

ITEQ Corporation and
Subsidiaries

Consolidated Financial Reports
and Independent Auditors' Review
Report
Ended September 30, 2020 and 2019

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Independent Auditors' Review Report

To ITEQ Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of ITEQ Corporation and its subsidiaries (the "Group") for 9 months ended in 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and cash flows for the period for 3 months ended September 30, 2020 and 2019 and for 9 months ended in 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Presentation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 4 in the above-mentioned consolidated financial statements, investments under the equity method of non-major subsidiaries of the same period were not reviewed by us. The aggregate amount of assets as of September 30, 2020 and 2019 amounted to NT\$5,698,442 thousand and NT\$3,140,255 thousand, respectively, accounting for 22% and 14% of the aggregate amount of consolidated assets; the total liabilities amounted to NT\$2,754,834 thousand and NT\$2,804,285 thousand, respectively, accounting for 20% and 21% of consolidated liabilities; the total consolidated losses flows for the three months then ended, and for the period from January 1 to September 30, 2020 and 2019 amounted to NT\$126,266 thousand and NT\$(20,882), and NT\$154,907 thousand and NT\$19,147 thousand respectively, accounting for 15%, (5)%, 8%, and 1% of the consolidated profit or loss.

Qualified Conclusion

Based on our reviews, aside from non-major subsidiaries stated in the basis of the qualified conclusion and the financial statements under the equity method that were not reviewed by us which may pose adjustment in the consolidated financial statement, nothing else has come to our attention that causes us to believe that the accompanying consolidated financial statements do

not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended, and for 9 months ended September 30, 2020 and 2019 in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Deloitte & Touche

CPA Cheng-Hsiu, Yang

CPA Po-Jen, Weng

The Financial Supervisory Commission
R.O.C. Approved No.
Jing Guang Zheng Shen No. 0980032818

The Financial Supervisory Commission
R.O.C. Approved No.
Jing Guang Zheng Shen No. 1010028123

October 23, 2020

Notice to Readers

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

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

ITEQ Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2020, December 31, 2019, and September 30 2019

Unit: NTD thousand

Code	Asset	September 30, 2020 (Reviewed)		Dec. 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
1100	Cash and cash equivalents (Note 6)	\$ 3,624,659	14	\$ 3,538,060	15	\$ 2,984,031	14
1110	Financial assets at fair value through profit or loss - current (Note 7)	6,012	-	93,019	1	82,816	-
1170	Net accounts receivable and notes receivable (Note 8)	11,199,513	43	10,599,239	45	10,702,031	49
1200	Other receivables (Note 26)	144,571	1	214,796	1	130,820	-
130X	Inventories, net (Note 9)	3,329,533	13	2,663,876	11	2,110,402	10
1479	Other current assets (Note 14)	1,122,686	4	873,761	4	873,807	4
11XX	Total current assets	<u>19,426,974</u>	<u>75</u>	<u>17,982,751</u>	<u>77</u>	<u>16,883,907</u>	<u>77</u>
NON-CURRENT ASSETS							
1517	Financial assets at fair value through other comprehensive income - non-current (Note 10)	26,532	-	28,505	-	29,634	-
1600	Property, plant and equipment (Note 11)	4,173,871	16	3,622,555	15	2,149,060	10
1755	Right-of-use assets (Notes 12 and 27)	382,383	1	425,833	2	444,173	2
1780	Intangible assets (Note 13)	9,543	-	9,675	-	9,150	-
1840	Deferred tax assets	245,838	1	219,744	1	172,897	1
1990	Other non-current assets (Notes 14 and 27)	1,687,674	7	1,191,285	5	2,239,707	10
15XX	Total non-current assets	<u>6,525,841</u>	<u>25</u>	<u>5,497,597</u>	<u>23</u>	<u>5,044,621</u>	<u>23</u>
1XXX	TOTAL	<u>\$ 25,952,815</u>	<u>100</u>	<u>\$ 23,480,348</u>	<u>100</u>	<u>\$ 21,928,528</u>	<u>100</u>
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
2100	Short-term borrowings (Note 15)	\$ 2,163,451	8	\$ 3,374,824	14	\$ 3,752,436	17
2110	Short-term bills payable, net (Note 15)	49,979	-	389,819	2	489,729	2
2170	Accounts payable and notes payable	6,328,124	24	6,383,549	27	5,714,635	26
2219	Other payables (Note 16)	1,670,665	7	1,298,996	6	880,530	4
2230	Current tax liabilities	756,522	3	865,270	4	763,230	4
2250	Provisions for liabilities – current (Note 17)	15,257	-	23,173	-	19,549	-
2280	Lease liabilities - non-current (Notes 12 and 27)	53,770	-	51,830	-	51,656	-
2320	Current portion of long-term borrowings (Note 15)	117,647	1	117,647	-	317,647	2
2399	Other current liabilities (Note 20)	71,706	-	39,318	-	76,053	-
21XX	Total current liabilities	<u>11,227,121</u>	<u>43</u>	<u>12,544,426</u>	<u>53</u>	<u>12,065,465</u>	<u>55</u>
Non-current liabilities							
2580	Lease liabilities - non-current (Notes 12 and 27)	289,368	1	329,235	1	344,897	2
2540	Long-term borrowings, net of the current portion (Note 15)	1,640,000	7	1,288,235	6	717,647	3
2570	Deferred tax liabilities	335,990	1	361,821	2	319,690	1
2645	Guarantee deposits received	34,176	-	31,100	-	28,228	-
25XX	Total non-current liabilities	<u>2,299,534</u>	<u>9</u>	<u>2,010,391</u>	<u>9</u>	<u>1,410,462</u>	<u>6</u>
2XXX	Total liabilities	<u>13,526,655</u>	<u>52</u>	<u>14,554,817</u>	<u>62</u>	<u>13,475,927</u>	<u>61</u>
EQUITY							
Equity attributable to the Company (Notes 19 and 24)							
3100	Capital stock	3,329,572	13	3,029,572	13	3,029,572	14
3200	Capital surplus	3,682,051	14	653,239	3	653,239	3
Retained earnings							
3310	Legal reserve	1,618,630	6	1,372,300	6	1,372,300	6
3320	Special reserve	583,390	2	205,680	1	205,680	1
3350	Unappropriated earnings	3,847,196	15	4,248,130	18	3,584,266	17
3300	Total retained earnings	<u>6,049,216</u>	<u>23</u>	<u>5,826,110</u>	<u>25</u>	<u>5,162,246</u>	<u>24</u>
3400	Other equities	(634,679)	(2)	(583,390)	(3)	(392,456)	(2)
3XXX	Total equity	<u>12,426,160</u>	<u>48</u>	<u>8,925,531</u>	<u>38</u>	<u>8,452,601</u>	<u>39</u>
Total liabilities and equity		<u>\$ 25,952,815</u>	<u>100</u>	<u>\$ 23,480,348</u>	<u>100</u>	<u>\$ 21,928,528</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements
(Please see the Review Report of Deloitte & Touche on October 23, 2020)

ITEQ Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For 3 months ended September 30, 2020 and 2019, and for 9 months ended September 30, 2020 and 2019
(Reviewed after Restatement, Not Audited)

Unit: NT\$thousand
EPS is calculated in NT\$

Code		July 1 to September 30, 2020		July 1 to September 30, 2019		January 1 to September 30, 2020		January 1 to September 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating Revenue (Notes 20 And 26)	\$ 6,219,961	100	\$ 6,378,737	100	\$19,310,166	100	\$17,638,470	100
5000	Cost Of Sales (Notes 9 And 21)	<u>5,046,884</u>	<u>81</u>	<u>5,020,560</u>	<u>79</u>	<u>15,512,139</u>	<u>80</u>	<u>14,149,693</u>	<u>80</u>
5900	Gross Profit	<u>1,173,077</u>	<u>19</u>	<u>1,358,177</u>	<u>21</u>	<u>3,798,027</u>	<u>20</u>	<u>3,488,777</u>	<u>20</u>
	Operating Expenses (Notes 21 And 26)								
6100	Selling And Marketing Expenses	143,966	2	147,728	2	436,079	2	412,713	2
6200	General And Administrative Expenses	207,591	3	184,942	3	679,431	4	564,308	3
6300	Research And Development Expenses	<u>102,159</u>	<u>2</u>	<u>87,956</u>	<u>1</u>	<u>290,199</u>	<u>1</u>	<u>257,407</u>	<u>2</u>
6000	Total Operating Expenses	<u>453,716</u>	<u>7</u>	<u>420,626</u>	<u>6</u>	<u>1,405,709</u>	<u>7</u>	<u>1,234,428</u>	<u>7</u>
6900	Profit From Operations	<u>719,361</u>	<u>12</u>	<u>937,551</u>	<u>15</u>	<u>2,392,318</u>	<u>13</u>	<u>2,254,349</u>	<u>13</u>
	Non-Operating Income And Expenses (Notes 21 And 26)								
7010	Other Income	8,023	-	16,872	-	43,874	-	63,322	-
7050	Financial Costs	(21,171)	(1)	(18,534)	-	(56,606)	-	(51,005)	-
7020	Other Gains Or Losses	<u>110,161</u>	<u>2</u>	<u>(57,829)</u>	<u>(1)</u>	<u>25,380</u>	<u>-</u>	<u>(35,164)</u>	<u>-</u>
7000	Total Non-Operating Income And Expenses	<u>97,013</u>	<u>1</u>	<u>(59,491)</u>	<u>(1)</u>	<u>12,648</u>	<u>-</u>	<u>(22,847)</u>	<u>-</u>
7900	Income Before Taxation	816,374	13	878,060	14	2,404,966	13	2,231,502	13
7950	Income Tax Expenses (Note 22)	<u>171,503</u>	<u>3</u>	<u>162,725</u>	<u>3</u>	<u>517,074</u>	<u>3</u>	<u>432,860</u>	<u>3</u>
8200	Current Period Net Profit	<u>644,871</u>	<u>10</u>	<u>715,335</u>	<u>11</u>	<u>1,887,892</u>	<u>10</u>	<u>1,798,642</u>	<u>10</u>
	Other Comprehensive Income Items That Will Not Be Reclassified Subsequently To Profit Or Loss								
8316	Unrealized Gains (Losses) From Investments In Equity Instrument Measured At Fair Value Through Other Comprehensive Income (Note 19)	1,912	-	(171)	-	(1,310)	-	200	-
8349	Income Tax Related To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss (Note 22)	(381)	-	34	-	261	-	(40)	-
8360	Items That May Be Reclassified Subsequently To Profit Or Loss:								
8361	Exchange Differences On Translation (Note 19)	260,233	5	(315,562)	(5)	(62,800)	-	(233,670)	(1)

8399	Income Tax Related To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss (Note 22)	(<u>52,047</u>)	(<u>1</u>)	<u>63,112</u>	<u>1</u>	<u>12,560</u>	<u>-</u>	<u>46,734</u>	<u>-</u>
8300	Other Comprehensive Income Of The Current Year (Net Amount After-Tax)	<u>209,717</u>	<u>4</u>	(<u>252,587</u>)	(<u>4</u>)	(<u>51,289</u>)	<u>-</u>	(<u>186,776</u>)	(<u>1</u>)
8500	Total Comprehensive Income Of The Current Period	<u>\$ 854,588</u>	<u>14</u>	<u>\$ 462,748</u>	<u>7</u>	<u>\$ 1,836,603</u>	<u>10</u>	<u>\$ 1,611,866</u>	<u>9</u>
8610	Net Profit Attributable To: Owners Of The Company	<u>\$ 644,871</u>	<u>10</u>	<u>\$ 715,335</u>	<u>11</u>	<u>\$ 1,887,892</u>	<u>10</u>	<u>\$ 1,798,642</u>	<u>10</u>
8710	Total Comprehensive Income Attributable To: Owners Of The Company	<u>\$ 854,588</u>	<u>14</u>	<u>\$ 462,748</u>	<u>7</u>	<u>\$ 1,836,603</u>	<u>10</u>	<u>\$ 1,611,866</u>	<u>9</u>
	Earnings per share (Note 23) From continuing operations								
9710	Basic	<u>\$ 1.94</u>		<u>\$ 2.36</u>		<u>\$ 5.84</u>		<u>\$ 5.94</u>	
9810	Diluted	<u>\$ 1.93</u>		<u>\$ 2.36</u>		<u>\$ 5.81</u>		<u>\$ 5.92</u>	

The accompanying notes are an integral part of the consolidated financial statements
(Please see the Review Report of Deloitte & Touche on October 23, 2020)

ITEQ Corporation and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to September 30, 2020 and 2019
(Reviewed after Restatement, Not Audited)

Unit: NTD thousand

Code		Share capital		Capital surplus	Retained earnings (Note 19)			Other equity interest (Note 19)		Total Equity
		Shares (Thousands)	Amount (Note 19)	(Notes 19 and 24)	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
A1	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
D1	Net for January 1 to September 30, 2019	-	-	-	-	-	1,798,642	-	-	1,798,642
D3	Other comprehensive income for the period from January 1 to September 30, 2019	-	-	-	-	-	-	(186,936)	160	(186,776)
D5	Total comprehensive income for the period from January 1 to September 30, 2019	-	-	-	-	-	1,798,642	(186,936)	160	1,611,866
	Allocation and distribution of surplus for 2018:									
B1	Legal reserve	-	-	-	177,455	-	(177,455)	-	-	-
B3	Special reserve	-	-	-	-	205,680	(205,680)	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(1,151,237)	-	-	(1,151,237)
Z1	BALANCE AT SEPTEMBER 30, 2019	<u>302,957</u>	<u>\$ 3,029,572</u>	<u>\$ 653,239</u>	<u>\$ 1,372,300</u>	<u>\$ 205,680</u>	<u>\$ 3,584,266</u>	<u>(\$ 391,080)</u>	<u>(\$ 1,376)</u>	<u>\$ 8,452,601</u>
A1	BALANCE AT JANUARY 1, 2020	302,957	\$ 3,029,572	\$ 653,239	\$ 1,372,300	\$ 205,680	\$ 4,248,130	(\$ 581,111)	(\$ 2,279)	\$ 8,925,531
D1	Net for the period from January 1 to September 30, 2020	-	-	-	-	-	1,887,892	-	-	1,887,892
D3	Other comprehensive income for the period from January 1 to September 30, 2020	-	-	-	-	-	-	(50,240)	(1,049)	(51,289)
D5	Total comprehensive income for the period from January 1 to September 30, 2020	-	-	-	-	-	1,887,892	(50,240)	(1,049)	1,836,603
	Allocation and distribution of surplus for 2019:									
B1	Legal reserve	-	-	-	246,330	-	(246,330)	-	-	-
B3	Special reserve	-	-	-	-	377,710	(377,710)	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(1,664,786)	-	-	(1,664,786)
E1	Issuance of common stock for cash	30,000	300,000	2,994,216	-	-	-	-	-	3,294,216
N1	Share-based payment due to the issuance of common stock for cash	-	-	34,596	-	-	-	-	-	34,596
Z1	BALANCE AT SEPTEMBER 30, 2020	<u>332,957</u>	<u>\$ 3,329,572</u>	<u>\$ 3,682,051</u>	<u>\$ 1,618,630</u>	<u>\$ 583,390</u>	<u>\$ 3,847,196</u>	<u>(\$ 631,351)</u>	<u>(\$ 3,328)</u>	<u>\$ 12,426,160</u>

The accompanying notes are an integral part of the consolidated financial statements
(Please see the Review Report of Deloitte & Touche on October 23, 2020)

ITEQ Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2020 and 2019
(Reviewed after Restatement, Not Audited)

Unit: NTD thousand

Code		January 1 to September 30, 2020	January 1 to September 30, 2019
	Cash Flows From Operating Activities		
A10000	Income before income tax	\$ 2,404,966	\$ 2,231,502
A20010	Adjustments for:		
A20300	Expected credit loss	-	1,214
A20100	Depreciation expenses	594,439	426,410
A20400	Net gain or loss on financial assets at fair value through profit or loss	15,969	(29,001)
A20900	Financial costs	56,606	51,005
A21200	Interest income	(9,412)	(14,504)
A21300	Dividend income	-	(753)
A21900	Share-based compensation	34,596	-
A22500	Loss on disposal of property, plant and equipment	6,483	226
A23800	Losses on inventory valuation loss and obsolescence	43,741	1,266
A29900	Amortization of prepayments	29,094	11,025
A29900	Reversal of liability provisions	(7,535)	2,450
A24100	Net (gain) loss on the exchange of foreign currency	(6,261)	13,892
A30000	Changes in operating assets and liabilities		
A31130	Note receivable	250,719	(701,550)
A31150	Accounts receivable	(1,338,568)	(1,080,822)
A31180	Other receivables	68,725	180,515
A31200	Inventories	(819,937)	(505,897)
A31230	Offset against value-added tax payable	(302,311)	(179,051)
A31240	Other current assets	5,973	(15,404)
A32130	Note payable	368	(204)
A32150	Accounts payable	180,662	1,158,162
A32180	Other payables	417,166	143,634
A32230	Other current liabilities	<u>36,120</u>	<u>31,704</u>
A33000	Cash generated from operations	1,661,603	1,725,819
A33300	Interest paid	(48,262)	(51,782)
A33500	Income tax paid	(<u>656,618</u>)	(<u>313,441</u>)
AAAA	Net cash generated from operating activities	<u>956,723</u>	<u>1,360,596</u>

(To be Continued)

(Continued)

Code		January 1 to September 30, 2020	January 1 to September 30, 2020
	Cash Flows From Investing Activities		
B00020	Return of investments from financial assets at fair value through other comprehensive income	\$ 663	\$ -
B00100	Purchase of financial assets at fair value through profit or loss	-	(206,851)
B00200	Proceeds from the sale of financial assets at fair value through profit or loss	71,038	250,037
B07500	Interest received	8,584	13,691
B07600	Dividend received	-	753
B07100	Increase in prepayments for equipment	(1,322,542)	(1,165,756)
B02700	Payments for property, plant and equipment	(219,067)	(138,660)
B02800	Proceeds from disposal of property, plant and equipment	6,820	4,759
B09900	Obtain subsidies for land use rights	-	54,170
B03700	Increase in refundable deposits	(51,863)	(23,896)
B03800	Decrease in refundable deposits	1,985	(1,716)
B06700	Decrease (increase) in other non-current assets	(<u>130,485</u>)	(<u>13,074</u>)
BBBB	Net cash used in investing activities	(<u>1,634,867</u>)	(<u>1,200,395</u>)
	Cash Flows From Financing Activities		
C00200	Net (decrease) increase in short-term borrowings	(1,191,634)	490,565
C00500	(Decrease) increase in commercial paper payables	(340,551)	97,649
C01600	Proceeds from long-term borrowings	1,339,999	100,000
C01700	Repayments of long-term borrowings	(988,234)	(88,235)
C03000	Increase in guarantee deposits received	24,422	5,667
C03100	Decrease in guarantee deposits received	(21,209)	(2,601)
C04020	Repayment of the principal portion of lease liabilities	(38,488)	(36,907)
C04500	Distribution of cash dividends	(1,664,786)	(1,151,237)
C04600	Issuance of ordinary shares	<u>3,294,216</u>	<u>-</u>
CCCC	Net cash gain or used in financing activities	<u>413,735</u>	(<u>585,099</u>)
DDDD	Effects Of Exchange Rate Changes On The Balance Of Cash Held In Foreign Currencies	<u>351,008</u>	(<u>288,455</u>)
EEEE	Net Decrease (Increase) In Cash And Cash Equivalents	86,599	(713,353)
E00100	Cash And Cash Equivalents At The Beginning Of The Year	<u>3,538,060</u>	<u>3,697,384</u>
E00200	Cash And Cash Equivalents At The End Of The Year	<u>\$ 3,624,659</u>	<u>\$ 2,984,031</u>

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

(Please see the Review Report of Deloitte & Touche on October 23, 2020)

ITEQ Corporation and Subsidiaries
 Note to consolidated financial statements
 January 1 to September 30, 2020 and 2019
 (Reviewed after Restatement, Not Audited)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Organization and operations

ITEQ Corporation (the “Company”) was incorporated on April 10, 1997. It manufactures and sells mass lamination boards, copper-clad laminates, prepreg products, and electronic components. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE).

The consolidated financial statements of the Company and its subsidiaries are presented in the Company’s functional currency, the New Taiwan dollar.

2. The Authorization of Financial Statements

The consolidated financial report has been approved by the Board of Directors on October 23, 2020.

3. Application of New and Revised International Financial Reporting Standards

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs approved and effective upon promulgation by the FSC did not have any material impact on the Company’s and its subsidiaries’ (the Company) accounting policies.

- b. The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
“Improvements for years 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS3 “Update of Reference to the Conceptual Framework	January 1, 2022 (Note 3)
Amendments to IFRS4 “Applicable to the Extension of the temporary exemption”	Effective from the date of issue

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are effective for exchanges or modifications to the terms of financial liabilities that occur in annual reporting periods beginning on or after January 1, 2022; the amendments to IAS 41 "Agriculture" apply to fair value measurements for the annual reporting period beginning on or after January 1, 2022; the amendments to IFRS 1 "First-time Adoption" are retrospectively effective for annual reporting periods beginning on or after January 1, 2022.

Note 3: These amendments are effective for business mergers and asset acquisitions occurring and for financial years covering January 1, 2022 and onwards.

Note 4: These amendments are effective for plant, property and equipment in the location and condition necessary for it to be capable of operating in the manner intended by management after January 1, 2021.

Note 5: These amendments are effective for contracts with all obligations not yet fulfilled all its obligations on or after January 1, 2022.

The application of the above-mentioned IFRSs that have been issued by the IASB but have not yet been approved and effective upon promulgation by the FSC is not expected to have any material impact on the Company’s account policies. The consolidated entity continues to evaluate how amendments of the above-mentioned standards and interpretations affect its financial position and business performance as

of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

4. Summary of Significant Accounting Policies

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

1. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation.

2. Subsidiaries included in consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Main Business	% of Ownership		
			2020 September 30	2019 December 31	2019 September 30
ITEQ Corp	ITEQ International	Investment	100%	100%	100%
	Bang Mao	Investment	100%	100%	100%
ITEQ International	ITEQ Holding	Investment	100%	100%	100%
ITEQ Holding	ESIC	Mainland China Reinvestment	100%	100%	100%
	IPL	Import/Export	100%	100%	100%
	IIL	Import/Export	100%	100%	100%
	Eagle Great	Mainland China Reinvestment	100%	100%	100%
	Shining Era (Note 1)	Investment	-	-	100%
	ITEQ (HK)	Mainland China Reinvestment	100%	100%	100%
	Mega Crown (Note 2)	Investment	-	-	100%
ESIC	ITEQ DG	Produces and sells prepreg products and copper-clad laminates	100%	100%	100%
	ITEQ JX (Note 3)	Produces and sells prepreg products and copper-clad laminates	100%	100%	100%
ITEQ (HK)	ITEQ WUXI	Produces and sells prepreg products and copper-clad laminates	100%	100%	100%
	ITEQ GZ	Produces and sells prepreg products and copper-clad laminates	100%	100%	100%
Eagle Great	ITEQ (HJ)	Production and sales of MLBs.	100%	100%	100%

Note 1: Shining Era has completed dissolution, liquidation, and cancellation of company registration in Oct. 2019.

Note 2: Mega Crown has completed dissolution, liquidation, and cancellation of company registration in Oct. 2019.

Note 3: The Group holds a comprehensive shareholding, with 50% held by ESIC, 25% held by ITEQ DG, and 25% held by ITEQ WUXI.

The Company's Board of Directors has resolved and approved to propose to increase the capital of ITEQ JX by US\$60,000 thousand.

Except for the significant subsidiaries included in the consolidated financial statements (i.e. ITEQ DG, ITEQ WUXI, and ITEQ GZ) were reviewed, other non-significant subsidiaries are not reviewed by Deloitte & Touche.

d. Other significant accounting policies

Except for the related accounting policies of the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

1. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and significant plan amendments, settlements, or other significant one-off events.

2. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would apply to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

3. Share-based Payment-Issuance of Common Stock for Employees Stock Option

In accordance with article 267 of the Company Act, the Group shall keep part of the issued shares for employees' stock options while issuing new common stock for cash. Based on the fair value of the equity-settled transaction on the grant date, the fair value of the service will be recognized as payroll and will adjust the Capital Surplus-Employees Stock Option simultaneously. The Group recognizes the grant date as the date confirming the shares that have been subscribed.

5. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

Please refer to the Company's consolidated financial statements for the year ended December 31, 2019 for the explanation of critical accounting judgments, key sources of estimates, and uncertainty.

6. CASH AND EQUIVALENTS

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Cash on hand	\$ 243	\$ 320	\$ 294
Check and demand (current) deposit	1,832,102	2,272,990	1,811,317
Cash equivalents			
Bank acceptances	<u>1,792,314</u>	<u>1,264,750</u>	<u>1,172,420</u>
	<u>\$ 3,624,659</u>	<u>\$ 3,538,060</u>	<u>\$ 2,984,031</u>

The range of market interest rates on deposits and cash equivalents on the balance sheet date is as follows:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Cash in banks	0.00%-2.03%	0.00%-2.03%	0.00%-0.70%

7. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>Current</u> Financial assets designated as at FVTPL			
Domestic listed shares	<u>\$ 6,012</u>	<u>\$ 93,019</u>	<u>\$ 82,816</u>

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>Note receivable</u> At amortized cost	<u>\$ 985,336</u>	<u>\$ 1,285,761</u>	<u>\$ 1,368,164</u>
<u>Accounts receivable</u> At amortized cost			
Gross carrying amount	\$10,267,625	\$ 9,385,203	\$ 9,407,073
Less: Allowance for impairment loss	<u>53,448</u>	<u>71,725</u>	<u>73,206</u>
Accounts receivables, net	<u>\$10,214,177</u>	<u>\$ 9,313,478</u>	<u>\$ 9,333,867</u>
Total	<u>\$11,199,513</u>	<u>\$10,599,239</u>	<u>\$10,702,031</u>

The average credit period on sales of goods is 120 days. The Group also has administrative measures to strengthen sales, finance, and legal collection procedures for overdue receivables. The Group evaluates the credit quality, determines the credit limit of potential customers according to an internal rating system, reviews the credit status of customers in order to adjust their credit limits every half year, and assigns a team responsible for the determination and approval of credit limits. The team continually reviews the financial condition of accounts receivable factoring and insurance, if necessary, in order to reduce the Group's credit risk.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the

industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 90 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2020

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 90 Days</u>	<u>Past Due Over 91 Days</u>	<u>Total</u>
Expected credit loss rate	0.52%	0.75%	8.19%	100.00%	
Gross carrying amount	\$ 10,260,073	\$ 6,795	\$ 757	\$ -	\$ 10,267,625
Loss allowance (lifetime ECLs)	(<u>53,335</u>)	(<u>51</u>)	(<u>62</u>)	-	(<u>53,448</u>)
Amortized cost	<u>\$ 10,206,738</u>	<u>\$ 6,744</u>	<u>\$ 695</u>	<u>\$ -</u>	<u>\$ 10,214,177</u>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 90 Days</u>	<u>Past Due Over 91 Days</u>	<u>Total</u>
Expected credit loss rate	0.30%	1.80%	21.85%	100.00%	
Gross carrying amount	\$ 9,189,806	\$ 142,588	\$ 14,117	\$ 38,692	\$ 9,385,203
Loss allowance (lifetime ECLs)	(<u>27,386</u>)	(<u>2,563</u>)	(<u>3,084</u>)	(<u>38,692</u>)	(<u>71,725</u>)
Amortized cost	<u>\$ 9,162,420</u>	<u>\$ 140,025</u>	<u>\$ 11,033</u>	<u>\$ -</u>	<u>\$ 9,313,478</u>

September 30, 2019

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 90 Days</u>	<u>Past Due Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.13%	3.99%	10.90%	100%	
Gross carrying amount	\$ 9,314,534	\$ 13,873	\$ 20,769	\$ 57,897	\$ 9,407,073
Loss allowance (lifetime ECLs)	(<u>12,491</u>)	(<u>554</u>)	(<u>2,264</u>)	(<u>57,897</u>)	(<u>73,206</u>)
Amortized cost	<u>\$ 9,302,043</u>	<u>\$ 13,319</u>	<u>\$ 18,505</u>	<u>\$ -</u>	<u>\$ 9,333,867</u>

Changes in loss provision on accounts receivable:

	January 1 to September 30, 2020	January 1 to September 30, 2019
Balance at January 1	\$ 71,725	\$ 76,658
Plus: Current provision for impairment	-	1,214
Less: Current written-offs	(17,812)	(3,258)
Foreign exchange gains and losses	(465)	(1,408)
Ending balance	<u>\$ 53,448</u>	<u>\$ 73,206</u>

9. INVENTORIES, NET

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Finished goods	\$ 604,808	\$ 759,013	\$ 607,080
Work in process	177,854	174,297	162,860
Raw materials	2,497,088	1,709,762	1,313,606
Inventories in transit	49,783	20,804	26,856
	<u>\$ 3,329,533</u>	<u>\$ 2,663,876</u>	<u>\$ 2,110,402</u>

The cost of goods sold relates to the inventory for 3 months ended September 30, 2020 and 2019 and 9 months ended in 2020 and 2019 were NT\$5,046,884 thousand and NT\$5,020,560 thousand, NT\$15,512,139 thousand and NT\$14,149,693 thousand respectively, including inventory obsolescence losses NT\$13,021, NT\$8,627 thousand and NT\$43,741 thousand and NT\$1,266 thousand, respectively.

10. From financial assets measured at fair value through other comprehensive income

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>NON-CURRENT</u>			
Foreign investments			
TIEF FUND, L.PL	<u>\$ 26,532</u>	<u>\$ 28,505</u>	<u>\$ 29,634</u>

Foreign investments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

11. Property, plant, and equipment

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>BOOK VALUE FOR EACH</u>			
<u>CATEGORY</u>			
Buildings	\$ 1,312,493	\$ 1,319,705	\$ 421,753
Equipment	2,151,738	1,560,592	1,098,457
Transport Equipment	8,182	5,226	4,804
Facilities	150,615	122,512	103,001
Other Equipment	437,968	469,554	366,462
Leased Improvements	112,875	144,966	154,583
	<u>\$ 4,173,871</u>	<u>\$ 3,622,555</u>	<u>\$ 2,149,060</u>

Except for recognizing the depreciation expenses and reclassifications, the consolidated company's property, plant and equipment have no significant addition, sublease, or impairment from January 1 to September 30, 2020 and 2019. Depreciation costs of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Buildings	
Main buildings	15-20 years
Engineering systems	3-8 years
Equipment	
Electromechanical power equipment	5-12 years
Renovation	2-5 years
Transport Equipment	5-10 years
Facilities	
Computers	3-10 years
Office furniture	3-5 years
Other Equipment	
Research and development equipment	3-12 years
Pollution prevention equipment	3-12 years
Miscellaneous equipment	1-12 years
Leased Improvements	3-9 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Right-of-use assets			
amounts			
Buildings	\$ 341,822	\$ 383,969	\$ 401,056
Land use rights	40,561	41,864	43,117
	<u>\$ 382,383</u>	<u>\$ 425,833</u>	<u>\$ 444,173</u>

	July 1, 2020 to September 30, 2020	July 1, 2019 to September 30, 2020	January 1 to September 30, 2020	January 1 to September 30, 2020
The additions of the right-of-use assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,376</u>	\$ <u>-</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 11,008	\$ 11,142	\$ 33,045	\$ 33,614
Land use rights	<u>3,588</u>	<u>3,759</u>	<u>10,788</u>	<u>11,559</u>
	<u>\$ 14,596</u>	<u>\$ 14,901</u>	<u>\$ 43,833</u>	<u>\$ 45,173</u>

Except for the additions and depreciation expense recognized above, the consolidated company's right-of-use assets have no significant addition, sublease, or impairment from January 1 to September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Lease liabilities amounts			
Current	<u>\$ 53,770</u>	<u>\$ 51,830</u>	<u>\$ 51,656</u>
NON-CURRENT	<u>\$ 289,368</u>	<u>\$ 329,235</u>	<u>\$ 344,897</u>

The range of discount rate for lease liabilities was as follows:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Buildings	1.60%~4.90%	1.60%~4.90%	1.60%~4.90%

c. Material lease-in activities and terms

The Group leases certain land, plants and office spaces with a lease term from August 2012 to December 2028. The lease contract for land located in Taiwan specifies that lease payments will be adjusted every year based on changes in the consumer price index. The Group does not have bargain purchase options to acquire the leasehold land, plants and office spaces at the end of the lease term.

ITEQ DG obtained the land use right of 17,919.5 m² in Beizha Village, Humen Town, Dongguan City in 2002, and the amortization of the right is 30 years. ITEQ WUXI obtained both land use rights of 76,002 m² and 15,432 m² in Xishan Economic & Technological Development Zone, Wuxi 2004 and 2005, and the amortization of the right is 50 years. ITEQ GZ obtained the land use right of 18,508 m² in Yonghe Economic Zone, Guangzhou Economic and Technological Development Zone in 2009, and the amortization of the right is 50 years. ITEQ JX

obtained the land use right of 163,680 m2 in Longnan County, JiangXi, and the amortization of the right is 50 years.

The Group leases land for the use of product manufacturing in China with a lease term from 30 to 50 years. The lease payment is paid at the time of the contract. The Group does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

In February 2019, the Group received a government grant of \$54,170 thousand for land use rights. The amount was deducted from the carrying amount of the related asset and subsequently transferred to profit or loss (by way of a reduced depreciation expense) over the useful life of the related asset.

d. Other lease information

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Expenses relating to short-term leases and low-value asset leases	\$ <u>11,011</u>	\$ <u>10,378</u>	\$ <u>32,436</u>	\$ <u>28,674</u>
Total cash outflow for leases	(\$ <u>26,515</u>)	(\$ <u>25,524</u>)	(\$ <u>78,202</u>)	(\$ <u>74,320</u>)

The Group leases certain mechanical equipment which qualifies as short-term leases and certain office equipment which qualify as low-value asset leases. The Group elected to apply for the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. Intangible assets

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Goodwill	\$ <u>9,543</u>	\$ <u>9,675</u>	\$ <u>9,150</u>

Goodwill refers to the excess of the purchase price over the fair market value of the proportionate share in the net identifiable assets of ESIC.

14. Other assets

Other current assets

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Prepaid expenses	\$ 68,300	\$ 87,979	\$ 92,599
Offset against value-added tax payable	998,725	737,709	739,670
Prepayment for purchases	22,683	19,570	10,497
Others	<u>32,978</u>	<u>28,503</u>	<u>31,041</u>
	<u>\$ 1,122,686</u>	<u>\$ 873,761</u>	<u>\$ 873,807</u>

Other non-current

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Prepayments for equipment	\$ 1,339,280	\$ 971,650	\$ 2,002,948
Long-term prepayments	90,373	23,488	17,557
Materials and supplies	44,077	43,556	44,960
Net defined benefit assets	19,770	19,170	19,815
Refundable deposits	184,174	133,421	154,427
Long-term prepaid investments	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,687,674</u>	<u>\$ 1,191,285</u>	<u>\$ 2,239,707</u>

15. BORROWINGS

a. Short-term borrowings

Refer to bank revolving credit loans and the interest rate for the borrowings for September 30, 2020, and December 31 and September 30, 2019 were 0.85%-1.25%, 0.92%-3.43%, and 0.92%-3.50%.

b. Short-term bills payable, net

Outstanding short-term bills payable were as follows:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Commercial paper	\$ 50,000	\$ 390,000	\$ 490,000
Less: Unamortized discounts on bills payable	<u>21</u>	<u>181</u>	<u>271</u>
	<u>\$ 49,979</u>	<u>\$ 389,819</u>	<u>\$ 489,729</u>
Interest rate	0.86%	1.04% ~ 1.05%	1.04% ~ 1.05%

c. Long-term borrowings

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Credit loans	\$ 1,757,647	\$ 1,405,882	\$ 1,035,294
Less: Current portion	<u>117,647</u>	<u>117,647</u>	<u>317,647</u>
Long-term borrowings	<u>\$ 1,640,000</u>	<u>\$ 1,288,235</u>	<u>\$ 717,647</u>
Interest rate	0.64% ~ 0.89%	0.90% ~ 1.10%	0.90% ~ 1.05%

On June 22, 2020, the Company entered a two-year credit loan agreement with Bank of China with an aggregate amount of US\$25,000 thousand. On September 30, 2020, NT\$670,000 thousand was used.

On December 6, 2018, the Company entered a three-year credit loan agreement with Agricultural Bank of Taiwan Corporation with an aggregate amount of NT\$500,000 thousand. On September 30, 2020, and December 31 and September 30, 2019, NT\$500,000 thousand, NT\$500,000 and NT\$100,000 thousand, respectively were used.

On October 29, 2019 and July 6, 2018, the Company entered a two-year credit loan agreement with SinoPac Bank with an aggregate amount of NT\$200,000 thousand. On both December 31 and September 30, 2019, a sum of NT\$200,000 thousand was used. The bank loan agreement stipulated that: 1) The ratio of current assets to current liabilities shall not be lower than 100%. 2) The ratio of liabilities to net tangible assets shall not be higher than 175%. 3) Interest coverage shall not be lower than 400%. 4) The net value of tangible assets shall not be lower than NT\$5,000,000 thousand.

On September 30, 2020, August 16, 2019, and June 29, 2018, the Company entered a two-year credit loan agreement with KGI Bank with an aggregate amount of NT\$700,000 thousand, NT\$500,000 thousand, and NT\$500,000 thousand. On September 30, 2020, and December 31, and September 30, 2019, NT\$470,000 thousand, NT\$500,000 thousand, and NT\$500,000 thousand was used.

On August 27, 2014, the Company entered a seven-year credit loan agreement with O-Bank with an aggregate amount of NT\$500,000 thousand. On September 30, 2020, and December 31, and September 30, 2019, NT\$382,353 thousand, NT\$294,118 thousand, and NT\$264,706 thousand were repaid, respectively. The bank loan agreement stipulated that: 1) The ratio of current assets to current liabilities shall not be lower than 100%. 2) The ratio of liabilities to net tangible assets shall not be

higher than 200%. 3) Interest coverage shall not be lower than 400%. 4) The net value of tangible assets shall not be lower than NT\$5,000,000 thousand.

16. Other payables

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Salary payables and employee remuneration	\$ 702,276	\$ 530,302	\$ 448,614
Construction and equipment payables	696,246	485,071	145,771
Others	<u>272,143</u>	<u>283,623</u>	<u>286,145</u>
	<u>\$ 1,670,665</u>	<u>\$ 1,298,996</u>	<u>\$ 880,530</u>

17. PROVISIONS FOR LIABILITIES - CURRENT

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Returns and allowances	<u>\$ 15,257</u>	<u>\$ 23,173</u>	<u>\$ 19,549</u>

Changes in returns and allowances provisions were as follows:

	January 1 to September 30, 2020	January 1 to September 30, 2019
Balance at January 1	\$ 23,173	\$ 17,417
Unused amounts reversed (allowance)	(7,535)	2,450
Effect on foreign currency exchange differences	(<u>381</u>)	(<u>318</u>)
Ending balance	<u>\$ 15,257</u>	<u>\$ 19,549</u>

The provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons for the occurrence of product returns and rebates in the year. The provision was recognized as a reduction of operating income in the periods the related goods were sold.

18. RETIREMENT BENEFIT PLANS

The pension benefits recognized under the defined contribution plan for July 1 to September 30, 2020 and 2019, and the years ended September 30, 2020 and 2019 are calculated using the actuarially determined pension cost rate on the years ended December 31, 2019 and 2018 with an amount of NT\$37 thousand, NT\$49 thousand, NT\$110 thousand, and NT\$147 thousand.

19. EQUITY

a. Capital stock

Ordinary shares

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>400,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid shares (in thousands)	<u>332,957</u>	<u>302,957</u>	<u>302,957</u>
Issued capital	<u>\$ 3,329,572</u>	<u>\$ 3,029,572</u>	<u>\$ 3,029,572</u>

On February 6, 2020, ITEQ Corporation’s board of directors resolved to issue 30,000 thousand ordinary shares, with a par value of NT\$10, for consideration of NT\$110 per share. The total amount is 300,000 thousand, and the subscription base date was set by the board of directors on March 31, 2020. The total collected capital is \$3,294,216 thousand after deducting the administration fee. The capital was all collected, and the alternation was registered.

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>May be used to make up losses, distribute cash or appropriate capital (1)</u>			
Shares premium from issuance	\$ 3,647,455	\$ 653,239	\$ 653,239
<u>May be used to offset a deficit only</u>			
Shares premium from issuance	25,452	-	-
Invalid employee stock options (2)	<u>9,144</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,682,051</u>	<u>\$ 653,239</u>	<u>\$ 653,239</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).
- The capital surplus generated from the portion of the non-cash flow and the expired share option which brought from “Capital Surplus- Employee Share Option” to “Capital Surplus- Share Premium” while conducting the employee share option, can be only used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the employee, and director and supervisor remuneration distribution policy stated in the Company's Articles of Incorporation, please refer to Note 21(6) for employees' compensation and remuneration of directors and supervisors

The Company is currently in its growth stage; thus, the policy for distribution of dividends should reflect factors such as the current and future investment environment, fund requirements, domestic competition, and capital budget, as well as benefits to be given out, balance in the distribution of shares and cash bonuses, and long-term financial planning. The Company's Articles of Incorporation stipulate that at least 20% of dividends to shareholders shall be distributed in cash.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company held an annual general meeting on June 16, 2020 and June 13, 2019. Earnings distribution motions for 2019 and 2018 have resolved and passed as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 246,330	\$ 177,455		
Special reserve	377,710	205,680		
Cash dividends	1,664,786	1,151,237	\$ 5.0	\$ 3.8

Information on the bonus to employees, directors, and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other items of equity

1. Exchange Differences on Translating the Financial Statements of Foreign Operations

	January 1 to September 30, 2020	January 1 to September 30, 2019
Balance at January 1	(\$581,111)	(\$204,144)
Recognized during the period		
Exchange differences on translating the financial statements of foreign operations	(50,240)	(186,936)
Other comprehensive income recognized for the period	(50,240)	(186,936)
Ending balance	<u>(\$631,351)</u>	<u>(\$391,080)</u>

2. Unrealized gain/(loss) on financial assets at FVTOCI

	January 1 to September 30, 2020	January 1 to September 30, 2019
Balance at January 1	(\$ 2,279)	(\$ 1,536)
Recognized during the period		
Unrealized gain/(loss) - equity instruments	(1,049)	160
Other comprehensive income recognized for the period	(1,049)	160
Ending balance	<u>(\$ 3,328)</u>	<u>(\$ 1,376)</u>

20. Operating income

The following is an analysis of the Group's revenue from its major products during the period:

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Copper Clad Laminate	\$ 4,193,505	\$ 4,445,167	\$ 13,060,602	\$ 12,308,543
Polypropylene Laminate	1,804,055	1,793,252	5,669,795	4,759,222
Others	222,401	140,318	579,769	570,705
	<u>\$ 6,219,961</u>	<u>\$ 6,378,737</u>	<u>\$ 19,310,166</u>	<u>\$ 17,638,470</u>

Up until the year ended September 30, 2020 and December 31, 2019 and September 30, the balance of the Consolidated Company's contract liabilities from products sales totaled NT\$51,565 thousand, NT\$9,036 thousand, and NT\$29,165 thousand (recorded as other current liabilities) The change in contract liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer.

21. Profit before tax

a. Other income

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Interest income	\$ 2,253	\$ 4,677	\$ 9,412	\$ 14,504
Other income	5,770	11,442	34,462	48,065
Dividend income	-	753	-	753
	<u>\$ 8,023</u>	<u>\$ 16,872</u>	<u>\$ 43,874</u>	<u>\$ 63,322</u>

b. Other gains or losses

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Net foreign exchange (loss) gain	\$ 112,471	(\$ 55,692)	\$ 50,148	(\$ 54,458)
Net gain or loss on financial assets at FVTPL	1,628	2,891	(15,969)	29,001
Loss from disposal of property, plant and equipment	(2,573)	(1,333)	(6,483)	(226)
Other losses	(<u>1,365</u>)	(<u>3,695</u>)	(<u>2,316</u>)	(<u>9,481</u>)
	<u>\$ 110,161</u>	<u>\$ 57,829</u>	<u>\$ 25,380</u>	<u>\$ 35,164</u>

c. Depreciation and amortization

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Property, plant, and equipment	\$ 185,017	\$ 125,586	\$ 550,606	\$ 381,237
Right-of-use assets	14,596	14,901	43,833	45,173
Prepayments	<u>12,000</u>	<u>1,987</u>	<u>29,094</u>	<u>11,025</u>
	<u>\$ 211,613</u>	<u>\$ 142,474</u>	<u>\$ 623,533</u>	<u>\$ 437,435</u>
An analysis of depreciation by function				
Operating cost	\$ 178,690	\$ 123,549	\$ 533,062	\$ 378,662
Operating expenses	<u>20,923</u>	<u>16,938</u>	<u>61,377</u>	<u>47,748</u>
	<u>\$ 199,613</u>	<u>\$ 140,487</u>	<u>\$ 594,439</u>	<u>\$ 426,410</u>

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
An analysis of amortization by function				
Operating cost	\$ 7,498	\$ 656	\$ 17,500	\$ 6,762
Selling and marketing expenses	3	3	9	11
General and administrative expenses	4,295	954	10,833	2,912
Research and development expenses	204	374	752	1,340
	<u>\$ 12,000</u>	<u>\$ 1,987</u>	<u>\$ 29,094</u>	<u>\$ 11,025</u>

d. Financial costs

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Interest on bank loans	\$ 18,820	\$ 15,746	\$ 49,328	\$ 42,266
Interest on lease liabilities	2,351	2,788	7,278	8,739
	<u>\$ 21,171</u>	<u>\$ 18,534</u>	<u>\$ 56,606</u>	<u>\$ 51,005</u>

(5) Employee benefits expense

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Short-term benefits	<u>\$ 546,583</u>	<u>\$ 406,324</u>	<u>\$ 1,682,626</u>	<u>\$ 1,273,107</u>
Retirement benefit plan (Note 18)				
Defined contribution plans	\$ 3,586	\$ 3,253	\$ 10,557	\$ 9,626
Defined benefit plans	(37)	(49)	(110)	(147)
	<u>\$ 3,549</u>	<u>\$ 3,204</u>	<u>\$ 10,447</u>	<u>\$ 9,479</u>
Share-based payment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,596</u>	<u>\$ -</u>
An analysis by function				
Operating cost	\$ 330,348	\$ 272,974	\$ 1,046,607	\$ 815,969
Operating expenses	219,784	136,554	681,062	466,617
	<u>\$ 550,132</u>	<u>\$ 409,528</u>	<u>\$ 1,727,669</u>	<u>\$ 1,282,586</u>

As of years ended September 30, 2020 and 2019, the Consolidated Company had 3,347 and 3,062 employees, respectively.

f. Employees' compensation and remuneration of directors and supervisors

Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration of directors and supervisors at the rates no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the 3 months

ended September 30, 2020 and 2019 and 9 months ended September 30, 2020 and 2019, the employees' compensation and remuneration of directors and supervisors recorded are as follows:

Ratio

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Remuneration to employees	6.5%	5%	6.5%	5%
Remuneration of directors and supervisors	1.5%	1%	1.5%	1%

Amount

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Remuneration to employees	<u>\$ 48,298</u>	<u>\$ 38,874</u>	<u>\$ 136,740</u>	<u>\$ 98,678</u>
Remuneration of directors and supervisors	<u>\$ 11,145</u>	<u>\$ 7,775</u>	<u>\$ 31,555</u>	<u>\$ 19,736</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

The Company held a board meeting on March 17, 2020 and March 14, 2019. Employees' compensation and remuneration of directors and supervisors for 2019 and 2018 have resolved and passed as follows:

	Cash	
	2019	2018
Remuneration to employees	\$136,303	\$ 82,103
Remuneration of directors and supervisors	27,261	28,786

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains (losses) on foreign currency exchange

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Foreign exchange gains	\$ 128,053	\$ 10,348	\$ 165,757	\$ 44,675
Foreign exchange losses	(15,582)	(66,040)	(115,609)	(99,133)
Net gain (loss)	<u>\$ 112,471</u>	<u>(\$ 55,692)</u>	<u>\$ 50,148</u>	<u>(\$ 54,458)</u>

22. Income tax

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Tax currently payable				
Current tax	\$ 215,920	\$ 161,188	\$ 560,903	\$ 472,006
Additional tax levy on unappropriated earnings	-	-	8,684	20,487
Prior years adjustment	-	7,329	(16,368)	14,353
	<u>215,920</u>	<u>168,517</u>	<u>553,219</u>	<u>506,846</u>
Deferred tax				
Current tax	(44,417)	(5,127)	(44,101)	(73,315)
Effect of change in the tax rate	-	-	7,956	-
Others	-	(665)	-	(671)
	<u>(44,417)</u>	<u>(5,792)</u>	<u>(36,145)</u>	<u>(73,986)</u>
Income tax expense recognized in profit or loss	<u>\$ 171,503</u>	<u>\$ 162,725</u>	<u>\$ 517,074</u>	<u>\$ 432,860</u>

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions. In addition, ITEQ WUXI and ITEQ DG were recognized as entities in the high and new technology industry in the People's Republic of China and were listed in the high-tech enterprises. Therefore, their income tax rate is 15%; the tax amount generated in other jurisdictions is calculated based on the applicable tax rate in each relevant jurisdiction.

b. Income tax recognized in other comprehensive income

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
<u>Deferred tax</u>				
Recognized during the period				
- Currency translation for foreign operators	(\$ 52,047)	\$ 63,112	\$ 12,560	\$ 46,734
- Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	(<u>381</u>)	<u>34</u>	<u>261</u>	(<u>40</u>)
	(<u>\$ 52,428</u>)	<u>\$ 63,146</u>	<u>\$ 12,821</u>	(<u>\$ 46,694</u>)

c. Income tax assessments

The income tax returns of the Company and its subsidiary, Bang Mao, have been approved by the revenue service office.

23. Earnings per share

Unit: NT\$ Per Share

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Basic earnings per share	<u>\$ 1.94</u>	<u>\$ 2.36</u>	<u>\$ 5.84</u>	<u>\$ 5.94</u>
Diluted earnings per share	<u>\$ 1.93</u>	<u>\$ 2.36</u>	<u>\$ 5.81</u>	<u>\$ 5.92</u>

The profit and weighted average number of ordinary shares outstanding for the computation of profit per share are as follows:

Current period net profit

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Net income in the computation of basic earnings per share	<u>\$ 644,871</u>	<u>\$ 715,335</u>	<u>\$ 1,887,892</u>	<u>\$ 1,798,642</u>
Net income in the computation of diluted earnings per share	<u>\$ 644,871</u>	<u>\$ 715,335</u>	<u>\$ 1,887,892</u>	<u>\$ 1,798,642</u>

Ordinary Shares

Unit: Thousand Shares

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Weighted average number of ordinary shares in computation of basic earnings per share	332,957	302,957	323,103	302,957
Effect of potentially dilutive ordinary shares:				
Remuneration to employees	<u>393</u>	<u>257</u>	<u>2,077</u>	<u>951</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>333,350</u>	<u>303,214</u>	<u>325,180</u>	<u>303,908</u>

If the Company can settle the compensation to employees in cash or shares, the Group assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS-ISSUANCE OF COMMON STOCK FOR EMPLOYEE SHARE OPTION

The company's board of directors meeting approved the issuance of common stock for cash on February 6, 2020, and reserved 10% of the new share for the subscription of employees in accordance with the Company Act. The stock options were measured at fair value on the date they were granted. On the year ended September 30, 2020, the Company's cost of employees' stock options was NT\$34,596 which was recognized under capital surplus - employee stock options. After receiving full payment, it was transferred to capital surplus - shares issued at a premium. Among them, 508 thousand shares were not exercised which amounted to \$9,144 thousand and was transferred to Capital surplus-expired employee share option from Capital surplus-employee share option.

The Company uses the Black-Scholes valuation model to calculate its fair values and the inputs used in the valuation model at the date of grant are as follows:

	<u>employee share options</u>
Grant-date share price (NT\$)	\$127.50 per share
Exercise Price (NT\$)	\$110 per share
Expected volatility	177.70%
Expected life	1 day
Expected dividend yield	3.82%
Risk-free interest rate	0.82%
Fair value of options granted (NT\$)	\$18 per share

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings, and other equity).

The Group is not subject to any externally imposed capital requirements.

The management of the consolidated company re-examines the Group's capital structure quarterly, including considering various capital costs and the related risks. Under the recommendations of the key management personnel, to balance the overall capital structure, the Group may adjust the total amount of dividends paid to shareholders and the number of new shares issued and repurchased.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial assets that are measured at fair value

1. Degree of fair value measurements

September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Domestic listed shares	\$ -	\$ -	\$ 6,012	\$ 6,012
Financial assets at FVTOCI				
Equity securities	\$ -	\$ -	\$ 26,532	\$ 26,532

Dec. 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 83,974</u>	<u>\$ -</u>	<u>\$ 9,045</u>	<u>\$ 93,019</u>
Financial assets at FVTOCI				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,505</u>	<u>\$ 28,505</u>

September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 82,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,816</u>
Financial assets at FVTOCI				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,634</u>	<u>\$ 29,634</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2020 and 2019.

2. Reconciliation of Level 3 fair value measurements of financial instruments

	<u>Financial assets or financial liabilities at fair value through profit or loss</u>	<u>Financial assets at fair value through at fair value through</u>
January 1	<u>\$ 9,045</u>	<u>\$ 28,505</u>
Recognized in profit or loss	(1,843)	-
Disposal of financial assets at fair value through profit or loss	(1,190)	-
Recognized in other comprehensive income	-	(1,310)
Investment refunds	<u>-</u>	<u>(663)</u>
September 30, 2020	<u>\$ 6,012</u>	<u>\$ 26,532</u>
January 1	\$ -	\$ 29,434
Recognized in other comprehensive income	<u>-</u>	<u>200</u>
September 30, 2019	<u>\$ -</u>	<u>\$ 29,634</u>

3. Valuation techniques and inputs applied for Level 3 fair value measurement

The financial statements of the Group include non-publicly quoted equity investments measured at fair value. The determination of fair value is based on the comparative company method, the counter price adjustment method, and the latest available net value information assessment. The main assumption of the comparative company method is based on the market multiplier of the market price of listed companies and the net value per share. These values have taken into account the liquidity discounts.

Level 3 fair value multipliers and liquidity discounts for financial instruments are as follows:

	<u>Multiplier</u>	<u>Liquidity Discounts</u>
September 30, 2020	1.14~2.96	20%
Dec. 31, 2019	1.24~2.79	20%

b. Categories of financial instruments

	<u>September 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>September 30, 2019</u>
<u>through profit or loss</u>			
Financial assets at FVTPL	\$ 6,012	\$ 93,019	\$ 82,816
Financial assets at amortized cost (Note 1)	15,114,403	14,475,024	13,918,748
Financial assets at FVTOCI	26,532	28,505	29,634
<u>Financial liabilities</u>			
Amortized cost (Note 2)	\$ 12,004,042	\$ 12,884,170	\$ 11,900,852

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, a portion of other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, accounts payable, other payables, current portion of long-term borrowings, and guarantee deposits received.

c. Financial risk management objective and policies

The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risks (including currency risks, interest rate risks, and other price risks), credit risks, and liquidity risks.

The Group's Finance Department seeks to manage the effect of these risks by using derivative financial instruments to hedge risk exposures under the policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is being reviewed by the internal auditors continuously.

1. Market risk

(1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 16% and 20% of the consolidated Company's sales for years ended September 30, 2020 and 2019 were not denominated in the functional currency of the entity in which the transaction took place, and approximately 46% and 48% of the costs were not denominated in the functional currency of the entity in which the transaction took place. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

See Note 30 for book values of monetary assets and liabilities that were denominated in currencies other than the functional currency as of the balance sheet date (including monetary items denominated in non-functional currencies that were eliminated throughout consolidation), and the carrying amount of derivatives with exchange rate risk exposure.

Sensitivity analysis

The Group was mainly exposed to U.S. dollars and analyzed the sensitivity to a \$0.5 increase and decrease in New Taiwan dollars against one U.S. dollar. The sensitivity to a \$0.5 change in New Taiwan dollars is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below

indicates an increase in pre-tax profit or other equity if U.S. dollars are strengthened by \$0.5 against the one New Taiwan dollar. For a \$0.5 in U.S. dollars weakening of U.S. dollars against one New Taiwan dollar, there would be an equal and opposite impact on pre-tax profit or other equity and the balances below would be negative.

	<u>U.S. Dollar Impact</u>	
	January 1 to September 30, 2020	January 1 to September 30, 2019
Profit or loss	(\$ 2,895)	(\$ 10,792)

(2) Interest rate risk

The Group was exposed to fair value interest rate risk because of fixed-rate debt investments with short-term bills payable. The Group was also exposed to cash flow interest rate risk because of demand deposits and floating rate bank borrowings. The Group reviewed the interest level regularly and maintained the scope of interest rate stably. The Group will cost-effectively adopt hedging strategies, if necessary.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>September 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>September 30, 2019</u>
Fair value interest rate risk			
-Financial assets	\$ -	\$ -	\$ -
-Financial liabilities	49,979	389,819	489,729
Cash flow interest rate risk			
-Financial assets	1,832,102	2,272,980	1,811,307
-Financial liabilities	3,921,098	4,780,706	4,787,730

Sensitivity Analysis

The sensitivity analyses have been determined based on the exposure to floating interest rates for financial assets and financial liabilities. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. With all other variables unchanged, a 25-basis point increase in the market would

result in a decrease in the Company's pre-tax income by NT\$3,917 thousand and NT\$5,680 thousand for the months ended September 30, 2020 and 2019.

(3) Other price risks

The price changes in the Group's financial products, which are engaged in transactions or not for sale, will cause the fair value to change.

Sensitivity analysis

The Group reports the reasonable risk assessment of price changes to key management personnel assuming a hypothetical increase or decrease of 10% in equity prices. With all other variables remained unchanged and a 10% increase in the equity price would result in an increase in pre-tax income by NT\$601 thousand and NT\$8,282 thousand for the years ended September 30, 2020 and 2018, respectively due to an increase in the fair value of financial assets at fair value through profit or loss and other comprehensive income before tax would increase by NT\$2,653 thousand and NT\$2,963 thousand, respectively due to an increase in the fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group had assigned a team to be responsible for determining and approving credit lines, and this team evaluated continuously the financial situation, industries, and region regarding customers generated accounts receivable. In order to reduce credit risk, the Group proceeded to factor and insure accounts receivable if necessary. In addition, the Group reviewed monthly the overdue amount of each individual accounts receivable and further recovering strategy to ensure that adequate allowances are made for

irrecoverable amounts at the balance sheet date. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk of the consolidated company is mainly concentrated in its top ten customers. For the 9 months ended September 30, 2020 and 3 months ended December 31, 2019, the ratio of the total accounts receivable coming from the aforementioned customers were 65%, 59%, and 58%. The credit concentration risk for the remaining accounts receivable was considerably insignificant.

3. Liquidity risk

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities in the capital market, and continuously monitoring forecasts and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. For the Company's unused financing facilities for 9 months ended September 30, 2020 and 3 months ended December 31, 2019, please see the following (2) – Financing facilities.

(1) Liquidity risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

	September 30, 2020				
	180 Days	181-270 Days	271-360 Days	Over 361 Days	T o t a l
<u>Non-derivative</u> <u>financial liabilities</u>					
Short-term borrowings	\$ 2,164,841	\$ -	\$ -	\$ -	\$ 2,164,841
Short-term bills payable	50,000	-	-	-	50,000
Note payable and accounts payable	6,328,124	-	-	-	6,328,124
Other payables	1,670,665	-	-	-	1,670,665
Lease liabilities	35,368	17,533	17,426	332,905	403,232
Long-term borrowings (including the current portion)	60,826	32,090	31,011	1,643,879	1,767,806
	<u>\$ 10,309,824</u>	<u>\$ 49,623</u>	<u>\$ 48,437</u>	<u>\$ 1,976,784</u>	<u>\$ 12,384,668</u>

Further information on the analysis of lease liabilities maturity is as follows:

Lease liabilities	Less than One Year	1-5 Years	5-10 Years
		<u>\$ 70,327</u>	<u>\$ 216,197</u>

	Dec. 31, 2019				
	180 Days	181-270 Days	271-360 Days	Over 361 Days	T o t a l
<u>Non-derivative</u> <u>financial liabilities</u>					
Short-term borrowings	\$ 3,379,497	\$ -	\$ -	\$ -	\$ 3,379,497
Short-term bills payable	390,000	-	-	-	390,000
Note payable and accounts payable	6,383,549	-	-	-	6,383,549
Other payables	1,298,996	-	-	-	1,298,996
Lease liabilities	35,419	17,746	17,735	384,862	455,762
Long-term borrowings	62,422	31,502	34,371	1,291,574	1,419,869
	<u>\$ 11,549,883</u>	<u>\$ 49,248</u>	<u>\$ 52,106</u>	<u>\$ 1,676,436</u>	<u>\$ 13,327,673</u>

Further information on the analysis of lease liabilities maturity is as follows:

Lease liabilities	Less than One Year	1-5 Years	5-10 Years
		<u>\$ 70,900</u>	<u>\$ 250,085</u>

	September 30, 2019				
	180 Days	181-270 Days	271-360 Days	Over 361 Days	T o t a l
<u>Non-derivative</u> <u>financial liabilities</u>					
Short-term borrowings	\$ 3,756,559	\$ -	\$ -	\$ -	\$ 3,756,559
Short-term bills payable	490,000	-	-	-	490,000
Note payable and accounts payable	5,714,635	-	-	-	5,714,635
Other payables	880,530	-	-	-	880,530
Lease liabilities	35,990	17,852	17,940	405,604	477,386
Long-term borrowings (including the current portion)	60,920	31,466	231,247	718,400	1,042,033
	<u>\$ 10,938,634</u>	<u>\$ 49,318</u>	<u>\$ 249,187</u>	<u>\$ 1,124,004</u>	<u>\$ 12,361,143</u>

Further information on the analysis of lease liabilities maturity is as follows:

	Less than One Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 71,782</u>	<u>\$ 239,875</u>	<u>\$ 165,729</u>

(2) Financing facilities

Bank borrowings are a major source for the liquidity of the Group. The Group's financing facilities are as follows:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Unsecured bank borrowings facility			
Amount used	\$ 5,267,178	\$ 6,288,088	\$ 4,980,360
Amount unused	<u>6,352,437</u>	<u>4,879,241</u>	<u>4,636,170</u>
	<u>\$ 11,619,615</u>	<u>\$ 11,167,329</u>	<u>\$ 9,616,530</u>

(IV) Transfers of financial assets

Factored trade receivables as of September 30, 2020 and 2019 and December 31, 2019 were as follows:

Counterparties	Interest Rates on Advances Received (%)	Amount of accounts receivable sold	Advances Received	Retention amount (Recognized under other receivables)	Credit Line
<u>September 30, 2020</u>					
Taishin Bank	-	\$ 47,964	\$ -	\$ 47,964	\$ 212,590
KGI Commercial Bank	-	1,319	-	1,319	21,000
Bank SinoPac	-	<u>33,686</u>	-	<u>33,686</u>	<u>250,000</u>
		<u>\$ 82,969</u>	<u>\$ -</u>	<u>\$ 82,969</u>	<u>\$ 483,590</u>
<u>Dec. 31, 2019</u>					
Bank SinoPac	-	\$ 85,135	\$ -	\$ 85,135	\$ 224,850
Bank of Jiangsu	-	-	-	-	128,925
Taishin Bank	-	60,617	-	60,617	216,902
KGI Commercial Bank	-	<u>2,561</u>	-	<u>2,561</u>	<u>17,988</u>
		<u>\$ 148,313</u>	<u>\$ -</u>	<u>\$ 148,313</u>	<u>\$ 588,665</u>
<u>September 30, 2019</u>					
Bank of Ningbo	-	\$ -	\$ -	\$ -	\$ 131,379
Taishin Bank	-	40,433	-	40,433	222,096
Yuanta Bank	-	-	-	-	20,000
KGI Commercial Bank	-	6,179	-	6,179	18,624
Bank SinoPac	-	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,800</u>
		<u>\$ 46,612</u>	<u>\$ -</u>	<u>\$ 46,612</u>	<u>\$ 624,899</u>

The above credit lines may be used on a revolving basis.

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) were borne by the Group, while losses from credit risk were borne by the banks. As of September 30, 2020, December 31, 2019, and September 30, 2019, the consolidated company provided promissory notes of NT\$483,590 thousand, NT\$507,902 thousand, and NT\$513,096 thousand to the banks as collateral.

27. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
WIN Semiconductors Corp.	Same chairman

b. Lease arrangements - Group is lessee

The Group entered into an operating lease agreement for the lease of land and plant with WIN Semiconductors Corp. The lease period is from January 1, 2013 through December 31, 2028 and the rent is payable monthly.

<u>Line Item</u>	<u>September 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>September 30, 2019</u>
Right-of-use assets	<u>\$ 234,096</u>	<u>\$ 254,002</u>	<u>\$ 265,375</u>
Refundable deposits	<u>\$ 100,507</u>	<u>\$ 99,686</u>	<u>\$ 99,413</u>
Lease liabilities - current	\$ 26,044	\$ 25,592	\$ 25,491
Lease liabilities - non-current	<u>201,704</u>	<u>220,044</u>	<u>226,480</u>
	<u>\$ 227,748</u>	<u>\$ 245,636</u>	<u>\$ 251,971</u>

<u>Line Item</u>	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Financial costs	<u>\$ 922</u>	<u>\$ 1,018</u>	<u>\$ 2,841</u>	<u>\$ 3,127</u>
Depreciation expenses	<u>\$ 7,093</u>	<u>\$ 7,056</u>	<u>\$ 21,281</u>	<u>\$ 21,167</u>

c. Compensation of key management personnel

For 3 months ended 2020 and 2019, and 9 months ended September 30, 2020, and 2019, the total remuneration to the main management is as follows:

	July 1 to September 30, 2020	July 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
Short-term benefits	\$ 9,348	\$ 39,448	\$ 69,737	\$ 88,242
Post-employment benefits	133	160	422	516
Share-based payment	-	-	8,028	-
	<u>\$ 9,481</u>	<u>\$ 39,608</u>	<u>\$ 78,187</u>	<u>\$ 88,758</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. Significant Contingent Liabilities and Unrecognized Commitments

As of September 30, 2020, the significant commitments and contingencies of the consolidated company are as follows:

- a. Letter of credit opened but unused totaled NT\$732,478 thousand.
- b. Outstanding contractual payments for construction equipment totaled NT\$1,478,912 thousand.

29. Other Matters

Although the threat of coronavirus (the “outbreak”) that erupted in late January 2020 receded and government policies have relaxed in Taiwan, many countries worldwide have adopted the closed-door policy. The global economic situation will continue to be challenging which may affect the subsequent performance of the electronic components industry. At the moment, the outbreak is still subject to significant uncertainties; however, the Company will continue to focus on the further development of the situation and communicate with customers to appropriately adjust production capacity allocation while promoting cost control measures to cope with the possible adverse impact.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>Foreign currency asset</u>			
<u>Monetary item</u>			
US\$	\$ 120,444	\$ 84,088	\$ 86,151
Exchange rate	29.10	29.98	31.04
Carrying amount	3,504,920	2,520,958	2,674,127
<u>Foreign currency liabilities</u>			
<u>Monetary item</u>			
US\$	126,234	98,660	107,735
Exchange rate	29.10	29.98	31.04
Carrying amount	3,673,409	2,957,827	3,344,094

	July 1 to September 30, 2020		July 1 to September 30, 2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
Foreign Currency				
US\$	6.92 (US\$:RMB)	\$ 116,948	6.99 (US\$:RMB)	\$ 17,462
US\$	29.45 (US\$:NTD)	554	31.19 (US\$:NTD)	13,231

	January 1 to September 30, 2020		January 1 to September 30, 2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
Foreign Currency				
US\$	6.99 (US\$:RMB)	\$ 90,341	6.85 (US\$:RMB)	\$ 41,937
US\$	29.82 (US\$:NTD)	(32,220)	31.05 (US\$:NTD)	(10,472)

31. Additional Disclosures

All significant intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation.

- a. Information about significant transactions and b. investees:
1. Financing provided to others. (Table 1)
 2. Endorsements/guarantees provided. (Table 2)
 3. Marketable securities held (excluding investment in subsidiaries, associates, and jointly controlled entities). (Table 3)
 4. Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)

7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 9. Name, locations, and other information of investees. (Table 6)
 10. Trading in derivative instruments. (None)
 11. Significant transactions between the Company and its subsidiaries (Table 8)
- c. Information on investments in mainland China
1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchase: Tables 4 and 8.
 - (2) The amount and percentage of sales: Tables 4, 5, and 8.
 - (3) The total amount of assets disposed of and related gain or loss: None.
 - (4) Endorsement/guarantee provided: Table 2.
 - (5) Financing provided: Table 1.
 - (6) Other transactions that significantly impacted the current year's profit or loss or financial position: None.
- d. Information of major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 9.
32. Segments Information
- Information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments reporting department (products included prepreg products (PP) and copper-clad laminates (CCL)) were as follows:
- The Company excluded revenue and profit from triangular trade.)

ITEQ WUXI included revenue and profit from ITEQ WUXI and IIL.)

ITEQ (DG) included revenue and profit from ITEQ (DG) and IPL.)

Others included revenue and profit from ITEQ (HJ), ITEQ (GZ), ITEQ JX, Bang Mao, ITEQ International, ITEQ Holding, ITEQ (HK), ESIC, Eagle Great, and Shining Era.)

a. Segment revenues and results

The following was an analysis of the Group's revenue and results by the reporting department.

	Segment Revenue		Segment Profit	
	January 1 to September 30, 2020	January 1 to September 30, 2019	January 1 to September 30, 2020	January 1 to September 30, 2019
The Company	\$ 4,613,945	\$ 3,776,068	(\$ 156,537)	(\$ 21,014)
ITEQ WUXI	9,501,343	8,843,299	1,171,704	1,179,913
ITEQ (DG)	8,706,437	8,805,128	565,872	558,352
Others	<u>6,600,299</u>	<u>4,762,755</u>	<u>979,574</u>	<u>655,512</u>
	<u>\$29,422,024</u>	<u>\$26,187,250</u>	2,560,613	2,372,763
Headquarter management cost			(168,295)	(118,414)
Non-operating income and expenses			<u>12,648</u>	(<u>22,847</u>)
Income before income tax			<u>\$ 2,404,966</u>	<u>\$ 2,231,502</u>

Intersegment transactions were not eliminated from the segment revenue reported above. For 9 months ended September 30, 2020, the Company's revenue from ITEQ WUXI, ITEQ DG, and others were NT\$1,228,838 thousand, NT\$2,510,128 thousand, and NT\$6,372,892 thousand, respectively; For 9 months ended September 30, 2019, the Company's revenue from ITEQ WUXI, ITEQ DG and others were NT\$2,124,877 thousand, NT\$3,320,423 thousand, and NT\$1,186,844 thousand, respectively;

Segment profit represents the profit earned by each segment without allocation of central administration costs and non-operating income and gains, non-operating expense and losses, and income tax expense. This is the measure reported to the chief operating decision-maker for resource allocation and assessment of segment performance.

b. Segment assets

	September 30, 2020	Dec. 31, 2019	September 30, 2019
<u>Segment assets</u>			
The Company	\$ 5,228,646	\$ 4,563,504	\$ 4,463,954
ITEQ WUXI	10,310,198	9,207,259	8,389,861
ITEQ (DG)	9,262,054	7,815,060	7,436,126
Others	<u>18,430,927</u>	<u>9,786,138</u>	<u>8,122,639</u>
Subtotal	43,231,825	31,371,961	28,412,580
Others	51,936,652	47,488,305	44,097,506
Eliminations	(<u>69,215,662</u>)	(<u>55,379,918</u>)	(<u>50,581,558</u>)
Total assets	<u>\$ 25,952,815</u>	<u>\$ 23,480,348</u>	<u>\$ 21,928,528</u>

To monitor segment performance and allocate resources between segments:

All assets were allocated to the reporting department other than interests in associates accounted for financial assets at FVTPL, financial assets at FVTOCI, current tax assets, and deferred tax assets. Goodwill was allocated to the reporting department. Assets used jointly by the reporting department were allocated based on the revenues earned by the individual reporting department.

ITEQ Corporation and Subsidiaries
FINANCING PROVIDED TO OTHERS
January 1 to September 30, 2020

TABLE 1

In Thousands of New Taiwan Dollars,
Unless Stated Otherwise

No.	Financing Company	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending balance	Transaction Amounts	Interest Rate	Nature for Financing	Business Transaction Amounts	Reasons for Short Term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrowing Company (Note 1 and 2)	Nature for Total Financing Amount (Note 1 and 2)
													Name	Value		
0	The Company	ITEQ JX	Accounts receivable - related parties and other receivables - related parties	Yes	\$ NT\$68 thousand	\$ -thousand	\$ -thousand	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,314,314	\$ 2,314,314
1	IIL	ITEQ WUXI	Accounts receivable - related parties and other receivables - related parties	Yes	US\$15,830 thousand	US\$15,830 thousand	US\$15,830 thousand	-	Short-term financing	-	Operating capital	-	-	-	864,444	864,444
2	ITEQ DG	ITEQ JX	Accounts receivable - related parties and other receivables - related parties	Yes	RMB \$200,000 thousand	RMB \$200,000 thousand	RMB \$200,000 thousand	1.5	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
3	ITEQ WUXI	ITEQ JX	Accounts receivable - related parties and other receivables - related parties	Yes	RMB \$4,543 thousand	RMB \$4,543 thousand	RMB \$4,543 thousand	-	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
3	ITEQ WUXI	IIL	Accounts receivable - related parties and other receivables - related parties	Yes	RMB 58,965 thousand	RMB 58,965 thousand	RMB 58,965 thousand	-	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
3	ITEQ WUXI	ITEQ JX	Accounts receivable - related parties and other receivables - related parties	Yes	RMB \$300,000 thousand	RMB \$300,000 thousand	RMB \$300,000 thousand	1.5	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
4	ITEQ (HK)	ESIC	Accounts receivable - related parties and other receivables - related parties	Yes	US\$300 thousand	US\$300 thousand	US\$300 thousand	1.5	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
4	ITEQ (HK)	ITEQ WUXI	Accounts receivable - related parties and other receivables - related parties	Yes	\$388 thousand	-US\$ thousand	-US\$ thousand	-	Short-term financing	-	Operating capital	-	-	-	2,314,314	2,314,314
5	IPL	ITEQ JX	Accounts receivable - related parties and other receivables - related parties	Yes	US\$556 thousand	-US\$ thousand	-US\$ thousand	-	Short-term financing	-	Operating capital	-	-	-	165,346	165,346

Note 1: The Company's Operating Procedures for Lending Funds to Others' states that the limit amount for lending funds to a single entity and ceiling amount for financing is 20% and 40% of the Company's net worth based on the most recent audited report (2020 Q2) certified by the CPA.

Note 2: The limit amount for lending funds to a single entity and ceiling amount for financing for the Company's 100% owned subsidiaries are subject to 600% of the Company's net worth based on the most recent audited report (financial report for Q2, 2020) certified by the CPA. However, if the maximum amount of each loan and financing limit exceeds 20% of the net worth of the Company's most recent financial report (2020 Q2), the ceiling amount shall be subject to 20% of the Company's net worth based on the most recent audited report

Note 3: Was eliminated in the consolidated financial statements.

ITEQ Corporation and Subsidiaries
 ENDORSEMENT/GUARANTEE PROVIDED
 January 1 to September 30, 2020

TABLE 2

In Thousands of New Taiwan Dollars,
 In Thousands of New Taiwan Dollars

No.	Endorsement/ Guarantee Provider Company name	Guaranteed Party		Limits on Endorsement/Gua rantee Amount Provided to Each Guaranteed Party (Note 1 and 2)	Maximum Balance for the Period	Balance of endorsements/gua rantees the Period	Transaction Amounts	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amount (Note 1 and 2)	Guarantee Provided by Parent Company Maximu m Endorsement/	Guarantee Provided by Subsidiari es Maximu m Endorsement/	Guarantee Provided Regions Maximu m Endorsement/
		Company name	Relationship										
0	The Company	IIL, IPL	Indirect holding 100% by subsidiary	\$ 11,571,572	\$ 300,000 (Note 3)	\$ 300,000	\$ -	\$ -	2.59%	\$ 11,571,572	Y	N	N
0	The Company	IIL	Indirect holding 100% by subsidiary	11,571,572	1,185,790 (Note 3)	1,149,450	92,674	-	9.93%	11,571,572	Y	N	N
0	The Company	IPL	Indirect holding 100% by subsidiary	11,571,572	2,786,805 (Note 3)	2,749,950	1,460,459	-	23.76%	11,571,572	Y	N	N
0	The Company	ITEQ WUXI	Indirect holding 100% by subsidiary	11,571,572	242,000 (Note 3)	232,800	-	-	2.01%	11,571,572	Y	N	Y

Note 1: The total amount of the guarantee provided to a single entity shall not exceed 100% of the Company's net worth based on the most recent audited report (2020 Q2).

Note 2: The total amount of the guarantee provided to subsidiaries shall not exceed 300% of the subsidiaries' net worth based on the most recent audited report (2020 Q2)

Note 3: Bank guarantee amount obtained by jointly issuing bills.

ITEQ Corporation and Subsidiaries
MARKETABLE SECURITIES HELD
September 30, 2020

TABLE 3

In Thousands of New Taiwan Dollars,
Unless Stated Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	SEPTEMBER 30, 2020				Remarks
				Shares (Thousands)	Carrying amount	Percentage of Ownership	Fair Value	
The Company	<u>Shares</u> Bon-In Biologic Technology Company	-	Financial assets at FVTPL - current	100	\$ -	5.0	\$ -	
Bang Mao	<u>Shares</u> Mortech Corporation	-	Financial assets at FVTPL - current	381	6,012	0.95	6,012	
	Big Sun Energy Technology Inc.	-	Financial assets at FVTPL - non-current	887	-	0.4	-	
	Ding Mou Corporation	-	Financial assets at FVTPL - non-current	100	-	0.4	-	
	TIEF Fund, L.P. TIEF Fund, L.P.	-	Financial assets at FVTOCI - non-current	-	26,532	4.84	26,532	

Note 1: Marketable securities were shares, bonds, beneficiary certificates, and others within the scope of IFRS 9 "Financial Instruments."

Note 2: Refer to Tables 6 and 7 for the information on subsidiaries and associates.

ITEQ Corporation and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

January 1 to September 30, 2020

TABLE 4

Unit: NTD thousand

Buyer/Seller	Related Party	Relationship	Transaction Details				Reason why the terms and conditions of the transactions are different from regular transactions		Note/Accounts Receivable (Payable)		Remarks
			Purchase/Sale	Amount	% to total purchases/sales	Payment Terms	Unit Price	Payment Terms	Balance	% to Total Notes/Accounts Payable or Receivable	
The Company	ITEQ DG	Indirect holding 100% by subsidiary	Purchase	\$ 253,100	9	—	\$ -	—	(\$ 2,105)	-	
ITEQ DG	The Company	Indirect holding 100% by subsidiary	Sale	(253,100)	(3)	—	-	—	2,105	-	
The Company	ITEQ DG	Indirect holding 100% by subsidiary	Sale	(1,484,455)	(32)	—	-	—	812,165	34%	
ITEQ DG	The Company	Indirect holding 100% by subsidiary	Purchase	1,484,455	22	—	-	—	(812,165)	(29%)	
The Company	ITEQ WUXI	Indirect holding 100% by subsidiary	Purchase	362,578	12	—	-	—	(23,725)	(1%)	
ITEQ WUXI	The Company	Indirect holding 100% by subsidiary	Sale	(362,578)	(4)	—	-	—	23,725	-	
The Company	ITEQ WUXI	Indirect holding 100% by subsidiary	Sale	(1,210,898)	(26)	—	-	—	757,356	31%	
ITEQ WUXI	The Company	Indirect holding 100% by subsidiary	Purchase	1,210,898	17	—	-	—	(757,356)	(21%)	
The Company	ITEQ JX	Indirect holding 100% by subsidiary	Sale	(331,951)	(7)	—	-	—	309,710	13%	
ITEQ JX	The Company	Indirect holding 100% by subsidiary	Purchase	331,951	18	—	-	—	(309,710)	(27%)	
ITEQ DG	IPL	Same parent company	Sale	(242,621)	(3)	—	-	—	61,279	2%	
IPL	ITEQ DG	Same parent company	Purchase	242,621	23	—	-	—	(61,279)	(16%)	
ITEQ DG	ITEQ GZ	Same parent company	Sale	(1,204,147)	(16)	—	-	—	367,928	9%	
ITEQ GZ	ITEQ DG	Same parent company	Purchase	1,204,147	34	—	-	—	(367,928)	(31%)	
ITEQ GZ	ITEQ DG	Same parent company	Sale	(928,101)	(23)	—	-	—	303,937	13%	
ITEQ DG	ITEQ GZ	Same parent company	Purchase	928,101	14	—	-	—	(303,937)	(11%)	
ITEQ GZ	IPL	Same parent company	Sale	(117,320)	(3)	—	-	—	16,364	1%	
IPL	ITEQ GZ	Same parent company	Purchase	117,320	11	—	-	—	(16,364)	(4%)	
IPL	ITEQ GZ	Same parent company	Sale	(407,271)	(38)	—	-	—	235,767	18%	
ITEQ GZ	IPL	Same parent company	Purchase	407,271	11	—	-	—	(235,767)	(20%)	
IPL	ITEQ DG	Same parent company	Sale	(334,872)	(31)	—	-	—	55,728	4%	
ITEQ DG	IPL	Same parent company	Purchase	334,872	5	—	-	—	(55,728)	(2%)	
IIL	ITEQ WUXI	Same parent company	Sale	(280,416)	(39)	—	-	—	598,378	73%	
ITEQ WUXI	IIL	Same parent company	Purchase	280,416	4	—	-	—	(598,378)	(17%)	
ITEQ WUXI	IIL	Same parent company	Sale	(443,040)	(5)	—	-	—	558,104	10%	

(To be Continued)

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Reason why the terms and conditions of the transactions are different from regular transactions		Note/Accounts Receivable (Payable)		Remarks
			Purchase/Sale	Amount	% to total purchases/sales	Payment Terms	Unit Price	Payment Terms	Balance	% to Total Notes/Accounts Payable or Receivable	
IIL	ITEQ WUXI	Same parent company	Purchase	\$ 443,040	63	—	\$ -	—	(\$ 558,104)	(95%)	
ITEQ WUXI	ITEQ DG	Same parent company	Sale	(284,651)	(3)	—	-	—	38,703	1%	
ITEQ DG	ITEQ WUXI	Same parent company	Purchase	284,651	4	—	-	—	(38,703)	(1%)	
ITEQ JX	ITEQ DG	Same parent company	Sale	(1,449,414)	(70)	—	-	—	742,474	69%	
ITEQ DG	ITEQ JX	Same parent company	Purchase	1,449,414	21	—	-	—	(742,474)	(27%)	
ITEQ JX	ITEQ WUXI	Same parent company	Sale	(481,030)	(23)	—	-	—	252,080	23%	
ITEQ WUXI	ITEQ JX	Same parent company	Purchase	481,030	7	—	-	—	(252,080)	(7%)	
ITEQ WUXI	ITEQ JX	Same parent company	Sale	(102,435)	(1)	—	-	—	94,415	2%	
ITEQ JX	ITEQ WUXI	Same parent company	Purchase	102,435	5	—	-	—	(94,415)	(8%)	
ITEQ JX	ITEQ (HJ)	Same parent company	Sale	(129,927)	(6)	—	-	—	53,818	5%	
ITEQ (HJ)	ITEQ JX	Same parent company	Purchase	129,927	31	—	-	—	(53,818)	(42%)	

Note 1: The Company purchases goods from IPL, IIL, ITEQ DG, and ITEQ WUXI.

Note 2: The selling prices and collection terms for products sold to related parties were similar to those products sold to third parties. The payments are settled periodically.

Note 3: Was eliminated in the consolidated financial statements.

ITEQ Corporation and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

September 30, 2020

TABLE 5

Unit: NTD thousand

Company Name	Related Party	Relationship	Balance of the receivables from relevant parties	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Loss amount
					Amount	Actions Taken		
The Company	ITEQ DG	Indirect holding 100% by subsidiary	\$ 812,165	—	—	—	\$ -	\$ -
The Company	ITEQ WUXI	Indirect holding 100% by subsidiary	757,356	—	—	—	-	-
The Company	ITEQ JX	Indirect holding 100% by subsidiary	309,710	—	—	—	-	-
ITEQ GZ	ITEQ DG	Same parent company	303,937	—	-	—	-	-
ITEQ WUXI	IIL	Same parent company	558,104	—	-	—	81,256	-
ITEQ DG	ITEQ GZ	Same parent company	367,928	—	-	—	13,792	-
ITEQ JX	ITEQ DG	Same parent company	742,474	—	-	—	286,133	-
ITEQ JX	ITEQ WUXI	Same parent company	252,080	—	-	—	85,667	-
IIL	ITEQ WUXI	Same parent company	598,378	—	-	—	-	-
IIL	The Company	Same parent company	159,511	—	-	—	38,525	-
IPL	ITEQ GZ	Same parent company	235,767	—	-	—	-	-
IPL	ITEQ JX	Same parent company	1,026,947	—	-	—	-	-

Note: Eliminated in the consolidated financial statements.

ITEQ Corporation and Subsidiaries
INFORMATION ON INVESTEEES
January 1 to September 30, 2020

TABLE 6

In Thousands of New Taiwan Dollars,
Unless Stated Otherwise

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of September 30, 2020			Current profit and loss of investee	Current recognized investment profit (loss)	Remarks
				End of this period	End of last period	Shares (Thousands)	%	Carrying amount			
The Company	ITEQ International	Samoa	Investment	\$ US\$61,719 thousand	\$ US\$61,719 thousand	18,500	100%	\$ 13,339,576	\$ 1,965,546	\$ 1,965,546	Note 1
ITEQ International	Bang Mao	Hsinchu City	Investment	70,000	70,000	7,000	100%	92,742	(16,492)	(16,492)	
ITEQ Holding	ITEQ Holding	British Cayman Islands	Investment	US\$61,719 thousand	US\$61,719 thousand	18,500	100%	US\$454,119 thousand	US\$66,005 thousand	US\$66,005 thousand	
	ESIC	The British Virgin Islands	Mainland China Reinvestment	US\$13,000 thousand	US\$13,000 thousand	10,750	100%	US\$166,266 thousand	US\$19,635 thousand	US\$19,635 thousand	
	IPL	Samoa	Import/Export	US\$500 thousand	US\$500 thousand	500	100%	US\$71 thousand	(US\$876 thousand)	(US\$876 thousand)	
	IIL	Samoa	Import/Export	US\$1,000 thousand	US\$1,000 thousand	1,000	100%	US\$3,785 thousand	(US\$1,166 thousand)	(US\$1,166 thousand)	
	Eagle Great	The British Virgin Islands	Mainland China Reinvestment	US\$8,499 thousand	US\$8,499 thousand	8,499	100%	US\$16,122 thousand	US\$1,693 thousand	US\$1,693 thousand	
	ITEQ (HK)	Hong Kong	Mainland China Reinvestment	US\$24,200 thousand	US\$24,200 thousand	24,200	100%	US\$240,050 thousand	US\$46,719 thousand	US\$46,719 thousand	

Note 1: Information on investees in mainland China is detailed in Table 7.

ITEQ CORPORATION
Information on investments in mainland China
January 1 to September 30, 2020

TABLE 7

In Thousands of New Taiwan Dollars,
Unless Stated Otherwise

Name of investees in Company name	Main Businesses and Products	Paid-in Capital	Method of Investments	Opening cumulative balance of investment capital invested from Taiwan	Investment Flows		End of this period investment capital invested from Taiwan	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Current recognized investment gains or losses (Note 2)	Carrying Amount as of period end	Investment income repatriated to Taiwan in the current period
					Outward	Inward						
ITEQ DG	Produces and sells prepreg and copper-clad lamination	US\$20,000 thousand	Note 1 and 4	US\$13,000 thousand	\$ -	\$ -	US\$13,000 thousand	US\$16,888 thousand	100%	US\$16,888 thousand	US\$127,040 thousand	-
ITEQ WUXI	Produces and sells prepreg and copper-clad lamination	US\$41,000 thousand	Note 1 and 4	US\$22,100 thousand	-	-	US\$22,100 thousand	US\$37,909 thousand	100%	US\$37,909 thousand	US\$191,842 thousand	US\$82,231 thousand
ITEQ (HJ)	Produces and sells mass lamination	US\$8,499 thousand	Note 1 and 4	US\$8,286 thousand	-	-	US\$8,286 thousand	US\$1,692 thousand	100%	US\$1,692 thousand	US\$15,580 thousand	-
ITEQ GZ	Produces and sells prepreg and copper-clad lamination	US\$23,700 thousand	Note 1	US\$16,200 thousand	-	-	US\$16,200 thousand	US\$8,828 thousand	100%	US\$8,828 thousand	US\$75,718 thousand	US\$16,660 thousand
ITEQ JX	Produces and sells prepreg and copper-clad lamination	US\$20,800 thousand	Note 1 and 4	-	-	-	-	US\$5,500 thousand	100%	US\$5,500 thousand	US\$24,547 thousand	-

Cumulative amount flowing from Taiwan to Mainland areas at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Limit amount of investment in Mainland areas in accordance with the regulations of MOEA
US\$59,586 thousand	US\$80,400 thousand	\$7,455,696 (Note 3)

Note 1: Investment in China by incorporating an overseas company.

Note 2: Investment income (loss) was based on financial statements reviewed by the parent company's auditors except for ITEQ (HJ) and ITEQ JX.

Note 3: The Company's net asset value of 60% of the consolidated net asset value is based on the regulation issued on August 29, 2008 by the Investment Commission under the Ministry of Economic Affairs

Note 4: ITEQ JX is invested by ESIC, ITEQ DG, ITEQ WUXI. Other companies are invested by The Company by incorporating an overseas company.

Note 5: Was eliminated in the consolidated financial statements.

ITEQ Corporation and Subsidiaries
SIGNIFICANT INTERCOMPANY TRANSACTIONS
January 1 to September 30, 2020

TABLE 8

Unit: NTD thousand

No.	Transaction Company	Counterparty	Flow of Transactions (Note 2)	Description of Transactions (Note 3 and 5)			
				Account	Amount	Transaction Terms	% of total consolidated revenue or total assets
0	The Company	ITEQ DG	1	Accounts receivable	\$ 812,165	Note 4	3.13%
0	The Company	ITEQ WUXI	1	Sale	1,210,898	Note 4	6.27%
0	The Company	ITEQ DG	1	Sale	1,484,455	Note 4	7.69%
0	The Company	ITEQ WUXI	1	Accounts receivable	757,356	Note 4	2.92%
0	The Company	ITEQ JX	1	Sale	331,951	Note 4	1.72%
0	The Company	ITEQ JX	1	Accounts receivable	309,710	Note 4	1.19%
0	The Company	ITEQ International	1	Other receivables	320,100	Note 4	1.23%
1	IPL	ITEQ JX	3	Accounts receivable	1,026,947	Note 4	3.96%
1	IPL	ITEQ GZ	3	Sale	407,271	Note 4	2.11%
1	IPL	ITEQ DG	3	Sale	334,872	Note 4	1.73%
1	IPL	ITEQ GZ	3	Accounts receivable	235,767	Note 4	0.91%
2	IIL	ITEQ WUXI	3	Accounts receivable	598,378	Note 4	2.30%
2	IIL	ITEQ WUXI	3	Sale	280,416	Note 4	1.45%
3	ITEQ DG	ITEQ GZ	3	Accounts receivable	367,928	Note 4	1.42%
3	ITEQ DG	IPL	3	Sale	242,621	Note 4	1.26%
3	ITEQ DG	ITEQ GZ	3	Sale	1,204,147	Note 4	6.24%
3	ITEQ DG	The Company	2	Sale	253,100	Note 4	1.31%
3	ITEQ DG	ITEQ JX	3	Other receivables	863,340	Note 4	3.33%
4	ITEQ WUXI	IIL	3	Sale	443,040	Note 4	2.29%
4	ITEQ WUXI	ITEQ DG	3	Sale	284,651	Note 4	1.47%
4	ITEQ WUXI	The Company	2	Sale	362,578	Note 4	1.88%
4	ITEQ WUXI	IIL	3	Accounts receivable	558,104	Note 4	2.15%
4	ITEQ WUXI	ITEQ JX	3	Other receivables	1,293,802	Note 4	4.99%
5	ITEQ GZ	ITEQ DG	3	Accounts receivable	303,937	Note 4	1.17%
5	ITEQ GZ	ITEQ DG	3	Sale	928,101	Note 4	4.81%
6	ITEQ Holding	ITEQ (HK)	3	Other receivables	808,424	Note 4	3.11%
7	ITEQ JX	ITEQ WUXI	3	Accounts receivable	252,080	Note 4	0.97%
7	ITEQ JX	ITEQ DG	3	Accounts receivable	742,474	Note 4	2.86%
7	ITEQ JX	ITEQ WUXI	3	Sale	481,030	Note 4	2.49%
7	ITEQ JX	ITEQ DG	3	Sale	1,449,414	Note 4	7.51%

Note 1: The types of business transactions are indicated by the following numbers shown in the No. column:

1. 0 - ITEQ (parent company).

2. 1 to 6 - subsidiaries.

Note 2: The transaction flows were as follows:

1. from parent company to subsidiary.

2. from subsidiary to parent company.

3. between subsidiaries.

Note 3: The ratio of consolidated revenue/assets depends on the account to which it belongs. The profit and loss account is a percentage of consolidated revenue while the assets/liabilities are a percentage of consolidated total assets.

Note 4: The transaction terms are comparable to those of third parties.

Note 5: A transaction is disclosed if it amounts to more than \$200,000 thousand.

ITEQ CORPORATION
Information on main investors
September 30, 2020

Table 9

Name of major shareholder	Shares	
	No. of shares held	Ratio of shareholding
WIN Semiconductors Corp.	30,393,011	9.12%
Fu Cun Construction Co.	30,215,038	9.07%
Tian He Xing Ye Corp.	25,014,465	7.51%
TenTang Industrial Co.	22,604,507	6.78%
The special account of the second 2018 new labor pension fund discretionary investment by Capital Securities	19,568,342	5.87%

Note 1: The table discloses shareholding information of shareholders whose shareholding percentage is more than 5%. The Taiwan Depository & Clearing Corporation (TDCC) calculates the total number of ordinary shares and special shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The share capital reported in the consolidated financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.

Note 2: The aforementioned information will be disclosed by the trustors' personal accounts settled by the trustees if the shareholders put the shares into a trust. As for the insider declaration of the ownership percentage over 10%, including the shares on hand and those being put in the trust and may be able to decide the usage of the trust assets, please refer to the declaration information on Market Observation Post System (MOPS).