

# ITEQ

**Innovation, Teamwork, Excellence, Quality**

## **ITEQ Corporation**

### **2023 Annual Meeting of Shareholders**

### **Agenda Handbooks**

Time: 9:00 a.m. on May 30, 2023 (Tuesday)

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

**Notice to Readers:**

*For the convenience of readers, the Meeting Handbook has 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 version shall prevail.*



# ITEQ CORPORATION

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# ITEQ CORPORATION

## Agenda of the 2023 Annual Meeting of Shareholders

Date: May 30, 2023 (Tuesday) at 9:00 a.m.

Place: No. 17, Daluge Road, Neilili, Xinpu Town, Hsinchu County

Method of convening meetings: Physical Shareholder's Meeting

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

Meeting Called to Order

Chairperson Remarks

### 1. Management Presentations

- (1) 2022 Business Report.
- (2) Audit Committee's Review Report on the 2022 Financial Statements.
- (3) Report on the Distribution of Remuneration for Employees and Directors of 2022.
- (4) Report on Profit Distribution and Cash Dividends of 2022.
- (5) Report on the Corporation's Treasury Stocks bought back.
- (6) Report on the amendments to partial provisions of the Corporation's "Ethical Corporate Management Best Practice Principles" and "Operating Guide for Ethical Corporate Management Best Practice Principles".

### 2. Adoptions

- (1) 2022 Business Report, Financial Statement, and Profit Distribution Table.

### 3. Discussions

- (1) Amendments to partial provisions of the Corporation's "Operating Procedures of Lending Funds to Others".

### 4. Extempore Motions

### 5. Adjournment

## I. Management Presentations

### Report No. 1

Subject: 2022 Business Report.

Explanation: Please refer to Appendix 1 (on page 6 of this handbook) for the 2022 Business Report.

### Report No. 2

Subject: Audit Committee's Review Report on the 2022 Financial Statements.

Explanation:

1. Please refer to Appendix 2 (on page 9 of this handbook) for the preceding Audit Committee's Review Report.
2. Let's earnestly invite the Convener of the Audit Committee to read out the preceding Audit Committee's Review Report.

### Report No. 3

Subject: Report on the Distribution of Remuneration for Employees and Directors of 2022

Explanation:

1. This matter is handled in accordance with Article 27 of the Corporation's Articles of Incorporation.
2. The Corporation's pretax earnings for 2022 was NT\$1,970,930,331 (excluding Directors' remuneration and employees' remuneration). NT\$19,709,303 (1.0% of pre-tax earnings) and NT\$78,837,213 (4.0% of pre-tax earnings) were provided for Directors' remuneration and employees' remuneration respectively, the total amount of which was distributed in cash and was identical from the recognized expense.
3. The above-mentioned distributed remunerations amount has been reviewed and approved by the Remuneration Committee on March 7, 2023, and also approved by the Board of Directors on the same day.

### Report No. 4

Subject: Report on Earnings Distribution and Cash Dividends of 2022.

Explanation:

1. The Corporation authorizes the distributable dividends and bonuses, specified in Article 27-1 of the Corporation's Articles of Incorporation, in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The cash dividends distributed was NT\$1,088,871,654, calculated at NT\$3.0 per share, are rounded to the nearest dollar and the aggregate amount of dividends arising from fractional shares is counted into Corporation's other income.
3. Upon approval by the Board of Directors, the Chairperson of the Board is authorized to fix an ex-dividend record date, payment date and other related matters. In the event of any subsequent buy-back of the Corporation's shares, transfer or cancellation of treasury shares, conversion of convertible bonds, exercise of employee stock options, or other increase or decrease in shares which affects the number of outstanding shares and result in changes in dividend payout ratio, we fully authorize the Chairperson of the Board to handle all relevant matters thereof.

**Report No. 5**

Subject: Report on the Company's treasury stocks bought back

Explanation:

The Company has bought back its shares based on the resolution of the Board of Directors. The status of execution is as follows:

Currency Unit: NT\$		
Item	14th	15th
Date of Resolution of the Board Meeting	July 8, 2022	August 23, 2022
Actual buyback period	July 11, 2022~July 29, 2022	August 29, 2022~September 28, 2022
Purpose of the buyback	Maintain the company's credit and shareholders' rights	Maintain the company's credit and shareholders' rights
Actual number of shares bought back	10,000,000 shares	10,000,000 shares
Total value of shares bought back	NT\$732,397,556	NT\$667,211,651
Average buyback price per share	NT\$73.24	NT\$66.72
Handling Status	Maintain the company's credit and shareholders' rights, buy back and cancel shares, and complete amendment registration at the Ministry of Economic Affairs on November 18, 2022.	

**Report No. 6**

Subject: Report on the amendments to partial provisions of the Corporation’s “Ethical Corporate Management Best Practice Principles” and “Operating Guide for Ethical Corporate Management Best Practice Principles”.

Explanation:

1. To meet the needs of the company’s operational development, we propose to amend some provisions of the Corporation’s “Ethical Corporate Management Best Practice Principles” and “Operating Guide for Ethical Corporate Management Best Practice Principles”.
2. Please refer to Appendix 3 (on page 10 of this handbook) and Appendix 4 (on page 15 of this handbook) for the comparison table of the relevant amended provisions.

## II. Adoptions

**Report No. 1**

(proposed by the Board of Directors)

Subject: 2022 Business Report, Financial Statement, and Profit Distribution Table.

Explanation:

1. The Corporation’s 2022 individual and consolidated financial reports are reviewed and certified by Kuan-Hao Li and I-Chi Chien, CPAs of Deloitte & Touche, and concluded with an audit report without reservation. The financial reports, along with the business reports and the earnings distribution statement, have been reviewed and approved by the Board of Directors and the Audit Committee, and a review report was also issued.
2. Please refer to Appendix 1 (on page 6 of this handbook) and Appendix 5 (on page 25 of this handbook) for the 2022 business reports, CPA audit reports, financial statements, and earnings distribution statement.
3. The above-mentioned are submitted hereby for adoption at this shareholders' meeting.

Resolution:

### III. Discussions

Report No. 1

(proposed by the Board of Directors)

Subject: Amendment to partial provisions of the Corporation's "Operating Procedures of Lending Funds to Others".

Explanation:

1. According to Tai Zheng Shang Yi No. 1111801966 document issued by Taiwan Stock Exchange Corporation (TWSE) on May 4, 2022, and the Corporation's operational needs, we propose to amend partial provisions of the Corporation's "Operating Procedures of Lending Funds to Others".
2. Please refer to Appendix 6 (on page 46 of this handbook) for the Comparison Table of Amendments to the Operating Procedures of Lending Funds to Others.

Resolution:

### IV. Extempore Motions

### V. Adjournment



## 2022 Business Report

### I. Management Principles

1. Focusing on our existing business of “High-end Electronic Materials” and extending to integrate high-density interconnect copper foil laminate and carrier board’s copper foil laminate: The Corporation will strive to become a leading manufacturer of halogen-free and environmentally friendly materials, high-speed, high-frequency, and low-loss materials, and materials for high density interconnect boards and carrier boards, the product applications of which including 5G infrastructure, network communications, data center, automotive electronics, smartphones, consumer electronics, and other related products, and continue to increase its market share in the high-end electronic copper foil laminate market.
2. Quality as the basis for sustainable business development: The Corporation will strengthen and improve its quality control system of the supply chain, including raw material supplier management, controlling the factory’s manufacturing processes and center of the quality control group, continuously improving yield, and quality and reliability monitoring of output, in order to comply with international regulations and customers' incoming material regulations and standards. The Corporation established a comprehensive manufacturing and quality assurance system and capabilities for the Group and enhanced its capabilities of manufacturing high-end products. At the same time, we reduced the production costs of mature products and minimized quality anomalies, aiming to strengthen the company's manufacturing quality and increase stable profitability.
3. Facing the impact of politics, the division of technologies, and the post-pandemic era, the global mainstream hardware markets are still expected to develop towards high-end in the next few years. The development will be led by high-speed computing and automotive electronics. For high-speed computing, the generation of the processor chip will be upgraded, and the bandwidth and speed will be increased, while for automotive electronics, electric vehicle policies are promoted around the world, which will significantly stimulate the growth of electronic components. Both will accelerate the growth of high-end electronic materials. ITEQ Corporation will continue to research and develop high-end materials, position itself globally based on geoeconomic strategies, and employ economies of scale to meet the enormous demand for high-end electronic materials.

### II. Implementation Overview

The Corporation’s consolidated operating revenue in 2022 reached NT\$29.1 billion, a decrease of 10.44% compared to the same period last year. This is mainly due to tight supply in the electronics industry’s supply chain resulting in an increase in the inventory in the supply chain and the number of work-in-progress in 2021. Both the bullwhip effect and phenomena of high inventory levels emerged in 2022. Copper foil laminates are the upstream of the electronics industry’s supply chain and are also affected by relatively high demands. However,

the prices of raw material remain high, and the capital expenditure of our subsidiary, new plant in Jiangxi, continues to increase, which affected our gross profit margin, dropping from 18.38% in 2021 to 13.53% in 2022. In addition, the increase in financial costs due to the funding needs of expanding the plant in Jiangxi has led to an increase in expenses, resulting in a decrease in the net profit after tax from 9.67% in 2021 to 6.37% in the same period in 2022.

### III. Business Plan Implementation Results (Consolidated Statement)

Currency Unit: NT\$1,000

Item	2021	2022	YoY(%)
Operating Revenue	32,524,688	29,129,710	(10.44)
Operating gross Profit	5,979,549	3,939,903	(34.11)
Operating Income	3,819,496	1,896,419	(50.35)
Non-operating Income (or Expenses)	(4,793)	418,706	8,835.78
Net income after tax	3,144,803	1,855,173	(41.01)
Net Profit Margin (%)	9.67%	6.37%	—

### IV. Performance of operating budget

The Corporation did not make public its forecast for 2022, so there is no need to disclose the operating budget performance. However, the overall actual operating conditions and performance are generally in line with the Corporation's internal operating plan.

### V. Profitability Analysis (Consolidated Statement)

Item	2021	2022
Return on Assets (ROA) (%)	10.37	5.57
Return on Equity (ROE) (%)	18.12	8.96
Ratio of Income to Paid-in Capital (%)	99.74	52.25
Ratio of Net Profit Before Tax to Paid-in Capital (%)	99.61	63.79
Net Profit Margin (%)	9.67	6.37
Earnings Per Share After Tax (NT\$)	9.00	4.94

### VI. Research Development Status

ITEQ Corporation has been committed to developing electronic-grade materials, halogen-free and environmentally friendly laminates materials. It works on high-frequency, high-speed, and low transmission loss products for network infrastructure applications diligently. In the future, the Corporation will continue to enhance its existing low Dk/Df electronic materials and produce them through high-density interconnection technology, which will be applied in diverse fields such as data centers, 5G communication, Internet of Things, and new energy automotive electronics, thereby consolidating its leading position among global

high-end laminate material suppliers.

In addition, with the rapid advancement of electronic and semiconductor technology today, ITEQ Corporation will continue to improve its core technology and R&D capabilities, develop various high-end laminate materials for key materials in different application fields such as artificial intelligence (AI) deep learning, auto-driving and electric vehicles, and advanced semiconductor packaging processes, and develop towards a one-stop electronic materials supplier. At the same time, it will incorporate green products to fulfill its commitment to corporate social responsibility.

In terms of FPC, with the foundation of existing low-loss FPC materials, we have further introduced ultra-low loss MPI laminates and fluorine laminates, as well as bonding sheet/coverlay that are compatible with them. We have increased our efforts to develop highly folding-resistant materials that are suitable for emerging applications such as foldable displays and AR/VR. At the same time, we have further improved our existing ion migration-resistant product series to better meet the requirements of emerging applications.

Chairperson of the Board:  
Chin-Tsai Chen

Managerial Officer:  
Hsin-Hui Tsai

Finance and Accounting Supervisor:  
Jung-Tsan Chou

**ITEQ CORPORATION**  
**Audit Committee's Review Report**

Now that the Board of Directors has compiled and submitted the 2022 financial statements (including consolidated and individual financial reports), profit distribution, business report and proposals thereof, wherein the 2022 financial statements have been reviewed by Kuan-Hao Li and I-Chi Chien, CPAs of Deloitte & Touche, and concluded with an audit report without reservation. The aforesaid financial statements, profit distribution, business report and proposals thereof have been examined by the Audit Committee with the opinion that they are not yet inconsistent with, we hereby report the above in accordance with the provisions in the Taiwan Securities and Exchange Act and Taiwan Company Act for the review and approval of all our shareholders.

All the best,

ITEQ CORPORATION

2023 Annual Meeting of Shareholders

Convener of the Audit Committee: Po-Chiao Chou

March 7, 2023

**ITEQ CORPORATION**  
**Ethical Corporate Management Best Practice Principles**  
**Comparison Table of Amendments**

Amended Provisions	Current Provisions	Explanation
<p><b>Article 5 Policy</b>  The Corporation shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and <u>obtain approval from the Board of Directors</u>, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p><b>Article 5 Policy</b>  The Corporation shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.
<p><b>Article 7 The scope of the prevention program</b>  The Corporation <u>shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activity within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u>  It is advisable for the Corporation to <u>refer to prevailing domestic and foreign standards or guidelines</u> in establishing the prevention programs, which shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>I. Offering and acceptance of bribes.</li> <li>II. Illegal political donations.</li> <li>III. Improper charitable donations or sponsorship.</li> <li>IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> </ol>	<p><b>Article 7 The scope of the prevention program</b>  When <u>establishing prevention programs, the Corporation shall analyze activities within its business scope which are at a higher risk of being involved in unethical conduct, and strengthen relevant preventive measures.</u>  The Corporation shall include at least these preventive measures against the following when establishing the prevention programs:</p> <ol style="list-style-type: none"> <li>I. Offering and acceptance of bribes.</li> <li>II. Illegal political donations.</li> <li>III. Improper charitable donations or sponsorship.</li> <li>IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>VI. Engaging in unfair competitive practices.</li> <li>VII. Damage directly or indirectly caused to the rights or interests,</li> </ol>	Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.

Amended Provisions	Current Provisions	Explanation
<p>VI. Engaging in unfair competitive practices.</p> <p>VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	<p>health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	
<p><b>Article 8 Commitment and implementation</b>  <u>The Corporation shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u>  The Corporation and their respective business group shall clearly specify in their rules, external documents <u>and on the company website</u> the ethical corporate management policies and the commitment by the Board of Directors and <u>senior</u> management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.  <u>The Corporation shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.</u></p>	<p><b>Article 8 Commitment and implementation</b>  The Corporation and their respective business group shall clearly specify in their rules and external documents the ethical corporate management policies. The Board of Directors and management <u>shall make commitments</u> to implement such policies rigorously and thoroughly, and shall carry out the policies in internal management and in commercial activities.</p>	<p>Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.</p>
<p><b>Article 17 Organization and responsibilities</b>  The directors, managerial officers, employees, mandataries, and substantial controllers of the Corporation shall exercise the due care of good administrators to urge the corporation to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the Corporation shall establish a dedicated unit that is under the</p>	<p><b>Article 17 Organization and responsibilities</b>  The directors, managerial officers, employees, mandataries, and substantial controllers of the Corporation shall exercise the due care of good administrators to urge the corporation to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p>	<p>Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.</p>

Amended Provisions	Current Provisions	Explanation
<p>Board of Directors and <u>avail itself of adequate resources and staff itself with competent personnel</u>, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis:</p> <p>I. Assisting in incorporating ethics and moral values into the corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. <u>Analyzing and assessing the risk of involvement in unethical conduct within the business scope on a regular basis, adopting programs accordingly</u> to prevent unethical conduct, <u>and</u> setting out in each program the standard operating procedures and conduct guidelines with respect to the corporation's operations and business.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>~Hereinafter omitted~</p>	<p>To achieve sound ethical corporate management, the Corporation shall establish a dedicated unit that is under the Board of Directors. They are responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis:</p> <p>I. Assisting in incorporating ethics and moral values into the corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Formulate programs to prevent unethical conduct, and set out the standard operating procedures and conduct guidelines with respect to the corporation's operations and business in each program.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>~Hereinafter omitted~</p>	
<p><u>Article 20 Accounting and internal control</u>  <u>The Corporation shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</u></p>	<p><b>Article 20 Accounting and internal control</b>  The Corporation shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and</p>	<p>Amend according to the JGZFF No. 1080307434 document issued by the Financial Supervisory Commission of</p>

Amended Provisions	Current Provisions	Explanation
<p><u>The internal audit unit of the Corporation shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.</u></p>	<p>enforcement of the systems are showing results. The internal audit unit of the Corporation shall <u>periodically</u> examine the compliance with the <u>aforementioned system</u> and <u>put down in writing in the form of an audit report to be submitted to the Board of Directors</u>. Professionals may be engaged to assist in the audit if necessary.</p>	<p>Executive Yuan on May 16, 2019.</p>
<p><b>Article 23 Whistle-blowing system</b> The Corporation shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</p> <p>II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior <u>management</u> shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>III. Record keeping and preservation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>IV. Confidentiality of the identity of whistle-blowers and the content of reported cases, <u>and undertaking regarding anonymous reporting.</u></p> <p>V. Measures for protecting whistle-blowers from inappropriate</p>	<p><b>Article 23 Whistle-blowing system</b> The Corporation shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</p> <p>II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving director or senior <u>management personnel</u> shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>III. Record keeping and preservation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>IV. Confidentiality of the identity of whistle-blowers and the content of reported cases.</p>	<p>Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.</p>



Amended Provisions	Current Provisions	Explanation
<p>disciplinary actions due to their whistle-blowing.</p> <p>VI. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the Corporation comes to its awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.</p>	<p>V. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p>VI. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the Corporation comes to its awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.</p>	
<p><b>Article 27 Implementation</b></p> <p>These Practices shall be approved by the Audit Committee, implemented after the approval of the Board of Directors for approval, and then submitted to the shareholders' meeting; the same applies when these Practices are amended.</p> <p><u>When the Corporation submits its Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the Board of Directors meeting. If independent directors cannot attend the board meeting in person to express objections or reservations, they shall provide a written opinion before the Board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.</u></p>	<p><b>Article 27 Implementation</b></p> <p>These Practices shall be approved by the Audit Committee, implemented after the approval of the Board of Directors for approval, and then submitted to the shareholders' meeting; the same applies when these Practices are amended.</p>	<p>Amend according to the JGZFFZ No. 1080307434 document issued by the Financial Supervisory Commission of Executive Yuan on May 16, 2019.</p>
<p><b>Article 28</b></p> <p><u>The Practices were formulated on January 04, 2017.</u></p> <p><u>The 1st amendment was made on March 14, 2018.</u></p> <p><u>The 2nd amendment was made on November 01, 2022.</u></p>	<p><b>Article 28</b></p> <p>Formulated on January 04, 2017.</p> <p>The 1st amendment was made on March 14, 2018.</p>	<p>To add the date of amendment.</p>

**ITEQ CORPORATION**  
**Operating Guide for Ethical Corporate Management Best Practice Principles**  
**Comparison Table of Amendments**

Amended Provisions	Current Provisions	Explanation
<p><b>Article 5 Content</b></p> <p>I. Responsible unit: The Corporation shall designate the <u>Operation and Management Committee</u> as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and to be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the Board of Directors:</p> <p>1. Assisting in incorporating ethics and moral values into the corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>2. <u>Analyzing and assessing the risk of involvement in unethical conduct within the business scope on a regular basis, adopting programs accordingly</u> to prevent unethical conduct, <u>and</u> setting out in each program the standard operating procedures and conduct guidelines with respect to the corporation's operations and business.</p> <p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness</p>	<p><b>Article 5 Content</b></p> <p>I. Responsible unit: The Corporation shall designate the <u>Operation and Management Committee</u> as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and to be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the Board of Directors:</p> <p>1. Assisting in incorporating ethics and moral values into the corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>2. Formulate programs to prevent unethical conduct, <u>and</u> set out the standard operating procedures and conduct guidelines with respect to the corporation's operations and business in each program.</p> <p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual</p>	<p>Amend according to the JGZFFZ No. 1080341134 document issued by the Financial Supervisory Commission of Executive Yuan on February 12, 2020.</p>

Amended Provisions	Current Provisions	Explanation
<p>and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>7. <u>Preparing and retaining properly documented information such as ethical management policy and compliance statements, situations concerning the performance of undertakings and enforcement etc.</u></p> <p>II. Prohibition against providing or accepting improper benefits</p> <p>Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of this Corporation shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:</p> <p>1、The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.</p> <p>2、The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing</p>	<p>supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>II. Prohibition against providing or accepting improper benefits</p> <p>Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of this Corporation shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:</p> <p>1、The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and</p>	

Amended Provisions	Current Provisions	Explanation
<p>relationships.</p> <p>3、Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.</p> <p>4、Attendance at folk festivals that are open to and invite the attendance of the general public.</p> <p>5、Rewards, emergency assistance, condolence payments, or honorariums from the management.</p> <p>6、<u>Money, property, or other benefits offered to or accepted from a person other than relatives or friends; or gifts of property given by another party to the majority of the personnel of this Corporation, which conform to the general social norms or standard etiquette.</u></p> <p>7、<u>Property received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative, which conform to the general social norms or standard etiquette.</u></p> <p>8、Other conduct that complies with the rules of the Corporation.</p> <p>III. Procedures for handling the acceptance of improper benefits</p> <p>Except under any of the circumstances set forth in the preceding article, when any personnel of the Corporation are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:</p> <p>1、If there is no relationship of interest between the party providing or offering the</p>	<p>coordination.</p> <p>2、The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.</p> <p>3、Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.</p> <p>4、Attendance at folk festivals that are open to and invite the attendance of the general public.</p> <p>5、Rewards, emergency assistance, condolence payments, or honorariums from the management.</p> <p>6、Other conduct that complies with the rules of the Corporation.</p> <p>III. Procedures for handling the acceptance of improper benefits</p> <p>Except under any of the circumstances set forth in the preceding article, when any personnel of the Corporation are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:</p> <p>1、If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the</p>	

Amended Provisions	Current Provisions	Explanation
<p>benefit and the official duties of the Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.</p> <p>2、If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Corporation's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.</p> <p>“A relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel,” as referred to in the preceding paragraph, refers to one of the following circumstances:</p> <p>1、When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.</p> <p>2、When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.</p> <p>3、Other circumstances in which a decision regarding the Corporation's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.</p> <p>The responsible unit of the Corporation shall make a proposal, based on the nature and value of the benefit under subparagraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the CEO.</p>	<p>responsible unit shall be notified if necessary.</p> <p>2、If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Corporation's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.</p> <p>“A relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel,” as referred to in the preceding paragraph, refers to one of the following circumstances:</p> <p>1、When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.</p> <p>2、When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.</p> <p>3、Other circumstances in which a decision regarding the Corporation's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.</p> <p>The responsible unit of the Corporation shall make a proposal, based on the nature and value of the benefit under subparagraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in</p>	

Amended Provisions	Current Provisions	Explanation
<p>IV. Prohibition of and handling procedure for facilitating payments</p> <p>The Corporation shall neither provide nor promise any facilitating payment.</p> <p>If any personnel of the Corporation provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.</p> <p>Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.</p> <p>V. Procedures for handling political contributions</p> <p>Political contributions by the Corporation <u>shall be made in accordance with the following provisions, reported to the supervisor in charge for approval, and a notification given to the responsible unit, and when the amount of a contribution is NT\$1,000,000 or more, it shall be made only after being reported to and approved by the Board of Directors.</u></p> <p><u>1. Shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.</u></p> <p><u>2. A written record of the decision-making process shall be kept.</u></p> <p><u>3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.</u></p> <p><u>4. In making political contributions,</u></p>	<p>another appropriate manner. The proposal shall be implemented after being reported and approved by the CEO.</p> <p>IV. Prohibition of and handling procedure for <b>facilitating</b> payments</p> <p>The Corporation shall neither provide nor promise any facilitating payment.</p> <p>If any personnel of the Corporation provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.</p> <p>Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.</p> <p>V. Procedures for handling political contributions</p> <p>Political contributions shall be provided by the Corporation <u>after it is ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located and approved by the supervisor in charge according to the provisions of level of authority.</u></p> <p>VI. Procedures for handling charitable donations or sponsorships</p> <p>Charitable donations or sponsorships by the Corporation shall be provided in accordance with <u>the Corporation's relevant regulations</u> and the following</p>	

Amended Provisions	Current Provisions	Explanation
<p>commercial dealings, applications for permits, or carrying out other matters involving the interests of the Corporation with the related government agencies shall be avoided.</p> <p>VI. Procedures for handling charitable donations or sponsorships</p> <p>Charitable donations or sponsorships by the Corporation shall be provided in accordance with the following provisions, and reported to the supervisor in charge for approval, and a notification shall be given to the responsible unit. They shall be reported to the Board of Directors for verification regardless of the amount:</p> <p>1、It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Corporation is doing business.</p> <p>2、A written record of the decision-making process shall be kept.</p> <p>3、A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.</p> <p>4、The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Corporation's commercial dealings or a party with which any personnel of the Corporation has a relationship of interest.</p> <p>5、After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.</p> <p>VII. Recusal</p> <p>When a director, managerial officer or other stakeholder of the Corporation attending or present at a Board meeting, or the juristic person represented thereby, has a stake in a matter under <u>discussion in the meeting</u>, that director,</p>	<p>provisions:</p> <p>1、It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Corporation is doing business.</p> <p>2、A written record of the decision-making process shall be kept.</p> <p>3、A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.</p> <p>4、The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Corporation's commercial dealings or a party with which any personnel of the Corporation has a relationship of interest.</p> <p>5、After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.</p> <p>VII. Recusal</p> <p>When a director, managerial officer or other stakeholder of the Corporation attending or present at a Board meeting, or the juristic person represented thereby, has a stake in a matter <u>of proposals in the meeting</u>, that director, managerial officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or</p>	

Amended Provisions	Current Provisions	Explanation
<p>managerial officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>If in the course of conducting company business, any personnel of the Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the Corporation may use company resources on commercial activities other than those of the Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Corporation.</p> <p>~Hereinafter omitted~</p>	<p>herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course of conducting company business, any personnel of the Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the Corporation may use company resources on commercial activities other than those of the Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Corporation.</p> <p>~Hereinafter omitted~</p>	
<p><b>Article 6 Handling of unethical conduct by personnel of the Corporation</b></p>	<p><b>Article 6 Handling of unethical conduct by personnel of the</b></p>	<p>Amend according to the JGZFF No. 1080341134</p>



Amended Provisions	Current Provisions	Explanation
<p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Corporation will grant a reward depending the seriousness of the circumstance concerned and a reporting reward shall be given according to the relevant regulations. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The Corporation shall internally establish and publicly announce on its website and the intranet, an independent mailbox (iteq.audit@iteq.com.tw) or hotline, for insiders and outsiders of the Corporation to submit reports.</p> <p>A whistleblower shall at least furnish the following information:</p> <p>1、The whistleblower's name and I.D. Number, <u>whistleblowing reports may be submitted anonymously</u>, whistleblowing reports may be submitted anonymously, and an address, telephone number and e-mail address where he/she can be reached.</p> <p>2、The informed party's name or other information sufficient to distinguish its identifying features.</p> <p>3、Specific facts available for investigation.</p> <p>Personnel of the Corporation handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. The responsible unit of the Corporation shall observe the following procedure in handling <u>whistleblowing matters</u>:</p> <p>1、An information shall be reported to the department head if involving the rank and file</p>	<p><b>Corporation</b></p> <p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Corporation will grant a reward depending the seriousness of the circumstance concerned and a reporting reward shall be given according to the relevant regulations. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The Corporation shall internally establish and publicly announce on its website and the intranet, an independent mailbox (iteq.audit@iteq.com.tw) or hotline, for insiders and outsiders of the Corporation to submit reports.</p> <p>A whistleblower shall at least furnish the following information:</p> <p>1、The whistleblower's name and I.D. Number, and an address, telephone number and e-mail address where he/she can be reached.</p> <p>2、The informed party's name or other information sufficient to distinguish its identifying features.</p> <p>3、Specific facts available for investigation.</p> <p>Personnel of the Corporation handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.</p> <p>The responsible unit of the Corporation</p>	<p>document issued by the Financial Supervisory Commission of Executive Yuan on February 12, 2020.</p>

Amended Provisions	Current Provisions	Explanation
<p>and to an independent director if involving a director or a senior executive.</p> <p>2、The responsible unit of the Corporation and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.</p> <p>3、If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Corporation's policy and regulations of ethical management, the Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Corporation <u>will report to the competent authority, refer said person to judicial authority for investigation, or institute legal proceedings</u> and seek damages to safeguard its reputation and its rights and interests.</p> <p>~Hereinafter omitted~</p>	<p>shall handle according to the following procedures:</p> <p>1、An information shall be reported to the department head if involving the rank and file and to an independent director if involving a director or a senior executive.</p> <p>2、The responsible unit of the Corporation and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.</p> <p>3、If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Corporation's policy and regulations of ethical management, the Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Corporation will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>~Hereinafter omitted~</p>	
<p><b>Article 8 Internal awareness sessions and establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</b></p> <p>The Management Department of the Corporation shall organize an internal awareness session at least once each year and arrange for the Chairperson of the Board, CEO, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.</p>	<p><b>Article 8 Internal awareness sessions and establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</b></p> <p>The responsible unit of the Corporation shall organize an internal awareness session periodically and arrange for the Chairperson of the Board, CEO, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.</p>	<p>This Article is amended to clearly state that the Management Department is responsible for organizing the briefing and conducting internal awareness session annually.</p>

Amended Provisions	Current Provisions	Explanation
<p>The Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>~Hereinafter omitted~</p>	<p>The Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>~Hereinafter omitted~</p>	
<p><b>Article 10</b></p> <p>These Procedures and Guidelines were formulated on January 04, 2017.</p> <p>The 1st amendment was made on March 14, 2018,</p> <p><u>the 2nd amendment was made on November 01, 2022.</u></p>	<p><b>Article 10</b></p> <p>These Procedures and Guidelines were formulated on January 04, 2017.</p> <p>The 1st amendment was made on March 14, 2018.</p>	<p>To add the date of amendment.</p>

## Appendix 5

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
ITEQ Corporation

#### Opinion

We have audited the accompanying consolidated financial statements of ITEQ Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

### **Assessment of Inventory**

The inventory of the Group is susceptible to price fluctuations and obsolescence due to changes in demand for finished goods and raw materials caused by price fluctuations in the market. Management estimated the allowance for impairment loss of inventory based on its historical stock sales, and market conditions may also influence management's estimation of the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 9 to the consolidated financial statements for disclosures on the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We obtained an understanding the design and implementation of the internal control related to inventory, which included the evaluation of the impairment and obsolescence of inventory which were recognized and approved by management.
2. We selected samples from the year-end inventory record details and verified the purchase price of raw materials or sales price of inventories and we recalculated the net realizable value to confirm the correctness of its calculation. We took samples and compared the net realizable value of inventories with their carrying amount to assess the reasonableness of the inventory impairment provisions.
3. We obtained the slow-moving inventory and the aging report of inventory in detail, analyzed the differences between the current and prior years, and we recalculated the impairment of obsolete inventory to confirm the correctness of its calculation.

### **Other Matter**

We have also audited the parent company only financial statements of ITEQ Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee and supervisors, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao, Li and Yi-Chi, Chein.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 7, 2023

Notice to Readers

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

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

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 5,213,819	16	\$ 4,423,278	12
Financial assets at fair value through profit or loss - current (Note 7)	3,273	-	4,618	-
Net accounts receivable and notes receivable (Note 8)	12,119,285	36	13,260,199	37
Other receivables (Notes 22 and 27)	269,426	1	225,839	1
Current tax assets (Note 23)	32,381	-	32,456	-
Inventories, net (Note 9)	2,731,351	8	5,166,981	14
Other current assets (Note 15)	1,099,406	3	1,261,998	3
Total current assets	21,468,941	64	24,375,369	67
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 10)	32,684	-	29,687	-
Investments accounted for using equity method (Note 11)	47,603	-	-	-
Property, plant and equipment (Note 12)	6,556,717	20	6,504,769	18
Right-of-use assets (Notes 13 and 28)	298,374	1	310,873	1
Intangible assets (Note 14)	9,141	-	8,360	-
Deferred tax assets (Note 23)	285,385	1	293,471	1
Other non-current assets (Notes 15, 19 and 28)	4,684,764	14	4,714,757	13
Total non-current assets	11,914,668	36	11,861,917	33
<b>TOTAL</b>	<b>\$ 33,383,609</b>	<b>100</b>	<b>\$ 36,237,286</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 6)	\$ 2,465,577	7	\$ 2,131,144	6
Financial liabilities at fair value through profit or loss - current (Note 7)	7,681	-	-	-
Short-term bills payable, net (Note 16)	149,915	1	-	-
Accounts payable and notes payable	5,926,422	18	7,121,256	19
Other payables (Note 17)	1,635,974	5	4,259,191	12
Current tax liabilities (Note 23)	550,684	2	640,862	2
Provisions - current (Note 18)	14,539	-	17,023	-
Lease liabilities - current (Notes 13 and 28)	55,120	-	49,366	-
Current portion of long-term borrowings (Note 16)	17,086	-	-	-
Other current liabilities (Note 21)	60,037	-	45,963	-
Total current liabilities	10,883,035	33	14,264,805	39
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 13 and 28)	213,861	1	227,546	1
Long-term borrowings, net of current portion (Note 16)	1,676,771	5	-	-
Deferred tax liabilities (Note 23)	460,976	1	396,501	1
Guarantee deposits received	37,980	-	33,696	-
Total non-current liabilities	2,389,588	7	657,743	2
Total liabilities	13,272,623	40	14,922,548	41
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 25)</b>				
Share capital	3,629,572	11	3,829,572	10
Capital surplus	9,201,666	27	9,690,481	27
Retained earnings				
Legal reserve	2,199,863	7	1,885,194	5
Special reserve	514,181	2	444,936	1
Unappropriated earnings	4,847,042	14	5,978,737	17
Total retained earnings	7,561,086	23	8,308,867	23
Other items in equity	(281,338)	(1)	(514,182)	(1)
Total equity	20,110,986	60	21,314,738	59
<b>TOTAL</b>	<b>\$ 33,383,609</b>	<b>100</b>	<b>\$ 36,237,286</b>	<b>100</b>

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



# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 21)	\$ 29,129,710	100	\$ 32,524,688	100
COST OF GOODS SOLD (Notes 9 and 22)	<u>25,189,807</u>	<u>86</u>	<u>26,545,139</u>	<u>82</u>
GROSS PROFIT	<u>3,939,903</u>	<u>14</u>	<u>5,979,549</u>	<u>18</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	652,520	2	656,981	2
General and administrative expenses	857,993	3	997,089	3
Research and development expenses	531,022	2	510,019	2
Expected credit loss (gain)	<u>1,949</u>	<u>-</u>	<u>(4,036)</u>	<u>-</u>
Total operating expenses	<u>2,043,484</u>	<u>7</u>	<u>2,160,053</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,896,419</u>	<u>7</u>	<u>3,819,496</u>	<u>11</u>
NON-OPERATING INCOME (Notes 22 and 28)				
Interest income	22,453	-	10,391	-
Other income	160,800	-	67,049	-
Finance costs	(106,876)	-	(81,127)	-
Shares of loss of joint venture recognized using the equity method	(1,397)	-	-	-
Other gains and losses	<u>343,726</u>	<u>1</u>	<u>(1,106)</u>	<u>-</u>
Total non-operating income and expenses	<u>418,706</u>	<u>1</u>	<u>(4,793)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,315,125	8	3,814,703	11
INCOME TAX EXPENSE (Note 23)	<u>459,952</u>	<u>2</u>	<u>669,900</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>1,855,173</u>	<u>6</u>	<u>3,144,803</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	6,222	-	1,883	-
Unrealized gain on equity investments through other comprehensive income (Note 20)	4,097	-	(7,255)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	<u>(1,406)</u>	<u>-</u>	<u>510</u>	<u>-</u>
	<u>8,913</u>	<u>-</u>	<u>(4,862)</u>	<u>-</u>

(Continued)

## ITEQ CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 20)	\$ 287,691	1	\$ (78,126)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 23)	<u>(57,538)</u>	<u>-</u>	<u>15,625</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>230,153</u>	<u>1</u>	<u>(62,501)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>239,066</u>	<u>1</u>	<u>(67,363)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,094,239</u>	<u>7</u>	<u>\$ 3,077,440</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 1,855,173</u>	<u>6</u>	<u>\$ 3,144,803</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 2,094,239</u>	<u>7</u>	<u>\$ 3,077,440</u>	<u>9</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 4.94</u>		<u>\$ 9.00</u>	
Diluted	<u>\$ 4.91</u>		<u>\$ 8.93</u>	

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

(Concluded)

## ITEQ CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share capital		Capital Surplus (Note 20 and 25)	Retained Earnings (Note 20)			Other Item Equity (Note 20)		treasury stock	Total Equity
	Shares (Thousands)	Share Capital (Note 20)		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2021	332,957	\$ 3,329,572	\$ 3,682,051	\$ 1,618,630	\$ 583,390	\$ 4,624,947	\$ (442,507)	\$ (2,429)	\$ -	\$ 13,393,654
Appropriation of 2020 earnings										
Legal reserve	-	-	-	266,564	-	(266,564)	-	-	-	-
Special reserve	-	-	-	-	(138,454)	138,454	-	-	-	-
Cash dividends	-	-	-	-	-	(1,664,786)	-	-	-	(1,664,786)
Capital increase by cash	50,000	500,000	5,994,343	-	-	-	-	-	-	6,494,343
Share-based payment due to issuance of ordinary shares (Note 25)	-	-	14,087	-	-	-	-	-	-	14,087
Net consolidated income for the year ended December 31, 2021	-	-	-	-	-	3,144,803	-	-	-	3,144,803
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	1,883	(62,501)	(6,745)	-	(67,363)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,146,686	(62,501)	(6,745)	-	3,077,440
BALANCE AT DECEMBER 31, 2021	382,957	3,829,572	9,690,481	1,885,194	444,936	5,978,737	(505,008)	(9,174)	-	21,314,738
Appropriation of 2021 earnings										
Legal reserve	-	-	-	314,669	-	(314,669)	-	-	-	-
Special reserve	-	-	-	-	69,245	(69,245)	-	-	-	-
Cash dividends	-	-	-	-	-	(1,914,786)	-	-	-	(1,914,786)
Share-based payment due to issuance of ordinary shares (Note 25)	-	-	16,404	-	-	-	-	-	-	16,404
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(1,399,609)	(1,399,609)
Treasury stock cancellation	(20,000)	(200,000)	(505,219)	-	-	(694,390)	-	-	1,399,609	-
Net consolidated income for the year ended December 31, 2022	-	-	-	-	-	1,855,173	-	-	-	1,855,173
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,222	230,153	2,691	-	239,066
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	1,861,395	230,153	2,691	-	2,094,239
BALANCE AT DECEMBER 31, 2022	362,957	\$ 3,629,572	\$ 9,201,666	\$ 2,199,863	\$ 514,181	\$ 4,847,042	\$ (274,855)	\$ (6,483)	\$ -	\$ 20,110,986

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

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,315,125	\$ 3,814,703
Adjustments for:		
Depreciation expense	1,069,173	948,002
Expected credit loss (gain)	1,949	(4,036)
Net loss on financial assets at fair value through profit or loss	6,495	1,078
Finance costs	106,876	81,127
Interest income	(22,453)	(10,391)
Share-based compensation	16,404	14,087
Share of profits and losses of related companies recognized using the equity method	1,397	-
Loss on disposal of property, plant and equipment	4,884	11,551
Reversal of loss on impairment of property, plant and equipment	(17,475)	(18,707)
Recognition of write-down of inventories	73,318	90,727
(Gain) loss on foreign currency exchange	(17,287)	5,181
Amortization of prepayments	92,004	73,155
Reversal of provisions	(2,766)	(14,425)
Loss from disaster	-	464,195
Changes in operating assets and liabilities		
Notes receivable	(1,250,673)	1,193,241
Accounts receivable	3,700,129	(3,967,941)
Other receivables	(38,259)	(137,505)
Inventories	2,784,260	(2,258,091)
Offset against value-added tax payable	319,064	(103,989)
Other current assets	(35,135)	(26,092)
Accounts payable	(1,858,324)	2,422,311
Other payables	(253,059)	1,330,091
Other current liabilities	7,860	(1,808)
Cash generated from operations	7,003,507	3,906,464
Interest paid	(97,881)	(80,187)
Income tax paid	(479,031)	(673,047)
Net cash generated from operating activities	<u>6,426,595</u>	<u>3,153,230</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from purchase of financial assets at fair value through other comprehensive income	2,531	-
Acquisition of joint venture	(49,000)	-
Return of investments	1,100	713
Payments for property, plant and equipment	(3,152,054)	(4,948,268)
Proceeds from disposal of property, plant and equipment	2,955	1,984
Increase in refundable deposits	(26,474)	(27,272)
Decrease in refundable deposits	31,610	68,275

(Continued)

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Increase in other non-current assets	\$ (50,917)	\$ (68,234)
Interest received	<u>21,332</u>	<u>9,282</u>
Net cash used in investing activities	<u>(3,218,917)</u>	<u>(4,963,520)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	147,552	(60,899)
Increase (decrease) in short-term bills payable	149,620	(50,412)
Proceeds from long-term borrowings	1,679,062	230,000
Repayments of long-term borrowings	-	(1,958,235)
Increase in guarantee deposits received	16,925	9,616
Decrease in guarantee deposits received	(13,099)	(12,256)
Repayment of the principal portion of lease liabilities	(60,438)	(54,638)
Cash dividends paid	(1,914,786)	(1,664,786)
Proceeds from issuance of ordinary shares	-	6,494,343
Payments for buy-back of ordinary shares	<u>(1,399,609)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(1,394,773)</u>	<u>2,932,733</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,022,364)</u>	<u>13,701</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	790,541	1,136,144
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,423,278</u>	<u>3,287,134</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,213,819</u>	<u>\$ 4,423,278</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
ITEQ Corporation

### **Opinion**

We have audited the accompanying financial statements of ITEQ Corporation (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Assessment of Inventory**

The inventory of the Company is susceptible to price fluctuations and obsolescence due to changes in demand for finished goods and raw materials caused by price fluctuations in the market. Management estimated the allowance for impairment loss of inventory based on its historical stock sales, and market conditions may also influence management's estimation of the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 9 to the financial statements for disclosures on the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We obtained an understanding the design and implementation of the internal control related to inventory, which included the evaluation of the impairment and obsolescence of inventory which were recognized and approved by management.
2. We selected samples from the year-end inventory record details and verified the purchase price of raw materials or sales price of inventories and we recalculated the net realizable value to confirm the correctness of its calculation. We took samples and compared the net realizable value of inventories with their carrying amount to assess the reasonableness of the inventory impairment provisions.
3. We obtained the slow-moving inventory and the aging report of inventory in detail, analyzed the differences between the current and prior years, and we recalculated the impairment of obsolete inventory to confirm the correctness of its calculation.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ITEQ Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee and supervisors, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao, Li and Yi-Chi, Chein.

Deloitte & Touch  
Taipei, Taiwan  
Republic of China

March 7, 2023

Notice to Readers

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

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

# ITEQ CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 344,406	2	\$ 1,051,780	5
Accounts receivable and notes receivable, net (Note 8)	522,831	2	577,690	2
Accounts receivable - related parties (Note 25)	271,479	1	635,409	3
Other receivables (Notes 19, 24 and 25)	213,905	1	177,748	1
Other receivables - related parties (Note 25)	185,153	1	304,527	1
Current tax assets (Note 20)	32,381	-	32,299	-
Inventories, net (Note 9)	215,885	1	558,202	2
Other current assets (Note 6)	93,345	-	66,170	-
Total current assets	<u>1,879,385</u>	<u>8</u>	<u>3,403,825</u>	<u>14</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 10)	2,371	-	5,304	-
Investment accounted for using the equity method (Note 11)	20,812,109	83	18,346,299	78
Property, plant and equipment (Note 12)	833,619	3	295,185	1
Right-of-use assets (Notes 13 and 25)	174,021	1	200,295	1
Deferred tax assets (Note 20)	234,876	1	247,343	1
Prepayments for equipment	865,590	3	987,314	4
Other non-current assets (Notes 14, 16 and 25)	177,740	1	153,642	1
Total non-current assets	<u>23,100,326</u>	<u>92</u>	<u>20,235,382</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 24,979,711</u>	<u>100</u>	<u>\$ 23,639,207</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 1,650,000	7	\$ -	-
Short-term bills payable, net (Note 15)	149,915	1	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	7,681	-	-	-
Accounts payable and notes payable	377,272	1	322,408	2
Accounts payable - related parties (Note 25)	207,976	1	553,457	3
Other payables	577,317	2	783,624	3
Other payables - related parties (Note 25)	7,257	-	8,495	-
Current tax liabilities (Note 20)	-	-	9,329	-
Lease liabilities - current (Notes 13 and 25)	28,103	-	27,766	-
Other current liabilities (Note 18)	56,981	-	51,139	-
Total current liabilities	<u>3,062,502</u>	<u>12</u>	<u>1,756,218</u>	<u>8</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion (Note 15)	1,200,000	5	-	-
Deferred tax liabilities (Note 20)	460,976	2	396,501	1
Lease liabilities - non-current (Notes 13 and 25)	144,347	-	169,250	1
Guarantee deposits received	900	-	2,500	-
Total non-current liabilities	<u>1,806,223</u>	<u>7</u>	<u>568,251</u>	<u>2</u>
Total liabilities	<u>4,868,725</u>	<u>19</u>	<u>2,324,469</u>	<u>10</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)</b>				
Share capital	3,629,572	15	3,829,572	16
Capital surplus	9,201,666	37	9,690,481	41
Retained earnings				
Legal reserve	2,199,863	9	1,885,194	8
Special reserve	514,181	2	444,936	2
Unappropriated earnings	4,847,042	19	5,978,737	25
Total retained earnings	7,561,086	30	8,308,867	35
Other items in equity	(281,338)	(1)	(514,182)	(2)
Total equity	<u>20,110,986</u>	<u>81</u>	<u>21,314,738</u>	<u>90</u>
<b>TOTAL</b>	<u>\$ 24,979,711</u>	<u>100</u>	<u>\$ 23,639,207</u>	<u>100</u>

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

# ITEQ CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 18 and 25)	\$ 1,946,161	100	\$ 3,680,011	100
COST OF GOODS SOLD (Notes 9, 19 and 25)	<u>2,060,888</u>	<u>106</u>	<u>3,778,909</u>	<u>103</u>
GROSS LOSS	<u>(114,727)</u>	<u>(6)</u>	<u>(98,898)</u>	<u>(3)</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(5,234)	-	(9,050)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>9,050</u>	<u>-</u>	<u>25,276</u>	<u>1</u>
REALIZED GROSS LOSS	<u>(110,911)</u>	<u>(6)</u>	<u>(82,672)</u>	<u>(2)</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	101,312	5	102,401	3
General and administrative expenses	327,400	17	400,198	11
Research and development expenses	201,549	10	173,163	4
Expected credit (gain) loss	<u>(2,951)</u>	<u>-</u>	<u>3,327</u>	<u>-</u>
Total operating expenses	<u>627,310</u>	<u>32</u>	<u>679,089</u>	<u>18</u>
LOSS FROM OPERATIONS	<u>(738,221)</u>	<u>(38)</u>	<u>(761,761)</u>	<u>(20)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 25)	15,197	1	37,420	1
Interest revenue (Notes 19 and 25)	2,409	-	1,618	-
Finance costs (Notes 19 and 25)	(20,541)	(1)	(24,489)	(1)
Other gains and losses (Note 19)	576,936	30	(98,448)	(3)
Share of profit of subsidiaries and joint ventures (Note 11)	<u>2,036,603</u>	<u>105</u>	<u>3,955,681</u>	<u>108</u>
Total non-operating income and expenses	<u>2,610,604</u>	<u>135</u>	<u>3,871,782</u>	<u>105</u>
INCOME BEFORE INCOME TAX	1,872,383	97	3,110,021	85
INCOME TAX EXPENSE (BENEFIT) (Note 20)	<u>17,210</u>	<u>1</u>	<u>(34,782)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>1,855,173</u>	<u>96</u>	<u>3,144,803</u>	<u>86</u>

(Continued)

# ITEQ CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on equity investments through other comprehensive income (Note 17)	\$ (2,933)	-	\$ (4,696)	-
Remeasurement of defined benefit plans (Note 16)	6,222	-	1,883	-
Share of other comprehensive income (loss) of subsidiaries	<u>5,624</u>	<u>-</u>	<u>(2,049)</u>	<u>-</u>
	<u>8,913</u>	<u>-</u>	<u>(4,862)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 17)	287,691	15	(78,126)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>(57,538)</u>	<u>(3)</u>	<u>15,625</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>230,153</u>	<u>12</u>	<u>(62,501)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>239,066</u>	<u>12</u>	<u>(67,363)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,094,239</u>	<u>108</u>	<u>\$ 3,077,440</u>	<u>84</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21)				
Basic	<u>\$ 4.94</u>		<u>\$ 9.00</u>	
Diluted	<u>\$ 4.91</u>		<u>\$ 8.93</u>	

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

(Concluded)

# ITEQ CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Shares (Thousands)	Share Capital (Note 17)	Capital Surplus (Notes 17 and 22)	Retained Earnings (Note 17)			Other Item Equity (Note 17)		Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
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
Appropriation of 2020 earnings										
Legal reserve	-	-	-	266,564	-	(266,564)	-	-	-	-
Special reserve	-	-	-	-	(138,454)	138,454	-	-	-	-
Cash dividends	-	-	-	-	-	(1,664,786)	-	-	-	(1,664,786)
Issuance of ordinary shares for cash	50,000	500,000	5,994,343	-	-	-	-	-	-	6,494,343
Share-based payment transactions (Note 22)	-	-	14,087	-	-	-	-	-	-	14,087
Net income for the year ended December 31, 2021	-	-	-	-	-	3,144,803	-	-	-	3,144,803
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	1,883	(62,501)	(6,745)	-	(67,363)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,146,686	(62,501)	(6,745)	-	3,077,440
BALANCE AT DECEMBER 31, 2021	382,957	3,829,572	9,690,481	1,885,194	444,936	5,978,737	(505,008)	(9,174)	-	21,314,738
Appropriation of 2021 earnings										
Legal reserve	-	-	-	314,669	-	(314,669)	-	-	-	-
Special reserve	-	-	-	-	69,245	(69,245)	-	-	-	-
Cash dividends	-	-	-	-	-	(1,914,786)	-	-	-	(1,914,786)
Share-based payment transactions (Note 22)	-	-	16,404	-	-	-	-	-	-	16,404
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(1,399,609)	(1,399,609)
Treasury stock cancellation	(20,000)	(200,000)	(505,219)	-	-	(694,390)	-	-	1,399,609	-
Net income for the year ended December 31, 2022	-	-	-	-	-	1,855,173	-	-	-	1,855,173
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,222	230,153	2,691	-	239,066
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	1,861,395	230,153	2,691	-	2,094,239
BALANCE AT DECEMBER 31, 2022	362,957	\$ 3,629,572	\$ 9,201,666	\$ 2,199,863	\$ 514,181	\$ 4,847,042	\$ (274,855)	\$ (6,483)	\$ -	\$ 20,110,986

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

# ITEQ CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,872,383	\$ 3,110,021
Adjustments for:		
Expected credit (gain) loss	(2,951)	3,327
Financial instrument at fair value through profit or loss	5,150	-
Depreciation expense	197,632	172,829
Amortization of prepayments	9,473	9,429
Finance costs	20,541	24,489
Interest income	(2,409)	(1,618)
Share-based compensation	-	6,758
Share of profit of subsidiaries and joint ventures	(2,036,603)	(3,955,681)
Loss on disposal of property, plant and equipment	1,162	324
Reversal on impairment loss of property, plant and equipment	(17,856)	-
Write-downs of inventories	29,799	73,051
Unrealized gain on transactions with subsidiaries	5,234	9,050
Realized gain on the transactions with subsidiaries	(19,647)	(57,066)
(Gain) loss on foreign currency exchange	(17,582)	31,266
Losses from disaster	-	464,195
Changes in operating assets and liabilities		
Notes receivable	41,883	(13,105)
Accounts receivable	12,916	(94,656)
Accounts receivable - related parties	374,651	179,718
Other receivables	(36,012)	(123,204)
Other receivables - related parties	(26,064)	(16,432)
Inventories	312,518	(113,749)
Other current assets	(27,175)	(56,324)
Accounts payable	(319,229)	(222,702)
Accounts payable - related parties	(174,242)	291,119
Other payables	(623,431)	204,239
Other payables - related parties	569,016	(6,925)
Other current liabilities	773	970
Cash generated from (used in) operations	149,930	(80,677)
Interest paid	(16,979)	(24,952)
Income tax paid	(6,499)	(6)
Net cash generated from (used in) operating activities	<u>126,452</u>	<u>(105,635)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of financial assets at fair value through profit or loss	2,531	-
Acquisition of joint venture	(49,000)	-
Proceeds from disposal of property, plant and equipment	543	33
Decrease in refundable deposits	2,525	1,563
Increase in other non-current assets	(28,753)	(144,648)
Increase in prepayments for equipment	(568,092)	(1,010,803)

(Continued)

# ITEQ CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Interest received	\$ 1,288	\$ 509
Dividends received from subsidiaries	<u>149,900</u>	<u>277,501</u>
Net cash used in investing activities	<u>(489,058)</u>	<u>(875,845)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	1,650,000	(1,390,000)
Net increase (decrease) in short-term bills payable	149,618	(50,412)
Proceeds from long-term borrowings	1,200,000	230,000
Repayments of long-term borrowings	-	(1,958,235)
Increase in guarantee deposits received	10,800	7,200
Decrease in guarantee deposits received	(12,400)	(9,897)
Repayment of the principal portion of lease liabilities	(28,391)	(27,346)
Cash dividends paid	(1,914,786)	(1,664,786)
Payments for buy-back of ordinary shares	(1,399,609)	-
Proceeds from issuance of ordinary shares	<u>-</u>	<u>6,494,343</u>
Net cash (used in) generated from financing activities	<u>(344,768)</u>	<u>1,630,867</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENT	(707,374)	649,387
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,051,780</u>	<u>402,393</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 344,406</u>	<u>\$ 1,051,780</u>

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

(Concluded)

**ITEQ CORPORATION**  
**Profit Distribution Table**  
**2022**

Currency Unit: NT\$

Item	Amount
<b>Beginning balance of retained earnings</b>	<b>3,680,036,403</b>
Current net profit after tax	1,855,173,572
Add: Remeasurements of defined benefit plans recognized in retained earnings	6,221,775
<b>Current net profit after tax plus other items other than the current net profit after tax is counted into the amount of the current unappropriated retained earnings</b>	<b>1,861,395,347</b>
Less: Legal reserve (10%)	(186,139,535)
Add: Reversal of special reserve	232,843,406
<b>Current earnings available for distribution</b>	<b>5,588,135,621</b>
Distributable items:	
Shareholders' cash dividends (NT\$3.0 per share)	1,088,871,654
<b>Unappropriated retained earnings</b>	<b>4,499,263,967</b>

Notes:

1. The above-mentioned dividend distribution ratio is based on the number of 362,957,218 shares outstanding as of March 7, 2023.
2. 2022 profit distribution shall take the first priority.

Chairperson of the Board:  
Chin-Tsai Chen

Managerial Officer:  
Hsin-Hui Tsai

Accounting Supervisor:  
Jung-Tsan Chou



**ITEQ CORPORATION**  
**Operating Procedures of Lending Funds to Others**  
**Comparison Table of Amendments**

Amended Provisions	Current Provisions	Explanation
<p>Article 6: Duration of loans and calculation of interest</p> <p>Whenever a borrower obtains loans from the Corporation, the loan term is limited to one year or one operating cycle (whichever is longer). The restriction of limits on the durations of loans as described in the preceding paragraph shall not apply to inter-company <u>loans of funds</u>, between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares. However, <u>the number of times the loan may be extended is limited to two and the total loan term for a single loan amount, which includes the extension period plus the original loan term</u> shall not exceed five years.</p> <p>Regarding the interest calculation for funds loaned by the Corporation, interest shall accrue on monthly basis at a rate not lower than the average interest rate for the Corporation's borrowings from financial institutions. Under special circumstances, an adjustment may be made based on actual situation following consent by the Board of Directors. In addition, this shall not apply to inter-company loans of funds between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of funds to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares.</p>	<p>Article 6: Duration of loans and calculation of interest</p> <p>Whenever a borrower obtains loans from the Corporation, the loan term is limited to one year or one operating cycle (whichever is longer). The restriction of limits on the durations of loans as described in the preceding paragraph shall not apply to inter-company loans of funds between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares. However, the loan term should not exceed 5 years.</p> <p>Regarding the interest calculation for funds loaned by the Corporation, interest shall accrue on monthly basis at a rate not lower than the average interest rate for the Corporation's borrowings from financial institutions. Under special circumstances, an adjustment may be made based on actual situation following consent by the Board of Directors. In addition, this shall not apply to inter-company loans of funds between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of funds to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares.</p>	<p>Amend the loan term for funds lend between overseas companies holding 100% and for loans lend to the parent company.</p>
<p>Article 7: Follow-up control measures for granted loans and procedures for handling overdue loans</p> <p>After a loan is granted, the Finance Department shall pay attention to any changes in the financial status, business conditions, and relevant credit situations of the borrower and its guarantor, as well as changes in the value of collaterals, and</p>	<p>Article 7: Follow-up control measures for granted loans and procedures for handling overdue loans</p> <p>After a loan is granted, the Finance Department shall pay attention to any changes in the financial status, business conditions, and relevant credit situations of the borrower and its guarantor, as well as changes in the value of collaterals, and</p>	<p>Words are amended to slightly revise this Article.</p>

<p>keep written records. If significant changes occur, they should be reported to the General Manager and relevant responsible units to handle immediately.</p> <p>When the borrower repays the loan on the maturity date or in advance, they must repay the principal and the accrued interest payable. Only then can the loan note guarantee be returned to the borrower or the mortgage be canceled.</p> <p>If the borrower fails to repay the loan at maturity, the Corporation may, according to law, take direct actions against the borrower or its guarantor and claim for reimbursement on any collaterals provided by the borrower.</p>	<p>keep written records. If significant changes occur, they should be reported to the General Manager and relevant responsible units to handle immediately.</p> <p>When the borrower repays the loan on the maturity date or in advance, they must repay the principal and the accrued interest payable. Only then can the loan note guarantee be returned to the borrower or the mortgage be canceled.</p> <p>In the event that a borrower cannot repay the loan on schedule <u>and needs an extension of loan repayment, the borrower must submit an application for extension of loan repayment, which shall be approved by the Board of Directors before the extension can be granted.</u> In case that the borrow fails to fulfill its contractual obligations, the Corporation may, according to law, take direct actions against the borrower or its guarantor and claim for reimbursement on any collaterals provided by the borrower.</p>	
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## ITEQ CORPORATION

### Operating Procedures of Lending Funds to Others

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

- Article 1: Operating Procedures of Lending Funds to Others are formulated according Article 36-1 of the Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and shall be carried out in accordance with the provisions of these Procedures. Where other regulations provide otherwise, such provisions shall govern.
- Article 1-1: Subsidiary and parent company as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where a public company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- Article 2: The loans of funds by the Corporation to others must meet one of the following conditions. However, this does not apply to those with lend funds for outward investment purposes and needs, according to Paragraph 2, Article 3 of the "Regulations Governing the Review and Approval of Outward Investments and Technical Cooperation by the Ministry of Economic Affairs."
- (I) Where an inter-company or inter-firm business transaction calls for a loan arrangement with the Corporation.
  - (II) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40% of the lender's net worth.
- The term "short-term" means one year, or one operating cycle (whichever is longer).  
The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Corporation's short-term financing.
- Article 3: The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares. However, the prescribed limits on the aggregate amount of such loans and the amount of such loans permitted to a single borrower shall not exceed 100% of the net value of the latest audited or reviewed financial statements by the Corporation's accountant.  
Duration of loans and calculation of interest of the inter-company loans of funds between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares shall be handled according to Article 6 of these Procedures.  
When a responsible person of a company violates the proviso of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the company suffers damage, the responsible person also shall be liable for damages.
- Article 4: Aggregate amount of loans and maximum amount permitted to a single borrower  
The aggregate amount of loans granted by the Corporation shall not exceed 40% of the net value of the Corporation's latest financial statement that has been audited or reviewed by CPAs. The maximum amount permitted to a single borrower is specified below based on the reasons for the loan:

1. For entities with which the Corporation has a business relationship, the maximum amount permitted to a single borrower shall not exceed the business transaction amount between the Corporation and the borrower as indicated in the last fiscal year or the current fiscal year up to the time of the loan. The business transaction amount herein refers to the amount of purchases or sales between the Corporation and the borrower whichever is higher.
2. For entities to which short-term financing is deemed necessary, the maximum amount permitted to a single borrower shall not exceed 20% of the net worth of the Corporation as indicated in its latest financial statement that has been verified or reviewed by CPAs.

#### Article 5: Procedures for handling of loans

##### (I) Handling procedures

1. Matters concerning granting of loans or short-term financing by the Corporation shall be conducted with the review of the responsible unit, approval of the Chairperson of the Board, and resolution of the Board of Directors beforehand.
2. Loans of funds between the Corporation and its subsidiaries, who directly or indirectly hold 100% of the voting shares, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph. The Chairman of the Board may be authorized, for a specific borrowing counterparty, within 10% of the Corporation's net worth as stated in its latest financial statement and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
3. The Finance Department shall prepare a memorandum book for its fund-loaning activities. After the approval of the Board of Directors regarding the loan of funds, the Finance Department shall truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated according to the review processes.
4. The Corporation's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.
5. The Finance Department shall, on a monthly basis, make a detailed list of the newly granted and written off loans in the previous month in order to control and track the fund-loaning activities of the Corporation and conduct announcement and reporting. The Corporation shall also estimate and set aside sufficient allowance for bad debts on a quarterly basis, disclose information on loans in the financial report, and provide related data to CPAs.
6. If, as a result of a change in circumstances, the loan balance exceeds the limit or an entity does not meet the requirements of these Procedures, the Finance Department shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

##### (II) Auditing procedures

1. When the Corporation handles loans of funds, the company or business entity applying for loans should attach relevant financial information and state the purpose of the loan in writing.
2. After the Corporation accepts the applications, the responsible unit should investigate and evaluate the necessity and reasonableness of lending funds to others, whether there is a direct or indirect business relationship between the borrower and the Corporation, the business financial status, solvency, credit, profitability, and purpose of the loan. After considering the impact of the total amount of funds lent on the company's business operations, financial condition, and shareholders' equity, the responsible unit should prepare relevant written reports to be submitted to the Board of Directors for review.
3. When the Corporation grants loans or short-term financing, it shall obtain secured

promissory notes of equal value. When necessary, it shall establish a pledge of movable or immovable property and evaluate the value of the collaterals on a quarterly basis to ensure that it is equal to the balance of the loan. Additional collaterals should be provided when necessary. If the debtor provides personal or corporate guarantees of equivalent financial strength and creditworthiness instead of providing collaterals for the aforementioned collateral for debts, the Board of Directors may refer to the review report of the responsible unit to handle the matter. If the Corporation itself is the guarantor, attention should be paid to whether the Articles of Association have stipulated the provisions for guarantees.

#### Article 6: Duration of loans and calculation of interest

Whenever a borrower obtains loans from the Corporation, the loan term is limited to one year or one operating cycle (whichever is longer). The restriction of limits on the durations of loans as described in the preceding paragraph shall not apply to inter-company loans of funds between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares. However, the loan term should not exceed 5 years.

Regarding the interest calculation for funds loaned by the Corporation, interest shall accrue on monthly basis at a rate not lower than the average interest rate for the Corporation's borrowings from financial institutions. Under special circumstances, an adjustment may be made based on actual situation following consent by the Board of Directors. In addition, this shall not apply to inter-company loans of funds between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of funds to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares.

#### Article 7: Follow-up control measures for granted loans and procedures for handling overdue loans

After a loan is granted, the Finance Department shall pay attention to any changes in the financial status, business conditions, and relevant credit situations of the borrower and its guarantor, as well as changes in the value of collaterals, and keep written records. If significant changes occur, they should be reported to the General Manager and relevant responsible units to handle immediately.

When the borrower repays the loan on the maturity date or in advance, they must repay the principal and the accrued interest payable. Only then can the loan note guarantee be returned to the borrower or the mortgage be canceled.

In the event that a borrower cannot repay the loan on schedule and needs an extension of loan repayment, the borrower must submit an application for extension of loan repayment, which shall be approved by the Board of Directors before the extension can be granted. In case that the borrow fails to fulfill its contractual obligations, the Corporation may, according to law, take direct actions against the borrower or its guarantor and claim for reimbursement on any collaterals provided by the borrower.

#### Article 8: Procedures for Public Disclosure

- (I) Before the 10th of each month, the Finance Department shall submit the Corporation and its subsidiaries' balance of loans to others for the previous month to the Accounting Department and shall disclose them publicly within the prescribed period every month.
- (II) In addition to disclosing the balance of loans to others every month, when those balances of the Corporation and its subsidiaries reach one of the following levels, the Finance Department shall immediately notify the Accounting Department, providing relevant information, to make announcements within two days commencing immediately from the date of occurrence:
  1. The aggregate balance of loans to others by the Corporation and its subsidiaries reaches 20% or more of the Corporation's net worth as stated in its latest financial

statement.

- 2 The balance of loans by the Corporation and its subsidiaries to a single enterprise reaches 10% or more of the Corporation's net worth as stated in its latest financial statement.
  - 3 The amount of new loans of funds by the Corporation or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Corporation's net worth as stated in its latest financial statement.
  - 4 When loans lend by the subsidiary is not a public company of the Republic of China reaches the aforementioned standard.
- (III) The term "announce and report" as used in these Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC). "Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds, whichever date is earlier.

#### Article 9: Procedures for controlling and managing loans of funds to others by subsidiaries.

- (I) The Corporation's subsidiaries shall also establish the "Operating Procedures of Lending Funds to Others" in accordance with the relevant provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
- (II) When the Corporation's subsidiaries provide loans to others, they shall handle it according to the regulations of the "Internal Control System" and "Operating Procedures of Lending Funds to Others" formulated by each subsidiary. They shall also submit a written report to the Corporation before the 5th day of each month summarizing the balance, recipients, and terms of the loans provided in the previous month. The Corporation's audit unit should include the subsidiary's operating procedures of lending funds to others as one of the quarterly audit items. The audit status reported to the Board of Directors and the Audit Committee should be included as a necessary item for auditing.
- (III) If a subsidiary of the Corporation is not a public company and the balance of funds lend to others meets Article 8's criteria for public announcement and reporting, it should notify the Corporation on the date of occurrence of the event, and the Corporation shall make an announcement and report on the designated website in accordance with the regulations.

#### Article 10: Penalties

In the event that the Corporation lend funds to relevant personnel violate the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission or these Procedures, the Corporation shall deal with it by the following rules depending on the circumstances of the violation. The violation will be recorded and used for annual personal performance evaluation.

- (I) Violation of the approval authorization: The first breach shall be treated with an oral warning. The re-offender shall be given a written warning and made to participate in the internal control training course within the Corporation. Those who are recidivist or made serious mistakes shall be transferred.
- (II) Violation of the review process: the first breach shall be treated with an oral warning. The re-offender shall be given a written warning and made to participate in the internal control training course within the Corporation. Those who are recidivist or made serious mistakes shall be transferred.
- (III) Non-compliance of public announcement: the first breach shall be treated with an oral warning. The re-offender shall be given a written warning. Those who are recidivists or made serious mistakes shall be transferred.

- (IV) A person who violates rules made by his/her superior shall also receive penalties. However, if it can be reasonably explained that all precautions have not been taken, the rule does not apply.
- (V) If the Board of Directors or a Director violates the relevant regulations and the resolutions of the shareholders' meeting, the Audit Committee shall notify the Board of Directors or said Director to cease its/his/her conduct in accordance with Article 218-2 of the Company Act.

Article 11: Prior to implementing these Operating Procedures, said Operating Procedures shall be approved by more than half of the Audit Committee members, submitted to the Board of Directors for approval, and then submitted to the shareholders' meeting for approval; the same applies when these Procedures are amended. If approval of one-half or more of all Audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all Audit Committee members" and "all Directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## ITEQ CORPORATION

### Rules and Procedures of the Shareholders' Meeting

Adopted by the shareholders' meeting held on June 14, 2022.

#### 1. Purpose

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

#### 2. Applicable Scope

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

#### 3. Operating Rules

##### 3.1. Convening of the Meetings

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

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

The restrictions on the place of the meeting shall not apply when the corporation convenes a shareholder video conference.

3.1.3. Shareholders meeting may be held with video conferencing or other methods promulgated by the central competent authority. The shareholders meeting held with video conferencing shall be subject to prescriptions provided for by the competent authority in charge of securities affairs, including the prerequisites, procedures, and other compliance matters.

3.1.4. Changes to how this corporation convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

##### 3.2. Attendance of the meetings

3.2.1. Shareholders or their proxies (collectively "shareholders") attending the meeting shall sign in and the sign-in procedure shall be replaced by submitting their sign-in cards. The calculation of the number of shares present shall be based on the sign-in cards submitted by the shareholders and the shares checked in on the video conferencing platform. Those shares whose votes are exercised by correspondence or electronically.

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

3.2.3. The corporation may appoint the retained attorney(s)-at-law, certified public



accountant(s) or relevant personnel attend the meeting as non-voting delegates. Staff at the meetings shall wear id badges or arm badges.

- 3.2.4. In the event of a shareholder video conference, shareholders wishing to attend the meeting with video conferencing shall register with the corporation two days before the meeting date.
- 3.2.5. When the corporation convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting with video conferencing in accordance with preceding paragraph decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting with video conferencing.
- 3.2.6. For shareholders video conference, shareholders may begin to register on the video conferencing platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders meeting in person. The corporation shall upload the meeting agenda book, annual report and other meeting materials to the video conferencing platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the conference.
- 3.2.7. When convening a shareholders' meeting with video conferencing, the corporation shall provide appropriate alternative measures available to shareholders with difficulties in attending a shareholder video conference.

### 3.3. Proceedings and resolutions of the meeting

- 3.3.1. Upon the meeting time, the meeting's chairperson shall declare a meeting open immediately, and shall at the same time announce the information on the number of shares without voting rights and the number of shares present. However, if not enough shareholders representing more than half of the total number of issued shares are present, said chairperson may declare a postponement of the meeting for not more than two times and the total time of the postponement shall not exceed one hour. 3.3.1. upon the meeting time, the meeting's chairperson shall declare a meeting open immediately. However, if not enough shareholders representing more than half of the total number of issued shares are present, said chairperson may declare a postponement of the meeting for not more than two times and the total time of the postponement shall not exceed one hour. In the event that the meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with the provisions of the company act. Upon passing of the preceding tentative resolution, if the number of shares represented by the shareholders or proxies present reaches more than one-half of the total number of issued shares, the meeting chairperson may re-submit said tentative resolution to the meeting for a vote.
- 3.3.2. When the corporation convenes a shareholders' meeting with video conferencing, when the meeting is called to order, the total number of shares represented by shareholders attending the meeting shall be disclosed on the video conferencing platform. The same shall apply whenever a new tally of the total number of shares represented at the meeting and the number of voting rights thereof is made during the meeting.
- 3.3.3. The agenda for the meeting shall be set by the board of directors if such meeting is convened by the board of directors. Unless otherwise resolved by a resolution at the meeting, the meeting shall be carried out in accordance with the scheduled agenda. The preceding paragraph shall apply mutatis mutandis to the meeting convened by any person other than the board of directors, with the authority to convene such meeting. The meeting chairperson shall not adjourn the meeting until the proceedings (including

interim motions) scheduled in the preceding agenda are completed unless a resolution is duly resolved in the meeting. Upon the adjournment of the meeting, the shareholders are not entitled to elect another meeting chairperson to continue the meeting at the same place or another venue; however, if the prior meeting chairperson violates the rules and procedures and adjourns the meeting, another meeting chairperson may be elected by a majority of the voting rights of the shareholders present to continue the meeting.

Election or dismissal of directors; changes in the articles of association; capital reduction; application for halting public offering; permission for directors to compete with the company; capitalization of retained earnings; capitalization of capital reserves; dissolution, merging or demerger of the company; or all items pertaining to article 185, paragraph 1 of the company act; article 26-1 and article 43-6 of the securities and exchange act; and article 56-1 and article 60-2 of the regulations governing the offering and issuance of securities by securities issuers shall be listed as reasons to convene the meeting, with their essential contents specified, and may not be raised as extempore motions.

Shareholders holding at least 1% of the total number of issued shares may submit a proposal to the corporation for discussion at the regular meeting, limited to only one proposal, and if the number of proposals submitted exceeds one, they shall be all excluded from the agenda. In addition, when any one of the circumstances listed in article 172-1, paragraph 4 of the taiwan company act applies to a proposal put forward by a shareholder, the board of directors may exclude said proposal from the agenda. Shareholders may submit a suggestive proposal to urge the corporation to promote the public interest or fulfill its social responsibilities, procedurally limited to only one proposal, limited to only one proposal, and if the number of proposals submitted exceeds one, they shall be all excluded from the agenda.

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

- 3.3.4. Before a shareholder or one with his/her authorization speaks at the meeting, he/she must fill in a speech note stating the gist of his/her speech, the shareholder's account number (or attendance card number) and the name of the account, and the order of his/her speech shall be determined by the meeting chairperson. An shareholder or one with his/her authorization at the meeting who submits only a speech note but does not speak at the meeting is deemed to have not spoken. If there is any discrepancy between the contents of the shareholder's speech and the gist recorded on the note, the contents of the speech shall prevail. When a shareholder present is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless otherwise permitted by the meeting chairperson and said speaking shareholder; the meeting chairperson shall stop any such violations.
- 3.3.5. No shareholder or one with his/her authorization may speak more than twice on the same proposal, and each time for not more than five minutes, without the consent of the meeting chairperson. The meeting chairperson may stop the speech of any shareholder that is in violation of the preceding provisions or exceeds the scope of the proposal.
- 3.3.6. In the event that a juristic (corporate) person is entrusted to attend a meeting, said juristic (corporate) person may appoint only one representative to attend said meeting. In the event that a juristic (corporate) person shareholder appoints two or more representatives to attend a meeting, only one representative of them is allowed to speak for the same proposal.
- 3.3.7. After a shareholder present speaks on the floor; the meeting chairperson may answer

either in person or designate relevant personnel to reply.

Where a shareholder video conference is convened, shareholders attending the video conference may raise questions in writing at the video conferencing platform from the meeting's chairperson declaring the meeting open until the chairperson declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 3.3.4. to 3.3.6. do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the video conferencing platform.

- 3.3.8. When the meeting chairperson considers that the discussion on a proposal has reached the point where a vote can be taken, he/she may announce that the discussion has ceased and a vote is taken. The result of a vote shall be announced on-site and recorded in writing

when the corporation convenes a shareholders' meeting with video conferencing, after the meeting's chairperson declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the video conferencing platform before the chairperson announces the voting session ends or will be deemed abstained from voting.

In the event of a shareholder video conference, votes shall be counted at once after the meeting's chairperson announces the voting session ends, and results of votes and elections shall be announced immediately.

- 3.3.9. The meeting chairperson shall designate the person(s) to monitor the votes and count the votes, but the person(s) to monitor the votes shall be a shareholder and the results of the voting shall be reported on the spot and recorded.

- 3.3.10. During the meeting, the meeting chairperson may announce a break at his/her discretion.

- 3.3.11. Unless otherwise provided in the company act and the corporation's articles of incorporation, a proposal resolution is adopted by a majority of voting rights owned by the shareholders or proxies present at the meeting. During a vote, the meeting chairperson or his/her designated person shall first announce the total number of voting rights of the shareholders present on a case-by-case basis, and the shareholders present shall then vote on a case-by-case basis, and the results of the shareholders' approval, disapproval and abstention shall be entered into the market observation post system on the same day after the meeting.

In the event of a shareholder video conference, this corporation shall disclose real-time results of votes and election immediately after the end of the voting session on the video conferencing platform according to the regulations, and this disclosure shall continue at least 15 minutes after the meeting's chairperson has announced the meeting adjourned.

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

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

- 3.3.14. When the corporation convenes a shareholders meeting online, both the meeting's chairperson and secretary shall be in the same location, and the chairperson shall

declare the address of their location when the meeting is called to order.

- 3.3.15. In the event of a video conference, when declaring the meeting open, the meeting's chairperson shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under article 44-20, paragraph 4 of the regulations governing the administration of shareholder services of public companies, if the video conferencing platform or participation in the video conference is obstructed due to natural disasters, accidents or other force majeure events before the meeting's chairperson has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case article 182 of the company act shall not apply.
- 3.3.16. For a meeting to be postponed or resumed as described in the preceding paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session. Shareholders who have not registered to participate in the affected shareholders video conference shall not attend the postponed or resumed session.
- 3.3.17. When the corporation convenes a hybrid shareholders meeting, and the video conference cannot continue as described in the preceding paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the shareholders' meeting with video conferencing, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof.
- 3.3.18. Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the shareholders' meeting with video conferencing shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.

#### 3.4. Election matters of shareholders' meeting

In the event of an election of directors at a shareholders' meeting, the election shall be conducted in accordance with the relevant election regulations of the corporation and the election results shall be announced on the spot, including a list of newly elected directors and the number of voting rights they obtained, together with a list of those failed to be elected and their number of voting rights obtained.

The ballots shall be sealed with the signatures of the ballot monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to article 189 of the company act, the ballots shall be retained until the conclusion of the litigation.

#### 3.5. Meeting minutes

- 3.5.1. The corporation shall record on audio or video the entire meeting and keep it for at least one year.
- 3.5.2. Where a shareholders meeting is held online, the corporation shall keep records of

shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the corporation, and continuously audio and video record, without interruption, the proceedings of the video conference from beginning to end. The information and audio and video recording in the preceding paragraph shall be properly kept by the corporation during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the video conference.

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

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

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

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

The 3rd amendment was made on July 02, 2021.

The 4th amendment was made on June 14, 2022.

## ITEQ CORPORATION

### Articles of Incorporation

#### Chapter I General Provisions

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

#### Chapter II Shares

- Article 5 The Corporation's capital is NT\$5 billion (including NT\$50 million in employee stock warrants), divided into 5 billion shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in several tranches.
- If the Corporation intends to cancel a public offering, the Corporation shall not proceed with such cancellation until a resolution of the shareholders' meeting has been passed, in addition to the approval of the Board of Directors.
- Article 5-1 The Corporation may issue employee stock option certificates at a price lower than the closing price of the Corporation's stock on the date of issuance or transfer them to employees at a price lower than the average price of actual purchases of treasury stock, provided that two-thirds of the shareholders present, representing a majority of the total number of shares outstanding, approve the transfer. The Corporation's treasury stock acquired under the Company Act may be transferred to the employees of the controlled or subordinate companies who meet certain criteria.
- The Corporation's employee stock option certificates are issued to those employees of the controlled or subordinate companies who meet certain criteria.
- Where the Corporation issues new shares, the employees eligible for share subscription shall include the employees of the Corporation's controlled or subordinate companies who meet certain criteria.
- The Corporation's restricted stock awards are issued to those employees of the controlled or subordinate companies who meet certain criteria.

- Article 6 The Corporation's shares are registered securities, in which the signed shares need to be signed or sealed by the director(s) of board representing the Corporation and certified by a competent authority or its authorized issuer prior to being issued. The Corporation may also be exempted from printing any share certificate for the shares issued, but the Corporation shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.
- Article 7 Shareholders shall provide on file their specimen chop to the Corporation for recordation and use the same specimen chop to claim dividends and bonuses or exercise the rights thereof. The transfer, gift, establishment and termination of pledge right, loss, damage or other matters of shares shall be handled in accordance with the Taiwan "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant laws and regulations.
- Article 8 The Corporation shall not handle any requests for transfers of shares within 60 days prior to the shareholders' meeting, 30 days prior to the ad hoc shareholders' meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

### **Chapter III: Shareholders' Meetings**

- Article 9 The Corporation's shareholders' meetings are of two kinds listed below:
- I. Regular meeting of shareholders: to be held within six months after the end of each fiscal year.
  - II. Special meeting of shareholders: to be held when necessary, in accordance with the relevant laws and regulations.
- Article 10 The shareholders' meetings shall be presided by the Chairperson of the Board. If the Chairperson of the Board of Directors is absent from office or unable to perform his or her duties and responsibilities for any reason, the Vice Chairperson of the Board of Directors shall act on his or her behalf. If the Vice Chairperson of the Board of Directors is absent from office or unable to perform his or her duties and responsibilities for any reason, he or she shall designate one of the Directors to act on his or her behalf. In the event that no such person is appointed, the Directors of the Board shall appoint one from amongst themselves.
- Article 11 Notice shall be given to the shareholders at least 30 days prior to a regular shareholders' meeting, and at least 5 days prior to a ad hoc shareholders' meeting, stating the date, place, and purpose of convening the meeting.  
The Corporation's shareholders' meeting may be held by means of video conference or other methods promulgated by the central competent authority. The requirements, procedures, and other rules to be complied with when holding a shareholders' meeting via video conference shall be subject to the provisions set forth by the competent authority in charge of securities.  
Shareholders who participate in the shareholders' meeting via video conference shall be deemed to be present in person; the Corporation shall obtain video conference services from an outside provider.
- Article 12 The following matters of the Corporation shall be resolved by shareholders' meetings:
- I. The amendments to the Articles of Incorporation.
  - II. The increase/decrease in the Corporation's total capital.
  - III. The combination with or acquisition of other corporations.
  - IV. Discretionary management
  - V. The dissolution or liquidation of the Company.
  - VI. Election of Directors of the Board
  - VII. The amendments to the percentage of shareholders' stock dividends and

employees' remuneration.

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

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

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

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

#### **Chapter IV Directors of Board, Audit Committee and Managerial Officers**

Article 16 The Corporation shall have seven to ten Directors, and the number of Directors shall be determined by the Board of Directors.

Elections of the Corporation's Directors shall be conducted in accordance with the candidate nomination system set out in Article 192-1 of the Company Act. The Directors shall be elected from the director nominees listed in the roster of Director candidates at the shareholders' meeting. The method and announcement of director candidate nomination shall be processed in accordance with the relevant laws and regulations of the Company Act and the Securities and Exchange Act. The election of independent directors and non-independent directors shall be held concurrently, provided that the number of independent directors and non-independent directors elected shall be calculated separately.

Directors shall hold office for three years; re-elected Directors are entitled to serve consecutive terms.

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

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

Article 16-1 Among the prior number of Directors of Board, the number of Independent



Directors shall be no less than 3 and one-fifth of the number of seats of Directors. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters to abide by shall comply with applicable laws and regulations prescribed by the security's competent authority.

The Corporation shall have an Audit Committee pursuant to Article 14-4 of the Securities and Exchange Act, which shall consist of all Independent Directors, no less than three in number, one of whom shall be the committee convener and at least one of whom shall have accounting or financial expertise.

Article 17 (deleted)

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

Article 19 A meeting of the Board of Directors shall be convened by the Chairperson of the Board. Said meeting shall be presided over by the Chairperson of the Board of Directors. If the Chairperson of the Board is unable to convene said meeting for any reason, the Vice Chairperson of the Board of Directors shall do so on his or her behalf. However, if the Vice Chairperson of the Board of Directors is unable to convene said meeting within 7 days from the date when said meeting is necessary or is unable to exercise his or her authority for any reason, one of the Directors designated in advance by the Chairperson of the Board of Directors shall do so on his or her behalf, or if no such person is designated, one of the Directors shall be elected from amongst themselves to convene said meeting.

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

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

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

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

- I. Resolving major domestic and foreign investment proposals.
- II. Preparing and amending the Corporation's important statutes and organization regulations.
- III. Electing the Chairperson and Vice Chairperson of the Board of Directors.
- IV. Approving the appointment and dismissal of the General Manager and Deputy General Manager.
- V. Examining and approving budgets and final accounts.
- VI. Making decisions on matters regarding loans.
- VII. Recommending to the shareholders' meeting proposals for amendments to the Articles of Incorporation, change in capital, dissolution, or merger of the Corporation.
- VIII. Recommending the shareholders' meeting the proposals for allotment of

earnings and coverage of loss.

- IX. Resolving the distribution of cash dividends.
- X. Selecting certified public accountants.
- XI. Performing other functions and duties conferred by the Company Act or by the resolutions made at the shareholders' meeting.
- XII. Establishing and abolishing branches.
- XIII. Being entitled to establish auditing, nomination, risk management committees or other functional committees for the needs of business operations.
- XIV. Formulating operating policies, reviewing and supervising the implementation of business plans.
- XV. Convening shareholders' meetings.
- XVI. Other functions and duties conferred by the provisions prescribed by the Company Act or by the shareholders at the shareholders' meeting.

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

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

Article 22 (deleted)

Article 23 (deleted)

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

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

## **Chapter V: Accounting**

Article 26 The Corporation's fiscal year shall commence on January 1 and end on December 31 of each year. Upon closing of each fiscal year, the Board of Directors shall prepare the following tables and documents and submit the same for adoption at the annual general shareholders' meeting according to the law:

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

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

- Article 27-1 Directors in accordance with the percentages in the preceding paragraph.  
If the Corporation's earnings are present after the closing of a fiscal year, they shall be distributed in accordance with the following order:
- I. Payment of taxes required by law.
  - II. Making up the accumulated losses.
  - III. Setting aside 10% of said earnings as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
  - IV. Appropriating or reversing the special surplus reserve as provided by laws or by competent authority regulations.
  - V. Except for discretionary retention of earnings, the remaining balance, together with the accumulated undistributed earnings, shall be resolved by the shareholders' meeting after the Board of Directors has prepared a proposal for the distribution of earnings.

When setting aside the special surplus reserve according to law, for any insufficient amount for the "net increase in fair value of investment properties accumulated in the previous period" and "net decrease in other equity accumulated in the previous period", a special surplus reserve of the same amount shall be set aside from the undistributed retained earnings of the previous period prior to the distribution of earnings. If there is still any insufficient amount, it shall be set aside from the adjusted undistributed retained earnings (net income plus other items) of the current period.

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

The Corporation authorizes the distributable dividends and bonuses, or legal reserve and special surplus reserve, specified in Paragraph 1 of this Article, in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting without the need to request for ratification by shareholders.

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

#### **Chapter IV Supplemental Provisions**

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

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

- Article 31 (deleted)

- Article 32 These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on March 24, 1997 and come into force on the date of approval and registration by the competent authority.

The 1st amendment was made on August 11, 1997.

The 2nd amendment was made on July 9, 1998.

The 3rd amendment was made on June 16, 2000.

The 4th amendment was made on July 25, 2000.

The 5th amendment was made on May 25, 2001.  
The 6th amendment was made on December 28, 2001.  
The 7th amendment was made on June 12, 2002.  
The 8th amendment was made on October 22, 2002.  
The 9th amendment was made on June 12, 2003.  
The 10th amendment was made on February 13, 2004.  
The 11th amendment was made on May 4, 2004.  
The 12th amendment was made on June 16, 2005.  
The 13th amendment was made on June 15, 2006.  
The 14th amendment was made on June 15, 2007.  
The 15th amendment was made on June 13, 2008.  
The 16th amendment was made on June 16, 2009.  
The 17th amendment was made on June 18, 2010.  
The 18th amendment was made on June 17, 2011.  
The 19th amendment was made on June 6, 2012.  
The 20th amendment was made on June 14, 2013.  
The 21st amendment was made on June 18, 2015.  
The 22nd amendment was made on June 15, 2016.  
The 23rd amendment was made on June 15, 2018.  
The 24th amendment was made on June 13, 2019.  
The 25th amendment was made on June 16, 2020.  
The 26th amendment was made on July 2, 2021.  
The 27th amendment was made on June 14, 2022  
Effective from the resolution of the shareholders' meeting, and upon amendment.

#### ITEQ CORPORATION

Chairperson of the Board: Chin-Tsai Chen

**Annex IV****Share Ownership of All Directors of the Board**

Upon the date (April 1, 2023) for suspension of share transfer for a regular shareholders' meeting, the shareholding of all Directors recorded in the shareholders' list:

Title	Name	Date elected	Term of office	Type	Shareholding while elected		Current shareholding	
					Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)
Chairperson of the Board	Chin-Tsai Chen	2021.07.02	3 years	Ordinary share	1,354,419	0.41%	4,411,132	1.21%
Director	Hsin-Hui Tsai	2021.07.02	3 years	Ordinary share	505,600	0.15%	767,386	0.21%
Director	WIN Semiconductors Corp. Representative: Ching-Chou Tseng	2021.07.02	3 years	Ordinary share	33,538,011	10.07%	65,408,733	18.02%
Independent Director	Yang, zhao-rong	2021.07.02	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Po-Chiao Chou	2021.07.02	3 years	Ordinary share	2,158	0.00%	2,417	0.00%
Independent Director	Xiu-Zong Liang	2021.07.02	3 years	Ordinary share	0	0.00%	0	0.00%
Independent Director	Hui-Fen Chan	2021.07.02	3 years	Ordinary share	216	0.00%	216	0.00%

Total issued shares: 362,957,218 shares on April 1, 2023

The minimum required combined shareholding of all Directors by law: 14,518,289 shares

The combined shareholding of all Directors on April 1, 2023: 70,589,884 shares (19.45%)