Stock No.: 6213

# ITEQ Corporation and Subsidiaries

# Consolidated Financial Statements and Independent Auditors' Review Report

For the Three Months Ended March 31, 2022 and 2021

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#### **Independent Auditors' Review Report**

The Board of Directors and Shareholders ITEQ Corporation:

#### Introduction

We have reviewed the accompanying consolidated financial statements of ITEQ Corporation and its subsidiaries (hereinafter collectively referred to as the "Group") as of March 31, 2022 and 2021 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended and the 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 the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A consolidated financial statements review consists of 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 disclosed in Note 4 and 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements and investments using the equity method referred to in the first paragraph were not reviewed. As of March 31, 2022 and 2021, the combined total assets of these non-significant subsidiaries were NT\$1,336,935 thousand and NT\$1,550,667 thousand, respectively both representing 4% and 5% of the consolidated total assets, and the combined total liabilities of non-significant subsidiaries were NT\$1,284,873 thousand and NT\$1,037,517 thousand respectively both representing 9% and 7% of the consolidated total liabilities; for the three months ended March 31, 2022 and 2021, the amounts of combined comprehensive income of these subsidiaries were NT\$2,255 thousand, NT\$13,875 thousand respectively both representing 0.2% and 2% of the consolidated total comprehensive income. The carrying amount of the investment using the equity method as at

March 31, 2022 was NT\$49,000 thousand; and the share of profit or loss of joint ventures recognized using the equity method for the three months ended March 31, 2022 was NT\$0.

#### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of non-significant subsidiaries and investments using the equity method as described in the preceding paragraph been reviewed, based on our review, noting 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 March 31, 2022 and 2021, and of its the consolidated financial performance for the three months ended March 31, 2022 and 2021, and its consolidated cash flow for the three months then ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Position by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche CPA Chen-Hsiu, Yang

CPA Kuan-Hao, Li

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. 1100372936

May 3, 2022

#### 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' review 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' review report and consolidated financial statements shall prevail.

## ITEQ Corporation and Subsidiaries

#### Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

Unit: NTD thousand

		March 31, 2022 (Reviewed)		December 31, 2 (Audited)	2021	March 31, 2021 (Reviewed)	
Code	Asset	Amount	%	Amount	%	Amount	%
	CURRENT ASSETS						
1100	Cash and cash equivalents (Note 6)	\$ 3,711,145	11	\$ 4,423,278	12	\$ 3,511,462	12
1110	Financial assets at fair value through profit or loss			4.640		- 004	
1170	(Note 7)	4,743	- 40	4,618	- 27	5,921	-
1170	Notes & accounts receivable.net (Note 8)	14,377,256	40	13,260,199	37	11,114,928	38
1200 1220	Other receivables (Note 22 and 27) Current tax assets	474,890 32,464	1	225,839 32,456	1	153,884 911	-
130X	Inventories - net (Note 9)	4,821,620	14	5,166,981	14	3,888,254	13
1479	Other current assets (Note 15)	1,375,060	4	1,261,998	3	1,361,126	5
11XX	Total current assets	24,797,178	70	24,375,369	<u></u>	20,036,486	68
	10.002.002.0000			= 1,0 70,000			
	NON-CURRENT ASSETS						
1517	Financial assets at fair value through other						
	comprehensive income - non-current (Note 10)	29,169	-	29,687	-	36,818	-
1550	Investments using the equity method (Note 11)	49,000	-	-	-	-	-
1600	Property, plant and equipment (Note 12)	6,796,925	19	6,504,769	18	6,089,519	21
1755	Right-of-use assets (Notes 13 and 28)	307,118	1	310,873	1	355,253	1
1780	Intangible assets (Note 14)	8,617	-	8,360	-	8,698	-
1840	Deferred tax assets	142,090	10	293,471	l	211,979	1
1990	Other non-current assets (Notes 15 and 28)	3,483,816	10	4,714,757	13	2,611,145	<u>9</u>
15XX	Total non-current assets	10,816,735	30	11,861,917	33	9,313,412	<u>32</u>
1XXX	Total assets	\$ 35,613,913	<u>100</u>	<u>\$ 36,237,286</u>	<u>100</u>	<u>\$ 29,349,898</u>	<u>100</u>
Code	LIABILITIES AND EQUITY						
	CURRENT LIABILITIES						
2100	Short-term borrowings (Note 16)	\$ 2,494,257	7	\$ 2,131,144	6	\$ 1,649,670	6
2170	Notes and accounts payable	6,644,335	19	7,121,256	19	6,914,191	23
2216	Cash dividends payable	1,914,786	5	· · ·	-	-	-
2219	Other payables (Note 17)	2,392,292	7	4,259,191	12	3,532,412	12
2230	Current tax liabilities	598,278	2	640,862	2	782,603	3
2250	Provisions for liabilities – current (Note 18)	20,225	-	17,023	-	27,776	-
2280	Lease liabilities - current (Notes 13 and 28)	49,135	-	49,366	-	55,099	-
2320	Current portion of long-term borrowings (Note 16)	-	-	-	-	58,824	-
2399	Other current liabilities (Note 21)	45,219		45,963		45,992	
21XX	Total current liabilities	14,158,527	<u>40</u>	14,264,805	<u>39</u>	13,066,567	<u>44</u>
2500	NON-CURRENT LIABILITIES	222.662		207.546		2/2 055	1
2580	Lease liabilities - non-current (Note 13 and 28)	223,662	1	227,546	1	262,977	1
2540 2570	Long-term borrowings (Note 16) Deferred tax liabilities	414.020	- 1	206.501	- 1	1,640,000	6
2645	Guarantee deposits	414,028 33,841	1	396,501 33,696	1	376,532 32,303	1
25XX	Total non-current liabilities	671,531		657,743		2,311,812	8
23111	Total non carrent natimites					2,311,012	
2XXX	Total liabilities	14,830,058	42	14,922,548	41	15,378,379	52
	EQUITY						
	Equity attributable to the Company (Notes 20)						
3100	Share capital	3,829,572	<u>11</u>	3,829,572	10	3,329,572	<u>11</u>
3200	Capital surplus	9,694,618	27	9,690,481	27	3,682,051	13
	Retained earnings						
3310	Legal reserve	1,885,194	5	1,885,194	5	1,618,630	6
3320	Special reserve	444,936	1	444,936	1	583,390	2
3350	Unappropriated earnings	4,873,064	<u>14</u> <u>20</u>	5,978,737	<u>17</u>	5,267,488	$\frac{18}{26}$
3300	Total retained earnings	7,203,194		8,308,867	23	7,469,508	<u>26</u>
3400	Other equities	56,471		(514,182)	$(_{1})$	(509,612)	$(\frac{20}{2})$
3XXX	Total equity	20,783,855	58	21,314,738	59	13,971,519	<u>48</u>
	Total liabilities and equity	<u>\$ 35,613,913</u>	100	\$ 36,237,286	100	\$ 29,349,898	100

The accompanying notes are an integral part of the consolidated financial statements (Please see the Review Report of Deloitte & Touche on May 3, 2022)

Chairman: Chin-Tsai, Chen Manager: Hsin-Hui, Tsai Accounting Supervisor: Jiun-Ren, Huang

## ITEQ Corporation and Subsidiaries

## Consolidated Statements of Comprehensive Income

## For the three months ended March 31, 2022 and 2021

(Reviewed after Re-statement, Not Audited)

NTD thousand, Except Earnings Per Share

For the Three Months Ended March 31

			2022			2021	
Code			Amount	%		Amount	%
4000	OPERATING REVENUE (Note 21)	\$	8,269,058	100	\$	7,396,536	100
5000	OPERATING COSTS						
	(Notes 9 and 22)		7,020,355	<u>85</u>		6,026,482	81
5900	GROSS PROFIT		1,248,703	<u>15</u>	_	1,370,054	<u>19</u>
	OPERATING EXPENSES (Notes 22 and 28)						
6100	Selling and marketing expenses		156,638	2		151,893	2
6200	General and administrative expenses		252,826	3		244,812	3
6300	Research and development expenses		192,694	2		102,036	2
6450	Expected credit loss		2,624		<u></u>	4,346	<del>_</del> _
6000	Total operating expenses	_	604,782	7	_	503,087	7
6900	INCOME FROM OPERATIONS		643,921	8	_	866,967	12
	NON-OPERATING INCOME AND						
7010	EXPENSES (Notes 22 and 28)		20.656			14200	
7010	Other income		29,656	-		14,380	-
7050	Financial costs	(	22,951)	-	(	22,037)	-
7020	Other gains or losses		325,376	4	(	16,333)	
7000	Total non-operating income and		222 001	4	(	22 000 )	
	expenses		332,081	4	(_	23,990)	
7900	INCOME BEFORE INCOME TAX		976,002	12		842,977	12
7950	INCOME TAX EXPENSE (Note 23)		166,889	2	_	200,436	3
8200	NET INCOME FOR THE PERIOD		809,113	10	_	642,541	9

(To be Continued)

## (Continued)

		For the Three Months Ended March 31					
			2022			2021	
Code			Amount	%		Amount	%
8310	OTHER COMPREHENSIVE INCOME Items that will not be reclassified subsequently to profit or loss						
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	(\$	518)	_	(\$	837)	_
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 20 and 23)	(	166)	_	( *	119	-
8360	Items that may be reclassified subsequently to profit or loss:		,				
8361	Exchange differences on translating the financial statements of foreign operations (Note 20)		714,170	9	(	79,948)	( 1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 20 and 23)	(	142,833)	( <u>2</u> )		15,990	
8300	Other comprehensive income for the period (net amount after- tax)		570,653	7	(	64,676)	(1)
8500	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$</u>	1,379,766	<u> 17</u>	<u>\$</u>	577,865	8
8610	NET PROFIT ATTRIBUTABLE TO: Owners of the Company	<u>\$</u>	809,113	10	<u>\$</u>	642,541	9
8710	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owners of the Company	<u>\$</u>	1,379,766	<u> 17</u>	<u>\$</u>	577,865	8
9710 9810	EARNINGS PER SHARE (Note 24) Basic Diluted	<u>\$</u> \$	2.11 2.10		<u>\$</u> \$	1.93 1.92	

The accompanying notes are an integral part of the consolidated financial statements (Please see the Review Report of Deloitte & Touche on May 3, 2022)

Chairman: Chin-Tsai, Chen Manager: Hsin-Hui, Tsai Accounting Supervisor: Jiun-Ren, Huang

## ITEQ Corporation and Subsidiaries

## Consolidated Statements of Changes Equity

## For the three months ended March 31, 2022 and 2021

(Reviewed after Re-statement, Not Audited)

Unit: NTD thousand

								Exchange	terest (Note 20)	
		Share	capital	Capital surplus	Re	tained earnings (Note	20)	differences on translating the		
Code		Ordinary Shares (Thousands)	Amount (Note 20)	(Note 20 and 25)	Legal reserve	Special reserve	Unappropriated earnings	financial statements of foreign operations	Unrealized gain (loss) on financial assets at FVTOCI	Total Equity
A1	BALANCE AT JANUARY 1, 2021	332,957	\$ 3,329,572	\$ 3,682,051	\$ 1,618,630	\$ 583,390	\$ 4,624,947	(\$ 442,507)	(\$ 2,429)	\$ 13,393,654
D1	Net income for the three months ended March 31, 2021	-	-	-	-	-	642,541	-	-	642,541
D3	Other comprehensive income (loss) for the three months ended March 31, 2021		<del>_</del>		<u>-</u>			(63,958)	(718)	(64,676)
D5	Total comprehensive income for the three months ended March 31, 2021		<del>_</del>		<u>-</u>	<del>_</del>	642,541	(63,958)	(718)	577,865
<b>Z</b> 1	BALANCE AT MARCH 31, 2021	332,957	\$ 3,329,572	<u>\$ 3,682,051</u>	\$ 1,618,630	\$ 583,390	\$ 5,267,488	(\$ 506,465)	(\$ 3,147)	<u>\$ 13,971,519</u>
<b>A</b> 1	BALANCE AT JANUARY 1, 2022	382,957	\$ 3,829,572	\$ 9,690,481	\$ 1,885,194	\$ 444,936	\$ 5,978,737	(\$ 505,008)	(\$ 9,174)	\$ 21,314,738
D1	Net income for the three months ended March 31, 2022	-	-	-	-	-	809,113	-	-	809,113
D3	Other comprehensive income (loss) for the three months ended March 31, 2022	<del>-</del>	<del>-</del>	<u>-</u>		<u>-</u>	<del>-</del>	571,337	(684)	570,653
D5	Total comprehensive income for the three months ended March 31, 2022		<del>_</del>	<del>_</del>		<del>_</del>	809,113	571,337	(684)	1,379,766
B5	Cash dividends	<del>_</del>		<u>-</u>	<del>_</del>	<del>_</del>	(1,914,786)	<del>_</del>	<del>_</del>	(1,914,786)
N1	Share-based payment transactions (Note 25)		<del>_</del>	4,137	<del>_</del>	<del>_</del>		<del>_</del>	<del>_</del>	4,137
<b>Z</b> 1	BALANCE AT MARCH 31, 2022	382,957	\$ 3,829,572	\$ 9,694,618	<u>\$ 1,885,194</u>	<u>\$ 444,936</u>	\$ 4,873,064	\$ 66,329	(\$ 9,858)	<u>\$ 20,783,855</u>

The accompanying notes are an integral part of the consolidated financial statements (Please see the Review Report of Deloitte & Touche on May 3, 2022)

Chairman: Chin-Tsai, Chen Manager: Hsin-Hui, Tsai Accounting Supervisor: Jiun-Ren, Huang

## ITEQ Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

## For the three months ended March 31, 2022 and 2021

(Reviewed after Re-statement, Not Audited)

Unit: NTD thousand

		For tl	ne Three Mon	ths End	ed March 31
Code			2022		2021
	CASH FLOWS FROM OPERATING ACTIVITIES				
A10000	Income before income tax	\$	976,002	\$	842,977
A20010	Adjustments for:				
A20100	Depreciation expenses		261,005		217,662
A21900	Share-based compensation				
	payment		4,137		-
A20300	Expected credit loss		2,624		4,346
A20400	Gain on Financial assets at				
	FVITPL	(	125)	(	225)
A20900	Financial costs		22,951		22,037
A21200	Interest income	(	4,054)	(	3,075)
A22500	Loss on disposal of property,				
	plant and equipment		1,485		6,825
A23700	Loss from impairment of				
	property, plant and equipment		<u>-</u>		2,638
A23800	Write-down of inventories		5,455		16,032
A24100	Net (gain) loss on the exchange	,			
	of foreign currency	(	11,096)		30,597
A29900	Amortization expense		21,927		11,223
A29900	(Reveral) recognized of provision	,	2,487	(	3,730)
A29900	Insurance claim income	(	250,000)		-
A30000	Changes in operating assets and liabilities				
A31130	Notes receivable	(	786,565)		1,192,910
A31150	Accounts receivable	`	124,232	(	1,459,926)
A31180	Other receivables		2,866	Ì	64,282)
A31200	Inventories		488,685	Ì	653,020)
A31230	Offset against value-added tax				
	payable	(	27,172)	(	171,855)
A31240	Other current assets	(	44,727)	(	20,750)
A32150	Accounts payable	(	695,877)		1,865,202
A32180	Other payables		95,435		1,107,790
A32230	Other current liabilities	(	2,775)	(	6,114)
A33000	Cash inflow (outflow) generated from				
	operations		186,900		2,937,262
A33300	Interest paid	(	21,383)	(	16,852)
A33500	Income tax paid	(	198,460)	(	158,119)
AAAA	Net cash (outflow) inflow from				
	operating activities	(	32,943)		2 <u>,762,291</u>

(To be Continued)

## (Continued)

		For the Three Montl	hs Ended March 31
Code		2022	2021
	CASH FLOWS FROM INVESTING ACTIVITIES		
B01800	Joint venture acquired	(\$ 49,000)	\$ -
B02700	Payments for property, plant and equipment and prepayments for	( 1.072.224)	( 1.004.264)
B02800	business facilities Proceeds from disposal of property,	( 1,073,224)	( 1,804,264)
D02700	plant and equipment	- (00)	355
B03700	Increase in refundable deposits	( 90)	(3,860)
B03800	Decrease in refundable deposits	21,842	30,139
B06700	Increase or decrease in other non-	2.565	( 25.17()
D07500	current assets	3,565	(25,176)
B07500	Interest received	3,775	2,799
BBBB	Net cash used in investing activities	(_1,093,132)	(_1,800,007)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C04020	Re-payment of the principal portion of lease liabilities	( 14,631)	( 13,555)
C00100	Increase in short-term borrowings	289,725	-
C00200	Decrease in short-term borrowings	-	(579,772)
C00600	Decrease in short-term bills payable	-	( 50,010)
C01700	Re-payments of long-term borrowings	<u>-</u>	( 29,411)
C03000	Increase in guarantee deposits	2,937	1,983
C03100	Decrease in guarantee deposits	(3,700)	$(_{3,518})$
CCCC	Net cash gain or used in financing activities	274,331	( <u>674,283</u> )
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u> 139,611</u>	(63,673)
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 712,133)	224,328
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,423,278	_3,287,134
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,711,145</u>	<u>\$ 3,511,462</u>

The accompanying notes are an integral part of the consolidated financial statements (Please see the Review Report of Deloitte & Touche on May 3, 2022)

Chairman: Chin-Tsai, Chen Manager: Hsin-Hui, Tsai Accounting Supervisor: Jiun-Ren, Huang

#### ITEQ Corporation and Subsidiaries

Note to consolidated financial statements

For the three months ended March 31, 2022 and 2021

(Reviewed after Re-statement, Not Audited)

(NTD thousand, Unless Stated Otherwise)

#### I. <u>Company history</u>

ITEQ Corporation (the "Company") was incorporated on April 10, 1997. It manufactures and sells mass lamination boards, copper-clad laminates, prepreg, 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, collectively referred to as the "Group" are presented in the Company's functional currency, the New Taiwan dollar.

#### II. Authorization of Financial Statements

The Group's consolidated financial report were reported to the Board of Directors and issued on May 3, 2022.

#### III. Application of New and Revised International Financial Reporting Standards

(I) 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) (hereinafter referred to collectively as the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies

(II) 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)
Amendments to IFRS 10 and IAS 28 "Sale or	To be determined by IASB
Contribution of Assets between an Investor and its	To be determined by It is B
Associate or Joint Venture"	
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
	•
Amendments to IFRS 17 "Initial Application of IFRS	January 1, 2023
17 and IFRS 9 - Comparative Information"	
Amendments to IAS 1 "Classification of Liabilities	January 1, 2023
as Current or Non-current"	
Amendments to IAS 1 "Disclosure of Accounting	January 1, 2023 (Note 2)
Policies"	• • • • • • • • • • • • • • • • • • • •
Amendments to IAS 8 "Definition of Accounting	January 1, 2023 (Note 3)
Estimates"	January 1, 2023 (Note 4)
Amendments to IAS 12 "Deferred Tax related to	<b>3</b> /
Assets and Liabilities arising from a Single	
Transaction"	

- 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 apply for the annual reporting period beginning on and after January 1, 2023 prospectively.
- Note 3: The amendments apply to changes in accounting estimates and in accounting policies that occur during the annual reporting period beginning on and after January 1, 2023.
- Note 4: In addition to recognizing deferred income tax on the temporary differences between a lease and decommissioning liabilities as at January 1, 2022. The amendment also applies to transactions that occur on and after January 1, 2022.

The Group 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.

## IV. <u>Summary of Significant Accounting Policies</u>

#### (I) 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" 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.

#### (II) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

#### (III) Basis of consolidation

#### 1. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial instruments of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. 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 included in the consolidated financial statements are as follows:

				% of Ownership	)
			March 31,	December	March 31,
Investor	Investee	Main Business	2022	31, 2021	2021
ITEQ Corp	ITEQ International	Investment	100%	100%	100%
	Bou Mou	Investment	100%	100%	100%
ITEQ International	ITEQ Holding	Investment	100%	100%	100%
ITEQ Holding	ESIC	Mainland China Re- investment	100%	100%	100%
	IPL	Import/Export	100%	100%	100%
	IIL	Import/Export	100%	100%	100%
	Eagle Great	Mainland China Re- investment	100%	100%	100%
	ITEQ (HK)	Mainland China Re- investment	100%	100%	100%
ESIC	ITEQ (DG)	Produces and sells pre-preg products and copper-clad laminates	100%	100%	100%
	ITEQ (JX) (Note)	Produces and sells pre-preg products and copper-clad laminates	100%	100%	100%
ITEQ (HK)	ITEQ (WX)	Produces and sells pre-preg products and copper-clad laminates	100%	100%	100%
	ITEQ (GZ)	Produces and sells pre-preg products and copper-clad laminates	100%	100%	100%
Eagle Great	ITEQ (HJ)	Production and sales of MLBs.	100%	100%	100%

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

The Company's Board of Directors resolved and approved the proposal to increase the capital of ITEQ (JX) by US\$80,000 thousand during the meeting held March 23, 2021. As of the release date of the consolidated financial statements approved, US\$60,000 thousand was received.

Among the subsidiaries included in the financial report above, except for the financial reports of ITEQ (DG), ITEQ (WX), ITEQ (GZ), and ITEQ (JX) that have been reviewed, other non-significant subsidiaries are not reviewed by Deloitte & Touche.

#### (IV) 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, 2021.

#### 1. Retirement benefits

The pension cost in the interim period was calculated and disclosed 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-time 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 assessed using the tax rate that would be applicable 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.

#### V. <u>Critical Accounting Judgments and Key Sources of Estimation and Uncertainty</u>

Please refer to the Company's consolidated financial statements for the year ended December 31, 2021 for the explanation of critical accounting judgments, key sources of estimates, and uncertainty.

#### VI. Cash and Equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 168	\$ 198	\$ 238
Cash in banks	2,546,451	3,202,036	2,436,241
Cash equivalents			
Bank acceptances	1,164,526	1,221,044	1,074,983
	\$ 3,711,145	\$ 4,423,278	\$ 3,511,462

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

	March 31, 2022	December 31, 2021	March 31, 2021
Cash in banks	$0.00\% \sim 1.55\%$	$0.00\% \sim 1.55\%$	$0.00\% \sim 1.61\%$

#### VII. Financial instruments at fair value through profit or loss

Less: Loss allowance

Net

Total

		March 31, 2022	December 31, 2021	March 31, 2021
	Current			
	Financial assets			
	designatedas at			
	FVTPL			
	Securities listed in			
	ROC Emerging			
	Stock Market	<u>\$ 4,743</u>	<u>\$ 4,618</u>	<u>\$ 5,921</u>
VIII.	Notes and accounts receivable	- Net		
		March 31, 2022	December 31, 2021	March 31, 2021
	Notes receivable			
	At amortized cost	\$ 1,283,472	2 \$ 464,677	\$ 492,867
	Accounts receivable			
	At amortized cost			
	Gross carrying amount	13,102,809	9 12,801,771	10,636,660

14,599

10,622,061

\$ 11,114,928

6,249

12,795,522

\$ 13,260,199

The average credit term on sales 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 and will take further actions of factoring or insurance, if necessary, in order to reduce the Group's credit risk.

9,025

13,093,784

<u>\$14,377,256</u>

The Group applies the simplified approach to provide for its loss allowance used for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivable. The expected credit losses on accounts 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 shows that there is no significant difference in the loss patterns of different customer groups, it does not further differentiate the customer groups for the provision matrix and only sets the expected credit loss based on the number of days past due for notes and accounts receivable.

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 for the accounts receivables past due are over 90 days, whichever occurs earlier. For accounts receivables that have been written off, the Group continues its attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the allowances for losses on notes and accounts receivables based on the Group's provision matrix.

#### March 31, 2022

		Past Due	Past Due	Past Due	Assessment of individual	
	Not Past Due	within 30 Days	31 to 90 Days	over 91 Days	impairment losses	Total
Expected credit loss rate	0.00%~0.09%	0.00%~15.03%	0.00%~22.03%	100.00%		
Gross carrying amount	\$ 14,103,840	\$ 179,444	\$ 21,234	\$ 3,750	\$ 78,013	\$ 14,386,281
Loss allowance						
(lifetime ECLs)	$(\underline{}1,182)$	(1,697)	(2,298)	$(\underline{}3,750)$	(98)	$(\underline{}9,025)$
Amortized cost	\$ 14,102,658	<u>\$ 177,747</u>	\$ 18,936	\$ -	<u>\$ 77,915</u>	\$ 14,377,256

#### December 31, 2021

	Not Past Due	 st Due n 30 Days		st Due 90 Days		st Due 91 Days	Assessment of individual impairment losses	Total
Expected credit loss	0.00%	0.00%	0.00%	‰11.83%		100.00%		
rate Gross carrying amount Loss allowance	\$12,843,445	\$ 311,652	\$	107,128	\$	4,223	-	\$13,266,448
(lifetime ECLs) Amortized cost	<u>-</u> \$12,843,445	\$ <u>-</u> 311,652	( <u> </u>	2,026) 105,102	(	4,223)	<u> </u>	( <u>6,249</u> ) <u>\$13,260,199</u>

#### March 31, 2021

		Past Due	Pa	ist Due	Past	Due	Assessment of in	dividual	
	Not Past Due	within 30 Day	s 31 to	90 Days	over 9	1 Days	impairment le	osses	Total
Expected credit loss rate	0.00%~0.14%	0.00%~5.33	% 0.00	%~38.52%		100.00%			
Gross carrying amount	\$ 11,001,843	\$ 104,4	22 \$	6,957	\$	-	\$	16,305	\$ 11,129,527
Loss allowance									
(lifetime ECLs)	(4,532)	(4,45'	7) (	1,011)		_	(	4,599)	(14,599)
Amortized cost	<u>\$ 10,997,311</u>	\$ 99,9	<u> \$</u>	5,946	\$		<u>\$</u>	11,706	<u>\$ 11,114,928</u>

Information on changes in the allowance for losses on notes and accounts receivable is as follows:

	For the Three Months Ended March 31		
	2022	2021	
Beginning balance	\$ 6,249	\$ 10,341	
Current provision for impairment	2,624	4,346	
Foreign exchange gains and losses	<u> 152</u>	$(_{88})$	
Ending balance	<u>\$ 9,025</u>	<u>\$ 14,599</u>	

See Note 27 for the information on the Company's factored accounts receivables.

#### IX. Inventories - net

	March 31, 2022	December 31, 2021	March 31, 2021
Finished goods	\$ 959,828	\$ 1,033,392	\$ 737,104
Work in progress	197,027	230,821	222,735
Raw materials	3,619,475	3,820,602	2,893,320
Inventories in transit	45,290	82,166	35,095
	\$ 4,821,620	\$ 5,166,981	\$ 3,888,254

As of March 31, 2022 and 2021, the cost of inventories recognized as the cost of goods sold were \$7,020,355 thousand and \$6,026,482 thousand, respectively. The inventory obsolescence losses were \$5,455 thousand and \$16,032, respectively.

#### X. Financial assets at FVTOCI

	March 31, 2022		December 31, 2021		March 31, 2021	
NON-CURRENT	_					·
Domestic investment						
TMY Technology Inc.	\$	3,953	\$	5,304	\$	9,760
Foreign investments						
TIEF FUND, L.P.		25,216		24,383		27,058
	\$	29,169	\$	29,687	\$	36,818

The Group invests in the equity instruments above for the purpose of medium and long-term investment and therefore has elected to designate said investments as financial assets at FVTOCI.

#### XI. <u>Investments using the equity method</u>

The Group's associates are listed below:

	March 31, 2022		December 31, 2021		March 31, 2021	
Current profit and	Amount	Shareholding %	Amount	Shareholding %	Amount	Shareholding %
Joint venture MGC-ITEQ						
Technology Co.,Ltd.	<u>\$ 49,000</u>	49%	<u>\$ -</u>	-	\$ -	-

To expand the manufacturing and sales of materials for laminate substrates in semiconductor packaging, the Group established MGC-ITEQ Technology Co., Ltd. as a joint venture with Mitsubishi Gas Chemical Company, Inc. on March 31, 2022. According to the agreement, both parties have the power to veto any major resolutions at the Board of meetings, so the Group has no control over the joint venture.

The investments using the equity method and the Group's share of profit or loss and other comprehensive income of such investments were calculated based on the financial statements that were not reviewed by a CPA.

Please refer to Table 6 "Name, locations, and other information of investees" for the business nature of the above-mentioned joint venture, its principal place of business, and the country in which it is registered.

#### XII. Property, plant, and equipment

	March 31, 2022	December 31, 2021	March 31, 2021
<b>BOOK VALUE FOR EACH</b>			
<u>CATEGORY</u>			
Buildings	\$ 2,307,203	\$ 2,263,225	\$ 2,107,691
Equipment	3,568,294	3,441,270	3,165,237
Transport Equipment	8,251	8,382	7,554
Facilities	89,779	110,361	247,684
Other Equipment	629,770	593,024	461,442
Leased Improvements	193,628	88,507	99,911
	<u>\$ 6,796,925</u>	<u>\$ 6,504,769</u>	<u>\$ 6,089,519</u>

As the partial equipment were left idle due to a decrease in market demand, the Group estimated that the recoverable amount was less than the carrying amount, and thus recognized the impairment loss of NT\$2,638 thousand in other gains or losses for the three months ended March 31, 2021.

Apart from depreciation expenses, reclassifications, and the situations described above, there was no material addition, disposal, or impairment of the consolidated entity's property, plant, and equipment for the three months ended March 31, 2022 and 2021. 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	
Mechanical and eletrical 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

#### XIII. <u>Lease arrangements</u>

#### (I) Right-of-use assets

Buildings

Land

	March 31, 2022	December 31, 2021	March 31, 2021
Right-of-use assets			
amounts			
Buildings	\$ 266,702	\$ 271,599	\$ 314,756
Land	40,416	39,274	40,497
	<u>\$ 307,118</u>	\$ 310,873	\$ 355,253
		For the Three Month	as Ended March 31
		2022	2021
The additions of the right-of-use assets		\$ 7,521	<u>\$ -</u>
Depreciation charge for ri	ght-of-use assets		

\$ 11,733

\$ 11,111 3,691

14,802

Except for the additions and depreciation expense recognized above, the consolidated company's right-of-use assets have no significant sublease or impairment for the three months ended March 31, 2022 and 2021.

#### (II) Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Lease liabilities amounts			
Current	\$ 49,135	<u>\$ 49,366</u>	<u>\$ 55,099</u>
NON-CURRENT	\$ 223,662	<u>\$ 227,546</u>	<u>\$ 262,977</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	1.60%~4.90%	1.60%~4.90%	1.60%~4.90%

#### (III) Material lease-in activities and terms

The Group leased 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 (WX) obtained both land use rights of 76,002 m2 and 15,432 m2 in Xishan Economic & Technological Development Zone, Wuxi in 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. In 2018, 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.

#### (IV) Other lease information

	For the Three Months Ended March 31		
	2022	2021	
Expenses relating to short-term			
and low-value asset leases	<u>\$ 14,560</u>	<u>\$ 10,633</u>	
Total cash outflow for leases	( <u>\$ 30,959</u> )	( <u>\$ 26,341</u> )	

The Group leases certain mechanical equipment, which qualifies as short-term leases and certain office equipment which qualifies 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.

#### XIV. Intangible assets

	March	131, 2022	Dece	mber 31, 2021	March	1 31, 2021
Goodwill	\$	8,617	\$	8,360	\$	8,698

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

#### XV. Other assets

#### Other current assets

	March 31, 2022	December 31, 2021	March 31, 2021
Offset against value-added		_	
tax payable	\$ 1,200,527	\$ 1,136,123	\$ 1,224,803
Pre-payment to suppliers	19,301	16,507	38,757
Prepaid expense and others	155,232	109,368	97,566
	<u>\$ 1,375,060</u>	<u>\$ 1,261,998</u>	<u>\$ 1,361,126</u>

#### Other non-current assets

	March 31, 2022	December 31, 2021	March 31, 2021
Pre-payments for equipment	\$ 3,017,908	\$ 4,262,049	\$ 2,266,880
Long-term prepayments	221,843	212,651	92,105
Materials and supplies	89,661	82,570	65,972
Net defined benefit plan assets	22,121	22,082	20,146
Refundable deposits (Note 28)	132,283	135,405	166,042
	\$ 3,483,816	\$ 4,714,757	\$ 2,611,14 <u>5</u>

#### XVI. Borrowings

#### (I) Short-term borrowings

Refers to bank revolving credit loans; borrowing interest rates as at March 31, 2022, December 31, 2021, and March 31, 2021 were 0.60%-3.77%, 0.60%-3.22% and 0.63%-0.90%, respectively.

#### (II) Long-term borrowings

	March 3	31, 2022	Decemb	oer 31, 2021	March 31, 2021
Credit loans	\$	-	\$	-	\$ 1,698,824
Less: Current portion					58,824
Long-term borrowings	\$		\$	<u> </u>	<u>\$ 1,640,000</u>
Interest rate		-		-	$0.64\% \sim 0.89\%$
					2014/8/27~
Contract start/end		_		-	2022/9/30

As of June 22, 2020, the Company entered into a two-year credit loan agreement with the Bank of China with an aggregate amount of US\$25,000 thousand. As of March 31, 2021, NT\$670,000 thousand was used. It was paid in full by the Company in September 2021.

As of September 30, 2020, the Company entered into a two-year credit loan agreement with KGI Commercial Bank with an aggregate amount of US\$470,000 thousand. As of March 31, 2021, NT\$470,000 thousand was used. It was paid in full by the Company in September 2021.

As of December 6, 2018, the Company entered into a three-year credit loan agreement with the Agricultural Bank of Taiwan with an aggregate amount of US\$500,000 thousand. As of March 31, 2021, NT\$500,000 thousand was used. It was paid in full by the Company in September 2021.

As of August 27, 2014, the Group entered into a seven-year credit loan agreement with O-Bank with an aggregate amount of US\$500,000 thousand, which has been fully drawn. As of March 31, 2021, it has repaid an amount of NT\$441,176 thousand and repaid the loan in full in September 2021. 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 \$5,000,000 thousand.

#### 17. Other payables

		March 31, 2022	December 31, 2021	March 31, 2021
	Salary payables and employees' compensation Construction and equipment	\$ 505,142	\$ 557,971	\$ 510,860
	payables	1,370,741	3,216,681	2,597,312
	Others	516,409	484,539	424,240
		<u>\$ 2,392,292</u>	<u>\$ 4,259,191</u>	<u>\$ 3,532,412</u>
XVIII.	<u>Provisions - Current</u>			
		March 31, 2022	December 31, 2021	March 31, 2021
	Sales returns and allowances	\$ 20.225	\$ 17.023	\$ 27.776

Changes in provisions were as follows:

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	\$ 17,023	\$ 31,619
Provision (reversal) in this period	2,487	(3,730)
Effect of exchange rate changes	<u>715</u>	(113)
Ending balance	<u>\$ 20,225</u>	<u>\$ 27,776</u>

The provision for sales 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.

#### XIX. Retirement benefit plans

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$39 thousand and \$18 thousand for the three months ended March 31, 2022 and 2021, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020.

#### XX. Equity

### (I) Share capital

#### Ordinary shares

	March 31, 2022	December 31, 2021	March 31, 2021
Authorized ordinary shares			
(in thousands)	500,000	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	\$ 5,000,000	<u>\$ 5,000,000</u>
Issued and paid ordinary			
shares (in thousands)	<u>382,957</u>	<u>382,957</u>	332,957
Issued capital	<u>\$ 3,829,572</u>	<u>\$ 3,829,572</u>	<u>\$ 3,329,572</u>

On May 4, 2021, the Company's Board of Directors approved a resolution to issue 50,000 thousand new shares, with a par value of NT\$10, with subscription price of NT\$130 per share. The sum of cash issue in par value terms is NT\$500,000 thousand and the subscription base date was set by the Board of Directors on September 2, 2021. The total collected capital is NT\$6,494,343 thousand after deducting the administration fee. The capital was all collected and the change of capital was registered.

## (II) Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
May be used to offset a		_	
deficit, distributed cash			
dividend or transferred			
to shares (1)			
Shares premium from			
issuance	\$ 9,672,774	\$ 9,672,774	\$ 3,672,907
Expired employee stock			
options	10,378	10,378	9,144
Not to be used for any			
purpose			
Employee Stock Options	11,466	7,329	
	<u>\$ 9,694,618</u>	<u>\$ 9,690,481</u>	<u>\$ 3,682,051</u>

1. 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).

#### (III) Retained earnings and dividends policy

The Company's shareholders' meeting, on July 2, 2021, passed a resolution to amend the Company's Articles of Incorporation, to authorize the Board of Directors to adopt a supermajority resolution to pay out dividends and bonuses in cash and report it to the shareholders' meeting.

Under the dividend policy as set forth in the Company's amended Articles of Incorporation, 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 shall be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. Where the earnings, legal reserve, or capital surplus mentioned in the preceding paragraph is paid out in cash, the Board of Directors shall be authorized to adopt a supermajority resolution for the payout and report it to the shareholders' meeting, whereas if it is paid out by issuing new shares, it shall be carried out after a resolution is adopted by the shareholders' meeting in accordance with the regulations.

Under the dividends policy as set forth in the Company's Articles of Incorporation before amendment, 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 shall 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 22(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 July 2, 2021 and June 16, 2020. Earnings distribution motions for 2020 and 2019 have been resolved and passed as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 266,564	\$ 246,330		
Special reserve	(138,454)	377,710		
Cash dividends	1,664,786	1,664,786	\$ 5.0	\$ 5.0

The 2021 earnings distribution is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 314,669	
Special reserve	69,245	
Cash dividends	1,914,786	\$ 5.0

The payout of the cash dividend in the above 2021 earnings distribution plan has been approved by the Board of Directors through a resolution on March 16, 2022. The remaining items distributed from earnings are yet to be resolved at the annual general meeting scheduled to be held on June 14, 2022.

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.

#### (IV) Other equity items

1. Exchange differences on translating the financial statements of foreign operations

	For the Three Months Ended March 31		
_	2022	2021	
Beginning balance	(\$ 505,008)	(\$ 442,507)	
Recognized during the period			
Exchange differences on			
translating the financial			
statements of foreign operations	714,170	(79,948)	
Effect of income tax	$(\underline{142,833})$	15,990	
Other comprehensive income			
recognized for the period	571,337	$(\underline{63,958})$	
Ending balance	\$ 66,329	( <u>\$ 506,465</u> )	

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

	For the Three Months Ended March 31			
		2022		2021
Beginning balance	(\$	9,174)	(\$	2,429)
Recognized during the period				
Unrealized gain/(loss) - equity				
instruments	(	518)	(	837)
Effect of income tax	(	<u>166</u> )		119
Other comprehensive income				
recognized for the period	(	<u>684</u> )	(	<u>718</u> )
Ending balance	( <u>\$</u>	9,858)	( <u>\$</u>	3,147)

#### XXI. Operating revenue

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

	For the Three Months Ended March 31	
	2022	2021
Copper Clad Laminate	\$ 5,886,232	\$ 4,836,963
Prepreg	2,323,195	2,382,282
Others	59,631	<u>177,291</u>
	\$ 8,269,058	\$ 7,396,536

Up until March 31, 2022, December 31, 2021, and March 31, 2021, the balance of the Consolidated Company's contract liabilities from product sales totaled NT\$27,712 thousand, NT\$13,797 thousand, and NT\$28,798 thousand (recorded as other current liabilities), respectively. 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.

#### XXII. <u>Income Before Income Tax</u>

#### (I) Other income

	For the Three Months Ended March 31	
	2022	2021
Interest income	\$ 4,054	\$ 3,075
Grant income	22,877	3,525
Other income	<u>2,725</u>	7,780
	<u>\$ 29,656</u>	<u>\$ 14,380</u>
Other gains or losses		
	E 4 E1 M	1 1 1 1 1 1 1 1 1 1 1 1 1 1

#### (II)

	For the Three Month	s Ended March 31
	2022	2021
Net foreign exchange (loss)		
gain	\$ 76,888	(\$ 5,116)
Gain on Financial assets at		
FVITPL	125	225
Loss from disposal of property,		
plant and equipment	(1,485)	(6,825)
Loss from impairment of		
property, plant and		
equipment	-	(2,638)
Insurance claim income	250,000	-
Other losses	( <u>152</u> )	( <u>1,979</u> )
	<u>\$ 325,376</u>	( <u>\$ 16,333</u> )

A fire accident broke out at the Company's Xinpu Plant at night on April 13, 2021, causing partial losses to plant, equipment, and inventory. However, the Company was fully insured against fire accidents, and losses, after the first installment of insurance claims of NT\$400,000 thousand received was deducted, were estimated at NT\$64,195 thousand, including NT\$146,205 thousand from inventory, NT\$261,148 thousand from property, plant, and equipment, and NT\$56,842 thousand from other losses, which was recognized in other gains or losses in 2021. The fire insurance claims obtained by the Company through an insurance surveyor were recognized in insurance claim income and claim receivable in the amount of NT\$250,000 thousand within the coverage of the policy, and the Company continued to negotiate the claims with the insurance company.

## (III) Depreciation and amortization

Property, plant, and equipment   \$245,558   \$202,860   Right-of-use assets   15,447   14,802   21,927   11,223   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$229,320   \$228,885   \$20,320   \$228,885   \$20,320   \$228,885   \$20,320   \$227,657   \$192,728   \$261,005   \$217,662   \$217,662   \$221,005   \$217,662   \$217,662   \$221,005   \$217,662   \$221,005   \$217,662   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221,062   \$221,005   \$221			For the Three Mon 2022	ths Ended March 31 2021
Right-of-use assets   15,447   14,802   21,927   11,223   5 228,885		Property plant and equipment		
Pre-payments			·	
An analysis of depreciation by function Operating costs Operating expenses  An analysis of amortization by function Cost of goods sold Selling and marketing expenses General and administrative expenses Research and development expenses  Interest on bank loans Interest on lease liabilities  Interest on lease liabilities  Short-term employee benefits Post-employment benefits (Note 19) Defined contribution plans Defined benefit plans Defined benefit plans  For the Three Months Ended March 31 2022 2021  For the Three Months Ended March 31 2022 2021  For the Three Months Ended March 31 2022 2021  For the Three Months Ended March 31 2022 2021  For the Three Months Ended March 31 2022 2021  Short-term employee benefits Soldi, 373 Soldi, 3,507  For the Three Months Ended March 31 2022 2021  Short-term employee benefits Post-employment benefits (Note 19) Defined contribution plans Defined benefit plans  Comparing costs Soldi, 373 Soldi, 3,507  Total employee benefits expense Soldi, 3,600 3,507  An analysis by function Operating costs Operating expenses Soldi, 31 Soldi, 3,506 S			-	
An analysis of depreciation by function Operating costs Operating expenses    S 227,657   \$ 192,728		The payments		
Operating costs   \$ 227,657   \$ 192,728   33,348   24,934   \$ 261,005   \$ \$ 217,662			<u> </u>	<u>\$\psi 220;002</u>
Operating costs   \$ 227,657   \$ 192,728   33,348   24,934   \$ 261,005   \$ \$ 217,662		An analysis of depreciation by function		
An analysis of amortization by function   Cost of goods sold   \$18,556   \$9,302   Selling and marketing expenses   General and administrative   expenses   An analysis of amortization by function   Cost of goods sold   \$18,556   \$9,302   Selling and marketing expenses   2   3   3   3   3   3   3   3   3   3		• •	\$ 227,657	\$ 192,728
An analysis of amortization by function  Cost of goods sold Selling and marketing expenses General and administrative expenses Research and development expenses  Interest on bank loans Interest on lease liabilities  Short-term employee benefits Post-employment benefits (Note 19) Defined contribution plans Defined benefit plans  Share-based payment Total employee benefits expense  An analysis by function Operating costs  Sensor Suppose sense suppose suppose sense suppose sup			-	
Cost of goods sold   \$18,556   \$9,302     Selling and marketing expenses   2   3     General and administrative expenses   3,201   1,828     Research and development expenses   3,201   1,828     Research and development expenses   3,201   1,828     Research and development expenses   168   90     \$21,927   \$11,223     (IV) Financial costs   For the Three Months Ended March 31     2022   2021     \$1,183   \$19,884     Interest on bank loans   \$1,768   \$2,153     \$22,951   \$22,037     (V) Employee benefits expense   For the Three Months Ended March 31     2022   2021     \$601,373   \$615,735     Short-term employee benefits (Note 19)     Defined contribution plans   3,640   3,527     Defined benefits (Note 19)   3,640   3,527     Share-based payment   3,601   3,509     Share-based payment   4,137   -			\$ 261,005	\$ 217,662
Cost of goods sold   \$18,556   \$9,302     Selling and marketing expenses   2   3     General and administrative expenses   3,201   1,828     Research and development expenses   3,201   1,828     Research and development expenses   3,201   1,828     Research and development expenses   168   90     \$21,927   \$11,223     (IV) Financial costs   For the Three Months Ended March 31     2022   2021     \$21,183   \$19,884     Interest on bank loans   \$1,768   \$2,153     \$22,951   \$22,037     (V) Employee benefits expense   For the Three Months Ended March 31     2022   2021     \$601,373   \$615,735     Short-term employee benefits (Note 19)     Defined contribution plans   3,640   3,527     Defined benefits (Note 19)   3,601   3,509     Share-based payment   4,137   -				
Selling and marketing expenses General and administrative expenses General and administrative expenses   3,201   1,828     Research and development expenses   3,201   1,828     Research and development expenses   168   90     \$\frac{168}{21,927} \frac{8}{11,223} \]  (IV) Financial costs   For the Three Months Ended March 31     2022   2021     Interest on bank loans   \$\frac{1,768}{2,153} \frac{2,153}{8,22,951} \frac{8}{2,2,037} \]  (V) Employee benefits expense   For the Three Months Ended March 31     2022   2021     Short-term employee benefits   \$\frac{601,373}{3,601} \frac{8}{3,502} \frac{15,735}{3,601} \]  Post-employment benefits (Note 19)   Defined contribution plans   3,640   3,527     Defined benefit plans   \$\frac{3}{3,601} \frac{3}{3,509} \frac{18}{3,601} \frac{3}{3,509} \frac{18}{3,509} \frac{11}{3,509} \fr		An analysis of amortization by function		
General and administrative expenses   3,201   1,828     Research and development expenses   168   90     \$\frac{168}{21,927} \frac{1}{8} \frac{11,223}{11,223}     (IV)   Financial costs   For the Three Months Ended March 31   2022   2021     Interest on bank loans   \$\frac{1}{2,183} \frac{1}{8} \frac{2,153}{8} \frac{22,951}{22,037}     (V)   Employee benefits expense   For the Three Months Ended March 31   2022   2021     Short-term employee benefits   \$\frac{601,373}{8} \frac{601,373}{2022} \frac{2021}{2021}     Short-term employee benefits   \$\frac{601,373}{3} \frac{615,735}{615,735}     Post-employment benefits (Note 19)   Defined contribution plans   \$3,640   3,527     Defined benefit plans   \$\frac{3}{3},601   \frac{3}{3},509     Share-based payment   \$\frac{4}{1,137}   \frac{-}{-} \frac{5}{609,111}   \frac{619,244}{5619,244}     An analysis by function   Operating costs   \$412,150   \$395,556     Operating expenses   \$\frac{196,961}{223,688}   \$\frac{223,688}{223,688}     Operating expenses   \$\frac{196,961}{223,688}   \$\frac{223,688}{223,688}     Operating expenses   \$\frac{196,961}{223,688}   \$\frac{223,688}{223,688}     Operating expenses   \$\frac{196,961}{223,688}   \$\frac{223,688}{22,951}     Operating expenses   \$\frac{196,961}{223,688}     Operating expenses   \$\frac{11}{223,688}     Operating expenses   \$\frac		<u> </u>	\$ 18,556	\$ 9,302
Comparison of the Comparison			2	3
Research and development expenses				
Civarian		±	3,201	1,828
Sample   S		<del>-</del>	1.60	0.0
For the Three Months Ended March 31 2022 2021		expenses		
			<u>\$ 21,927</u>	<u>\$ 11,223</u>
Interest on bank loans	(IV)	Financial costs		
Interest on lease liabilities $\frac{1,768}{\$ 22,951}$ $\frac{2,153}{\$ 22,037}$ (V) Employee benefits expense         For the Three Months Ended March 31 $2022$ $2021$ Short-term employee benefits $\frac{\$ 601,373}{\$ 601,373}$ $\frac{\$ 615,735}{\$ 615,735}$ Post-employment benefits (Note 19) $\frac{3,640}{3,601}$ $\frac{3,527}{3,509}$ Defined contribution plans $\frac{3,601}{3,601}$ $\frac{3,509}{3,509}$ Share-based payment $\frac{4,137}{5,009}$ $\frac{-}{5,009}$ Total employee benefits expense $\frac{\$ 609,111}{\$ 619,244}$ $\frac{\$ 619,244}{\$ 619,244}$ An analysis by function $\frac{\$ 412,150}{5,099}$ $\frac{\$ 395,556}{223,688}$		_		
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$			'	+ - )
(V) Employee benefits expense		Interest on lease liabilities		
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$			<u>\$ 22,931</u>	<u>\$ 22,037</u>
Short-term employee benefits $\frac{2022}{\$601,373}$ $\frac{2021}{\$615,735}$ Post-employment benefits (Note 19) $\frac{3,640}{\$615,735}$ $\frac{3,527}{\$615,735}$ Defined contribution plans $\frac{3,640}{\$601}$ $\frac{3,527}{\$601}$ Defined benefit plans $\frac{3,601}{\$601}$ $\frac{3,509}{\$619,244}$ Share-based payment $\frac{4,137}{\$609,111}$ $\frac{5}{\$619,244}$ An analysis by function $\frac{\$609,111}{\$619,244}$ $\frac{\$619,244}{\$619,244}$ An analysis by function $\frac{\$619,244}{\$619,244}$ $\frac{\$619,244}{\$619,244}$	(V)	Employee benefits expense		
Short-term employee benefits       \$ 601,373       \$ 615,735         Post-employment benefits (Note 19)       3,640       3,527         Defined contribution plans       3,640       3,527         Defined benefit plans       (				
Post-employment benefits (Note 19)       3,640       3,527         Defined contribution plans       3,640       3,527         Defined benefit plans       (				
Defined contribution plans $3,640$ $3,527$ Defined benefit plans $(\underline{39})$ $(\underline{18})$ Share-based payment $\underline{4,137}$ $\underline{-}$ Total employee benefits expense $\underline{\$609,111}$ $\underline{\$619,244}$ An analysis by function Operating costs $\underline{\$412,150}$ $\underline{\$395,556}$ Operating expenses $\underline{196,961}$ $\underline{223,688}$		* *	\$ 601,3/3	\$ 615,/35
Defined benefit plans			2.640	2 527
Share-based payment       3,509         Total employee benefits expense       \$ 609,111         An analysis by function       \$ 619,244         Operating costs       \$ 412,150       \$ 395,556         Operating expenses       \$ 196,961       223,688			•	
Share-based payment $4,137$ Total employee benefits expense $609,111$ An analysis by function Operating costs $412,150$ $395,556$ Operating expenses $196,961$ $223,688$		Defined benefit plans	\/	
Total employee benefits expense       \$ 609,111       \$ 619,244         An analysis by function       Operating costs       \$ 412,150       \$ 395,556         Operating expenses       196,961       223,688		Share-based navment		<u> </u>
An analysis by function  Operating costs \$ 412,150 \$ 395,556  Operating expenses 196,961 223,688				\$ 619 244
Operating costs       \$ 412,150       \$ 395,556         Operating expenses       196,961       223,688		10 mprojet centrito expense	<u> </u>	<u>Ψ                                    </u>
Operating costs       \$ 412,150       \$ 395,556         Operating expenses       196,961       223,688		An analysis by function		
Operating expenses <u>196,961</u> <u>223,688</u>		· · · · · · · · · · · · · · · · · · ·	\$ 412,150	\$ 395,556
			·	•
			· · · · · · · · · · · · · · · · · · ·	

As of March 31, 2022 and 2021, the Consolidated Company had 3,876 and 3,466 employees, respectively.

#### (VI) Employees' compensation and remuneration of directors

As per the Company's Articles of Incorporation, employees' compensation and remuneration of directors to be distributed shall be at the rates of no less than 2% for employees' compensation and no higher than 2% for remuneration of directors, of income before income tax. The following is the employees' compensation and remuneration of directors in cash for the three months ended March 31, 2022 and 2021: Ratio

	For the Three Mont	For the Three Months Ended March 31	
	2022	2021	
Employee's compensation	6.5%	6.5%	
Remuneration to Directors	1.5%	1.5%	
Amount			
	For the Three Mont	hs Ended March 31	
	2022	2021	
Employee's compensation	\$ 40,018	\$ 46,855	
Remuneration to Directors	<u>\$ 9,235</u>	<u>\$ 10,813</u>	

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

The Company held board meetings on March 16, 2022 and March 23, 2021. Employees' compensation and remuneration of directors for 2021 and 2020 have been resolved and passed as follows:

	Cash	
	2021	2020
Employee's compensation	\$ 219,730	\$ 190,724
Remuneration to Directors	50,707	44,013

There is no difference between the actual amounts of employees' remuneration and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

#### (VII) Gains (losses) on foreign currency exchange

	For the Three Months Ended March 31	
	2022	2021
Foreign exchange gains	\$ 88,518	\$ 39,163
Foreign exchange losses	( <u>11,630</u> )	$(\underline{44,279})$
Net gain (loss)	<u>\$ 76,888</u>	(\$ 5,116)

#### XXIII. <u>Income tax</u>

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2022	2021
Current tax payable		
Current tax	\$ 138,792	\$ 184,749
Deferred tax		
In respect of current period	<u>28,097</u>	<u>15,687</u>
Income tax expense recognized		
in profit or loss	<u>\$ 166,889</u>	<u>\$ 200,436</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

	For the Three Months Ended March 31	
	2022	2021
Deferred tax		
Recognized during the period		
Exchange difference on		
translation of foreign		
operations	(\$ 142,833)	\$ 15,990
-Unrealized gain (loss) on		
financial assets at FVTOCI	( <u>166</u> )	<u> </u>
	( <u>\$ 142,999</u> )	<u>\$ 16,109</u>

#### (III) Income tax assessments

Income tax returns of the Company and Bou Mou through 2019 and 2020 had been examined and assessed by the tax authorities.

#### XXIV. Earnings per share

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2022	2021
Basic earnings per share	\$ 2.11	\$ 1.93
Diluted earnings per share	<u>\$ 2.10</u>	<u>\$ 1.92</u>

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

#### NET INCOME FOR THE PERIOD

	For the Three Mont	For the Three Months Ended March 31	
_	2022	2021	
Net income in the computation of	Φ. 000 112	Φ (40 541	
basic earnings per share	<u>\$ 809,113</u>	<u>\$ 642,541</u>	
Net income in the computation of			
diluted earnings per share	<u>\$ 809,113</u>	<u>\$ 642,541</u>	
NUMBER OF SHARES		Unit: Thousand Shares	
	For the Three M	Months Ended March 31	
	2022	2021	
Weighted average number of ordinary sharing the computation of basic earnings per			
share	382,957	332,957	
Effect of potentially dilutive ordinary share		,	
Employee's compensation	1,452	<u>1,605</u>	
Weighted average number of ordinary sharused in the computation of diluted	res		
earnings per share	<u>384,409</u>	<u>334,562</u>	

If the Company has the option to pay employees' compensation in cash or shares, the Company assumes the entire amount of the remuneration to be settled in shares and the resulting potential shares are included in the weighted average number of ordinary 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 employees' compensation of diluted earnings per share until the shareholders resolve the number of ordinary shares to be distributed to employees at their meeting in the following year.

#### XXV. Share-based payment agreement

#### Employee stock option plan

The Company issued 1,000 units of stock options to employees in July 2021. Each unit may subscribe for 1,000 ordinary shares. Employees of the Company and subsidiaries meeting certain criteria are entitled. The duration of stock options is 5 years and the certificate holder may exercise certain percentage of the stock options upon expiration of 2, 3 and 4 years from the date of issuance, respectively. The exercise price of the stock options shall not be lower than 70% of the closing price of the ordinary shares on the date of issuance. In the event of changes in the shares of the Company's shares, the exercise price of the stock options shall be adjusted in accordance with the prescribed formula. For the three months ended March 31, 2022, the cost for stock options recognized was 4,137 thousand and the same amount of capital reserve - employee stock options was recognized.

Information on employee stock options is as follows:

	For the Three Months Ended March 31,	
	2022	
		Weighted average
Employee Stock Options	Unit: (Thousand)	exercise price (NT\$)
Outstanding at the beginning of the period	1,000	\$ 95.9
Issued this period	-	-
Lost this period		-
Outstanding at the end of the period	<u>1,000</u>	95.9
Exercisable at the end of the period		
Weighted average fair value of stock		
options issued during the period (NT\$)	<u>\$ 57.2</u>	

#### XXVI. Capital 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 review the 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.

## XXVII. <u>Disclosures for financial instruments</u>

- (I) Fair values of financial assets that are measured at fair value
  - 1. Fair value hierarchy

## March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVITPL				
Securities listed in ROC Emerging				
Stock Market Financial assets at	<u>\$</u>	<u>\$ -</u>	<u>\$ 4,743</u>	<u>\$ 4,743</u>
FVTOCI Equity securities	<u>\$</u>	<u>\$ -</u>	<u>\$ 29,169</u>	\$ 29,169
December 31, 2021				
<u>December 31, 2021</u>				
Financial assets at	Level 1	Level 2	Level 3	Total
FVITPL				
Securities listed in ROC Equity				
Securities Securities	<u>\$ -</u>	<u>\$</u>	<u>\$ 4,618</u>	<u>\$ 4,618</u>
Financial assets at FVTOCI				
Equity securities	<u>\$</u>	<u>\$</u>	<u>\$ 29,687</u>	\$ 29,687
March 31, 2021				
<u> </u>	T1 1	I1 2	I1 2	T-4-1
Financial assets at FVITPL	Level 1	Level 2	Level 3	Total
Securities listed in				
ROC Equity Securities	\$ -	\$ <u>-</u>	\$ 5,921	\$ 5,921
Financial assets at FVTOCI	<del></del>		<del></del> -	<del></del> -
Equity securities	<u>\$</u>	<u>\$</u>	\$ 36,818	\$ 36,818

There were no transfers between Level 1 and Level 2 fair value measurements for the three months ended March 31, 2022 and 2021.

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

	Financial assets at FVITPL	Financial assets at FVTOCI	
January 1, 2022	\$ 4,618	\$ 29,687	
Recognized in profit or loss	125	-	
Recognized in other comprehensive income	<del>-</del>	(518)	
March 31, 2022	\$ 4,743	\$ 29,619	
January 1, 2021	\$ 5,696	\$ 37,655	
Recognized in profit or loss	225	-	
Recognized in other			
comprehensive income	<u> </u>	(837)	
March 31, 2021	<u>\$ 5,921</u>	<u>\$ 36,818</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 comparable companies method, the comparable over the counter companies adjustment method, and the latest available net value information assessment. The main assumption of the comparable companies method is based on the multiplier of public companies' quoted market prices as well as the net value per share and the sales value. These values have taken into account the liquidity discounts.

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

	Multiplier	Liquidity Discounts
March 31, 2022	1.21~4.44	20%~25%
December 31, 2021	1.59~5.38	20%~25%
March 31, 2021	1.64~7.72	20%~25%

#### (II) Categories of financial instruments

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets			
Financial assets at FVITPL	\$ 4,743	\$ 4,618	\$ 5,921
Financial assets at			
amortized cost (Note 1)	18,665,279	18,020,938	15,068,273
Financial assets at			
FVTOCI	29,169	29,687	36,818
Financial liabilities			
Amortized cost (Note 2)	13,479,511	13,545,287	13,827,400

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 borrowings, notes payable, accounts payable, cash dividends payable, other payables, current portion of long-term borrowings, and guarantee deposits received.

#### (III) 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 analyzes exposures by degree and magnitude of risks. These risks include market risks (including currency, interest rate, and other price risks), credit, 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 for speculative purposes, including derivative financial instruments. 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 9% and 11% of the consolidated Company's sales for the three months ended March 31, 2022 and 2021, were not denominated in the functional currency of the Company, and approximately 26% and 35% of the costs were not denominated in the functional currency of the Company. 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. It represents management's assessment of the reasonable change in foreign exchange rates. A positive number below indicates an increase in income before income tax 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 income before income tax or other equity. The balances below would be negative.

	U.S. Doll	U.S. Dollar Impact		
	For the Three Mont	hs Ended March 31		
	2022	2021		
Profit or loss	(\$ 14,275)	(\$ 15,453)		

#### (2) Interest rate risk

The Group was exposed to fair value interest rate risk because of fixed-rate bank loans. 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:

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value interest rate risk -Financial liabilities	\$ 1,857,706	\$ 1,870,654	\$ -
Cash flow interest rate risk			
-Financial assets	2,545,680	3,201,266	2,436,241
-Financial liabilities	636,551	260,490	3,348,494

#### Sensitivity analysis

The sensitivity analysis 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 to report interest rate risk internally to key management personnel and represent management's assessment of the reasonable change in interest rates. With all other variables unchanged, a 25-basis point increase in the market would result in an increase in the Company's income before income tax by NT\$1,193 thousand and a decrease in NT\$570 thousand for the three months ended March 31, 2022 and 2021.

#### (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. For the three months ended March 31, 2022 and 2021, if equity prices increase by 10%, income before tax would be NT\$474 thousand and NT\$592 thousand higher due to increased fair value of financial assets at fair value through profit and loss. In contrast, other comprehensive income before tax would increase by NT\$2,917 thousand and NT\$3,682 thousand due to the increase in fair value of financial assets measured at fair value through other comprehensive income, respectively.

#### 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 responsible for determining and approving credit lines, and this team continuously evaluated 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. As at March 31, 2022, December 31, 2021, and March 31, 2021, the ratio of the total accounts receivable coming from the aforementioned customers was 56%, 55%, and 54%, respectively. The credit concentration risk for the remaining accounts receivable was insignificant.

#### 3. Liquidity risk

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate 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. The detailed information of the Group's unused financing facilities as of March 31, 2022, December 31, 2021, and March 31, 2021 is further stated in (2) financing facilities below.

#### (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.

				Marc	h 31, 2022			
	180 Days	181-	270 Days	271-	360 Days	Ove	r 361 Days	Total
Non-derivative financial								
<u>liabilities</u>								
Short-term borrowings	\$ 2,513,949	\$	-	\$	-	\$	-	\$ 2,513,949
Note and accounts payable	6,644,335		-		-		-	6,644,335
Cash dividends payable	1,914,785		-		-		-	1,914,785
Other payables	2,392,292		-		-		-	2,392,292
Lease liabilities	29,933		12,650		12,667		236,571	 291,821
	\$ 13,495,294	\$	12,650	\$	12,667	\$	236,571	\$ 13,757,182

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

	Less than (	One Year	1~5	Years	<u>s</u>	5~	10 Years
Lease liabilities	\$ 55,	<u>250</u>	\$ 1	183,98	<u> 33</u>	\$	52,588
					<del></del>	-	<u> </u>
			December	31, 2021			
	180 Days	181-270 Days	271-360	) Days	Over 36	1 Days	Total
Non-derivative financial liabilities							
Short-term borrowings	\$ 2,140,928	\$ -	\$	-	\$	-	\$ 2,140,928
Note and accounts payable	7,121,256	-		-		-	7,121,256
Other payables	4,259,191	-		-		-	4,259,151
Lease liabilities	31,314	12,512	1	1,855	24	11,339	297,020
	<u>\$ 13,552,689</u>	<u>\$ 12,512</u>	\$1	1,855	\$ 24	11,339	<u>\$ 13,818,395</u>

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

	Less than (	One Year	1~5 Year	rs 5~	10 Years
Lease liabilities	<u>\$ 55,</u>	<u>681</u>	\$ 182,3	<u>\$</u>	58,945
			March 31, 2021		
	180 Days	181-270 Days	271-360 Days	Over 361 Days	Total
Non-derivative financial					
<u>liabilities</u>					
Short-term borrowings	\$ 1,650,704	\$ -	\$ -	\$ -	\$ 1,650,704
Note and accounts payable	6,914,191	-	-	-	6,914,191
Other payables	3,532,412	-	-	-	3,532,412
Lease liabilities	31,285	15,643	15,659	281,379	343,966
Long-term borrowings					
(including the current					
portion)	59,891	3,266	3,266	1,643,748	1,710,171
	\$ 12,188,483	\$ 18,909	<u>\$ 18,925</u>	\$ 1,925,127	<u>\$ 14,151,444</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	\$ 62,587	\$ 161,725	\$ 119,654	

#### (2) Financing facilities

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

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank			
borrowings facility			
Amount used	\$ 4,021,323	\$ 3,232,969	\$ 4,264,404
Amount unused	9,847,287	10,810,628	8,220,638
	\$13,868,610	\$14,043,597	\$12,485,042

#### (IV) Transfers of financial assets

Information on changes in the Group factored accounts receivables were as follows:

Counterparties	Interest Rates on Advances Received (%)	Receivables Sold	Advances Received	Amounts Collected	Credit Line
March 31, 2022 Taishin Bank KGI Commercial Bank		\$ 132,878 1,499 \$ 134,377	\$ - <u>-</u> <u>\$</u> -	\$ 132,878 1,499 <u>\$ 134,377</u>	\$ 164,463 17,175 \$ 181,638
December 31, 2021 Taishin Bank KGI Commercial Bank	- -	\$ 157,074 3,325 \$ 160,399	\$ - <u>-</u> <u>\$</u> -	\$ 157,074 3,325 \$ 160,399	\$ 161,344 16,608 \$ 177,952
March 31, 2021 Taishin Bank KGI Commercial Bank Bank SinoPac	- - -	\$ 55,147 3,627 - \$ 58,774	\$ - - - \$ -	\$ 55,147 3,627 \$ 58,774	\$ 164,166 17,121 214,013 \$ 395,300

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 March 31, 2022, December 31, 2021, and March 31, 2021, the Group had issued promissory notes with an aggregate amount of NT\$183,463 thousand, NT\$180,344 thousand, and NT\$433,166 thousand to the banks as collateral, respectively.

The Group transferred the receivables from bank acceptances for endorsement to Bank of China, Industrial and Commercial Bank of China, Minsheng Bank, Bank Of Ningbo, and Bank Of Jiangsu in China for discounting. According to the agreement of the discount contracts, the bank acceptances transferred are those with higher credit ratings, and the credit risk and deferred payment risk thereof are relatively small. Almost all the risks and rewards attached to these acceptances have been transferred with the bank acceptances for endorsement. Therefore, the Group has derecognized the receivables from the bank acceptances transferred. However, if said bank acceptances fail to be cashed when they are due, said banks still have the right to request the Group to pay off, so the Group continues to participate in said acceptances.

The Group transferred some of the receivables from bank acceptances for endorsement in mainland China to suppliers to pay the accounts payable. As almost all the risks and rewards attached to these acceptances have been transferred, the Group has derecognized all the receivables from bank acceptances transferred and corresponding accounts payable. However, if said bank acceptances fail to be cashed when they are due, said suppliers still have the right to request the Group to pay off, so the Group continues to participate in said acceptances.

The maximum loss on risk exposure arising from said acceptances that the Group continues to participate in and has derecognized is the carrying amount of said acceptances that have been transferred but not yet due. As of March 31, 2022, December 31, 2021, and March 31, 2021, said losses were NT\$3,925,193 thousand, \$4,578,090 thousand, and NT\$1,483,911 thousand, respectively. Said acceptances would be due within 1 to 6 months, 1 to 5 months, and 1 to 5 months after the balance sheet date, respectively. Considering the credit risk of the derecognized bank acceptances, the Group has assessed that the fair value of its continued participation is not significant.

For the three months ended March 31, 2022 and 2021, the Group recognized the financial costs of \$11,531 thousand and \$10,862 thousand when transferring the bank acceptances receivable and no profit or loss were recognized for its continuous participation in said acceptances both in the current period and in accumulation.

#### XXVIII. Related Party Transactions

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

#### (I) Related party name and category

Related Party Name	Related Party Category	
WIN Semiconductors Corp.	Same chairman	

#### (II) 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 paid monthly.

Line Item	March 31, 2022	December 31, 2021	March 31, 2021
Right-of-use assets	<u>\$ 195,221</u>	<u>\$ 198,628</u>	<u>\$ 219,909</u>
Refundable deposits	<u>\$ 102,170</u>	<u>\$ 101,891</u>	<u>\$ 101,058</u>
Lease liabilities - current Lease liabilities - non-	\$ 27,194	\$ 26,566	\$ 26,251
current	165,028	168,563	188,527
	<u>\$ 192,222</u>	<u>\$ 195,129</u>	<u>\$ 214,778</u>

	For the Three Months Ended March 31			
Line Item	2022	2021		
Financial costs	<u>\$ 781</u>	\$ 870		
Depreciation expenses	<u>\$ 7,230</u>	<u>\$ 7,094</u>		
Interest income	\$ 279	\$ 276		

#### (III) Compensation of key management personnel

The compensation of key management personnel of the three months ended March 31, 2022 and 2021 are disclosed below.

	For the Three Months Ended March 31		
	2022	2021	
Short-term employee benefits	\$ 13,287	\$ 14,258	
Post-employment benefits	<u> 151</u>	<u> 128</u>	
	<u>\$ 13,438</u>	<u>\$ 14,386</u>	

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

#### XXIX. Significant Contingent Liabilities and Unrecognized Commitments

Significant commitments and contingencies of the Group as of March 31, 2022 were as follows:

- (I) Letter of credit issued but unused amounted to NT\$991,533 thousand.
- (II) Outstanding contractual payments for construction equipment were NT\$5,129,460 thousand.

#### XXX. 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:

	March 31, 2022	December 31, 2021	March 31, 2021
Foreign currency asset	_		
Monetary item			
Foreign Currency - US\$	\$ 93,366	\$ 117,968	\$ 109,316
Exchange Rate	28.63	27.68	28.54
Carrying amount	2,673,069	3,265,354	3,119,879
Foreign currency liabilities			
Monetary item			
Foreign Currency - US\$	121,916	158,310	140,221
Exchange Rate	28.63	27.68	28.54
Carrying amount	3,490,455	4,382,021	4,001,907

	2022			2021					
		Ne	t foreign		Ne	t foreign			
Foreign Currency	Exchange Rate	exch	ange gains	Exchange Rate	exch	ange losses			
USD	6.35(USD: RMB)	\$	17,502	6.48(USD: RMB)	(\$	2,556)			
USD	28.63(USD: NTD)		43,200	28.37(USD: NTD)	(	4,318)			

#### XXXI. Other Matters

Despite the worldwide outbreak of COVID-19, there had been no material impact on the Group's overall performance and financial position as of March 31, 2022. The Group will closely monitor subsequent development of the pandemic, and continue assessing its ability to operate as a going concern as well as the possible impact of asset impairment and funding risks.

#### XXXII. Separately disclosed Items

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

- (I) Information about significant transactions and (II) 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. Others: The business relationship between the parent and the subsidiaries and significant transaction between them: (Table 8)
- (III) 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 and the balance and percentage of the related payables at the end of the period: Tables 4 and 8.

- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Tables 4, 5, and 8.
- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
- (5) The highest balance, ending balance, interest rate interval, and total interest for the current period with respect to financing of fund: Table 1.
- (6) Other transactions that have a material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

#### (IV) Information of major shareholders:

List of all shareholders with ownership of 5 percent or greater showing the names and the number of ordinary shares and percentage of ownership held by each shareholder: Table 9.

#### XXXIII. 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 includ pre-preg 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.

ITEQ JX (included revenue and profit from ITEQ JX)

Other segments (included revenue and profit from ITEQ (HJ), ITEQ (GZ), Bou Mou, ITEQ International, ITEQ Holding, ITEQ (HK), ESIC, and Eagle Great.)

#### (I) Segment revenues and results

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

	Segmen	t Revenue	Segment Profit						
	For the Three Mon	ths Ended March 31	For the Three Months Ended March 31						
	2022	2021		2022		2021			
The Company	\$ 554,831	\$ 1,370,328	(\$	220,588)	(\$	168,366)			
ITEQ WUXI	4,095,288	3,521,545		393,412		395,480			
ITEQ (DG)	3,935,482	3,320,426		172,721		233,966			
ITEQ JX	2,417,900	1,380,855		216,042		186,159			
Others	1,832,957	1,723,962		91,569		277,396			
	<u>\$12,836,458</u>	<u>\$11,317,116</u>		653,156		924,635			
Headquarter management cost			(	9,235)	(	57,668)			
Non-operating income and									
expenses				332,081	(	23,990)			
Income before income tax			\$	976,002	\$	842,977			

Intersegment transactions were not eliminated from the segment revenue reported above. For the three months ended March 31, 2022, the Group's revenue from ITEQ (WX), ITEQ (DG), ITEQ (JX), and others were \$650,333 thousand, \$1,123,509 thousand, \$2,211,348 thousand, and \$582,210 thousand, respectively; for the three months ended March 31, 2021, the Company's revenue from ITEQ (WX), ITEQ (DG), ITEQ (JX) and others were \$405,314 thousand, \$911,648 thousand, \$1,327,818 thousand and \$1,275,800 thousand, respectively;

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

#### (II) Segment assets

	March 31, 2022	December 31, 2021	March 31, 2021
Segment assets			
The Company	\$ 4,661,299	\$ 5,007,963	\$ 4,245,412
ITEQ WUXI	12,534,779	12,745,709	10,802,075
ITEQ (DG)	10,618,589	10,357,310	8,031,527
ITEQ JX	13,676,887	14,879,076	9,788,259
Others	7,219,639	6,786,624	5,972,216
Sub-total	48,711,193	49,776,682	38,839,489
Others	81,197,447	75,800,484	61,472,221
Eliminations	$(\underline{94,294,727})$	(89,339,880)	(70,961,812)
Total assets	<u>\$35,613,913</u>	<u>\$ 36,237,286</u>	<u>\$ 29,349,898</u>

To monitor segment performance and allocate resources between segments:

All assets were allocated to the reporting department other than financial assets at for value through other comprehensive income - current, investments using the equity method, financial assets at fair value through profit or loss - non-current, 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 For the Three Months Ended March 31, 2022

TABLE 1

Unit: NTD thousands unless stated otherwise

											Reasons for		Colla	ateral	Financing Limit for	Financing Amount
No.	Financing Company Name	Borrower	Financial Statement Account	Parties	Maximum Balance for the Period	Ending balance	Transaction Amounts	Interest Rate	Type of Financing	Business Transaction Amounts	Short-term Financing	Allowance for Doubtful Accounts	Name	Value	Each Borrowing Company (Notes 1 and 2)	Limits (Notes 1 and 2)
0	The Company	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties Accounts receivable - related parties and other	Yes	\$ 424,747thousand	\$ 259,140thousand	\$ 259,140thousand	-	Short-term financing	s -	Operating capital	\$ -	_	\$ -	\$ 4,262,947	\$4,262,947
1	IIL	ITEQ (WX)	parties and other receivables - related parties Accounts receivable - related parties and other	Yes	US\$11,353 thousand	US\$11,353 thousand	US\$11,353 thousand	-	Short-term financing	-	Operating capital	-	_	-	516,280	516,280
2	ITEQ (DG)	ITEQ (JX)	receivables - related parties Accounts receivable - related parties and other		RMB 200,000thousand	RMB 200,000thousand	RMB 140,000thousand	1.5	Short-term financing Short-term	-	Operating capital Operating	-	_ _	-	4,262,947	4,262,947
3	ITEQ (WX)	ITEQ (JX)	receivables - related parties Accounts receivable - related parties and other		RMB 150,000thousand	RMB 150,000thousand	RMB 130,000thousand	1.5	financing Short-term	-	capital	-	_	-	4,262,947	4,262,947
3	ITEQ (WX)	IIL	receivables - related parties Accounts receivable - related parties and other		RMB 57,698thousand	RMB 57,218thousand	RMB 57,218thousand	-	financing  Short-term	-	capital  Operating	-	_	-	4,262,947	4,262,947
3	ITEQ (WX)	ITEQ (JX)	receivables - related parties	Yes	RMB 300,000thousand	RMB 300,000thousand	RMB 300,000thousand	1.5	financing	-	capital	-		-	4,262,947	4,262,947

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 and certified report (for 2021) 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 net worth based on the most recent audited and certified report (for 2021) 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 (for 2021), 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

For the Three Months Ended March 31, 2022

TABLE 2

Unit: NTD thousands unless stated otherwise

		Gua	aranteed Party	Limits on				Amount of	Ratio of	Maximum			Endorsement
No.	Endorsement/Gu arantee Provider Company name	Company name	Relationship		Maximum Amount Endorsed/Guarantee d During the Period	Ending Balance	Transaction Amounts		Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Endorsement/ Guarantee Amount Allowable	Endorsement /Guarantee Provided by Parent		/Guarantee Provided to Subsidiaries in Mainland China
0	The Company	IIL, IPL	Investee in which the Company holds 100% of its shares indirectly	\$ 21,314,738	\$ 300,000 (Note 3)	\$ -	\$ <del>-</del>	\$ -	_	\$ 21,314,738	Y	N	N
0	The Company	IIL	Investee in which the Company holds 100% of its shares indirectly	21,314,738	930,313 (Note 3)	930,313	149,811	-	4.36%	21,314,738	Y	N	N
0	The Company	IPL	Investee in which the Company holds 100% of its shares indirectly	21,314,738	3,506,563 (Note 3)	3,506,563	1,777,616	-	16.45%	21,314,738	Y	N	N
0	The Company	ITEQ (DG)	Investee in which the Company holds 100% of its shares indirectly	21,314,738	1,739,045 (Note 3)	1,739,045	699,927	-	8.16%	21,314,738	Y	N	Y
0	The Company	ITEQ (JX)	Investee in which the Company holds 100% of its shares indirectly	21,314,738	2,884,045 (Note 3)	2,884,045	1,127,132	-	13.53%	21,314,738	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 and certified report (for 2021).

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 and certified report (for 2021)

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

# ITEQ Corporation and Subsidiaries MARKETABLE SECURITIES HELD March 31, 2022

TABLE 3

Unit: NTD thousands unless stated otherwise

Holding Commony		Dalatianahin yyith tha			September 3	30, 2021		
Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Shares (Thousands)	Carrying amount	Percentage of Ownership	Fair Value	Remarks
The Company	Stocks							
	Bon-In Biologic Technology Company	_	Financial assets at FVITPL - current	100	\$	5.0	\$ -	
	TMY Technology Inc.	_	Financial assets at FVTOCI - non-current	357	3,953	1.1	3,953	
Bou Mou	Stocks							
	Mortech Corporation	_	Financial assets at FVITPL - current	381	4,743	1.0	4,743	
	Big Sun Energy Technology Inc.	_	Financial assets at FVITPL - non-current	887	-	0.4	-	
	Ding Mou Corporation	_	Financial assets at FVITPL - non-current	100	-	0.4	-	
	TIEF FUND, L.P.	_	Financial assets at FVTOCI - non-current	-	25,216	4.8	25,216	

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

#### For the Three Months Ended March 31, 2022

TABLE 4
Unit: NTD thousand

					Transacti	on Details		Abnormal Transaction			Note/Accounts Receivable (Payable)			
Buyer/Seller	Related Party	Relationship	Purchase/Sale		Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance		Percentage in total accounts/notes receivable (payable) %		Remarks
ITEQ (WX)	The Company	Investee in which the Company holds 100%	Sales	(\$	164,851)	( 4)	_	\$ -	_	\$	292,190	(pu	-	
		of its shares indirectly												
The Company	ITEQ (WX)	Investee in which the Company holds 100% of its shares indirectly	Purchases		164,851	73	_	-	_	(	292,190)	(	45%)	Note 1
ITEQ (DG)	ITEQ (GZ)	Same parent company	Sales	(	602,800)	( 17)	_	-	_		973,147		16%	
ITEQ (GZ)	ITEQ (DG)	Same parent company	Purchases		602,800	37	_	-	_	(	973,147)	(	48%)	
ITEQ (GZ)	ITEQ (DG)	Same parent company	Sales	(	409,643)	( 23)	_	-	_		624,714		18%	
ITEQ (DG)	ITEQ (GZ)	Same parent company	Purchases		409,643	12	_	-	_	(	624,714)	(	14%)	
IPL	ITEQ (GZ)	Same parent company	Sales	(	133,530)	( 36)	_	-	_		260,612		34%	
ITEQ (GZ)	IPL	Same parent company	Purchases		133,530	8	_	-	_	(	260,612)	(	13%)	
IPL	ITEQ (DG)	Same parent company	Sales	(	122,293)	( 33)	_	-	_		172,574		23%	
ITEQ (DG)	IPL	Same parent company	Purchases		122,293	4	_	-	_	(	172,574)	(	4%)	
IPL	ITEQ (JX)	Same parent company	Sales	(	104,704)	( 28)	_	-	_		317,083		42%	
ITEQ (JX)	IPL	Same parent company	Purchases		104,704	5	_	-	_	(	317,083)	(	18%)	
IIL	ITEQ (WX)	Same parent company	Sales	(	216,262)	( 56)	_	-	_		581,174		66%	
ITEQ (WX)	IIL	Same parent company	Purchases		216,262	7	_	-	_	(	581,174)	(	14%)	
ITEQ (WX)	IIL	Same parent company	Sales	(	172,449)	( 5)	_	-	_		620,424		10%	
IIL	ITEQ (WX)	Same parent company	Purchases		172,449	44	_	-	_	(	620,424)	(	87%)	
ITEQ (WX)	ITEQ (DG)	Same parent company	Sales	(	189,742)	( 5)	_	-	_		292,858		5%	
ITEQ (DG)	ITEQ (WX)	Same parent company	Purchases		189,742	6	_	-	_	(	292,858)	(	6%)	
ITEQ (JX)	ITEQ (DG)	Same parent company	Sales	(	1,521,897)	( 63)	_	-	_		2,525,664		66%	
ITEQ (DG)	ITEQ (JX)	Same parent company	Purchases		1,521,897	46	_	-	_	(	2,525,664)	(	55%)	
ITEQ (JX)	ITEQ (WX)	Same parent company	Sales	(	596,864)	( 25)	_	-	_		823,558		21%	
ITEQ (WX)	ITEQ (JX)	Same parent company	Purchases		596,864	19	_	-	_	(	823,558)	(	20%)	

Note 1: The transactions with ITEQ (WX) were made through IIL.

Note 2: 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 March 31, 2022

TABLE 5
Unit: NTD thousand

			Receivables from	Turnover	Ove	rdue	Amounts Received	Allowance for
Company Name	Related Party	Relationship	related party	Rate	Amount	Actions Taken	in Subsequent Period	Impairment
The Company	ITEQ (JX)	Investee in which the Company holds 100% of its shares indirectly	\$ 420,043	_	\$ -	_	\$ -	\$ -
ITEQ (GZ)	ITEQ (DG)	Same parent company	624,714	_	-	_	198,405	-
ITEQ (WX)	ITEQ (DG)	Same parent company	292,858	_	-	_	54,183	-
ITEQ (WX)	IIL	Same parent company	620,424	_	-	_	58,020	-
ITEQ (DG)	ITEQ (GZ)	Same parent company	973,147	_	-	_	404,526	-
ITEQ (JX)	ITEQ (WX)	Same parent company	823,558	_	-	_	225,460	-
ITEQ (JX)	ITEQ (DG)	Same parent company	2,525,664	_	-	_	510,164	-
IPL	ITEQ (GZ)	Same parent company	260,612	_	-	_	41,411	-
IPL	ITEQ (DG)	Same parent company	172,574	_	-	_	47,953	-
IPL	ITEQ (JX)	Same parent company	317,083	_	-	_	185,680	-
IIL	The Company	Same parent company	263,705	_	-	_	64,445	-
IIL	ITEQ (WX)	Same parent company	581,174	_	-	_	41,662	-

Note: Eliminated in the consolidated financial statements.

### ITEQ Corporation and Subsidiaries INFORMATION ON INVESTEES

#### For the Three Months Ended March 31, 2022

TABLE 6

Unit: NTD thousands unless stated otherwise

				Original Inves	stment Amount	As o	f September 30,	, 2021	Not Income (Loss) of		
Investor	Investor Company	Location	Main Businesses and Products	End of this period	End of last period	Ordinary Shares (Thousands)	Percentage (%)	Carrying amount	Net Income (Loss) of the Investee	Share of Profits	Remarks
The Company	ITEQ International	Samoa	Investment	\$ US\$61,719 thousand	\$ US\$61,719 thousand	18,500	100%	\$ 19,741,191	\$ 757,913	\$ 757,913	Note 1
	Bou Mou	Hsinchu County	Investment	70,000	70,000	7,000	100%	90,540	596	596	
	MGC-ITEQ Technology Co.,Ltd.	Hsinchu County	Electronic Parts and Components Manufacturing	49,000	-	4,900	49%	49,000	-	-	
ITEQ International	ITEQ Holding	British Cayman Islands	Investment	US\$61,719 thousand	US\$61,719 thousand	18,500	100%	US\$681,980 thousand	US\$27,075 thousand	US\$27,075 thousand	
ITEQ Holding	ESIC	The British Virgin Islands	Mainland China Re-investment	US\$13,000 thousand	US\$13,000 thousand	10,750	100%	US\$260,188 thousand	US\$10,466 thousand	US\$10,466 thousand	
	IPL	Samoa	Import/Export	US\$1,000 thousand	US\$1,000 thousand	1,000	100%	US\$2,005 thousand	US\$826 thousand	US\$826 thousand	
	IIL	Samoa	Import/Export	US\$1,000 thousand	US\$1,000 thousand	1,000	100%	US\$2,727 thousand	( US\$279 thousand)	( US\$279 thousand)	
	Eagle Great	The British Virgin Islands	Mainland China Re-investment	US\$8,499 thousand	US\$8,499 thousand	8,499	100%	US\$18,573 thousand	( US\$497 thousand)	( US\$497 thousand)	
	ITEQ (HK)	Hong Kong	Mainland China Re-investment	US\$24,200 thousand	US\$24,200 thousand	24,200	100%	US\$371,176 thousand	US\$16,559 thousand	US\$16,559 thousand	

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

#### ITEQ CORPORATION

#### Information on investments in Mainland China For the Three Months Ended March 31, 2022

TABLE 7

Unit: NTD thousands unless stated otherwise

				Accumulated Outward	Investme	ent Flows	Accumulated Outward		% Ownership			Accumulated
Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investments	Remittance for Investment from Taiwan as of July 1, 2021	Outward	Inward	Remittance for Investment from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee (Note 2)	of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2021	Repatriation of Investment Income as of March 31, 2020
ITEQ (DG)	Produces and sells pre-	US\$20,000 thousand	Notes 1 and 4	US\$13,000 thousand	\$ -	\$ -	US\$13,000 thousand	US\$6,999 thousand	100%	US\$6,999 thousand	US\$175,865 thousand	\$ -
	preg and copper-clad lamination											
ITEQ (WX)	Produces and sells pre- preg and copper-clad lamination	US\$41,000 thousand	Notes 1 and 4	US\$22,100 thousand	-	-	US\$22,100 thousand	US\$13,981 thousand	100%	US\$13,981 thousand	US\$302,763 thousand	US\$82,231 thousand
ITEQ (HJ)	Produces and sells mass lamination	US\$8,499 thousand	Notes 1 and 4	US\$8,286 thousand	-	-	US\$8,286 thousand	( US\$495 thousand )	100%	( US\$495 thousand )	US\$18,036 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\$2,577 thousand	100%	US\$2,577 thousand	US\$94,886 thousand	US\$26,610 thousand
ITEQ (JX)	Produces and sells prepreg and copper- clad lamination	US\$140,800 thousand	Notes 1 and 4	-	-	-	-	US\$6,918 thousand	100%	US\$6,918 thousand	US\$210,856 thousand	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$59,586 thousand	US\$80,400 thousand	\$ 12,470,313(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).

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 (WX). 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

#### INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

For the Three Months Ended March 31, 2022

TABLE 8
Unit: NTD thousand

		Desc				ption of Transactions (Note 3 and 5)		
No.	Transaction Company	Counterparty	Flow of Transactions (Note 2)	Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets	
0	The Company	ITEQ International	1	Other receivables	\$ 314,875	Note 4	0.88%	
0	The Company	ITEQ (JX)	1	Accounts receivable	420,043	Note 4	1.18%	
1	IPL	ITEQ (GZ)	3	Accounts receivable	260,612	Note 4	0.73%	
1	IPL	ITEQ (JX)	3	Accounts receivable	317,083	Note 4	0.89%	
2	IIL	ITEQ (WX)	3	Accounts receivable	581,174	Note 4	1.63%	
2	IIL	ITEQ (WX)	3	Sale	216,262	Note 4	2.62%	
2	IIL	The Company	2	Accounts receivable	263,705	Note 4	0.74%	
3	ITEQ (DG)	ITEQ (GZ)	3	Accounts receivable	973,147	Note 4	2.73%	
3	ITEQ (DG)	ITEQ (GZ)	3	Sale	602,800	Note 4	7.29%	
3	ITEQ (DG)	ITEQ (JX)	3	Other receivables	630,282	Note 4	1.77%	
4	ITEQ (WX)	ITEQ (DG)	3	Accounts receivable	292,858	Note 4	0.82%	
4	ITEQ (WX)	IIL	3	Accounts receivable	620,424	Note 4	1.74%	
4	ITEQ (WX)	ITEQ (JX)	3	Other receivables	1,938,647	Note 4	5.44%	
5	ITEQ (GZ)	The Company	2	Accounts receivable	798,638	Note 4	9.66%	
5	ITEQ (GZ)	ITEQ (DG)	3	Accounts receivable	624,714	Note 4	1.75%	
5	ITEQ (GZ)	ITEQ (DG)	3	Sale	409,643	Note 4	4.95%	
6	ITEQ (JX)	ITEQ (WX)	3	Accounts receivable	823,558	Note 4	2.31%	
6	ITEQ (JX)	ITEQ (DG)	3	Accounts receivable	2,525,664	Note 4	7.09%	
6	ITEQ (JX)	ITEQ (WX)	3	Sale	596,864	Note 4	7.22%	
6	ITEQ (JX)	ITEQ (DG)	3	Sale	1,521,897	Note 4	18.40%	
6	ITEQ (JX)	ESIC	3	Other receivables	572,500	Note 4	1.61%	
7	ITEQ Holding	ITEQ (HK)	3	Other receivables	780,916	Note 4	2.19%	
8	ITEQ International	ITEQ Holding	3	Other receivables	314,875	Note 4	0.88%	

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

<sup>1. 0 -</sup> ITEQ (parent company).

<sup>2. 1</sup> to 8 - 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 major shareholders March 31, 2022

TABLE 9

	Shares			
Name of major shareholder	No. of ordinary Shares	Ratio of		
	shares held	shareholdings		
WIN Semiconductors Corp.	65,408,733	17.07%		
Tian He Xing Ye Corp.	42,224,591	11.02%		
Fu Cun Construction Co.	33,168,897	8.66%		
The special account of the second 2018 new labor pension fund discretionary investment by Capital Securities	23,162,904	6.04%		

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 ordinary shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.