Meeting is convened by the Board of Directors.</p>	<p>3.3.2.</p> <p>The agenda for the Meeting shall be set by the Board of Directors if such Meeting is convened by the Board of</p>	<p>Amended to include the provisions of laws and regulations</p>

Amended Provisions	Current Provisions	Explanation
<p>Unless otherwise resolved by a resolution at the Meeting, the Meeting shall be carried out in accordance with the scheduled agenda. The preceding paragraph shall apply mutatis mutandis to the Meeting convened by any person other than the Board of Directors, with the authority to convene such meeting. The Meeting Chairman shall not adjourn the Meeting until the proceedings (including extempore motions) scheduled in the preceding agenda are completed unless a resolution is duly resolved in the Meeting. Upon the adjournment of the Meeting, the shareholders are not entitled to elect another Meeting Chairman to continue the Meeting at the same place or another venue; however, if the prior Meeting Chairman violates the Rules and Procedures and adjourns the Meeting, another Meeting Chairman may be elected by a majority of the voting rights of the shareholders present to continue the Meeting.</p> <p><u>Election or dismissal of directors; changes in the Articles of Association; capital reduction; application for halting public offering; permission for directors to compete with the Company; capitalization of retained earnings; capitalization of capital reserves; dissolution, merging or demerger of the Company; or all items pertaining to Article 185, Paragraph 1 of the Company Act; Article 26-1 and Article 43-6 of the Securities and Exchange Act; and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed as reasons to convene the meeting, with their essential contents specified, and may not be raised as extempore motions.</u></p> <p><u>Shareholders holding at least one percent of the total number of issued shares may submit a proposal to the Corporation for discussion at the general Meeting, limited</u></p>	<p>Directors. Unless otherwise resolved by a resolution at the Meeting, the Meeting shall be carried out in accordance with the scheduled agenda. The preceding paragraph shall apply mutatis mutandis to the Meeting convened by any person other than the Board of Directors, with the authority to convene such meeting. The Meeting Chairman shall not adjourn the Meeting until the proceedings (including extempore motions) scheduled in the preceding agenda are completed unless a resolution is duly resolved in the Meeting. Upon the adjournment of the Meeting, the shareholders are not entitled to elect another Meeting Chairman to continue the Meeting at the same place or another venue; however, if the prior Meeting Chairman violates the Rules and Procedures and adjourns the Meeting, another Meeting Chairman may be elected by a majority of the voting rights of the shareholders present to continue the Meeting.</p> <p>If a written proposal made by a shareholder, pursuant to Article 172-1 of the Taiwan Company Act, is included in a general Meeting, and is of</p>	<p>other than the Taiwan Company Act on the circumstances where extempore motions are not allowed to bring up at the shareholders' meeting ("the Meeting") to avoid misunderstanding, arising from the fact that the original wording used would easily cause listed companies to misunderstand that any extempore motion is allowed to bring up except for the matters provided in Article 185, Paragraph 1 of the Taiwan Company Act.</p> <p>This paragraph of this article is amended to echo the amendment to Article 172, Paragraph 5 of the Taiwan Company Act, and Jing Shang Zi No.10700105410 official letter from the Ministry of Economic Affairs, R.O.C..</p>

Amended Provisions	Current Provisions	Explanation
<p><u>to only one proposal, and if the number of proposals submitted exceeds one, they shall be all excluded from the agenda. In addition, when any one of the circumstances listed in Article 172-1, Paragraph 4 of the Taiwan Company Act applies to a proposal put forward by a shareholder, the Board of Directors may exclude said proposal from the agenda. Shareholders may submit a suggestive proposal to urge the Corporation to promote the public interest or fulfill its social responsibilities, procedurally limited to only one proposal, limited to only one proposal, and if the number of proposals submitted exceeds one, they shall be all excluded from the agenda.</u></p> <p>The order of discussion and voting on each of the proposals by the shareholders in the extempore motions shall be determined by the Meeting Chairman.</p>	<p>the same type as a proposal made by the Board of Directors, those proposals shall be put together and treated in accordance with the preceding provisions mutatis mutandis</p> <p>The order of discussion and voting on each of the proposals by the shareholders in the extempore motions shall be determined by the Meeting Chairman.</p>	
<p><u>3.4 Election matters of Shareholders' Meeting</u></p> <p><u>In the event of an election of Directors at a shareholders' meeting ("Meeting"), the election shall be conducted in accordance with the relevant election regulations of the Corporation and the election results shall be announced on the spot, including a list of newly elected directors and the number of voting rights they obtained, together with a list of those failed to be elected and their number of voting rights obtained.</u></p> <p><u>The ballots shall be sealed and signed off by the ballot monitors and be kept for at least a year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Taiwan Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p>		<p>This paragraph is added to enhance corporate governance and to protect the interests of shareholders.</p>
<p><u>3.5 Meeting minutes</u></p> <p>The Corporation shall record the entire Meeting and keep it for at least one year.</p>	<p><u>3.4 Meeting minutes</u></p> <p>The Corporation shall record the entire Meeting and keep it for at least one year.</p>	<p>Amended to adjust the paragraph number.</p>

Amended Provisions	Current Provisions	Explanation
<p>4. These Rules and Procedures shall come into operation upon their adoption by the Meeting, and the same applies to the amendments thereto.</p> <p>The Rules and Procedures were formulated on June 20, 2002.</p> <p>The 1st amendment was made on June 15, 2006.</p> <p>The 2nd amendment was made on June 15, 2018.</p> <p><u>The 3rd amendment was made on June 16, 2021.</u></p>	<p>4. These Rules and Procedures shall come into operation upon their adoption by the Meeting, and the same applies to the amendments thereto.</p> <p>The Rules and Procedures were formulated on June 20, 2002.</p> <p>The 1st amendment was made on June 15, 2006.</p> <p>The 2nd amendment was made on June 15, 2018.</p>	<p>To add the date of amendment</p>

ITEQ Corporation
Comparison Table for
the Rules and Procedures of Acquisition or Disposal of Assets

Amended Provisions	Current Provisions	Explanation
<p>Article 9: Control procedures for the acquisition and disposal of assets by subsidiaries:</p> <p>Control procedures for the acquisition and disposal of assets by subsidiaries:</p> <p>(I) <u>The Procedures also apply to a subsidiary in which the Corporation holds its voting shares or contributes capital in excess of one-half of the total number of issued voting shares or one-half of its capital.</u></p> <p>(II) The Corporation's subsidiaries shall report to the Corporation in writing by the fifth day of each month any <u>derivative transactions</u> engaged in as of the end of the previous month.</p> <p>(III) If a subsidiary of the Corporation is not a public company and the assets it acquires or disposes of meet the criteria for public announcement and reporting, it should notify the Corporation within the date of occurrence of the event, and the Corporation shall make an announcement and report on the designated website in accordance with the regulations.</p> <p>(IV) <u>The exchange rate for the Procedures is 1:5 for RMB to NTD, and other currencies are subject to the exchange rate announced by the local bank on the date of transaction event.</u></p>	<p>Article 9: Control procedures for the acquisition and disposal of assets by subsidiaries:</p> <p>Control procedures for the acquisition and disposal of assets by subsidiaries:</p> <p>(I) The Corporation's subsidiaries shall also establish and implement the "Procedures for the Acquisition or Disposal of Assets" in accordance with the relevant provisions of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies."</p> <p>(II) The Corporation's subsidiaries shall acquire or dispose of assets in accordance with their respective "Internal Control System" and the "Procedures for the Acquisition or Disposal of Assets", and shall report to the Corporation in writing by the fifth day of each month any single or cumulative transaction of assets with same nature acquired or disposed of in the previous month amounting to NT\$10 million or more and any derivative transactions engaged in as of the end of the previous month.</p> <p>(III) If a subsidiary of the Corporation is not a public company and the assets it acquires or disposes of meet the criteria for public announcement and reporting, it should notify the Corporation within the date of occurrence of the event, and the Corporation shall make an announcement and report on the designated website in accordance with the regulations.</p>	<p>Amended to make the Procedures apply to the Corporation's subsidiaries.</p>

ITEQ Corporation

First Issuance of Employee Stock option certificates & the Stock Subscription Method Thereof

Article 1 Issue Purpose

In order to attract and retain the talents needed by the Corporation, to motivate employees and to enhance their motivation, and to jointly create benefits for the Corporation and its shareholders, the Corporation has established its first issuance of employee stock option certificates & the stock subscription method thereof in accordance with the relevant provisions in Article 28-3 of the Taiwan Securities and Exchange Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" issued by FSC.

Article 2 Issue Period

The employee stock option certificates may, as required, be granted in one or more tranches within one year from the date of receiving the notice of effective registration from the competent Authority. The actual issue dates shall be determined by the Chairman of the Board.

Article 3 Qualifications and conditions for eligible employee for stock subscription

- I. Limited to full-time regular employees of the companies whose more than 50% of shares are held by the Corporation either through direct or indirect investments. (Mainland Chinese employees only)
- II. After taking into consideration factors such as work experience, grade, work performance, overall contributions (including possible future contributions) or special achievements, the Chairman of the Board shall determine eligible employees and the number of option certificates they are allowed to subscribe to before presenting them to the Board of Directors for approval. However, the consent of the remuneration committee is required for anyone at the managerial officer level.
- III. Where the Corporation issues employee stock option certificates under Article 56-1, Paragraph 1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the cumulative number of shares subscribed by a single option certificate holder of the employee stock option certificate, in combination with the cumulative number of new restricted employee shares obtained by the single option certificate holder, is not allowed to exceed 0.3 percent of the issuer's total issued shares. And the above in combination with the cumulative number of shares subscribed by the

single option certificate holder of employee stock option certificate issued by the Corporation under the preceding Article 56, Paragraph 1, is not allowed to exceed 1 percent of the Corporation's total issued shares.

Article 4 Total number of stock option certificates issued

The total number of stock option certificates to be issued is 1,000 units. When the stock option certificate is to be exercised, each stock option certificate is allowed to be converted to 1,000 ordinary shares.

The total number of new ordinary shares to be issued in connection with exercise of the stock option certificates is 1,000,000 shares.

Article 5 Criteria for setting terms and conditions of exercising option certificate

- I. Exercise price: The actual option certificate exercise price is authorized to be set by the Chairman of the Board at a price no less than 70% of the closing price of the ordinary share on the date of issuance of the option certificates.
- II. Exercise period: A stock option certificate shall have its survival period for 5 years, and shall not be transferable, except by reason of inheritance.

Upon the expiration of the option certificate survival period, the unexercised stock option certificates is deemed to be waived and the stock option certificate holder is not entitled to reassert his/her stock option certificate right.

Two years after the expiration of the employee stock option certificate granted, the stock option holder can exercise the stock option according to the following schedule and proportions.

Grant period of stock option certificates	Cumulative maximum exercisable stock option certificates percentage
Expiration of 2 years	60%
Expiration of 3 years	80%
Expiration of 4 years	100%

- III. Upon being granted with the stock option certificates by the Corporation, if the stock option certificate holders are in material breach of his employment contract, company rules or management practices and the like, the Corporation may revoke their unexercised stock option certificates in whole or in part.
- IV. Class of shares with which to exercise stock option certificates: ordinary shares of the Corporation.
- V. If for any reason a stock option certificate holder vacates his office, he shall be dealt with in the following manners:

(I) Voluntary resignation, dismissal and discharge:

Those job leavers having exercisable stock option certificates may exercise their stock option certificate rights within 3 months from the date of their separation, while those ones having stock option certificates not exercisable will lose all their rights and obligations on the date of their separation.

(II) Retirement:

Those retirees having exercisable stock option certificates may exercise their stock option certificate rights during the option certificate survival period, while those having stock option certificates not exercisable

will lose all their rights and obligations on the date of their retirement.

(III) Leave without pay:

For those stock option certificate holders who have been approved by the Corporation to apply for leave without pay, their exercisable stock option certificates have to be exercised within a period of 3 months from the starting date of their leave without pay, otherwise their rights to exercise said stock option certificates will be frozen and deferred until their reinstatement if they fail to exercise said stock option certificates within said period, while their stock option certificates not exercisable shall be reinstated from the date of their reinstatement, but the exercise period of their stock option certificates not exercisable shall be deferred by the period of leave without pay, which is still subject to their option certificate survival period.

(IV) Death:

Upon the death of a stock option certificate holder, his or her heirs is entitled to exercise all of the stock option certificates granted to him or her.

There is no restriction on the percentage of stock option certificates that may be exercised upon the expiration of the relevant time period in Paragraph 2 of this Article, except that those stock option certificates shall not be exercisable until the expiration of 2 years from the date on which they are granted.

(V) Death or physical disability caused by occupational accident:

1. If an employee is unable to continue to work due to physical disability caused by an occupational accident, he/she is entitled to exercise his/her granted stock option certificates in entirety at the time of their separation. There is no restriction on the percentage of stock option certificates that may be exercised upon the expiration of the relevant time period in Paragraph 2 of this Article, except that those stock option certificates shall not be exercisable until the expiration of 2 years from the date on which they are granted.

2. In the event that an employee's death is due to an occupational accident, said

employee's heirs are entitled to exercise the stock option certificates granted to said employee. There is no restriction on the percentage of stock option certificates that may be exercised upon the expiration of the relevant time period in Paragraph 2 of this Article, except that those stock option certificates shall not be exercisable until the expiration of 2 years from the date on which they are granted.

(VI) Transfer to affiliated companies:

As required for the operation of the Corporation, in the event a stock option certificate holder is approved and transferred to the Company's affiliates, his/her rights and obligations of the stock option certificates granted shall not be affected by such transfer.

(VII) If the stock option certificate holder or his/her heir fails to exercise the stock option certificates within the above period, it shall be deemed as a waiver of the unexercised stock option certificates.

VI. Procedures to handle stock option certificates waived by employees

The Corporation shall be entitled to cancel any forfeited employee stock option certificates and shall not re-issue the same amount of said cancelled stock option certificates.

Article 6 Method of performance

The Corporation shall fulfill its performance pledge by delivering newly issued shares.

Article 7 Adjustment of exercise price

I. After the stock option certificates is issued, the exercise price shall be subject to adjustment in accordance with the following formula in case of a change in the number of ordinary shares resulting from the Corporation's capital increase out of earnings or capital reserves (the adjusted subscription shall be rounded down to the nearest tenth of one New Taiwan Dollar).

Adjusted exercise price = Exercise price prior to adjustment × no. of issued shares ÷ (no. of issued shares + no. of newly issued shares)

In addition to the circumstances listed above, the exercise price will not be adjusted in the event that the Corporation issues new shares in other ways (including issuance of new shares by way of cash capital increase, merger or transfer of shares of other companies, share split and issuance of overseas depositary receipts by way of cash capital increase, etc.).

II. In the event that the Corporation distributes cash dividends on ordinary shares after the

issuance of these stock option certificates, the exercise price shall be converted by adjusting on the ex-dividend record date based on the ratio of the amount paid per share to the current price per share, in accordance with the following formula (the adjusted exercise price shall be rounded down to the nearest tenth of one New Taiwan Dollar):

Adjusted exercise price = Exercise price prior to adjustment * (1 - cash dividends distributed per ordinary share ÷ current price per share)

- (I) The preceding current price per share shall be subject to the simple arithmetic average of the closing price of the ordinary share on one, three or five business days prior to the ex-dividend announcement date on which the transfer of cash dividend is terminated.
 - (II) If cash dividends and share dividends are distributed at the same time (including capital increase out of earnings or capital reserves), the exercise price shall first be adjusted in accordance with the amount of cash dividends and then with the amount of share dividends.
- III. After the stock option certificates is issued, the exercise price shall be subject to adjustment in accordance with the following formula in case that the reduction in the number of ordinary shares is not caused by capital reduction through cancellation of treasury shares (the adjusted exercise price shall be rounded down to the nearest tenth of one New Taiwan Dollar).
- (I) Where capital is reduced to make up losses:
Adjusted exercise price = Exercise price prior to adjustment × no. of issued shares before capital reduction ÷ no. of issued shares after capital reduction
 - (II) When capital is reduced in cash:
Adjusted exercise price = (Exercise price prior to adjustment - cash refund per share) × no. of issued shares before capital reduction ÷ no. of issued shares after capital reduction
- Note: The number of issued shares for purposes of this Article shall mean the total number of issued ordinary shares, excluding the number of shares for which the debenture conversion certificates are issued, and shall be deducted by the number of treasury shares purchased by the Corporation but not yet transferred or cancelled.

Article 8 Procedures for exercising stock option certificates

- I. The stock option certificate holder may exercise his/her stock option certificates according to this Method by filling in the stock option certificate request form to file the application to the Corporation except during the period in which transfer is suspended by law, and the period starting from three business days before the date of the announcement of the

cessation of transfer and ex-rights of the gratis allotment, the date of the announcement of the cessation of transfer and ex-dividend of the cash dividend, or the date of the announcement of the cessation of transfer and ex-rights of the cash capital increase stock option, negotiated with the TWSE by the Corporation, to the record date of the distribution of the right.

- II. After the Corporation accepts the request of exercising stock option certificates from a stock option certificate holder, it shall notify said stock option certificate holder to pay the share payment to the designated bank, and said stock option certificate holder is not allowed to revoke the payment it is made.
- III. Upon confirming the sufficient payment for shares by a stock option certificate holder, the Corporation shall instruct the Corporation's agent for stock affairs to record his/her number of shares subscribed and his/her names in the shareholders' roster, and shall issue the new ordinary shares to said stock option certificate holder through depository book-entry transfer within five business days.

However, when the stock option certificate holder chooses a deferred income tax according to the law, the Corporation shall deliver the shares to the registered account of the stock option certificate holder in the Corporation's custody transfer account, and the specific operation shall be handled according to the Corporation's provisions and relevant laws and regulations.

- IV. The ordinary shares described above are listed for trading on the date of delivery to the stock option certificate holder
- V. The Corporation will apply to the competent authority of the Corporation's registrar for registration of the change in the capital amount of the completed shares within 15 days after the end of each quarter.

Article 9 Rights and obligations after exercising stock option certificates:

The rights and obligations of the ordinary shares delivered by the Corporation after exercising stock option certificates is the same as those of the Corporation's ordinary shares.

Article 10 Confidentiality provisions

Upon being granted with stock option certificates, the stock option certificate holder shall abide by the confidentiality provisions and shall not disclose the content and quantity of the stock option certificates granted except as required by laws and regulations or the competent authorities; if there is any violation, it shall be handled in accordance with Article 5, Paragraph 3 of this Method.

Article 11 Implementation rules

The Corporation will notify the stock option certificate holders of the relevant operations and the timing of each operation, such as the granting, the number, the exercise and the payment of

their individual stock option certificates.

Article 12: Other material matters

- I. The Method along with any revision prior to its issuance shall be approved by the majority votes at the Board Meeting at which two-thirds or more Directors are present, and shall take effect upon the approval by the competent authority. If, in the course of the examination by the competent authority, this Method should be amended due to the request of the examination by the competent authority, the Chairman of the Board is authorized to amend it first, and it shall not be issued until subsequently ratified by the Board.
- II. Any matters not covered by this Method, the relevant laws and regulations shall prevail.

ITEQ CORPORATION

Articles of Incorporation

Chapter I General Provisions

- Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Act, and its name shall be 聯茂電子股份有限公司 in the Chinese language, and ITEQ Corporation in the English language.
- Article 2 The scope of business of the Corporation shall be as follows:
- I. Manufacturing, processing and trading of multilayer printed circuit board laminates, copper foil laminates, and semi-finished and finished products.
 - II. Import and export trade of manufacturing equipment of products aforementioned in the preceding paragraph.
 - III. CC01080 Electronic Parts and Components Manufacturing.
 - IV. F119010 Wholesale of Electronic Materials
 - V. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Corporation shall have its head office in Hsinchu County, Taiwan, Republic of China, and may establish branches at home or abroad if necessary, by resolution of the Board of Directors.
- Article 4 Public announcements of the Corporation shall be made in accordance with Article 28 of the Company Act.
- Article 4-1 The total amount of the Corporation's external reinvestments may exceed 40% of the paid-in capital, as resolved by the Board of Directors.

Chapter II Shares

- Article 5 The Corporation's capital is NT\$5 billion (including NT\$50 million in employee stock option certificates), divided into 500 million shares at NT\$10 per share. The unissued shares are authorized to be issued by the

Board of Directors in several tranches, and in order to meet the needs of stock management, the Corporation has consolidated and issued large denomination shares in accordance with the request of Taiwan Central Depository and Clearing Corporation.

Article 5-1

If the Corporation intends to cancel a public offering, the Corporation shall not proceed with such cancellation until a resolution of the shareholders' meeting has been passed, in addition to the approval of the Board of Directors.

The Corporation may issue employee stock option certificates at a price lower than the closing price of the Corporation's stock on the date of issuance or transfer them to employees at a price lower than the average price of actual purchases of treasury stock, provided that two-thirds of the shareholders present, representing a majority of the total number of shares outstanding, approve the transfer. The Corporation's treasury stock acquired under the Company Act may be transferred to the employees of the controlled or subordinate companies who meet certain criteria.

The Corporation's employee stock option certificates are issued to those employees of the controlled or subordinate companies who meet certain criteria.

Where the Corporation issues new shares, the employees eligible for share subscription shall include the employees of the Corporation's controlled or subordinate companies who meet certain criteria.

The Corporation's restricted stock awards are issued to those employees of the controlled or subordinate companies who meet certain criteria.

Article 6

The Corporation's shares are registered securities, in which the signed shares need to be signed or sealed by the director(s) of board representing the Corporation and certified by a competent authority or its authorized issuer prior to being issued. The Corporation may also be exempted from printing any share certificate for the shares issued, but the Corporation shall appoint a centralized securities custody enterprise/ institution to make recordation of the issue of such shares.

Article 7

Shareholders shall provide on file their specimen chop to the Corporation for recordation and use the same specimen chop to claim dividends and bonuses, or exercise the rights thereof. The transfer, gift, establishment and termination of pledge right, loss, damage or other matters of shares shall be handled in accordance with the Taiwan "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant laws and regulations.

Article 8 The Corporation shall not handle any requests for transfers of shares within 60 days prior to the shareholders' meeting, 30 days prior to the ad hoc shareholders' meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

Chapter III: Shareholders' Meetings

Article 9 The Corporation's shareholders' meetings are of two kinds listed below:

- I. General meeting of shareholders: to be held within six months after the end of each fiscal year.
- II. Special meeting of shareholders: to be held when necessary in accordance with the relevant laws and regulations.

Article 10 The shareholders' meetings shall be presided by the Chairman of the Board. If the Chairman of the Board of Directors is absent from office or unable to perform his or her duties and responsibilities for any reason, the Vice Chairman of the Board of Directors shall act on his or her behalf. If the Vice Chairman of the Board of Directors is absent from office or unable to perform his or her duties and responsibilities for any reason, he or she shall designate one of the Directors to act on his or her behalf. In the event that no such person is appointed, the Directors of the Board shall appoint one from amongst themselves.

Article 11 Notice shall be given to the shareholders at least 30 days prior to a general shareholders' meeting, and at least 15 days prior to an ad hoc shareholders' meeting, stating the date, place, and purpose of convening the meeting.

Article 12 The following matters of the Corporation shall be resolved by shareholders' meetings:

- I. The amendments to the Articles of Incorporation.
- II. The increase/decrease in the Corporation's total capital.
- III. The combination with or acquisition of other corporations.
- IV. Discretionary management
- V. The dissolution or liquidation of the Company.
- VI. Election of Directors of the Board
- VII. The adoption of and amendments to the percentage of shareholders'

dividends and employees' bonuses.

VIII. Other matters to be resolved by shareholders' meetings according to the Company Act.

Article 13 If the shareholders cannot attend the shareholders' meeting for reasons, they shall issue the Corporation printed and distributed letters of entrustment indicating the scope of authorization to entrust agents to attend in accordance with the "Rules on Use of Letter of Entrustment for Attending Shareholders' Meeting at Public Listed Companies" released according to the Company Act and competent authority. The voting power at a shareholders' meeting may be exercised by way of electronic means. Attendance via electronic means is deemed to be attendance in person, and the related matters thereof shall be handled in accordance with the relevant laws and regulations.

Article 14 Unless otherwise provided for by law and regulations, each shareholder of the Corporation shall have one vote per share.

Article 15 Unless otherwise provided for in the Company Act, resolutions shall be adopted by a large majority representing over one-half of the votes at a meeting attended by shareholders representing a majority of the total number of issued shares. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes, specifying the date and place of the meeting, the number of shareholders present, the number of shares represented, the number of voting rights, the name of the meeting Chairman, the resolution items and the resolution methods thereto. The meeting minutes shall be signed or sealed by the Chairman of Board or shareholders' meeting Chairman, and shall be retained on the Corporation's Board of Directors together with the attendance book and sign-in cards of the attending shareholders and letters of authorization for attendance. The meeting minutes shall be distributed to shareholders within 20 days after the meeting, the distribution of which may be made by public announcement.

Chapter IV Directors of Board, Audit Committee and Managerial Officers

Article 16 The Corporation shall have seven to ten Directors of Board, with adoption of a candidate nomination system. The Directors shall be elected from the nominees listed in the roster of Director candidates at the

shareholders' meeting, and hold office for three years; re-elected Directors are entitled to serve consecutive terms.

The directors shall comply with the rules of the securities competent authority concerning minimum share ownership.

The Corporation may purchase liability insurances for the Directors of Board to protect them against potential liabilities arising from performing their duties within their executive business scopes in accordance with the law, and authorize the Board of Directors to purchase said liability insurances in connection therewith.

Article 16-1 Among the prior number of Directors of Board, the number of Independent Directors shall be no less than 3 and one-fifth of the number of seats of Directors.

The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters to abide by shall comply with applicable laws and regulations prescribed by the securities competent authority.

The Corporation shall have an Audit Committee, which shall consist of all Independent Directors, no less than three in number, one of whom shall be the committee convener and at least one of whom shall have accounting or financial expertise.

Article 17 The Board of Directors is organized by Directors with the following functions:

- I. Formulating operating policies, reviewing and supervising the implementation of business plans.
- II. Appointing and dismissing the Corporation's General Manager and Deputy General Manager.
- III. Preparing and amending the Corporation's important statutes and organization regulations.
- IV. Establishing and abolishing branches.
- V. Convening shareholders' meetings.
- VI. Other functions and duties conferred by the provisions prescribed by the Company Act or by the shareholders at the shareholders' meeting.

Article 18 The Corporation's Board of Directors shall have a Chairman and may have a Vice Chairman, who shall be elected by the Directors from amongst themselves. The Chairman of the Board shall preside the Board meetings and act on behalf of the Corporation to external parties.

Article 19 A shareholders' meeting shall be convened by the Board of Directors.

A meeting of the Board of Directors shall be convened by the Chairman of the Board. Said meeting shall be presided over by the Chairman of the Board of Directors. If the Chairman of the Board is unable to convene said meeting for any reason, the Vice Chairman of the Board of Directors shall do so on his or her behalf. However, if the Vice Chairman of the Board of Directors is unable to convene said meeting within 7 days from the date when said meeting is necessary or is unable to exercise his or her authority for any reason, one of the Directors designated in advance by the Chairman of the Board of Directors shall do so on his or her behalf, or if no such person is designated, one of the Directors shall be elected from amongst themselves to convene said meeting.

In the event of a video conference for said meeting, Directors attending said meeting by video are deemed to be attending in person. If a Director is unable to attend a board meeting in person for any reason, he/she may appoint another Director to act as on his/her behalf by issuing a letter of authorization and listing the scope of authority for convening the meeting. A Director may only be appointed to act on behalf of one other Director.

In convening a meeting of the Corporation's Board of Directors, a notice shall be given to each director 7 days in advance of the scheduled meeting date. But in case of emergency, said meeting may be convened at any time.

The preceding notice to convene said meeting shall be delivered to each Director via mail, email, or fax.

Article 20 A meeting of the Board of Directors shall be held quarterly by Directors thereof, with functions and duties as follows:

- I. Resolving major domestic and foreign investment proposals.
- II. Reviewing and approving the Corporation's internal regulations.
- III. Electing the Chairman and Vice Chairman of the Board of Directors.
- IV. Approving the appointment and dismissal of the General Manager and Deputy General Manager.

- V. Examining and approving budgets and final accounts.
- VI. Making decisions on matters regarding loans.
- VII. Recommending to the shareholders' meeting proposals for amendments to the Articles of Incorporation, change in capital, dissolution, or merger of the Corporation.
- VIII. Recommending to the shareholders' meeting the proposals for allotment of earnings and coverage of loss.
- IX. Resolving the distribution of cash dividends.
- X. Selecting certified public accountants.
- XI. Performing other functions and duties conferred by the Company Act or by the resolutions made at the shareholders' meeting.
- XII. Establishing and abolishing branches.
- XIII. Being entitled to establish auditing, nomination, risk management committees or other functional committees for the needs of business operations.

Article 21 Except as otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by a majority of the Directors present at a board meeting, occupying more than half seats of the Board of Directors. However, the following matters shall be subject to the approval of two-thirds of the Directors present at a board meeting, occupying more than half seats of the Board of Directors.

- I. Resolving domestic and foreign investment proposals.
- II. Examining and approving budgets and final accounts.
- III. The provisions relating to minutes of shareholders' meeting are applicable, mutatis mutandis, to the meeting minutes of the Board of Directors.

Article 22 (deleted)

Article 23 (deleted)

Article 24 The Board of Directors is authorized to decide the remuneration to all Directors based on the degree of their participation in and contribution to the operations of the Corporation and referred at a rate consistent with general practices in the industry.

Article 25 The Corporation may have several managerial officers. Their appointment, dismissal, and remuneration shall be subject to Article 29

of the Company Act.

Chapter V: Accounting

Article 26 The Corporation's fiscal year shall commence on January 1 and end on December 31 of each year. Upon closing of each fiscal year, the Board of Directors shall prepare the following tables and documents and submit them to the Audit Committee for review and approval at the shareholders' meeting 30 days prior to the general shareholders' meeting.

- I. Business report;
- II. Financial statements; and
- III. Proposals for profit distribution or deficit compensation.

Article 27 In case the Corporation makes a profit during a fiscal year, no less than 2% of said profit shall be set aside for employees' remuneration. The Board of Directors shall resolve whether to distribute said remuneration in shares or cash. Recipients of said remuneration may include the employees of the controlled or subordinate companies who meet certain criteria. The Board of Directors is authorized to determine and set aside no more than 2% of the amount of the foregoing profit as Directors' remuneration. The proposal of distributing employees' and Directors' remuneration shall be reported to the shareholders' meeting.

However, if the Corporation still has accumulated losses, it shall retain the indemnity amount in advance and then set aside the remuneration of employees and Directors in accordance with the percentages in the preceding paragraph.

Article 27-1 If the Corporation's earnings are present after the closing of a fiscal year, they shall be distributed in accordance with the following order:

- I. Payment of taxes required by law.
- II. Making up the accumulated losses.
- III. Setting aside 10% of said earnings as legal reserve.
- IV. Appropriating or reversing the special surplus reserve as provided by laws or by competent authority regulations.
- V. Except for discretionary retention of earnings, the remaining

balance, together with the accumulated undistributed earnings, shall be resolved by the shareholders' meeting after the Board of Directors has prepared a proposal for the distribution of earnings.

The Corporation is in a growth phase, so the amount of dividends to shareholders will be determined by taking into account factors, such as the Corporation's current and future investment environment, capital requirements, domestic and international competition, and future capital expenditures and working capital planning, as well as the interests of shareholders and balancing dividends with the Corporation's long-term financial planning, wherein no less than 20% of the earnings to be distributed shall be cash dividends.

Article 28 The distribution of dividends to shareholders shall be limited to those shareholders whose names appear on the shareholders' list five days prior to the record date on which the dividend and bonus are determined to be distributed.

Chapter IV Supplemental Provisions

Article 29 The Corporation may undertake external guarantee business in accordance with government regulations.

Article 30 Any matters not covered by these Articles of Incorporation shall be governed by the provisions of the Company Act.

Article 31 (deleted)

Article 32 These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on March 24, 1997, and come into force on the date of approval and registration by the competent authority.
The 1st amendment was made on August 11, 1997.
The 2nd amendment was made on July 9, 1998.
The 3rd amendment was made on June 16, 2000.
The 4th amendment was made on July 25, 2000.
The 5th amendment was made on May 25, 2001.
The 6th amendment was made on December 28, 2001.
The 7th amendment was made on June 12, 2002.
The 8th amendment was made on October 22, 2002.
The 9th amendment was made on June 12, 2003.
The 10th amendment was made on February 13, 2004.
The 11th amendment was made on May 4, 2004.

The 12th amendment was made on June 16, 2005.
The 13th amendment was made on June 15, 2006.
The 14th amendment was made on June 15, 2007.
The 15th amendment was made on June 13, 2008.
The 16th amendment was made on June 16, 2009.
The 17th amendment was made on June 18, 2010.
The 18th amendment was made on June 17, 2011.
The 19th amendment was made on June 6, 2012.
The 20th amendment was made on June 14, 2013.
The 21st amendment was made on June 18, 2015.
The 22nd amendment was made on June 15, 2016.
The 23rd amendment was made on June 15, 2018.
The 24th amendment was made on June 13, 2019.
The 25th amendment was made on June 16, 2020.
Effective from the resolution of the shareholders' meeting, and upon amendment.

ITEQ CORPORATION

Chairman of the Board: Chin-Tsai Chen

ITEQ CORPORATION

Rules and Procedures of the Shareholders' Meeting

Amended and resolved at the shareholders' meeting (the "Meeting") convened on June 15, 2018.

1. Purpose

These Rules and Procedures are established in order to provide for compliance with the convening, procedures, resolutions and records related to the Meetings held by the Corporation and to comply with the provisions of relevant laws and regulations.

2. Applicable Scope

Unless otherwise prescribed by relevant laws and ordinances, the Corporation shall duly convene the Meetings exactly in accordance with these Rules and Procedures, including matters relating to the convening, proceedings, resolutions and minutes of the Meetings.

3. Operating Rules

3.1. Convening of the Meetings

3.1.1. If the meeting is convened by the board of directors, the one presiding over the meeting shall be the chairman of the board of directors. If the chairman of the board of directors is absent from work or is unable to perform his or her duties for any reason, the chairman of the board of directors shall designate a director to act on his or her behalf. If the chairman of the board of directors does not designate such a person, the directors shall elect one of them from amongst themselves to act on his/her behalf. If the meeting is convened by a person with the authority to convene other than the board of directors, such person shall act as the chairman to preside over that meeting.

3.1.2. The meeting shall be held in the city or county where the corporation is located or at any other place that is convenient for the shareholders to attend and appropriate to convene such meeting, and shall commence at a time no earlier than 9:00 a.m. And no later than 3:00 p.m.

3.2. Attendance of the meetings

3.2.1. Shareholders or their proxies attending the meeting shall sign in and the sign-in procedure shall be replaced by submitting their sign-in cards. The calculation of the number of shares present shall be based on the sign-in cards submitted by the shareholders and those shares whose votes are exercised by mail or electronically via the internet.

3.2.2. Attendance and voting at shareholders' meetings shall be based on shares.

- 3.2.3. The corporation may appoint the retained attorney(s)-at-law, certified public accountant(s) or relevant personnel attend the meeting as non-voting delegates. Staff at the meetings shall wear id badges or arm badges.

3.3. Proceedings and resolutions of the meeting

- 3.3.1. Upon the meeting time, the meeting's chairman shall declare a meeting open immediately. However, if not enough shareholders representing more than half of the total number of issued shares are present, said chairman may declare a postponement of the meeting for not more than two times and the total time of the postponement shall not exceed one hour. In the event that the meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with the provisions of the company act. Upon passing of the preceding tentative resolution, if the number of shares represented by the shareholders or proxies present reaches more than one-half of the total number of issued shares, the meeting chairman may re-submit said tentative resolution to the meeting for a vote.

- 3.3.2. The agenda for the meeting shall be set by the board of directors if such meeting is convened by the board of directors. Unless otherwise resolved by a resolution at the meeting, the meeting shall be carried out in accordance with the scheduled agenda. The preceding paragraph shall apply mutatis mutandis to the meeting convened by any person other than the board of directors, with the authority to convene such meeting. The meeting chairman shall not adjourn the meeting until the proceedings (including interim motions) scheduled in the preceding agenda are completed unless a resolution is duly resolved in the meeting. Upon the adjournment of the meeting, the shareholders are not entitled to elect another meeting chairman to continue the meeting at the same place or another venue; however, if the prior meeting chairman violates the rules and procedures and adjourns the meeting, another meeting chairman may be elected by a majority of the voting rights of the shareholders present to continue the meeting.

If a written proposal made by a shareholder, pursuant to article 172-1 of the company act, is included in a general meeting, and is of the same type as a proposal made by the board of directors, those proposals shall be put together and treated in accordance with the preceding provisions mutatis mutandis.

The order of discussion and voting on each of the proposal proposed by the shareholders in the interim motions shall be determined by the meeting chairman.

- 3.3.3. Before a shareholder or one with his/her authorization speaks at the meeting, he/she must fill in a speech note stating the gist of his/her speech, the shareholder's account number (or attendance card number) and the name of the account, and the order of his/her speech shall be determined by the meeting chairman. An shareholder or one with his/her authorization at the meeting who submits only a speech note but does not speak at the meeting is deemed to have not spoken. If there is any discrepancy between the contents of the shareholder's speech and the gist recorded on the note, the contents of the speech shall prevail. When a shareholder present is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless otherwise permitted by the meeting chairman and said speaking shareholder; the meeting chairman shall stop any such violations.
- 3.3.4. No shareholder or one with his/her authorization may speak more than twice on the same proposal, and each time for not more than five minutes, without the consent of the meeting chairman. The meeting chairman may stop the speech of any shareholder that is in violation of the preceding provisions or exceeds the scope of the proposal.
- 3.3.5. In the event that a juristic (corporate) person is entrusted to attend a meeting, said juristic (corporate) person may appoint only one representative to attend said meeting. In the event that a juristic (corporate) person shareholder appoints two or more representatives to attend a meeting, only one representative of them is allowed to speak for the same proposal.
- 3.3.6. After a shareholder present speaks on the floor; the meeting chairman may answer either in person or designate relevant personnel to reply.
- 3.3.7. When the meeting chairman considers that the discussion on a proposal has reached the point where a vote can be taken, he/she may announce that the discussion has ceased and a vote is taken.
- 3.3.8. The meeting chairman shall designate the person(s) to monitor the votes and count the votes, but the person(s) to monitor the votes shall be a shareholder and the results of the voting shall be reported on the spot and recorded.
- 3.3.9. During the meeting, the meeting chairman may announce a break at his/her discretion.
- 3.3.10. Unless otherwise provided in the company act and the corporation's articles of incorporation, a proposal resolution is adopted by a majority of voting rights owned by the shareholders or proxies present at the meeting. During a vote, the meeting chairman or his/her designated person shall first announce the total number of voting rights of the shareholders present on a case-by-case basis, and the shareholders present shall then vote on a case-by-case

basis, and the results of the shareholders' approval, disapproval and abstention shall be entered into the market observation post system on the same day after the meeting.

3.3.11. If there is an amendment case or a substitute case to the identical proposal, the meeting chairman shall put them together and determining the voting order therein. If one of them is adopted, the others shall be deemed to be rejected and no further vote is required.

3.3.12. The meeting chairman may direct marshals (or security personnel) to assist in maintaining the order of the meeting. Said marshals (or security personnel) shall wear arm badges marked "marshal" while assisting in maintaining the order of the meeting.

3.4. Meeting minutes

The Corporation shall record the entire Meeting and keep it for at least one year.

4. These Rules and Procedures shall be implemented upon their adoption by the Meeting, and the same applies to the amendments thereto.

The Rules and Procedures were formulated on June 20, 2002.

The 1st amendment was made on June 15, 2006.

The 2nd amendment was made on June 15, 2018.

ITEQ CORPORATION

Procedures for the Acquisition or Disposal of Assets

Adopted by the shareholders' meeting held on June 13, 2019.

Chapter I General Provisions

I. Purpose and Legal Basis

The Procedures are formulated in accordance with the provisions of Article 36-1 of the Taiwan Securities and Exchange Act and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by Financial Supervisory Commission in order to strengthen asset management and implement information disclosure in practice.

II. Unless otherwise provided by law and regulations, ITEQ Corporation (hereinafter referred to as "the Corporation") shall follow the provisions of the Procedures to acquire or dispose of material assets.

III. The term "assets" as used in these Procedures includes the following:

- (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) options, beneficial interest securities, and asset-backed securities, etc.
- (II) Real property (including land, building and structures, real estate held for investment purposes, land usage right, inventories of construction enterprises) and equipment.
- (III) Memberships.
- (IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (V) Right - of - use assets
- (VI) Derivatives.
- (VII) Assets acquired or disposed of in connection with mergers, split-off, acquisitions, or share transfer in accordance with law.
- (VIII) Other major assets.

IV. Appraisal Procedures:

- (I) The financial and accounting departments shall conduct analyses of relevant benefits and assess possible risks regarding the Corporation's acquisition or disposal of long-term and short-term marketable securities, or engagement in derivatives trading; as for the acquisition or disposal of real property, or other right-to-use assets and other assets, relevant units shall draw up a capital expenditure plan to carry out feasibility assessment on the purpose of acquisition or disposal and the anticipated benefits; if it is a transaction with a related party, the reasonableness of the transaction conditions shall be evaluated in accordance with Chapter 2 of the Procedures.
- (II) The Corporation shall obtain the most recent financial statements or other relevant information of the subject company audited or reviewed by a certified public accountant prior to the date of acquisition or disposal of the securities for the purpose of appraising the transaction price. If the transaction amount reaches 20% of the Corporation's paid-in capital or NT\$300 million or more, a certified public accountant (CPA) should be consulted to express an opinion on the reasonableness of the transaction price prior to the date of occurrence of the fact. If said CPA needs to adopt an expert report, he/she shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to securities with publicly quoted prices in an active market or in compliance with regulations set by the Financial Supervisory Commission, R.O.C.
- (III) If the Corporation acquires or disposes of real property, equipment or other right-to-use assets in an amount of 20% or more of the Corporation's paid-in capital or NT\$300 million or more, the Corporation shall first obtain an appraisal report from an objective and impartial professional appraiser before the date of occurrence of the facts, and shall follow the asset appraisal procedures set forth in these Procedures.
- (IV) The calculation of the transaction amounts referred to the preceding two paragraphs shall be done in accordance with the provisions in Article 6, Paragraph 2, Subparagraph 4 of these Procedures, and "within the preceding year" thereof refers to the year preceding the date of occurrence of the current transaction. Appraisal reports issued by professional appraisers or CPA's opinions obtained in accordance with these procedures need not be counted toward the transaction amount.
- (V) In the event of a merger, demerger, acquisition or transfer of shares, the Corporation shall appoint a CPA, attorney-at-law or securities underwriter to express opinions on the reasonableness of the share exchange ratio, the

acquisition price or the allotment of cash or other property to the shareholders for discussion and approval by the Board of Directors before convening a resolution meeting of the Board of Directors. However, the Corporation's merger of its subsidiaries in which the Corporation directly or indirectly holds 100 percent of their outstanding shares or total amount of the capital, or mergers between the Corporation's subsidiaries in which the Company directly or indirectly holds 100 percent of the outstanding shares or total amount of the capital, are exempted from obtaining reasonableness opinions issued by the foregoing experts.

(VI) In addition to the reference of an aforesaid opinions given by a professional appraiser or a CPA, the means of price determination and supporting reference materials for the acquisition or disposal of assets are specified as follows:

1. The acquisition or disposal of marketable securities traded on the centralized securities exchange market or OTC exchange is determined by the prevailing price of the shares or bonds at the time of the transaction.
2. When acquiring or disposing of securities not traded on the centralized securities exchange market or OTC exchange, the acquisition or disposition of said securities should take into account the net value per share, technology and profitability, future development potential, market interest rate, coupon rate of the bonds and debtor's creditworthiness, etc., and should be determined by reference to the most recent transaction price at the time.
3. The acquisition or disposal of other right-to-use assets or memberships shall be determined by taking into account the benefits they can generate and the most recent transaction price at the time. The acquisition or disposal of intangible assets, such as patents, copyrights, trademarks and licenses, shall be determined by taking into account international or market practice, their useful life and their impact on the Corporation's technology and business.
4. The acquisition or disposal of real property and equipment shall be determined by reference to the announced present value, assessed present value, actual transaction price or book value of adjacent real property, and quotations from suppliers. If the transaction is a related party transaction, the transaction price should first be calculated in accordance with the method stipulated in Chapter 2 of these Procedures to assess whether the transaction price is reasonable.
5. Derivatives trading should take into account the trading conditions of the futures market, exchange rate and interest rate movements, etc.

6. Merger, demerger, acquisition or share transfers should take into account things, such as the nature of the business, net value per share, asset value, technology and profitability, production capacity and future growth potential.

V. Operational Procedures:

(I) Authorization Limits and Levels

1. Marketable securities: The Chairman of the Board is authorized to make transactions within the limits set forth in Article 8 of these Procedures and must submit them to the most recent Board of Directors for ratification if they meet the notifiable reporting standards in Article 6. However, if the acquisition or disposal of shares, corporate bonds, or private securities not traded on the centralized securities exchange market or OTC exchange, and the transaction amount reaches the announced reporting standards, said acquisition or disposal should be approved by the Board of Directors beforehand. In addition, investment in mainland China shall not be allowed until it is approved by the shareholders' meeting or authorized by the shareholders' meeting to be executed by the Board of Directors and approved by the Investment Commission, MOEA, Taiwan.
2. Derivative Trading
 - (1). Hedge trading: According to the Corporation's turnover and changes in risk positions, the Chairman of the Board shall designate personnel to transact the single or cumulative transaction position below US\$1 million (or equivalents in other currencies). The single or cumulative transaction position over US\$1 million (or equivalents in other currencies) shall be transacted upon approval of the Chairman of the Board.
 - (2). Non-hedge trading: In order to reduce risks, any cumulative transaction position under US\$1 million or less (including the equivalent in other currencies) must be approved by the Chairman of the Board. Transactions over US\$1 million can only proceed with the approval of the Board of Directors.
 - (3). The authorized trader shall notify the bank of derivatives trading to facilitate the bank's relative supervision and management.
 - (4). The derivatives trading conducted under the aforesaid authority shall be later reported to the most recent meeting of the Board of Directors.
3. Related party transaction: Relevant information shall be prepared in

accordance with Chapter 2 of these Procedures, submitted to the Audit Committee for approval, and submitted to the Board of Directors for endorsement in order to proceed.

4. Merger, demerger, acquisition, or transfer of shares: Relevant procedures and preparation of relevant materials shall be handled in accordance with Chapter 4 of the Procedures, wherein mergers, split-offs, acquisitions of shares shall be subject to the resolution of the shareholders' meeting before being carried out. However, other cases exempted from convening a shareholders' meeting for resolutions are not subject to this provision. In addition, share transfer shall be approved by the Board of Directors before being conducted.
5. Others: The internal control system and the operating procedures specified in the approval authority shall be followed. If the transaction amount reaches the standard for public announcement and reporting in Article 6, except for the acquisition or disposal of machinery and equipment for business use, which may be reported to the Board of Directors for subsequent ratification, the transaction should be approved by the Board of Directors in advance. In the event that there are circumstances stipulated in Article 185 of the Company Act, they shall be first resolved and adopted by the shareholders' meeting first.

(II) Implementation Units and Transaction Process

The Corporation's implementation units for long- and short-term investments in securities and derivative transactions are the finance department and the persons designated by the Chairman of the Board, while for real property and other assets, the implementation units are the using departments and the relevant accountable units; for merger, demerger, acquisition or share transfers, the Chairman of the Board shall designate the corresponding implementation units. Upon the required appraisal of and the approval of the acquisition or disposal of assets, the implementation units shall proceed with the process of contract initiation, payments, consignment, inspection and acceptance, and handle them, depending on the nature of the assets, with the related operational processes under the Corporation's internal control system. Meanwhile, related party transactions, derivatives trading and merger, demerger, acquisition or transfer of shares shall be carried out in accordance with the provisions of Chapters 2 through 4 of these Procedures.

VI. Procedures for Public Disclosure:

- (I) If the Corporation acquires or disposes of assets under any of the following circumstances, the Corporation shall, in accordance with the nature and format

of the regulations, report the relevant information on the website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event

1. Acquisition or disposal of real property or right-to-use assets from a related party, or assets other than real estate or right-to-use assets with a related party whose transaction amount reaches 20% of the Corporation's paid-in capital, 10% of its total amount of assets, or NT\$300 million or more. trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises are not subject to the above provision.
 2. Engagement in merger, demerger, acquisition, or transfer of shares.
 3. Losses from derivative transactions amounting to the upper limit of all or individual contract losses specified in Article 8, Paragraph 1 of Chapter 4 of these Procedures.
 4. Acquisition or disposal of equipment for business use or its right-to-use assets, where the transaction is not with a related party, and the transaction amount reaches NT\$500 million or more.
 5. Where the real property is acquired under an arrangement on engaging others to build on the Corporation's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterpart is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1). Trading of government bonds.
 - (2). Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.
- (II) The amount of transactions above shall be calculated as follows:
1. The amount of any individual transaction.
 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterpart within

the preceding year.

3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" need not be counted toward the transaction amount.

- (III) The Corporation shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format of the attached table into the information reporting website designated by the FSC by the 10th day of each month.
- (IV) When the Corporation at the time of public announcement makes an error or omission in items to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Corporation has already publicly announced and reported in accordance with Paragraphs (1), (3) and (4) of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the originally publicly announced and reported information.

VII. Procedures for Valuation of Assets:

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Corporation's paid-in capital or NT\$300 million or more, the Corporation, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. However, court documents can be substituted for said appraisal report or opinions issued by a CPA if said assets are acquired or disposed of through court auction.

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

VIII. Scope and Limits to Investment:

In addition to acquiring assets for business use, the Corporation and its subsidiaries may acquire or dispose of real property and marketable securities that are not for business use, subject to the following limits, respectively. A person joining in the investment in establishing the Corporation or its subsidiaries, or serves as a Director of the Board and intends to hold the forgoing real property and marketable securities not for business use for a long period of time need not be counted.

- (I) Where the total amount of real property acquired or disposed of not for business use shall not exceed 20% of the Corporation's net value, and the total amount of real property purchased by each subsidiary of the Corporation not for business use shall not exceed 10% of the Company's net value.
- (II) Where The total amount of marketable securities acquired or disposed of shall not exceed 40% of the Corporation's net value, and the total amount of marketable securities invested by each subsidiary of the Corporation shall not exceed 20% of the Corporation's net value.
- (III) Where the limit on the acquisition or disposition of individual securities shall not exceed 20% of the Corporation's net value, except for subsidiaries holding 100% of the shares, and the limit on the acquisition or disposition of individual securities by each subsidiary of the Corporation shall not exceed 10% of the Corporation's net value.

IX. Control procedures for the acquisition and disposal of assets by subsidiaries:

- (I) The Corporation's subsidiaries shall also establish and implement the "Procedures for the Acquisition or Disposal of Assets" in accordance with the relevant provisions of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies."
- (II) The Corporation's subsidiaries shall acquire or dispose of assets in accordance with their respective "Internal Control System" and the "Procedures for the Acquisition or Disposal of Assets", and shall report to the Corporation in writing by the fifth day of each month any single or cumulative transaction of assets of the same nature acquired or disposed of in the previous month amounting to NT\$10 million or more, as well as any derivative transactions engaged in as of the end of the previous month.
- (III) If a subsidiary of the Corporation is not a public company and the assets it acquires or disposes of meet the criteria for public announcement and reporting, it should notify the Corporation within the date of occurrence of the event, and

the Corporation shall make an announcement and report on the designated website in accordance with the regulations.

X. Penalties:

In the event that the Corporation's personnel involved in the acquisition or disposal of assets violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or these Procedures, the Corporation shall deal with it by the following rules depending on the circumstances of the violation. The violation will be recorded and used for annual personal performance evaluation.

- (I) Violation of the approval authorization: The first breach shall be treated with an oral warning. The re-offender shall be given a written warning and made to participate in the internal control training course within the Corporation. Those who are recidivist or made serious mistakes shall be transferred.
- (II) Violation of the assessment process: he first breach shall be treated with an oral warning. The re-offender shall be given a written warning and made to participate in the internal control training course within the Corporation. Those who are recidivist or made serious mistakes shall be transferred.
- (III) Non-compliance of public announcement: he first breach shall be treated with an oral warning. The re-offender shall be given a written warning and made to participate in the internal control training course within the Corporation. Those who are recidivists or made serious mistakes shall be transferred.
- (IV) A person who violates rules made by his/her superior shall also receive penalties. However, if it can be reasonably explained that all precautions have been taken, the rule does not apply.
- (V) If the Board of Directors or a Director violates the relevant regulations and the resolutions of the shareholders' meeting, the Audit Committee shall notify the Board of Directors or said Director to cease its/his/her conduct in accordance with Article 218-2 of the Company Act.

Chapter II Related Party Transactions

XI. Basis of Recognition:

- (I) When the Corporation engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Corporation's total assets, the Corporation shall also obtain an appraisal report from a professional

appraiser or a CPA's opinion in compliance with the provisions of the preceding Chapter.

- (II) The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 4, Paragraph 4 herein.
- (III) The recognition of related parties and subsidiaries is governed by the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When judging whether a transaction counterpart is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

XII. Resolution Procedure:

When the Corporation intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Corporation may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the Audit Committee:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterpart.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 or exclusions of Article 14.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.

- (VII) Restrictive covenants and other important stipulations associated with the transaction.

Transaction amounts referred to the preceding paragraph shall be calculated in accordance with the provisions in Article 6, Paragraph 2, Subparagraph 5 of these Procedures, and “within the preceding year” thereof refers to the year preceding the date of occurrence of the current transaction. Items having been submitted to the Audit Committee for concurrence in accordance with the provisions of these Procedures and been proposed to the Board of Directors for approval need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Corporation and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Corporation's Board of Directors may pursuant to Article 5 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

- I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- II. Acquisition or disposal of real property right-of-use assets held for business use.

XIII. Appraisal of the reasonableness of transaction terms:

Except for one of the following circumstances, the Corporation acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means, and shall also engage a CPA to check the appraisal and render a specific opinion: where the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift; where more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction; where the real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Corporation's own land or on rented land; or where the real property right-of-use assets for business use are acquired by the Corporation with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

- (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- (III) Where land and structures are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Sub-paragraph (1) and (2).

XIV. Matters to be handled when the appraised transaction cost is lower than the transaction price:

When the results of the appraised transaction cost conducted in accordance with the preceding Article are uniformly lower than the transaction price, the matters shall be handled in compliance with Article 3. However, where the following circumstances exist, objective evidence may be submitted, and specific opinions on reasonableness may be obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

- (I) Where the related party acquired undeveloped land or leased land for development, proof of compliance may be submitted with one of the following conditions:
 - 1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- (II) Where the Corporation acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Where the Corporation acquires real property or right-of-use assets thereof from a related party and the results of the appraised transaction cost conducted in accordance with the preceding Article are uniformly lower than the transaction price in the absence of the circumstances mentioned in Paragraphs 1 of this Article, the following steps shall be taken:

- (I) A special reserve shall be set aside according to Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised value, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Corporation has set aside a special reserve under the preceding sub-paragraph, the Corporation shall not utilize said special reserve until it has recognized a loss or decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent.
- (II) Audit Committee shall comply with Article 218 of the Company Act.
- (III) Actions taken pursuant to the subparagraph (1) and (2) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Chapter III Control of Derivatives Trading

XV. Trading principles and strategies:

- (I) **Tran type:** The Corporation may engage in the types of derivatives, including forward contracts, options, interest rate and exchange rate exchanges, futures, and composite contracts of the above-mentioned derivatives. Trading of any other type of derivatives shall be approved by the Board of Directors.
- (II) **Operating or hedging strategies:** The Corporation engages in derivatives trading for the purpose of "hedging." Its strategies shall be primarily aimed at hedging operational risks, and the selection of trading derivatives shall be based on hedging the risk of foreign exchange income, expenses, assets or liabilities arising from the Corporation's business operations. Moreover, financial institutions doing business with the Corporation shall be prioritized as the counterpart of the derivatives trading to avoid the occurrence of credit risks. The type of derivatives trading must be clearly defined as a hedge or a financial operation in pursuit of investment income before trading, on which it is based for accounting.

(III) Trading amount:

The total amount of derivatives trading contracts entered into by the Corporation does not exceed, in principle, the Corporation's foreign currency requirements for six months. Additional written petition for any special requirement of derivatives trading must be submitted to the Chairman of the Board for approval in order to proceed.

(IV) Maximum loss limit on total trading and for individual contracts.

The Corporation shall engage in derivatives trading for hedging purposes, and hedge trades shall be engaged in response to the Corporation's actual needs and the risks to which they are exposed shall be in accordance with the following provisions:

1. After derivatives trading positions are held, a stop loss point should be set to prevent excess losses. The stop loss point shall be set at an upper limit of 10% of the trading contract amount. If the loss amount exceeds 10% of the trading amount, it shall be reported to the Chairman of the Board immediately and subsequently reported to the Board of Directors to deliberate on necessary countermeasures.
2. The maximum amount of loss for an individual trading contract shall not exceed 10% of said trading contract amount.

(V) Segregation of duties

1. Trading officer: A Corporation's executive officer for derivatives trading, who is designated by the Chairman of the Board. He/She shall be responsible for the formulation of trading strategies, execution of orders, disclosure of future trading risks, and provision of real-time information to the relevant departments for reference within the scope of the authorization.
2. Accounting department: It shall be responsible for confirming transactions, recording them in accordance with relevant regulations, maintaining transaction records, regularly evaluating the fair market value of the derivatives trading positions held, and providing them to the designated trading specialists, and disclosing the related matters of derivatives in the financial statements.
3. Finance department: It shall be responsible for the settlement of derivatives trading.

(VI) Essentials of performance evaluation

1. Hedge trading: The performance shall be evaluated on the basis of both the cost of exchange (interest) rate in the Corporation's books and the gain or loss arising from engaging in derivatives financial trading. The performance shall be evaluated at least twice per month and presented to the management for reference.
2. Trading for specific purpose
The performance shall be evaluated on the basis of actual gain or loss arising from the trading. The performance shall be evaluated at least once per month and presented to the management for reference.

XVI. Risk management measures:

When engaging in derivatives trading, the Corporation's scope of risk management and the risk management measures thereto are as follows:

- (I) Credit Risk Consideration: Financial institutions and futures brokers with a good reputation for providing professional information are selected as counterparties for trading.
- (II) Market Risk Consideration: As losses arising from derivatives' market price fluctuations in the future are uncertain, once the position is established, the stop-loss point shall be strictly observed.
- (III) Liquidity Risk Consideration: To ensure the liquidity of derivatives, the trading body must have sufficient equipment, information, trading capacity,

and be able to trade in any market.

- (IV) Operational Risk Consideration: Authorization trading limits and operational procedures must be followed to avoid operational risks.
- (V) Legal Risk Consideration: Any contractual documents signed with financial institutions should, as far as possible, use international standardized documents to avoid legal risks.
- (VI) Derivatives Risk Consideration: An internal trading officer should have complete and correct expertise in derivatives traded to avoid losses due to misuse of derivatives.
- (VII) Cash Settlement Risk Consideration: The authorized trading officer shall strictly comply with the requirements within the authorized trading amount, and not only that, he/she shall pay attention usually to the Corporation's cash flow to ensure that sufficient cash is available for payment at the time of settlement.
- (VIII) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (IX) Personnel in charge of confirmation shall regularly perform reconciliation or confirmation with the bank with which the Corporation does business, and constantly certify that the aggregated trading amount does not exceed the limits regulated in these Procedures.
- (X) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the subparagraph (1) and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- (XI) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel ((Note: senior management personnel not from executive units should be designated.) authorized by the Board of Directors.

XVII. Internal audit system:

- (I) The Corporation's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, it should be reported immediately to the Chairman of the Board and senior management personnel designated by the Board of Directors, and each Independent Director of the

Board shall be notified in writing.

- (II) The Corporation's internal audit personnel shall include derivatives trading in the audit plan and report the implementation of the previous year's audit plan to the competent authority by the end of February; in addition, the improvement in irregular circumstances shall be reported to the competent authority for future reference no later than the end of May.

XVIII. Regular evaluation methods and the handling of irregular circumstances:

- (I) Derivatives trading shall be regularly evaluated on a monthly or weekly basis, and the profit and loss for the month or week and the open interest positions of non-hedging trading shall be compiled and presented to senior management personnel authorized by the Board of Directors and the Chairman of the Board for management performance evaluation and risk measurement purposes.
- (II) Senior management personnel designated by the Corporation's Board of Directors shall monitor and control the risk of derivatives trading at all times. The Board of Directors shall also evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (III) Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:
 1. Periodically evaluate whether the risk management measures currently employed are appropriate and faithfully conducted in accordance with the relevant provisions in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" established by the competent authority and the Procedures for engaging in derivatives trading formulated by the Corporation.
 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors, which an Independent Director shall be present at the Board meeting and express an opinion.
- (IV) When engaging in derivatives trading, the Corporation shall establish a log book in which details of the types and amounts of derivatives trading engaged in, the Board of Directors approval dates, monthly or weekly evaluation reports, and regular assessments performed by the Board of Directors and senior management personnel authorized by the Board of Directors shall be recorded.

Chapter IV Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- XIX. Where the Corporation conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the departments in charge shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.
- XX. Where the Corporation participates in a merger, demerger, acquisition, or transfer of shares, the Corporation shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Corporation from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution, or the proposal is rejected by the shareholders meeting, the Corporation shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Corporation shall prepare a full written record of the following information and retain it for 5 years for reference:

- (I) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (II) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
- (III) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors' meetings.

When participating in a merger, demerger, acquisition, or transfer of shares, the Corporation shall, within 2 days counting inclusively from the date of passage of a

resolution by the Board of Directors, report (in the prescribed format and via Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the competent authority for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Corporation shall sign an agreement with such company whereby the latter is required to abide by the provisions as set forth under Paragraphs 2 and 3 of this Article.

XXI. When participating in a merger, demerger, or acquisition, the Corporation shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance and grants consent; when participating in a transfer of shares, the Corporation shall convene a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the competent authority is notified in advance and grants consent.

XXII. Share exchange ratio and acquisition price:

The share exchange ratio or acquisition price of a merger, demerger, acquisition, or transfer of shares shall not be arbitrarily altered unless under the below-listed circumstances:

- (I) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock options, or other equity based securities.
- (II) An action, such as a disposal of major assets, that affects the Corporation's financial operations.
- (III) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- (IV) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (V) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (VI) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

XXIII. Matters to be recorded in the contract regarding a merger, demerger, acquisition, or transfer of shares:

The contract for participation by the Corporation in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in said merger, demerger, acquisition, or transfer of shares, the circumstances in which the share exchange ratio or the acquisition price may be changed as described in the preceding Article, and the following matters as well:

- (I) Handling of breach of contract.
- (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (III) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- (IV) The manner of handling changes in the number of participating entities or companies.
- (V) Preliminary progress schedule for plan execution, and anticipated completion date.
- (VI) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

XXIV. Other matters to note when the Corporation participates in a merger, demerger, acquisition, or transfer of shares:

- (I) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (II) After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a

resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

- (III) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Corporation shall sign an agreement with said non-public company whereby the latter is required to abide by the provisions of Article 21 and the preceding two subparagraphs of this Article.

Chapter V Other Material Matters

- XXV. Upon acquiring or disposing of assets, the Corporation shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Corporation, where they shall be retained for 5 years except where another act provides otherwise.
- XXVI. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Corporation with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 - II. Shall not be a related party or de facto related party of any party to the transaction.
 - III. If the Corporation is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate

working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
 - IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.
- XXVII. Regarding these Procedures or other regulations which are legally required to be approved by the Board of Directors, if any Director expresses dissent and it is contained in the minutes or a written statement, the Corporation shall submit the Director's dissenting opinion to each supervisor. The Board of Directors shall also take into full consideration of each Independent Director's opinion. If an Independent Director objects to or expresses qualified opinion about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- XXVIII. Prior to implementing these Procedures, said Procedures shall be approved by the Audit Committee, submitted to the Board of Directors for approval, and then submitted to the shareholders' meeting for approval; the same applies when these Procedures are amended.

ITEQ CORPORATION

Procedures for Election of Directors

- Article 1 To ensure a just, fair, and open election of the Corporation's Directors, these Procedures are adopted pursuant to Article 21 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."
- Except as otherwise provided by law and regulation or by the Corporation's Articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.
- Article 2 The cumulative voting method of single disclosed ballot shall be used for election of the directors at the Corporation. The number of votes exercisable in respect of one share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 3 The Corporation shall adopt a candidate nomination system for the election of Directors, and the number of Directors provided for in the Company's Articles of Incorporation shall be elected in the same election, but the respective votes shall be separately calculated to determine the elected Independent Directors and non-Independent Directors. Those who receive more votes representing more voting rights shall be elected sequentially. If two or more persons receiving the same number of voting rights exceed the available number of seats to be elected, lots will be drawn by those receiving the same number of voting rights, and lots will be drawn by the Chairman on behalf of those who are not present at the venue of the shareholders' meeting.
- The voting rights in the preceding paragraph refers to the voting rights counted at the venue of the shareholders' meeting and any voting rights exercised by means of electronic voting.
- Article 4 Before the election begins, the meeting Chairman shall designate a number of shareholders to monitor the casting of the ballots, and a number of shareholders to count the ballots, each of which shall then respectively perform their relevant functions accordingly.
- Article 5 The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall

then be distributed to the attending shareholders at the shareholders meeting.

Article 6 The ballot boxes shall be prepared by the Board of Directors and publicly checked by the ballot monitoring personnel before voting commences.

Article 7 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; if said a candidate is not a shareholder, said voter shall enter the candidate's full name and identity document number. However, if the candidate is a government shareholder or a corporate shareholder, the voters voting for such candidate must enter the name of such government or corporate shareholder in the "candidate" column on the ballot, or may enter the name of said government shareholder or said corporate shareholder along with that of its representative; and if there are several representatives, the names of the representatives shall be entered separately.

Article 8 A ballot is invalid under any of the following circumstances:

1. Any ballot cast in violation of the Procedures.
2. Any blank ballot cast in to the ballot box.
3. Any ballot with illegible writing rendering it unrecognizable, or any ballot having been altered.
4. Where a candidate, whose name is present on a ballot, is a shareholder, and said candidate's account name and shareholder account number entered in said ballot do not conform with those given in the shareholder register; where a candidate, whose name entered in a ballot, is not a shareholder, and said candidate's name and identity document number entered in said ballot is verified to be incorrect.
5. Where other words or marks are entered in a ballot in addition to the candidate's name, shareholder account number or identity document number.
6. Where the name of a candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity document number is provided in said ballot to identify such individual.
7. Any ballot that is cast with the names of two or more candidates.

Article 9 Votes shall be calculated on site immediately after the end of the poll, and the calculation results, including the list of newly elected Directors and the numbers of voting rights with which they were elected, shall be announced by the meeting Chairman on the site.

The ballots shall be sealed with the signatures of the ballot monitoring

personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 10 The Board of Directors shall issue notifications to the elected Directors.

Article 11 Matters not specified in the Procedures shall be governed by the Company Act and other relevant laws and regulations.

Article 12 The Procedures shall be implemented upon their adoption by the shareholders' meeting on June 20, 2002, and the same applies to the amendments thereto.

The 1st amendment was made on June 15, 2007.

The 2nd amendment was made on June 15, 2018.

Appendix V

Share Ownership of All Directors of the Board

Upon the date (April 18, 2021) for suspension of share transfer for a general shareholders' meeting, the shareholding of all Directors recorded in the shareholders' list:

Position	Name	Date elected	Term of office	Type	Shareholding while elected		Current shareholding	
					Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)
Chairman of the Board	Chin-Tsai Chen	2018.06.15	3 years	Ordinary share	1,255,000	0.41%	1,354,419	0.41%
Director of the Board	Fu-Cun Development Co., Ltd. Representative : Jin-Yuan Wang	2018.06.15	3 years	Ordinary share	30,215,038	9.97%	29,915,038	8.98%
Director of the Board	Fu-Cun Development Co., Ltd. Representative : Shih-Fang Cheng	2018.06.15	3 years	Ordinary share	30,215,038	9.97%	29,915,038	8.98%
Director of the Board	Gemtek Technology Co., Ltd. Representative : Hsi-An Liao	2018.06.15	3 years	Ordinary share	1,730,511	0.57%	870,511	0.26%
Director of the Board	Hsin-Hui Tsai	2018.06.15	3 years	Ordinary share	496,487	0.16%	505,600	0.15%
Independent Director	Po-Chiao Chou	2018.06.15	3 years	Ordinary share	0	0.00%	2,158	0.00%
Independent Director	Xiu-Zong Liang	2018.06.15	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Yu-Chin Tsai	2018.06.15	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Hui-Fen Chan	2018.06.15	3 years	Ordinary share	0	0.00%	216	0.00%

Total issued shares: 332,957,218 shares on April 18, 2021

The minimum required combined shareholding of all Directors by law: 13,318,288 shares

The combined shareholding of all Directors on April 18, 2021: 32,647,942 shares (9.81%)