

ITEQ CORPORATION
2021 Annual General Shareholders' Meeting Minutes
(Translation)

Time: July 2, 2021 (Friday) at 9:00 am

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

Attending Shareholders: The total number of shares represented by shareholders attending the meeting in person or by proxy is 264,151,060 shares (including casted electronically 132,178,392 shares), representing 79.33% of the total number of issued shares of the Company (i.e., 332,957,218 shares.)

Attending Directors: Chin-Tsai Chen (Chairman), Hsin-Hui Tsai (Director), Po-Chiao Chou (Convener of the Auditing Committee, Independent Director), Xiu-Zong Liang (Independent Director), Hui-Fen Chan (Independent Director)

Attendees: Cheng-Hsiu Yang (CPAs of Deloitte & Touche)

Chairman: Chin-Tsai Chen

Recorder: Ke-Yu Chang

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

II. Chairperson Remarks: (Omitted)

III. Management Presentations

Report No. 1

Subject: 2020 Business Report
see Appendix I (page 15)

Report No. 2

Subject: Audit Committee's Review Report on the 2020 Financial Statements
see Appendix II (page 17)

Report No. 3

Subject: Report on the Distribution of Remuneration for Employees and Directors of 2020(see handbook)

IV. 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 (page 15) and Appendix III (page 18) 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:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor : 258,396,304 votes (126,424,641 votes) | 97.82% |
| Votes against : 19,194 votes (19,194 votes) | 0.00% |
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,735,562 votes (5,734,557 votes) | 2.17% |

*Including votes casted electronically (numbers in brackets)

RESOLVED, that the 2020 Business Report and Financial Statements be and hereby were accepted as submitted.

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 Chen

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:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor : 258,398,146 votes (126,426,483 votes) | 97.82% |
| Votes against : 19,348 votes (19,348 votes) | 0.00% |

| | |
|--|-------|
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,733,566 votes (5,732,561 votes) | 2.17% |

*Including votes casted electronically (numbers in brackets)

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

V. 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 (page 38) for the Comparison Table for the Amendments to the Articles of Incorporation.

Resolution:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|---|--|
| Votes in favor : 228,854,320 votes (96,882,657 votes) | 86.63% |
| Votes against : 29,518,160 votes (29,518,160 votes) | 11.17% |
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,778,580 votes (5,777,575 votes) | 2.18% |

*Including votes casted electronically (numbers in brackets)

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

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 (page 41) for the Comparison Table of Amendments to the Rules and Procedures of the Shareholders' Meeting.

Resolution:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor : 258,352,649 votes (126,380,986 votes) | 97.80% |
| Votes against : 19,369 votes (19,369 votes) | 0.00% |
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,779,042 votes (5,778,037 votes) | 2.18% |

*Including votes casted electronically (numbers in brackets)

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

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 (page 45) for the Comparison Table of Amendments to the Procedures for the Acquisition or Disposal of Assets.

Resolution:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor : 256,265,684 votes (124,294,021 votes) | 97.01% |
| Votes against : 2,066,721 votes (2,066,721 votes) | 0.78% |
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,818,655 votes (5,817,650 votes) | 2.20% |

*Including votes casted electronically (numbers in brackets)

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

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 (page 46) 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.

| | | | | | | | |
|-----|--|-------|--------|--------|-------|-------|--------|
| (2) | 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 |

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:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor : 249,796,051 votes (117,824,388 votes) | 94.56% |
| Votes against : 8,578,222 votes (8,578,222 votes) | 3.24% |

| | |
|--|-------|
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 5,776,787 votes (5,775,782 votes) | 2.18% |

*Including votes casted electronically (numbers in brackets)

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

VI. 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 July 2, 2021 to July 1, 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 | 505,600 |

| | | |
|---|--|------------|
| | Director of the Board, ITEQ Corporation CEO & General Manager, ITEQ Corporation Director of Accounting Office, Director of Secretariat of the Board, EnTie Commercial Bank | |
| 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: Jin-Yuan Wang | Master of Electrical Engineering, NTU Director (Legal Representative), ITEQ Corporation Section Chief of Network Division & Director of Telecommunication Value-added Division of Data Communications Business Group, Chunghwa Telecom Co., Ltd. | 29,915,038 |

| Independent Director Candidates | Professional (Academic) Background | Number of shares held as of April 18, 2021. |
|---------------------------------|--|---|
| Zhao-Rong Yang | 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. | 0 |

| | | |
|--------------|--|-----|
| | Electronic & Optoelectronic System Research Laboratories, ITRI | |
| 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:

| Title | Shareholder's No. (ID No.) | Name | Votes Received |
|----------------------|----------------------------|--|-------------------|
| Director | 00083732 | Chin-Tsai Chen | 254,360,632 votes |
| Director | 00066698 | Hsin-Hui Tsai | 228,341,179 votes |
| Director | 00095045 | WIN Semiconductors Corp. | 224,540,543 votes |
| Director | 00052339 | Fu-Cun Development Co., Ltd. Legal Representative: Shih-Fang Cheng | 198,240,169 votes |
| Director | 00052339 | Fu-Cun Development Co., Ltd. Legal Representative: Jin-Yuan Wang | 196,514,159 votes |
| Independent Director | A11042**** | Zhao-Rong Yang | 124,319,558 votes |
| Independent Director | 00115501 | Po-Chiao Chou | 122,657,699 votes |
| Independent Director | J12040**** | Xiu-Zong Liang | 121,601,325 votes |
| Independent Director | 00093646 | Hui-Fen Chan | 121,227,408 votes |

VII. 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. |
| Zhao-Rong Yang | 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-performance Computing (NCHC) |

Resolution:

Shares represented at the time of voting : 264,151,060

| Voting Results* | % of the total represented share present |
|---|--|
| Votes in favor : 231,206,859 votes (99,235,196 votes) | 87.52% |
| Votes against : 67,167 votes (67,167 votes) | 0.02% |
| Votes invalid : 0 votes | 0.00% |
| Votes abstained : 32,877,034 votes (32,876,029 votes) | 12.44% |

*Including votes casted electronically (numbers in brackets)

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

VIII. Questions and Motions: None**IX. Adjournment:** At 9:33a.m of July 2, 2021.

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: Po-Chiao Chou

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 | 1,045,714 | 2,020,610 |
| 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 | - | 54,170 |
| 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 | <u>(250,926)</u> | <u>(159,324)</u> |
| 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

Notice to Readers

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

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

ITEQ CORPORATION

BALANCE SHEETS

DECEMBER 31, 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 | <u>9,846</u> | <u>-</u> | <u>6,737</u> | <u>-</u> |
| 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) | <u>144,218</u> | <u>1</u> | <u>139,619</u> | <u>1</u> |
| 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 | <u>60,126</u> | <u>-</u> | <u>62,103</u> | <u>-</u> |
| 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 | <u>5,197</u> | <u>-</u> | <u>4,592</u> | <u>-</u> |
| 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 | <u>3,329,572</u> | <u>18</u> | <u>3,029,572</u> | <u>18</u> |
| Capital surplus | <u>3,682,051</u> | <u>20</u> | <u>653,239</u> | <u>4</u> |
| Retained earnings | | | | |
| Legal reserve | 1,618,630 | 9 | 1,372,300 | 8 |
| Special reserve | 583,390 | 3 | 205,680 | 1 |
| Unappropriated earnings | <u>4,624,947</u> | <u>25</u> | <u>4,248,130</u> | <u>26</u> |
| Total retained earnings | <u>6,826,967</u> | <u>37</u> | <u>5,826,110</u> | <u>35</u> |
| Other items in equity | <u>(444,936)</u> | <u>(3)</u> | <u>(583,390)</u> | <u>(3)</u> |
| 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 | (150) | - | (743) | - |
| | (72) | - | (1,537) | - |
| 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) | (34,651) | - | 94,242 | 2 |
| Items that may be reclassified subsequently to profit or loss, net of income tax | 138,604 | 3 | (376,967) | (8) |
| Other comprehensive income (loss) for the year, net of income tax | 138,532 | 3 | (378,504) | (8) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ 2,804,097 | 54 | \$ 2,084,796 | 41 |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21) | | | | |
| Basic | \$ 8.19 | | \$ 8.13 | |
| Diluted | \$ 8.15 | | \$ 8.10 | |

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)

Appendix IV

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 to 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 |
|--|---|------------------------------|
| <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>Article 32</p> <p>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.</p> <p>The 1st amendment was made on August 11, 1997.</p> <p>~Hereinafter omitted~</p> <p>The 23rd amendment was made on June 15, 2018.</p> <p>The 24th amendment was made on June 13, 2019.</p> <p>The 25th amendment was made on June 16, 2020.</p> <p><u>The 26 amendment was made on July 2, 2021.</u></p> <p>Effective from the resolution of the shareholders' meeting, and upon amendment.</p> | <p>Article 32</p> <p>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.</p> <p>The 1st amendment was made on August 11, 1997.</p> <p>~Hereinafter omitted~</p> <p>The 23rd amendment was made on June 15, 2018.</p> <p>The 24th amendment was made on June 13, 2019.</p> <p>The 25th amendment was made on June 16, 2020.</p> <p>Effective from the resolution of the shareholders' meeting, and upon amendment.</p> | To add the date of amendment |

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 July 2, 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) The Procedures also apply to a subsidiary <u>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 \times no. of issued shares \div (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:
$$\text{Adjusted exercise price} = \text{Exercise price prior to adjustment} \times \text{no. of issued shares before capital reduction} \div \text{no. of issued shares after capital reduction}$$
 - (II) When capital is reduced in cash:
$$\text{Adjusted exercise price} = (\text{Exercise price prior to adjustment} - \text{cash refund per share}) \times \text{no. of issued shares before capital reduction} \div \text{no. of issued shares after capital reduction}$$

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.