

ITEQ Corporation and Subsidiaries
Consolidated Financial
Statements and Independent Auditors’
Review Report
For the Six Months Ended of June 30, 2023 and 2022

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The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

The Board of Directors ITEQ Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheet of ITEQ Corporation and its subsidiaries as of June 30, 2023 and the consolidated statements of comprehensive income, for the three months ended June 30, 2023 and for the six months ended June 30, 2023, and changes in equity and cash flows for the six months ended June 30, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Presentation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review No.2410 "Review of Financial Information Performed by the Independent Auditor of the Entity." A consolidated financial statements review consists of inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 4(2) of the consolidated financial statements, the financial statements of the investees of the same period not reviewed by us are adopted as the basis for partial non-significant subsidiaries included in the abovementioned consolidated financial statements. As of June 30, 2023, the total asset was NT\$1,212,752 thousand, accounting for 3.92% of the total consolidated asset; total liabilities were NT\$758,875 thousand, accounting for 6.23% of total consolidated liabilities; for the period for 3 months and 6 months ended June 30, 2023, the comprehensive (loss) income were NT\$(11,717) thousand and NT\$(33,103) thousand, accounting for 2.41% and 10.59% of the consolidated comprehensive income.

As described in Note 6(5) of the consolidated financial statements, investments accounted for using the equity method of ITEQ Corporation and its subsidiaries on June 30, 2023 were NT\$45,441 thousand, and the share of (loss) gain from affiliates and joint venture accounted for using the equity method for the three months ended June 30, 2023 and for the six months ended June 30, 2023 was NT\$(1,297) thousand and NT\$(2,162) thousand; such figures are based on the financial statements of the investees of the same period not reviewed by us.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of such investees as described in the preceding paragraph been reviewed, based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2023, and the consolidated financial status for the three months ended June 30, 2023, the financial performance for the three months ended June 30, 2023 and six months ended June 30, 2023, and consolidated cash flows for the six months ended June 30, 2023, in accordance with the Regulations Governing the Preparation of Financial Position by Securities Issuers and IAS 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matters

The Q2 consolidated financial statements of ITEQ Corporation and its subsidiaries were reviewed by other CPAs; therefore, as partial non-significant subsidiaries included in the consolidated financial statements and investments accounted for using the equity method are prepared based on the financial statements of the investees of the same period not reviewed by us, we issued a review report with and qualified conclusion on August 2, 2022.

KPMG

CPA:

Approval No. of the
competent authority
of securities

Jing Guang Zheng Shen No.
: 1080303300
Jing Guang Zheng Liu No.
0950103298

August 1, 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' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

ITEQ Corporation and Subsidiaries
Consolidated Balance Sheets
June 30, 2023, December 31 and June 30, 2022

Unit: NT\$ thousand

Asset	June 30, 2023		December 31, 2022		June 30, 2022			LIABILITIES AND EQUITY	June 30, 2023		December 31, 2022		June 30, 2022		
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
CURRENT ASSETS:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(1))	\$ 4,692,474	15	5,213,819	16	3,872,897	12	2100	Short-term borrowings (Note 6(10))	\$ 1,474,291	5	2,465,577	7	2,050,756	6
1110	Financial assets at FVITPL - current (Notes 6(2) and (21))	3,696	-	3,273	-	4,042	-	2110	Short-term bills payable (Note 6(10))	-	-	149,915	1	-	-
1136	Financial assets at amortized cost - current (Note 6(2))	86,191	-	-	-	-	-	2120	Financial liabilities at FVITPL - current (Notes 6(2) and (21))	-	-	7,681	-	-	-
1170	Net notes and accounts receivable (Note 6(3) and (19))	10,364,944	34	12,119,285	36	13,798,763	41	2170	Accounts payable	4,589,978	15	5,926,422	18	5,686,049	17
1200	Other receivables (Notes 6(3))	359,094	1	269,426	1	333,010	1	2216	Cash dividends payable (Note 6(15))	1,088,872	4	-	-	1,914,786	6
1220	Current tax assets	10,599	-	32,381	-	32,311	-	2219	Other receivables (Notes 6(18))	1,109,202	4	1,635,974	5	2,107,323	6
130X	Inventories (Note 6(4))	2,422,027	8	2,731,351	8	3,871,569	11	2230	Current tax liabilities	421,859	1	550,684	2	547,448	1
1470	Other current assets (Note 6(7))	1,091,512	4	1,099,406	3	1,114,006	3	2250	Provisions - Current	5,710	-	14,539	-	19,255	-
	TOTAL CURRENT ASSETS	<u>19,030,537</u>	<u>62</u>	<u>21,468,941</u>	<u>64</u>	<u>23,026,598</u>	<u>68</u>	2280	Lease liabilities - current (Notes 6(12) and 7)	61,707	-	55,120	-	45,126	-
	NON-CURRENT ASSETS:							2320	Long-term liabilities due within one year or one business cycle (Notes 6(11) and 8)	70,165	-	17,086	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 6(2) and (21))	39,418	-	32,684	-	35,318	-	2399	Other current liabilities (Note 6(19))	15,725	-	60,037	-	43,488	-
1550	Investments using the equity method (Note 6(5))	45,441	-	47,603	-	49,000	-		Total current liabilities	<u>8,837,509</u>	<u>29</u>	<u>10,883,035</u>	<u>33</u>	<u>12,414,231</u>	<u>36</u>
1600	Property, plant and equipment (Notes 6(6) and 8)	6,212,402	20	6,556,717	20	6,501,004	19		Non-current liabilities:						
1755	Right-of-use assets (Notes 6(8), 7 and 8)	330,313	1	298,374	1	289,649	1	2540	Long-term borrowings (Notes 6(11) and 8)	2,559,262	8	1,676,771	5	-	-
1780	Intangible assets (Note 6(9))	9,180	-	9,141	-	8,907	-	2570	Deferred tax liabilities	509,038	1	460,976	1	432,885	1
1840	Deferred tax assets	389,095	1	285,385	1	178,889	-	2580	Lease liabilities - non-current (Notes 6(12) and 7)	240,655	1	213,861	1	211,466	1
1900	Other non-current assets (Notes 6(7) and 7)	4,849,158	16	4,684,764	14	3,954,048	12	2645	Guarantee deposits	42,634	-	37,980	-	33,550	-
	TOTAL NON-CURRENT ASSETS	<u>11,875,007</u>	<u>38</u>	<u>11,914,668</u>	<u>36</u>	<u>11,016,815</u>	<u>32</u>		Total non-current liabilities	<u>3,351,589</u>	<u>10</u>	<u>2,389,588</u>	<u>7</u>	<u>677,901</u>	<u>2</u>
									Total liabilities	<u>12,189,098</u>	<u>39</u>	<u>13,272,623</u>	<u>40</u>	<u>13,092,132</u>	<u>38</u>
									Equity attributable to owners of the parent company (Note 6(2), (15), (17), and (21)):						
								3100	Share capital	3,629,572	12	3,629,572	11	3,829,572	11
								3200	Capital surplus	9,208,706	30	9,201,666	27	9,698,360	29
								3300	Retained earnings	6,587,785	21	7,561,086	23	7,637,896	23
								3400	Other equities	(709,617)	(2)	(281,338)	(1)	(214,547)	(1)
									Total equity	<u>18,716,446</u>	<u>61</u>	<u>20,110,986</u>	<u>60</u>	<u>20,951,281</u>	<u>62</u>
	Total assets	<u>\$ 30,905,544</u>	<u>100</u>	<u>33,383,609</u>	<u>100</u>	<u>34,043,413</u>	<u>100</u>		Total liabilities and equity	<u>\$ 30,905,544</u>	<u>100</u>	<u>33,383,609</u>	<u>100</u>	<u>34,043,413</u>	<u>100</u>

(For details, please see the note to consolidated financial statements enclosed)

Chairman: Chin-Tsai, Chen

Manager: Hsin-Hui, Tsai

Accounting Supervisor: Jung-Tsan, Chou

ITEQ Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three months and six months ended June 30, 2023 and 2022

Unit: NT\$ thousand

	April to June 2023		April to June 2022		January to June 2023		January to June 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(19))	\$ 5,430,318	100	7,645,655	100	11,689,973	100	15,914,713	100
5000 Operating cost (Notes 6(4), (6), (8), (12), (13), (17), (18), 7 and 12)	4,849,202	89	6,709,639	88	10,438,988	89	13,729,994	86
Gross profit	581,116	11	936,016	12	1,250,985	11	2,184,719	14
Operating expenses (Notes 6(3), (6), (8), (12), (13), (17), (18), 7 and 12):								
6100 Selling and marketing expenses	186,563	4	139,538	2	384,854	3	296,176	2
6200 General and administrative expenses	190,990	3	255,551	3	412,980	4	508,377	3
6300 Research and development expenses	127,986	2	92,822	1	253,209	2	285,516	2
6450 Expected credit loss (gain)	17,152	-	(1,499)	-	13,549	-	1,125	-
Total operating expenses	522,691	9	486,412	6	1,064,592	9	1,091,194	7
INCOME FROM OPERATIONS	58,425	2	449,604	6	186,393	2	1,093,525	7
Non-operating income and expenses (Notes 6(5), (6), (10), (11), (12), (20), (21) and 7):								
7100 Interest income	5,746	-	4,575	-	18,231	-	8,629	-
7060 Share of gain or loss from affiliates and joint venture accounted for using the equity method	(1,297)	-	-	-	(2,162)	-	-	-
7010 Other income	28,522	-	28,402	-	42,854	-	54,004	-
7020 Other gains or losses	18,636	-	134,763	2	30,398	-	460,139	3
7050 Financial costs	(28,671)	-	(21,361)	-	(60,218)	-	(44,312)	-
Total non-operating income and expenses	22,936	-	146,379	2	29,103	-	478,460	3
7900 Income Before Income Tax	81,361	2	595,983	8	215,496	2	1,571,985	10
7950 Income tax expenses (Note (14))	39,773	1	161,281	2	99,925	1	328,170	2
NET INCOME FOR THE PERIOD	41,588	1	434,702	6	115,571	1	1,243,815	8
8300 OTHER COMPREHENSIVE INCOME (Notes 6(14), (15) and (21)):								
8310 Items that will not be reclassified subsequently to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6,990	-	6,149	-	6,734	-	5,631	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(1,521)	-	-	-	(1,687)	-
Total of items that will not be reclassified subsequently to profit or loss	6,990	-	4,628	-	6,734	-	3,944	-
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translating the financial statements of foreign operations	(535,260)	(10)	(344,556)	(5)	(435,013)	(4)	369,614	2
8399 Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	68,910	1	-	-	(73,923)	-
Total of items that may be reclassified subsequently to profit or loss	(535,260)	(10)	(275,646)	(4)	(435,013)	(4)	295,691	2
8300 Other comprehensive income for the period (net amount after-tax)	(528,270)	(10)	(271,018)	(4)	(428,279)	(4)	299,635	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ (486,682)	(9)	163,684	2	(312,708)	(3)	1,543,450	10
Net income for the period attributable to:								
Owners of the parent company	\$ 41,588	1	434,702	6	115,571	1	1,243,815	8
Total comprehensive income attributable to:								
Owners of the parent company	\$ (486,682)	(9)	163,684	2	(312,708)	(3)	1,543,450	10
Basic earnings per share (Unit: NT\$) (Note (16))	\$ 0.11		1.14		0.32		3.25	
Diluted earnings per share (Unit: NT\$) (Note (16))	\$ 0.11		1.13		0.32		3.23	

(For details, please see the note to consolidated financial statements enclosed)

Chairman: Chin-Tsai, Chen

Manager: Hsin-Hui, Tsai

Accounting Supervisor: Jung-Tsan, Chou

ITEQ Corporation and Subsidiaries
Consolidated Statements of Changes Equity
For the six months ended June 30, 2023 and 2022

Unit: NT\$ thousand

	Retained earnings					Other equity items				Total Equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unrealized valuation loss (gain) on financial assets at FVTOCI	Total	
BALANCE AT JANUARY 1, 2022	\$ 3,829,572	9,690,481	1,885,194	444,936	5,978,737	8,308,867	(505,008)	(9,174)	(514,182)	21,314,738
NET INCOME FOR THE PERIOD	-	-	-	-	1,243,815	1,243,815	-	-	-	1,243,815
Other comprehensive income recognized for the period	-	-	-	-	-	-	295,691	3,944	299,635	299,635
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	1,243,815	1,243,815	295,691	3,944	299,635	1,543,450
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	314,669	-	(314,669)	-	-	-	-	-
Special reserve	-	-	-	69,245	(69,245)	-	-	-	-	-
Cash dividends per ordinary share	-	-	-	-	(1,914,786)	(1,914,786)	-	-	-	(1,914,786)
Share-based payment transactions	-	7,879	-	-	-	-	-	-	-	7,879
BALANCE AT JUNE 30, 2022	\$ 3,829,572	9,698,360	2,199,863	514,181	4,923,852	7,637,896	(209,317)	(5,230)	(214,547)	20,951,281
BALANCE AT JANUARY 1, 2023	\$ 3,629,572	9,201,666	2,199,863	514,181	4,847,042	7,561,086	(274,855)	(6,483)	(281,338)	20,110,986
NET INCOME FOR THE PERIOD	-	-	-	-	115,571	115,571	-	-	-	115,571
Other comprehensive income recognized for the period	-	-	-	-	-	-	(435,013)	6,734	(428,279)	(428,279)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	115,571	115,571	(435,013)	6,734	(428,279)	(312,708)
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	186,139	-	(186,139)	-	-	-	-	-
Cash dividends per ordinary share	-	-	-	-	(1,088,872)	(1,088,872)	-	-	-	(1,088,872)
Reversal of special reserve	-	-	-	(232,843)	232,843	-	-	-	-	-
Share-based payment transactions	-	7,040	-	-	-	-	-	-	-	7,040
BALANCE AT JUNE 30, 2023	\$ 3,629,572	9,208,706	2,386,002	281,338	3,920,445	6,587,785	(709,868)	251	(709,617)	18,716,446

(For details, please see the note to consolidated financial statements enclosed)

Chairman: Chin-Tsai, Chen

Manager: Hsin-Hui, Tsai

Accounting Supervisor: Jung-Tsan, Chou

ITEQ Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2023 and 2022

Unit: NT\$ thousand

	January to June	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	\$ 215,496	1,571,985
Adjustment item:		
Adjustments for:		
Depreciation expenses	527,113	533,148
Expected credit impairment loss	13,549	1,125
Net loss on financial assets and liabilities at fair value through profit or loss	6,124	576
Interest expenses	60,218	44,312
Interest income	(18,231)	(8,629)
Share-based compensation payment	7,040	7,879
Share of loss from affiliates and joint venture accounted for using the equity method	2,162	-
Loss from disposal of property, plant and equipment	1,047	2,643
Write-down of inventories	41,873	36,796
Reversal of loss on impairment of property, plant and equipment	(803)	(17,475)
Other items	(8,702)	70,508
Total items of income and expenses	631,390	670,883
Changes in assets/liabilities related to operating activities		
Notes receivable	168,640	(1,277,555)
Accounts receivable	1,702,254	1,690,963
Other receivables	(90,068)	(104,062)
Inventories	297,032	1,549,855
Other current assets	21,328	228,668
Total net changes in assets related to operating activities	2,099,186	2,087,869
Net changes in liabilities related to operating activities:		
Accounts payable	(1,389,452)	(1,886,360)
Other payables	(306,167)	97,017
Other current liabilities	(44,310)	(5,811)
Total net changes in liabilities related to operating activities	(1,739,929)	(1,795,154)
Total net changes in assets and liabilities related to operating activities	359,257	292,715
Total adjustment item	990,647	963,598
Cash inflow generated from operations	1,206,143	2,535,583
Interest paid	(71,666)	(43,213)
Income tax paid	(266,107)	(328,598)
Net cash generated from operating activities	868,370	2,163,772
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of financial assets at amortized cost	(88,624)	-
Purchase of financial assets at fair value through profit or loss	(14,228)	-
Acquisition of investments using the equity method	-	(49,000)
Acquisition of property, plant, and equipment	(471,065)	(1,081,768)
Disposal of property, plant and equipment	2,088	173
Decrease in refundable deposits	16,842	1,900
Decrease in other non-current assets	26,622	5,327
Increase in pre-payments for equipment	(347,863)	(790,185)
Interest received	17,666	8,070
Net cash used in investing activities	(858,562)	(1,905,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term borrowings	(1,140,874)	(262,619)
Proceeds from long-term borrowings	5,612,374	-
Re-payments of long-term borrowings	(4,700,000)	-
Increase (decrease) in guarantee deposits	4,074	(1,300)
Repayment of the principal of leases	(31,691)	(29,466)
Net cash outflow from financing activities	(256,117)	(293,385)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(275,036)	(515,285)
NET DECREASE IN CASH AND CASH EQUIVALENTS OF THE PERIOD	(521,345)	(550,381)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,213,819	4,423,278
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 4,692,474	3,872,897

(For details, please see the note to consolidated financial statements enclosed)

Chairman: Chin-Tsai, Chen

Manager: Hsin-Hui, Tsai

Accounting Supervisor: Jung-Tsan, Chou

ITEQ Corporation and Subsidiaries
Note to Consolidated Financial Statements
For the Six Months Ended of June 30, 2023 and 2022
(Except for otherwise stated, all amounts are in NT\$ thousand)

I. Company history

ITEQ Corporation (the “Company”) was approved for establishment on April 10, 1997. The business nature of the Company and its subsidiaries (the “Group”) are primarily the manufacturing, processing, and trading of mass lamination boards, copper-clad laminates, prepreg products and electronic components.

II. Authorization of Financial Statements

The consolidated financial statements were approved for publication by the Board on August 1, 2023.

III. Application of New and Revised International Financial Reporting Standards

(I) Effects of adopting the new and revised international financial reporting standards endorsed by the Financial Supervisory Commission

The following IFRSs apply to the Group starting from January 1, 2023, and the application has not caused any material effect on the consolidated financial statements.

- Amendment to IAS 1 “Disclosures of Accounting Policies”
- Amendment to IAS 8 “Definition of Accounting Estimate”
- Amendment to IAS 12 “Deferred Income Tax Related to Assets and Liabilities Arising from A Single Transaction”

(II) The new and revised international financial reporting standards endorsed not yet endorsed by the FSC

The Group expected that the following new and revised international financial reporting standards endorsed not yet endorsed by the FSC would not have any material effect on the consolidated financial statements.

- Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”
- Amendment to IFRS 17 “Insurance Contract” and IFRS 17
- Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendment to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparison Information”
- Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”
- Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”.
- Amendment to IAS 12 - International Tax Reform Pillar Two Model Rules

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

IV. Summary of Significant Accounting Policies

Except for those described below, the summary of significant accounting policies of the consolidated financial statements is equivalent to that of the 2022 consolidated financial statements; for relevant information, please refer to Note 4 of the 2022 consolidated financial statements.

(I) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Preparation Regulations”) and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all necessary information of the consolidated financial statements of an entire year prepared according to IFRSs, IASs, IFRIC, and SIC (the “IFRSs endorsed by the FSC”) endorsed and issued into effect by the FSC.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Main Business	% of Ownership			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	ITEQ International Ltd. (the “ITEQ International”)	Investment	100.00%	100.00%	100.00%	(Note 3)
“	Bang Mao Investments Corporation	Investment	100.00%	100.00%	100.00%	(Note 3)
“	ITEQ Corporation (Thailand) LTD. (the “Thailand ITEQ”)	Produces and sells prepreg products and copper-clad laminates	100.00%	-	-	(Note 1) and (Note 3)
ITEQ International	ITEQ Holding Ltd. (the “ITEQ Holding”)	Investment	100.00%	100.00%	100.00%	(Note 3)
ITEQ Holding	Ever Smart International Corporation Ltd. (the “ESIC”)	Mainland China Re-investment	100.00%	100.00%	100.00%	(Note 3)
“	International Partners Ltd. (the “PL”)	Import/Export	100.00%	100.00%	100.00%	(Note 3)
“	Inspire Investments Ltd (the “IIL”)	Import/Export	100.00%	100.00%	100.00%	(Note 3)
“	Eagle Great Investments Ltd. (the “Eagle Great”)	Mainland China Re-investment	100.00%	100.00%	100.00%	(Note 3)
“	ITEQ (Hong Kong) Limited (the “ITEQ (HK)”)	Mainland China Re-investment	100.00%	100.00%	100.00%	(Note 3)
ESIC	ITEQ DG Electronics Technology Co., Ltd. (the “ITEQ (DG)”)	Produces and sells prepreg products and copper-clad laminates	100.00%	100.00%	100.00%	
“	ITEQ JX Electronics Technology Co., Ltd. (the “ITEQ (JX)”)	Produces and sells prepreg products and copper-clad laminates	100.00%	100.00%	100.00%	(Note 2)

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

Investor	Investee	Main Business	% of Ownership			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
ITEQ(HK)	ITEQ (Wuxi) Electronics Technology Co., Ltd. (the "ITEQ (WX)")	Produces and sells prepreg products and copper-clad laminates	100.00%	100.00%	100.00%	
"	ITEQ GZ Electronics Technology Co., Ltd. (the "ITEQ (GZ)")	Produces and sells prepreg products and copper-clad laminates	100.00%	100.00%	100.00%	
Eagle Great	Maocheng Electronic Technology (Dongguan) Co., Ltd. (the "ITEQ (HJ)")	Production and sales of MLBs.	100.00%	100.00%	100.00%	(Note 3)

Note 1: The Company newly established Thailand ITEQ in January 2023.

Note 2: The Group holds a comprehensive shareholding, with 50% held by ESIC, with 25% held by ITEQ (DG), and 25% held by ITEQ (WX).

Note 3: Financial statements of non-material subsidiaries are not reviewed by CPAs.

2. Subsidiaries not included in the consolidated financial statements: None.

(III) Employee benefits expense

The pension under the defined benefit plan in the interim period was calculated based on a year-to-date basis by using the actuarially determined pension cost rate at the reporting date of the prior year, adjusted for significant market fluctuations and significant reduction after the reporting period, settlements or other significant one-time events.

(IV) Income tax

The Group measures and discloses its income tax expense income tax expenses in the interim period according to the requirements under paragraph B12 of the IAS 34 "Interim Financial Reporting."

Income tax expenses are measured by multiplying the income before income tax by the best estimate by the management for the effective tax rate throughout the year and are fully recognized in current tax payable.

For income tax expenses directly recognized in equity items of other comprehensive income items, they are measured at the applicable tax rate upon the expected realization or settlement based on the temporary difference between the carrying amount of relevant assets and liabilities for the purpose of financial reporting and their taxation basis.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When preparing the consolidated financial statements according to the Preparation Regulations and IAS 34 “Interim Financial Reporting” endorsed by the FSC, the management was required to make judgments, estimations, and assumptions, which will have effects on the adoption of accounting policies and the reporting amount of assets, liabilities, income, and expenses. Material accounting estimates and assumptions made by the management may be different from the actual results; the Group will consider the historical experience and other factors to continue evaluating and adjusting. The Group has included the economic effects caused by climate change into consideration for material accounting estimates and continues to evaluate the effects on the financial position and financial performance in the following fiscal year.

When preparing the consolidated financial statements, the management has adopted the main sources of uncertainties for material judgments and estimates consistent with that of Note 5 in the 2022 consolidated financial statements.

VI. Summary of Significant Accounting Items

Except for those described below, the descriptions of material accounting items of the consolidated financial statements have no material difference from that of the 2022 consolidated financial statements; for relevant information, please refer to the 2022 consolidated financial statements.

(I) Cash and equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash	\$ 242	312	166
Cash in banks	3,042,814	2,585,791	2,451,714
Bank acceptances	1,649,418	1,966,300	1,421,017
Time deposit	-	661,416	-
Cash and equivalents	<u>\$ 4,692,474</u>	<u>5,213,819</u>	<u>3,872,897</u>

For details of disclosure of the sensitivity analysis of exchange rates for the financial assets and liabilities of the Group, please refer to Note 6(21).

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(II) Financial assets and liabilities

1. Financial assets at FVITPL

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets mandatorily measured at FVTPL:			
Securities listed in ROC Emerging Stock Market	<u>\$ 3,696</u>	<u>3,273</u>	<u>4,042</u>

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial liabilities held for trading:			
Non-hedging derivatives			
Forward exchange contracts	<u>\$ -</u>	<u>7,681</u>	<u>-</u>

The Group engages in derivative trading to avoid exchange rate risks arising from operating, financing, and investing activities; the breakdown of derivatives presented as financial liabilities held for trading as the hedging accounting is not applicable to the Group is as follows:

Forward exchange contracts:

	<u>December 31, 2022</u>		
	<u>Contract amount (NT\$ thousand)</u>	<u>Currency</u>	<u>Maturity</u>
Buy: forward exchange contracts	USD 10,000/CNY 71,213	USD to RMB	January 9, 2023 - February 17, 2023

There were no such transactions on June 30, 2023 and 2022.

For details of the amount of remeasurement of fair value recognized in profit or loss, please refer to Note 6(20).

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

2. Financial assets at FVTOCI

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Shares of domestic non-listed companies	\$ 3,461	2,371	2,500
Unlisted funds	35,957	30,313	32,818
	<u>\$ 39,418</u>	<u>32,684</u>	<u>35,318</u>

The investments in equity instruments held by the Group are long-term strategic investments and are not held for trading; therefore, they are designated as measured at fair value through other comprehensive income.

3. Financial assets at amortized cost

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Time deposit certificate	<u>\$ 86,191</u>	-	-

4. For details of credit risks, please refer to Note 6(21).

5. None of the abovementioned financial assets were provided for pledge or guarantee.

(III) Amounts receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable	\$ 1,652,022	1,798,856	1,817,972
Accounts receivable	8,733,944	10,328,396	11,988,221
Less: Loss allowance	(21,022)	(7,967)	(7,430)
	<u>\$ 10,364,944</u>	<u>12,119,285</u>	<u>13,798,763</u>

The Group applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision was determined as follows:

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	June 30, 2023		
	Carrying amount of amounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Not Past Due	\$ 10,293,667	0.00%	-
Over due for 1 to 30 days or above	50,476	0.00%~17.00%	3,746
Over due for 31 to 90 days or above	33,582	0%~100%	9,035
Over 91 Days	<u>8,241</u>	100%	<u>8,241</u>
	<u>\$ 10,385,966</u>		<u>21,022</u>
	December 31, 2022		
	Carrying amount of amounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Not Past Due	\$ 11,251,331	0.00%~0.04%	3,059
Over due for 1 to 30 days or above	859,447	0.00%~3.23%	3,880
Over due for 31 to 90 days or above	16,474	0.00%~9.21%	1,028
Over 91 Days	<u>-</u>	100%	<u>-</u>
	<u>\$ 12,127,252</u>		<u>7,967</u>

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	June 30, 2022		
	Carrying amount of amounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Not Past Due	\$ 13,660,574	0.00%~0.05%	3,440
Over due for 1 to 30 days or above	141,548	0.00%~4.47%	177
Over due for 31 to 90 days or above	259	0.00%~17.01%	1
Over 91 Days	<u>3,812</u>	100%	<u>3,812</u>
	<u>\$ 13,806,193</u>		<u>7,430</u>

The table of changes in loss allowance of amounts receivable of the Group is as follows:

	January to June	
	2023	2022
Beginning balance	\$ 7,967	6,249
Impairment loss recognized	13,549	1,125
Effect of exchange rate changes	(494)	56
Ending balance	<u>\$ 21,022</u>	<u>7,430</u>

On June 30, 2023, December 31 and June 30, 2022, the Group has not provided any of the abovementioned financial assets for pledge or guarantee.

The Group has entered into factoring agreements with no right of recourse with financial institutions. Pursuant to the agreements, losses from commercial disputes (such as sales returns and discounts) were borne by the Group, while losses from credit risk were borne by the banks. As the Group has transferred almost the entire risks and compensation of the ownership of the abovementioned accounts receivable and has not continued its participation, it has fulfilled the conditions for the derecognition of financial assets. After the derecognition of the creditor's rights for accounts recoverable, the creditor's rights against financial institutions are presented in other receivables. As of the reporting date, information related to outstanding factoring accounts receivable is as follows:

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

June 30, 2023					
Counterparties	Amount Derecognized	Advances Available	Advances Received	Amount Transferred to Other Receivables	Interest Rate
KGI Commercial Bank	<u>\$ 2,553</u>	<u>9,342</u>	<u>\$ -</u>	<u>2,553</u>	-
December 31, 2022					
Counterparties	Amount Derecognized	Advances Available	Advances Received	Amount Transferred to Other Receivables	Interest Rate
KGI Commercial Bank	<u>\$ 1,231</u>	<u>9,213</u>	<u>\$ -</u>	<u>1,231</u>	-
June 30, 2022					
Counterparties	Amount Derecognized	Advances Available	Advances Received	Amount Transferred to Other Receivables	Interest Rate
Taishin Bank	\$ 87,988	168,076	\$ -	87,988	-
KGI Commercial Bank	2,691	17,832	-	2,691	-
	<u>\$ 90,679</u>	<u>185,908</u>	<u>\$ -</u>	<u>90,679</u>	

On June 30, 2023, December 31 and June 30, 2022, the Group provided promissory notes in the amount of NT\$9,300 thousand, NT\$9,300 thousand, and NT\$187,076 thousand, respectively, to the banks as collateral.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(IV) Inventories

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Raw materials	\$ 1,765,671	1,921,644	2,930,973
Work in progress	142,289	173,480	183,434
Finished goods	466,522	603,093	740,687
Inventories in transit	47,545	33,134	16,475
	<u>\$ 2,422,027</u>	<u>2,731,351</u>	<u>3,871,569</u>

Except for inventory costs recognized as costs and expenses of sales, the breakdown of relevant expenses is as follows:

	<u>April to June</u>		<u>January to June</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Loss from depreciation	\$ 18,192	31,341	41,873	36,796
Income from scrapping	(88,238)	(54,092)	(204,595)	(236,191)
	<u>\$ (70,046)</u>	<u>(22,751)</u>	<u>(162,722)</u>	<u>(199,395)</u>

As of June 30, 2023 and 2022, the Group recognized inventory depreciation losses due to the write-down of inventories to their net realizable value.

As of June 30, 2023, December 31 and June 30, 2022, the Group has not provided any of the abovementioned inventories for pledge or guarantee.

(V) Investments using the equity method

Investments using the equity method of the Group on the reporting date are set out as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Joint venture	<u>\$ 45,441</u>	<u>47,603</u>	<u>49,000</u>

1. Joint venture

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

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

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

3. As of June 30, 2023, December 31 and June 30, 2022, the Group has not provided any of the investments using the equity method for pledge or guarantee.

(VI) Property, plant, and equipment

The movements in property, plant and equipment of the Group were as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Transport Equipment</u>	<u>Facilities</u>	<u>Other Equipment</u>	<u>Leased Improvements</u>	<u>Total</u>
Costs:							
BALANCE AT JANUARY 1, 2023	\$ 3,053,809	7,773,750	41,192	424,837	1,539,403	405,623	13,238,614
Addition	3,380	78,020	1,104	380	55,256	1,048	139,188
Disposal	(23,248)	(48,354)	(571)	(2,018)	(25,406)	(10,280)	(109,877)
Reclassification (Note)	18,866	76,627	-	2,688	12,969	25,521	136,671
Effects of changes in exchange rates	(69,151)	(154,531)	(714)	(9,149)	(24,500)	-	(258,045)
BALANCE AT JUNE 30, 2023	\$ 2,983,656	7,725,512	41,011	416,738	1,557,722	421,912	13,146,551
BALANCE AT JANUARY 1, 2022	\$ 2,992,222	7,197,602	39,309	443,325	1,292,708	241,674	12,206,840
Addition	7,137	30,988	4,601	-	13,621	96,782	153,129
Disposal	-	(23,684)	(177)	(722)	(16,572)	-	(41,155)
Reclassification (Note)	-	124,121	-	-	66,040	43,542	233,703
Effects of changes in exchange rates	49,325	133,304	(411)	(7,465)	19,252	-	194,005
BALANCE AT JUNE 30, 2022	\$ 3,048,684	7,462,331	43,322	435,138	1,375,049	381,998	12,746,522
Depreciation and impairment losses:							
BALANCE AT JANUARY 1, 2023	\$ 887,562	4,365,164	30,378	334,034	864,371	200,388	6,681,897
Depreciation	73,772	295,864	1,319	11,965	91,827	19,818	494,565
Disposal	(23,248)	(40,960)	(514)	(2,109)	(26,824)	(13,087)	(106,742)
Reversal of impairment losses	(373)	(362)	-	-	(68)	-	(803)
Effects of changes in exchange rates	(21,478)	(90,388)	(522)	(7,714)	(14,666)	-	(134,768)
BALANCE AT JUNE 30, 2023	\$ 916,235	4,529,318	30,661	336,176	914,640	207,119	6,934,149
BALANCE AT JANUARY 1, 2022	\$ 728,997	3,756,332	30,927	332,964	699,684	153,167	5,702,071
Depreciation	73,818	287,270	842	13,009	104,042	23,183	502,164
Disposal	-	(20,953)	(170)	(705)	(16,511)	-	(38,339)
Reversal of impairment losses	-	(10,619)	-	-	(6,856)	-	(17,475)
Effects of changes in exchange rates	14,715	65,917	458	6,593	9,414	-	97,097
BALANCE AT JUNE 30, 2022	\$ 817,530	4,077,947	32,057	351,861	789,773	176,350	6,245,518
Carrying amount:							
January 1, 2023	\$ 2,166,247	3,408,586	10,814	90,803	675,032	205,235	6,556,717
June 30, 2023	\$ 2,067,421	3,196,194	10,350	80,562	643,082	214,793	6,212,402
January 1, 2022	\$ 2,263,225	3,441,270	8,382	110,361	593,024	88,507	6,504,769
June 30, 2022	\$ 2,231,154	3,384,384	11,265	83,277	585,276	205,648	6,501,004

(Note): Transferred from the pre-payments for equipment.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

As of June 30, 2023, for the details of the provision of property, plant and equipment for pledge and guarantee, please refer to Note 8. In addition on December 31 and June 30, 2022, the Group has not provided any of the abovementioned property, plant and equipment for pledge or guarantee.

(VII) Other current assets and other non-current assets

1. The breakdown of other current assets of the Company is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Offset against business tax payable	\$ 864,529	924,605	961,417
Pre-payment to suppliers	20,107	43,177	14,624
Prepaid expense and others	206,876	131,624	137,965
	<u>\$ 1,091,512</u>	<u>1,099,406</u>	<u>1,114,006</u>

2. The breakdown of other non-current assets of the Company is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Pre-payments for equipment facilities	\$ 4,506,509	4,247,085	3,485,482
Long-term prepayments	102,128	178,388	203,206
Materials and supplies	80,123	84,488	93,834
Net defined benefit plan assets	28,687	28,459	22,160
Refundable deposits	131,711	146,344	149,366
	<u>\$ 4,849,158</u>	<u>4,684,764</u>	<u>3,954,048</u>

(VIII) Right-of-use assets

Regarding the costs of land, houses, buildings, and equipment rented by the Company and their depreciation, the breakdown of their changes is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amount:			
January 1, 2023	<u>\$ 38,425</u>	<u>259,949</u>	<u>298,374</u>
June 30, 2023	<u>\$ 36,839</u>	<u>293,474</u>	<u>330,313</u>
January 1, 2022	<u>\$ 39,274</u>	<u>271,599</u>	<u>310,873</u>
June 30, 2022	<u>\$ 39,324</u>	<u>250,325</u>	<u>289,649</u>

There was no material addition, provision, or reversal of impairment of the right-of-use assets recognized for the land, houses, and buildings rented by the Group for the six months ended June 30, 2023 and 2022; for other relevant information, please refer to Note 13 of the 2022 consolidated financial statements.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

As of June 30, 2023, for the details of the provision of right-of-use assets for pledge and guarantee, please refer to Note 8. In addition on December 31 and June 30, 2022, the Group has not provided any of the abovementioned right-of-use assets for pledge or guarantee.

(IX) Intangible assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Goodwill	<u>\$ 9,180</u>	<u>9,141</u>	<u>8,907</u>

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

(X) Short-term borrowings and short-term notes payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank borrowings (currency: NTD, USD, and RMB) \$	1,474,291	2,465,577	2,050,756
Short-term bills payable	-	149,915	-
Total	<u>\$ 1,474,291</u>	<u>2,615,492</u>	<u>2,050,756</u>
Outstanding limit	<u>\$ 9,687,658</u>	<u>9,430,002</u>	<u>10,502,774</u>
Interest Rate	<u>1.66%~5.80%</u>	<u>0.63%~5.45%</u>	<u>0.63%~3.43%</u>

The Group gained capital from the currency market and has engaged Dah Chung Bills to issue short-term notes as of December 31, 2022. There were no such transactions on June 30, 2023 and 2022.

The Group has not pledged its asset as a guarantee for its short-term bank borrowings.

(XI) Long-term borrowings

	<u>June 30, 2023</u>			
	<u>Currency</u>	<u>Interest Rate</u>	<u>Year of expiry</u>	<u>Amount</u>
Unsecured bank borrowings	NTD and RMB	1.61%~3.24%	2023.7~2025.9	\$ 2,007,370
Secured bank borrowings	RMB	3.90%	2028.1	622,057
Less: Current portion				(70,165)
Total				<u>\$ 2,559,262</u>
Outstanding limit				<u>\$ 966,047</u>
	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Interest Rate</u>	<u>Year of expiry</u>	<u>Amount</u>
Unsecured bank borrowings	NTD and RMB	1.36%~3.01%	2022.7~2027.7	\$ 1,693,857
Less: Current portion				(17,086)
Total				<u>\$ 1,676,771</u>
Outstanding limit				<u>\$ 601,467</u>

There was no such transaction on June 30, 2022.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

For details of interest expenses, please refer to Note 6(20); for details of assets pledged as the guarantee for long-term borrowings, please refer to Note 8.

(XII) Lease liabilities

Lease liabilities of the Group are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	<u>\$ 61,707</u>	<u>55,120</u>	<u>45,126</u>
Non-current	<u>\$ 240,655</u>	<u>213,861</u>	<u>211,466</u>

For the details of the maturity analysis, please refer to Note 6(21) financial instruments.

Amount recognized in profit or loss is as follows:

	<u>April to June</u>		<u>January to June</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expenses on lease liabilities	<u>\$ 2,182</u>	<u>1,661</u>	<u>4,256</u>	<u>3,429</u>
Expenses on short-term and low-value leases	<u>\$ 11,633</u>	<u>13,745</u>	<u>24,208</u>	<u>28,305</u>

Amount recognized in the statement of cash flow is as follows:

	<u>January to June</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 60,155</u>	<u>61,200</u>

1. Leases of land, houses, buildings, and equipment

The Group rents land, houses, and buildings to use as plants and offices, and the leasing period is generally three to fifty years. Partial leases include the option to extend the leasing period for an equivalent time stated in the initial contract upon the expiry of the leasing period.

- The Group rents machinery and equipment, and the leasing period is less than one year; such leases are short-term or low-value target leases. The Group opts to apply the recognition exemption requirements and not recognize their relevant right-of-use assets and lease liabilities.

(XIII) Employee benefits expense

1. Defined benefit plans

As there was no material market fluctuation, material reduction, settlement, or other material one-off matters, the Group adopted the pension costs determined after the actuarial valuation as of December 31, 2022 and 2021 to measure and disclose the pension costs of the interim period.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

The breakdown of expenses of the Group is as follows:

	April to June		January to June	
	2023	2022	2023	2022
Operating expenses	\$ (114)	(39)	(228)	(77)

2. Defined contribution plans

The breakdown of expenses of the Group is as follows:

	April to June		January to June	
	2023	2022	2023	2022
Operating costs	\$ 1,611	1,730	3,255	3,511
Operating expenses	1,787	1,744	3,587	3,603
	<u>\$ 3,398</u>	<u>3,474</u>	<u>6,842</u>	<u>7,114</u>

(XIV) Income tax

1. The breakdown of income tax expenses (gains) of the Group is as follows:

	April to June		January to June	
	2023	2022	2023	2022
Current tax payable	\$ 60,772	106,236	156,026	245,028
Deferred income tax (gains) expenses	(20,999)	55,045	(56,101)	83,142
Income tax expense	<u>\$ 39,773</u>	<u>161,281</u>	<u>99,925</u>	<u>328,170</u>

2. The breakdown of income tax (expenses) gains recognized under other comprehensive income of the Group is as follows:

	April to June		January to June	
	2023	2022	2023	2022
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	\$ -	(1,521)	-	(1,687)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ -	68,910	-	(73,923)
	<u>\$ -</u>	<u>67,389</u>	<u>-</u>	<u>(75,610)</u>

3. The income tax returns of the Company and its subsidiary, Bou Mou, have been approved by the revenue service office up to 2020.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(XV) Capital and other equity

For the six months ended June 30, 2023 and 2022, there is no material change in the Group's capital and other equity; for relevant information, please refer to Note 20 of the 2022 consolidated financial statements.

1. Retained earnings

According to the requirements of the Articles of Incorporation, if there are earnings from the final account of the year, after paying taxes according to the law and compensating cumulative losses, the Company shall make appropriations from the remaining balance according to the following:

- (1) 10% of the legal reserve.
- (2) Provision or reversal of special reserve according to relevant laws and regulations.
- (3) If there is any remaining amount, combine it with the cumulative undistributed earnings. The Board shall propose for the distribution of earnings subject to the final approval of the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Where the earnings, mentioned in the preceding paragraph is paid out in cash, the Board of Directors shall be authorized to adopt a supermajority resolution for the payout and report it to the shareholders' meeting, whereas if it is paid out by issuing new shares, it shall be carried out after a resolution is adopted by the shareholders' meeting in accordance with the regulations.

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

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

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

2. Appropriation of earnings

The Board has resolved the cash dividends under the proposal for earning distribution of 2022 and 2021 on March 7, 2023 and March 6, 2022, respectively; dividends distributed to owners are as follows:

	2022		2021	
	Payout rate (NT\$)	Amount	Payout rate (NT\$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 3.0	<u>\$ 1,088,872</u>	5.0	<u>1,914,786</u>

The abovementioned information may be inquired about on MOPS.

3. Other equity (net after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
January 1, 2023	\$ (274,855)	(6,483)	(281,338)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	6,734	6,734
Exchange difference arising from the translation of net assets of foreign operations	<u>(435,013)</u>	<u>-</u>	<u>(435,013)</u>
June 30, 2023	<u>\$ (709,868)</u>	<u>251</u>	<u>(709,617)</u>
January 1, 2022	\$ (505,008)	(9,174)	(514,182)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	3,944	3,944
Exchange difference arising from the translation of net assets of foreign operations	<u>295,691</u>	<u>-</u>	<u>295,691</u>
June 30, 2022	<u>\$ (209,317)</u>	<u>(5,230)</u>	<u>(214,547)</u>

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(XVI) Earnings per share

The calculation for the basic earnings per share and diluted earnings per share of the Group is as follows:

	April to June		Unit: Thousand shares January to June	
	2023	2022	2023	2022
Basic earnings per share				
Net profit attributable to ordinary share equity holders of the Company	\$ 41,588	434,702	115,571	1,243,815
Weight average number of outstanding ordinary shares	362,957	382,957	362,957	382,957
Earnings per share (unit: NT\$)	\$ 0.11	1.14	0.32	3.25
Diluted earnings per share				
Net profit attributable to ordinary share equity holders of the Company	\$ 41,588	434,702	115,571	1,243,815
Weight average number of outstanding ordinary shares (basic)	362,957	382,957	362,957	382,957
Effects on employees' compensation	192	558	548	2,235
Weight average number of outstanding ordinary shares (diluted)	363,149	383,515	363,505	385,192
Earnings per share (unit: NT\$)	\$ 0.11	1.13	0.32	3.23

(XVII) Share-based payment

For the six months ended June 30, 2023 and 2022, there is no material change in the Group's share-based payment; for relevant information, please refer to Note 25 of the 2022 consolidated financial statements. For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the compensation costs under employee stock options recognized were NT\$3,160 thousand, NT\$3,742 thousand, NT\$7,040 thousand and NT\$7,879 thousand and presented under employee stock options of capital reserve.

(XVIII) Employees' compensation and remuneration of Directors

Articles of Incorporation of the Company stipulates to distribute employees' compensation and remuneration of Directors at the rates no less than 2% and no higher than 2%, respectively, of income before income tax, employees' compensation and remuneration of Directors.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

The estimation of the employees' compensation and remuneration of Directors of the Company is as follows:

	April to June		January to June	
	2023	2022	2023	2022
Employees' compensation	\$ 9,363	40,078	13,300	80,096
Remuneration to Directors	2,365	9,219	3,362	18,454
	\$ 11,728	49,297	16,662	98,550

The abovementioned amount is using the income before income tax with employees' compensation and remuneration of Directors deducted multiplied by the distribution ratio of employees' compensation and remuneration of Directors set out in the Articles of Incorporation as the estimation basis and presented as the operating costs or operating expenses of the period; for relevant information, please visit the MOPS for inquiries. If there is any difference between the actual distribution amount in the following year and the estimated amount, it shall be treated as changes in accounting estimates, and the difference is recognized as the profit or loss of the following year.

In 2022 and 2021, the provision for employees' compensation was NT\$78,837 thousand and NT\$219,730 thousand, respectively, and the remuneration of Directors was NT\$19,709 thousand and NT\$50,707 thousand, respectively, and there was no difference from the actual distribution; for relevant information, please visit the MOPS for inquiries.

(XIX) Income from contracts with customers

1. Breakdown of income

	April to June 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:						
Asia	\$ 175,170	2,047,486	1,727,812	1,008,132	430,882	5,389,482
Europe	20,681	1,164	-	-	6,246	28,091
Others	10,815	-	-	-	1,930	12,745
	\$ 206,666	2,048,650	1,727,812	1,008,132	439,058	5,430,318
Main products:						
Copper clad laminate	\$ 177,434	1,399,279	1,212,441	749,964	418,980	3,958,098
Prepreg	27,608	649,371	515,371	258,168	-	1,450,518
Others	1,624	-	-	-	20,078	21,702
	\$ 206,666	2,048,650	1,727,812	1,008,132	439,058	5,430,318

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

		April to June 2022					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	334,154	3,352,999	2,311,793	309,403	1,278,637	7,586,986
Europe		27,737	3,761	-	-	8,266	39,764
Others		17,015	-	-	-	1,890	18,905
		\$ 378,906	3,356,760	2,311,793	309,403	1,288,793	7,645,655
Main products:							
Copper clad laminate	\$	243,072	2,381,022	1,598,207	219,666	1,039,007	5,480,974
Prepreg		135,031	975,738	713,586	89,737	218,697	2,132,789
Others		803	-	-	-	31,089	31,892
		\$ 378,906	3,356,760	2,311,793	309,403	1,288,793	7,645,655
		January to June 2023					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	413,640	4,218,667	4,012,696	1,922,452	1,010,256	11,577,711
Europe		67,437	5,779	-	-	13,494	86,710
Others		22,223	-	-	-	3,329	25,552
		\$ 503,300	4,224,446	4,012,696	1,922,452	1,027,079	11,689,973
Main products:							
Copper clad laminate	\$	343,112	2,969,870	2,850,233	1,429,311	978,378	8,570,904
Prepreg		157,947	1,254,197	1,162,463	493,141	-	3,067,748
Others		2,241	379	-	-	48,701	51,321
		\$ 503,300	4,224,446	4,012,696	1,922,452	1,027,079	11,689,973
		January to June 2022					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	713,181	6,685,154	5,197,902	515,966	2,665,079	15,777,282
Europe		79,258	3,761	-	-	14,338	97,357
Others		38,184	-	-	-	1,890	40,074
		\$ 830,623	6,688,915	5,197,902	515,966	2,681,307	15,914,713
Main products:							
Copper clad laminate	\$	558,773	4,718,076	3,584,348	366,532	2,139,477	11,367,206
Prepreg		270,152	1,967,134	1,612,158	149,434	457,106	4,455,984
Others		1,698	3,705	1,396	-	84,724	91,523
		\$ 830,623	6,688,915	5,197,902	515,966	2,681,307	15,914,713

2. Contract balance

	June 30, 2023	December 31, 2022	June 30, 2022
Amounts receivable	\$ 10,385,966	12,127,252	13,806,193
Less: Loss allowance	(21,022)	(7,967)	(7,430)
Total	\$ 10,364,944	12,119,285	13,798,763

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

As of June 30, 2023, December 31 and June 30, 2022, the balance of contract liabilities from the sales of products was NT\$15,775 thousand, NT\$15,248 thousand and NT\$27,712 thousand (accounted for as other current liabilities). The change in contract liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer.

(XX) Non-operating income and expenses

1. Interest income

	April to June		January to June	
	2023	2022	2023	2022
Interest of bank deposits	\$ 5,746	4,575	18,231	8,629

2. Other income

	April to June		January to June	
	2023	2022	2023	2022
Grant income	\$ 2,595	25,482	15,459	48,359
Other income	25,927	2,920	27,395	5,645
	\$ 28,522	28,402	42,854	54,004

3. Other gains or losses

	April to June		January to June	
	2023	2022	2023	2022
Net foreign exchange losses	\$ (87,068)	(79,860)	(75,756)	(2,972)
Net loss on financial assets and liabilities at fair value through profit or loss	(76)	(701)	(6,124)	(576)
Reversal of loss on impairment of property, plant and equipment	65	17,475	803	17,475
Net loss from disposal of property, plant and equipment	(15)	(1,158)	(1,047)	(2,643)
Insurance claim income	118,340	200,000	118,340	450,000
Others	(12,610)	(993)	(5,818)	(1,145)
	\$ 18,636	134,763	30,398	460,139

4. Financial costs

	April to June		January to June	
	2023	2022	2023	2022
Interest expenses	\$ 28,671	21,361	60,218	44,312

(XXI) Disclosures for financial instruments

Except for the following, there is no material change in the fair value of financial instruments and the exposure of the Group to credit risks, liquidity risks, and market risks due to financial instruments; for relevant information, please refer to Note 27 of the 2022 consolidated financial statements.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

1. Credit risk

(1) Credit risk concentration

As of June 30, 2023, December 31 and June 30, 2022, 48%, 50%, and 57% of the balance of accounts receivable, respectively, involved the top ten customers of the Group, giving rise to a significant concentration of credit risks.

(2) Credit risk from amounts receivable

For information on the exposure to credit risks from amounts receivable, please refer to Note 6(3) for details.

Other financial assets at amortized costs include time deposit certificates, other receivables, and refundable deposits; there was no impairment provided for the three months ended June 30, 2023 and 2022. The abovementioned are financial assets with low credit risks; therefore, the loss allowance of the period is measured based on the 12-month ECL.

2. Liquidity risk

The following table sets out the expiry of contracts of financial liabilities, including the estimated interest but excluding the effects of the netting agreement.

	<u>Carrying amount</u>	<u>Contract cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,474,291	1,478,001	1,478,001	-	-	-
Accounts payable	4,589,978	4,589,978	4,589,978	-	-	-
Other payables	1,109,202	1,109,202	1,109,202	-	-	-
Lease liabilities	302,362	321,636	69,181	68,242	168,745	15,468
Cash dividends payable	1,088,872	1,088,872	1,088,872	-	-	-
Long-term borrowings (including the current portion of long-term borrowings)	2,629,427	2,789,448	137,652	1,144,545	1,507,251	-
Guarantee deposits	42,634	42,634	-	42,634	-	-
	\$ 11,236,766	11,419,771	8,472,886	1,255,421	1,675,996	15,468
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,465,577	2,496,377	2,496,377	-	-	-
Short-term bills payable	149,915	150,000	150,000	-	-	-
Accounts payable	5,926,422	5,926,422	5,926,422	-	-	-
Lease liabilities	268,981	282,337	57,651	108,918	85,718	30,050
Other payables	1,635,974	1,635,974	1,635,974	-	-	-
Guarantee deposits	37,980	37,980	-	37,980	-	-
Long-term borrowings (including the current portion of long-term borrowings)	1,693,857	1,759,039	48,649	816,724	893,666	-
Derivative financial liabilities						
Forward exchange contracts	7,681	7,681	7,681	-	-	-
	\$ 12,186,387	12,295,810	10,322,754	963,622	979,384	30,050

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	<u>Carrying amount</u>	<u>Contract cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,050,756	2,069,552	2,069,552	-	-	-
Accounts payable	5,686,049	5,686,049	5,686,049	-	-	-
Lease liabilities	256,592	273,810	50,843	47,948	129,944	45,075
Other payables	2,107,323	2,107,323	2,107,323	-	-	-
Cash dividends payable	1,914,786	1,914,786	1,914,786	-	-	-
Guarantee deposits	33,550	33,550	-	33,550	-	-
	\$ 12,049,056	12,085,070	11,828,553	81,498	129,944	45,075

The Group does not expect that the cash flow of the maturity analysis will occur materially early or the actual amount will have a significant difference.

3. Foreign currency risk

(1) Exposure to currency risks

The financial assets and liabilities of the Group exposed to material currency exchange risks are as follows:

	<u>June 30, 2023</u>			<u>December 31, 2022</u>			<u>June 30, 2022</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary item</u>									
USD	\$ 49,167	31.14	1,531,049	75,758	30.71	2,326,528	95,738	29.72	2,845,333
<u>Financial liabilities</u>									
<u>Monetary item</u>									
USD	55,643	31.14	1,732,716	73,649	30.71	2,261,761	130,975	29.72	3,892,577

(2) Sensitivity analysis

The exchange risks of monetary items of the Group are primarily arising from the currency exchange gains or losses upon the translation of cash and cash equivalents, accounts receivable, and accounts payable denominated in foreign currencies. As of June 30, 2023 and 2022, if NTD depreciates or appreciates against USD, JPY, and RMB by 1%, with all other factors remaining unchanged, the income before income tax for the six months ended June 30, 2023 and 2022 will change by NT\$2,017 thousand and NT\$10,472 thousand, respectively. The same basis is adopted for the analysis of both periods.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(3) Exchange gains or loss of monetary items

As the Group has multiple functional currencies, it discloses its information on exchange gains or losses of monetary items in summary. For the three months ended June 30, 2023 and 2022, the currency exchange gains (including realized and unrealized) were NT\$(87,068) thousand NT\$(79,860) thousand, NT\$(75,756) thousand, and NT\$(2,972) thousand respectively.

4. Interest rate analysis

The exposure of the Group to the interest rate of financial liabilities is described in the liquidity risk management of the note.

The following sensitivity analysis is determined based on the exposure to the interest rate of non-derivative instruments on the reporting date. For liabilities at floating interest rates, the analysis method assumes that the amount of outstanding liabilities on the reporting date is outstanding throughout the year. The sensitivity ratio used to report to the major management within the Group for the change in interest rate is 1%, which also represents the scope of reasonable and possible changes in interest rates assessed by the management.

If the interest rate increases or decreases by 1%, with all other variables remaining unchanged, the income before income tax of the Group for the six months ended June 30, 2023 and 2022 will change by NT\$20,519 thousand and NT\$10,254 thousand, primarily due to the borrowings of the Group at floating interest rates.

5. Other price risks

If there is any change in the price of equity securities on the reporting date (the same basis is adopted for the analysis of both periods, and assume that other variable factors remained unchanged), the effects on items of comprehensive income are as follows:

Price of securities on the reporting date	January to June			
	2023		2022	
	Amount of other comprehensive income after tax	Profit or loss after tax	Amount of other comprehensive income after tax	Profit or loss after tax
Increase by 1%	\$ 394	37	353	40
Decrease by 1%	\$ (394)	(37)	(353)	(40)

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

6. Information on fair value

(1) Category and fair value of financial instruments

The Group's financial assets at FVITPLs and financial assets at fair value through other comprehensive income are measured at fair value on a repetitive basis. The carrying amount and fair value of different categories of financial assets and financial liabilities (including the information on fair value hierarchy; however, for financial instruments not measured at fair value that reasonably approximate the fair value and investments in equity instruments with no quotation in the active market and the fair value cannot be reliably measured, the fair value is not required to be disclosed according to the requirements) are set out as follows:

	June 30, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVITPL					
Securities listed in ROC Emerging					
Stock Market	\$ 3,696	-	-	3,696	3,696
Subtotal	3,696	-	-	3,696	3,696
Financial assets at FVTOCI					
Unlisted funds	35,957	-	-	35,957	35,957
Shares of domestic non-listed companies	3,461	-	-	3,461	3,461
Subtotal	39,418	-	-	39,418	39,418

	June 30, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and equivalents	4,692,474	-	-	-	-
Financial assets at amortized cost	86,191	-	-	-	-
Notes receivable and accounts receivable	10,364,944	-	-	-	-
Other receivables	359,094	-	-	-	-
Refundable deposits	131,711	-	-	-	-
Subtotal	15,634,414	-	-	-	-
Total	\$ 15,673,832	-	-	39,418	39,418
Financial assets at amortized cost					
Bank borrowings	\$ 4,103,718	-	-	-	-
Accounts payable	4,589,978	-	-	-	-
Lease liabilities	302,362	-	-	-	-
Other payables	1,109,202	-	-	-	-
Cash dividends payable	1,088,872	-	-	-	-
Guarantee deposits	42,634	-	-	-	-
Total	\$ 11,236,766	-	-	-	-

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVITPL					
Securities listed in ROC Emerging					
Stock Market	\$ 3,273	-	-	3,273	3,273
Financial assets at FVTOCI					
Unlisted funds	30,313	-	-	30,313	30,313
Shares of domestic non-listed					
companies	2,371	-	-	2,371	2,371
Subtotal	32,684	-	-	32,684	32,684
Financial assets at amortized cost					
Cash and equivalents	5,213,819	-	-	-	-
Notes receivable and accounts					
receivable	12,119,285	-	-	-	-
Other receivables	269,426	-	-	-	-
Refundable deposits	146,344	-	-	-	-
Subtotal	17,748,874	-	-	-	-
Total	\$ 17,784,831	-	-	35,957	35,957
Financial liabilities at fair value through					
profit or loss					
Derivative financial liabilities	\$ 7,681	-	7,681	-	7,681

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Bank borrowings	4,159,434	-	-	-	-
Short-term bills payable	149,915	-	-	-	-
Accounts payable	5,926,422	-	-	-	-
Lease liabilities	268,981	-	-	-	-
Other payables	1,635,974	-	-	-	-
Guarantee deposits	37,980	-	-	-	-
Subtotal	12,178,706	-	-	-	-
Total	\$ 12,186,387	-	7,681	-	7,681

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	June 30, 2022				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at FVITPL					
Securities listed in ROC Emerging					
Stock Market	\$ 4,042	-	-	4,042	4,042
Financial assets at FVTOCI					
Unlisted funds	32,818	-	-	32,818	32,818
Shares of domestic non-listed					
companies	2,500	-	-	2,500	2,500
Subtotal	35,318	-	-	35,318	35,318
Financial assets at amortized cost					
Cash and equivalents	\$ 3,872,897	-	-	-	-
Notes receivable and accounts					
receivable	13,798,763	-	-	-	-
Other receivables	333,010	-	-	-	-
Refundable deposits	149,366	-	-	-	-
Subtotal	18,154,036	-	-	-	-
Total	\$ 18,193,396	-	-	39,360	39,360
Financial assets at amortized cost					
Bank borrowings	\$ 2,050,756	-	-	-	-
Accounts payable	5,686,049	-	-	-	-
Lease liabilities	256,592	-	-	-	-
Other payables	2,107,323	-	-	-	-
Cash dividends payable	1,914,786	-	-	-	-
Guarantee deposits	33,550	-	-	-	-
Total	\$ 12,049,056	-	-	-	-

(2) Valuation technique for the fair value of financial instruments at fair value

(2.1) Non-derivative financial instruments

If a financial instrument has a public quotation in an active market, the public quotation in an active market shall be the fair value. Market prices announced by the main exchanges are the foundation for the fair value of listed equity instruments.

If the public quotation in an active market is instantly and regularly available from exchanges, brokers, underwriters, industry associations, pricing service institutions or the competent authority, and the price represents actual and regular price in fair market transactions, the financial instrument has a public quotation in an active market. If the abovementioned conditions are not fulfilled, the market is deemed as not active. In general, material gaps in selling and purchasing price, significant increases in selling and purchasing price, or minor transaction volume are indicators of an inactive market.

For financial instruments held by the Group with an active market, their fair

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

values by category and nature are set out as follows:

- Shares of domestic and foreign listed companies are financial assets with standard terms of conditions that are transacted in the active market, and their fair values shall be determined with reference to the closing prices in the market.

Except for the financial instruments with an active market above, the fair value of the remaining financial instruments is obtained by using valuation techniques. For fair value obtained by using valuation techniques, the Company may refer to the current fair value of other financial instruments with substantially similar conditions or characteristics, cash flow discount method, or adopt other valuation techniques.

For financial instruments held by the Group with no active market, their fair values by category and nature are set out as follows:

- Equity instruments with no public quotation: The fair value is estimated by adopting comparable companies in the market; its major assumption is to refer to the book value multiples inferred from the market quotation of listed companies as the basis; adjustments for the effect of discount for the lack of market liquidity of such equity securities were made for the estimate.

(2.2) Derivative financial instruments

The Group carries out the valuation based on the valuation model widely accepted by market users, such as the discount method and the option pricing model. Forward exchange contracts are generally assessed based on the current forward exchange rate.

(3) Transfer between level 1 and level 2

For the six months ended June 30, 2023 and 2022, there was no transfer between the fair value hierarchy of financial instruments.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

	Financial assets at FVITPL		Measured at fair value through profit or loss	
	Equity instruments with no public quotation		Equity instruments with no public quotation	
			Total	
January 1, 2023	\$	3,273	32,684	35,957
Total gains or losses:				
Recognized as profit or loss		423	-	423
Recognized in other comprehensive income		-	6,734	6,734
June 30, 2023	\$	3,696	39,418	43,114
		Financial assets at FVITPL	Measured at fair value through profit or loss	
		Equity instruments with no public quotation	Equity instruments with no public quotation	Total
January 1, 2022	\$	4,618	29,687	34,305
Total gains or losses:				
Recognized in profit or loss		(576)	-	(576)
Recognized in other comprehensive income		-	5,631	5,631
June 30, 2022	\$	4,042	35,318	39,360

The abovementioned gains or losses were presented in “other gains and losses” and “unrealized valuation (loss) gain of investments in equity instruments at fair value through other comprehensive income, and those related to assets held as of June 30, 2023 and 2022 are as follows:

	April to June		January to June	
	2023	2022	2023	2022
Recognized in profit or loss	\$ (76)	(701)	423	(576)
Recognized in other comprehensive income	\$ 6,990	6,149	6,734	5,631

(5) Quantitative information on the fair value measurement of significant unobservable inputs (level 3)

The fair value measurement classified in level 3 is for financial assets at fair value through other comprehensive income - investments in equity securities.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

The majority of the investments in equity instruments with no active market with fair value classified in level 3 have plural significant unobservable inputs. As the significant unobservable inputs of investments in equity instruments with no active market are independent, there is no correlation.

Quantitative information on significant unobservable inputs is set out in the following table:

Items	Evaluation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets at FVITPL - investments in equity instruments with no active market	Comparable listed company approach	<ul style="list-style-type: none"> • Stock price net value multiplier (1.32, 1.13, and 1.39 on June 30, 2023, December 31, 2022, and June 30, 2022, respectively) • Discount for the lack of market liquidity (20% on June 30, 2023, December 31, 2022, and June 30, 2022) 	<ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value • The higher the discount for the lack of market liquidity, the lower the fair value
Financial assets at fair value through other comprehensive income - investments in equity instruments with no active market	Comparable listed company approach	<ul style="list-style-type: none"> • Stock price net value multiplier (3.68, 3.07, and 3.24 on June 30, 2023, December 31, 2022, and June 30, 2022, respectively) • Discount for the lack of market liquidity (25% on June 30, 2023, December 31, 2022, and June 30, 2022) 	<ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value • The higher the discount for the lack of market liquidity, the lower the fair value
Financial assets at fair value through other comprehensive income - unlisted funds	Net asset value approach	<ul style="list-style-type: none"> • Net asset value 	N/A

(6) For level 3 fair value measurement, the sensitivity analysis for the reasonable substituting assumption of fair value

The fair value measurement of the financial instruments of the Group is reasonable; however, if different valuation parameters are used, the results of the valuation may differ. As of June 30, 2023, December 31 and June 30, 2022, for financial instruments classified in level 3, if the valuation parameter changes, the effects on profit or loss and other comprehensive income are as follows:

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

Input	Upward or downward changes	Changes in fair value reflected in profit or loss					
		Favorable changes			Unfavorable changes		
		June 30, 2023	December 31, 2022	June 30, 2022	June 30, 2023	December 31, 2022	June 30, 2022
Stock price net value multiplier	5%	107	137	110	(107)	(137)	(110)
Discount for the lack of market liquidity	5%	42	61	4	(42)	(61)	(4)

Input	Upward or downward changes	Changes in fair value reflected in other comprehensive income					
		Favorable changes			Unfavorable changes		
		June 30, 2023	December 31, 2022	June 30, 2022	June 30, 2023	December 31, 2022	June 30, 2022
Stock price net value multiplier	5%	119	68	232	(119)	(68)	(232)
Discount for the lack of market liquidity	5%	(60)	43	96	(60)	(43)	(96)

Favorable and unfavorable changes to the Group refer to the volatility of fair value, and the fair value is calculated by using valuation techniques based on the parameters of significant inputs of different levels. If the fair value of a financial instrument is affected by one input or more, the above table only reflects the effects arising from changes in a single input without taking the correlation and variability of inputs into consideration.

(XXII) Financial risk management

The objective and policy of the financial risk management of the Group have no material change from those disclosed in Note 27 of the 2022 consolidated financial statements.

(XXIII) Capital management

The capital management objective, policy, and procedure of the Group are consistent with those disclosed in the 2022 consolidated financial statements. For relevant information, please refer to Note 26 of the 2022 consolidated financial statements.

(XXIV) Non-cash investing and financing activities

The reconciliation of the liabilities arising from the financing activities of the Group is set out in the following table:

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Exchange rate changes	Others	
Short-term borrowings	\$ 2,465,577	(990,959)	(327)	-	1,474,291
Short-term bills payable	149,915	(149,915)	-	-	-
Long-term borrowings	1,693,857	912,374	23,196	-	2,629,427
Lease liabilities	268,981	(31,691)	(3,266)	68,338	302,362
Guarantee deposits	37,980	4,074	580	-	42,634
Total liabilities arising from financing activities.	<u>\$ 4,616,310</u>	<u>(256,117)</u>	<u>20,183</u>	<u>-</u>	<u>4,448,714</u>
	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Exchange rate changes	Others	
Short-term borrowings	\$ 2,131,144	(262,619)	182,231	-	2,050,756
Lease liabilities	276,912	(29,466)	1,604	7,542	256,592
Guarantee deposits	33,696	(1,300)	1,154	-	33,550
Total liabilities arising from financing activities.	<u>\$ 2,441,752</u>	<u>(293,385)</u>	<u>184,989</u>	<u>7,542</u>	<u>2,340,898</u>

VII. Related Party Transactions

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(I) Related party name and category

Related parties who had transactions with the Group during the period covered by the consolidated financial statements are as follows:

<u>Related Party Name</u>	<u>Related Party Category</u>
WIN Semiconductors Corp. (the "WIN Semiconductors")	The Chairman of the Company is also the chairman of the company
MGC-ITEQ Technology Co., Ltd (the "MGC-ITEQ")	Affiliate
Tian He Xing Ye Corp. (the "Tian He")	Other Related Parties
Fu Cun Construction Co. (the "Fu Cun")	Other Related Parties

(II) Material transactions with related parties:

1. Lease arrangements - Group is lessee

The Group entered into an operating lease contract with WIN Semiconductors in January 2013 to rent land and plants, with a leasing period from January 2013 to December 2028 and the rental paid on a monthly basis; relevant right-of-use assets, lease liabilities, and profit or loss are as follows:

<u>Line Item</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Right-of-use assets	<u>\$ 163,717</u>	<u>173,530</u>	<u>187,991</u>
Refundable deposits (accounted for as other non-current assets)	<u>\$ 103,577</u>	<u>103,012</u>	<u>102,450</u>
Lease liabilities - current	\$ 28,557	27,520	27,302
Lease liabilities - non-current	134,270	144,347	158,162
	<u>\$ 162,827</u>	<u>171,867</u>	<u>185,464</u>

	<u>April to June 2023</u>	<u>April to June 2022</u>	<u>January to June 2023</u>	<u>January to June 2022</u>
Financial costs	<u>\$ 666</u>	<u>755</u>	<u>1,359</u>	<u>1,536</u>
Depreciation expenses	<u>\$ 7,441</u>	<u>7,231</u>	<u>14,883</u>	<u>14,461</u>
Interest income	<u>\$ 283</u>	<u>280</u>	<u>565</u>	<u>559</u>

2. Lease agreement

The Company leases its office to MGC-ITEQ on an operating lease, with a leasing period of one year. For the six months ended June 30, 2023, the lease income recognized was NT\$12 thousand.

There was no such transaction on June 30, 2022.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

3. Others

The Group's dividends payable to related parties is presented under cash dividends payable. The outstanding balance at the end of the period is as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
WIN Semiconductors	\$ 196,226	-	327,044
Tian He	127,304	-	211,903
Other Related Parties	87,920	-	164,839
	<u>\$ 411,450</u>	<u>-</u>	<u>703,786</u>

(III) Compensation for the major management

	<u>April to June</u>		<u>January to June</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 5,643	6,177	15,448	19,464
Post-employment benefits	140	166	296	317
	<u>\$ 5,783</u>	<u>6,343</u>	<u>15,744</u>	<u>19,781</u>

VIII. Pledged Assets

The breakdown of the carrying amount of assets provided for pledging or guarantee is as follows:

<u>Asset</u>	<u>Target of pledge/guarantee</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Property, plant, and equipment	Long-term borrowings	\$ 594,615	-	-
Right-of-use assets	Long-term borrowings	58,638	-	-
		<u>\$ 653,253</u>	<u>-</u>	<u>-</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contractual commitments not recognized by the Groups are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Acquisition of property, plant, and equipment	<u>\$ 4,065,342</u>	<u>4,578,527</u>	<u>4,679,032</u>

(II) Outstanding letter of credit issued by the Group

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Outstanding letter of credit issued	<u>\$ 248,500</u>	<u>449,592</u>	<u>742,932</u>

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

X. Material Disaster Loss After the Balance Sheet: None.

XI. Material Events After the Balance Sheet: None.

XII. Others

(I) Employee benefits, depreciation, depletion, and amortization fees are summarized by functions as follows:

Function	April to June					
	2023			2022		
Nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	208,906	152,241	361,147	292,845	141,484	434,329
Labor and health insurance expenses	4,311	3,492	7,803	4,533	3,519	8,052
Pension expenses	1,611	1,673	3,284	1,730	1,706	3,436
Remuneration	-	2,400	2,400	-	9,264	9,264
Other employee benefits expenses	65,312	31,644	96,956	94,431	77,487	171,918
Depreciation expenses	225,062	41,798	266,860	237,562	34,581	272,143
Amortized expenses	-	-	-	-	-	-

Function	January to June			January to June		
	2023			2022		
Nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	455,546	316,842	772,388	611,786	301,700	913,486
Labor and health insurance expenses	8,757	7,642	16,399	9,214	8,328	17,542
Pension expenses	3,255	3,359	6,614	3,511	3,526	7,037
Remuneration	-	3,467	3,467	-	18,574	18,574
Other employee benefits expenses	135,484	67,244	202,728	181,178	107,528	288,706
Depreciation expenses	442,418	84,695	527,113	465,219	67,929	533,148
Amortized expenses	-	-	-	-	-	-

(II) Seasonality of operation:

The operation of the Group is not affected by seasonality or circular factors.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

XIII. Additional Disclosures

(I) Information about significant transactions

For the three months ended June 30, 2023, the information about significant transactions that shall be disclosed by the Group according to the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

1. FINANCING PROVIDED TO OTHERS:

Unit: NT\$ thousand

No.	Financing Company Name	Borrower	Financial Statement Account	Related Parties	Maximum Amount during the Period	Ending balance	Transaction Amounts	Interest Rate	Type of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment	Collateral		Financing Limit for Each Borrowing Company (Note 1)(Note 2)	Financing Amount Limits (Note 1)(Note 2)
													Name	Value		
0	The Company	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	122,856	50,405	50,405	-	2	-	Operating capital	-	None	-	3,743,289	7,486,578
1	IIL	ITEQ (WX)	Accounts receivable - related parties and other receivables - related parties	Yes	347,018	236,635	236,635	-	2	-	Operating capital	-	None	-	441,316	441,316
2	ITEQ (WX)	IIL	Accounts receivable - related parties and other receivables - related parties	Yes	343,952	267,663	267,663	-	2	-	Operating capital	-	None	-	3,743,289	3,743,289
3	"	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	666,420	646,440	560,248	1.5	2	-	Operating capital	-	None	-	3,743,289	3,743,289
3	"	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	1,332,840	1,292,880	1,292,880	1.5	2	-	Operating capital	-	None	-	3,743,289	3,743,289

Note 1: The Company's "Operating Procedures for Lending Funds to Others" states that the limit amount and the total limit for lending funds is 20% and 40% of the Company's net worth based on the most recent statements audited or reviewed by the CPAs.

Note 2: The total limit for lending funds to a single entity for the Company's 100% owned sub-subsidiaries is subject to 600% of the Company's net worth based on the most recent statements of each counterparty audited or reviewed by the CPAs. However, if the maximum amount of the capital accommodation exceeds 20% of the net worth of the Company's most recent financial statements audited or reviewed, the limit shall be subject to 20% of the Company's net worth based on the most recent financial statements.

Note 3: The nature of financing is as follows:

1. Companies with business transactions.
2. Companies that require short-term financing.

Note 4: The abovementioned transactions were consolidated and written off upon the preparation of the consolidated financial statements.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

2. ENDORSEMENT/GUARANTEE PROVIDED:

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)(Note 2)	Maximum Amount Endorsed/Guaranteed During the Period (Note 3)	Ending Balance	Transaction Amounts	Amount of Endorsement/ Guarantee Collateralized by Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable (Note 1) (Note 2)	Endorsement/ Guarantee Provided by Parent	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relationship (Note 4)										
0	The Company	IIL	2	18,716,446	700,650(Note 3)	700,650	55,305	-	3.74%	18,716,446	Yes	No	No
0	"	IPL	2	18,716,446	3,690,090(Note 3)	3,690,090	672,865	-	19.72%	18,716,446	Yes	No	No
0	"	ITEQ (DG)	2	18,716,446	1,535,500(Note 3)	1,245,600	-	-	6.66%	18,716,446	Yes	No	Yes
0	"	ITEQ (JX)	2	18,716,446	2,917,450(Note 3)	2,491,200	827,443	-	13.31%	18,716,446	Yes	No	Yes

Note 1: The total amount of the guarantee provided to a single entity shall not exceed 100% of the Company's net worth based on the most recent financial statements audited or reviewed by the CPAs.

Note 2: Single-party and aggregate limits on guarantees provided to 100%-owned subsidiaries are capped at 300% of each subsidiary's net worth based on the most recent financial statements audited or reviewed by the CPAs.

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

Note 4: Relationships between the counterparty of endorsement/guarantee and the Company:

1. Companies with business transactions.
2. Companies in which the Company directly or indirectly holds over 50% of shares with voting rights.
3. Companies directly or indirectly hold over 50% of shares with voting rights of the Company.
4. Companies in which the Company directly or indirectly holds over 90% shares with voting rights.
5. Companies fulfilling their contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. Companies with all capital-contributing shareholders making endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

3. Marketable securities held at the end of the period (excluding investment in the equity of subsidiaries, associates, and joint ventures):

Unit: Thousand shares/thousand units

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Remarks
				Number of Shares or Units	Carrying amount	Percentage	Fair value	
The Company	Pan Win Biotechnology Inc.	-	Financial assets at FVITPL - current	100	-	5.0%	-	
"	TMY Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	357	3,461	1.0%	3,461	
Bang Mao	Mortech Corporation	-	Financial assets at FVITPL - current	381	3,696	1.0%	3,696	
"	Big Sun Energy Technology Inc.	-	Financial assets at FVITPL - non-current	1,736	-	0.4%	-	
"	Ding Mou Corporation	-	Financial assets at FVITPL - non-current	100	-	0.4%	-	
"	TIEF FUND, L.P.	-	Financial assets at fair value through other comprehensive income - non-current	-	35,957	4.8%	35,957	

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

4. Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 6. Disposal of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 7. Total purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Buyer/Seller	Related Party	Relationship	Purchase/Sale	Transaction Details			Abnormal Transaction		Note/Accounts Receivable (Payable)		Remarks
				Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	Percentage in total accounts/notes receivable (payable) %	
IPL	ITEQ (GZ)	Subsidiary	(Sales)	(118,727)	(18.54%)	OA 120 days	No material difference with general customers	No material difference with general customers	110,520	19.15%	Note
IPL	ITEQ (DG)	"	"	(192,891)	(30.13%)	"	"	"	137,177	23.77%	"
IPL	ITEQ (JX)	"	"	(326,767)	(51.03%)	"	"	"	327,994	56.84%	"
IIL	The Company	"	"	(143,973)	(40.51%)	"	"	"	139,881	24.70%	"
IIL	ITEQ (WX)	"	"	(141,620)	(39.85%)	"	"	"	381,575	67.39%	"
ITEQ (GZ)	ITEQ (DG)	"	"	(463,248)	(31.21%)	"	"	"	279,169	19.21%	"
ITEQ (WX)	IIL	"	"	(213,200)	(4.71%)	"	"	"	496,315	11.39%	"
ITEQ (DG)	The Company	"	"	(145,325)	(3.24%)	"	"	"	191	0.01%	"
ITEQ (DG)	ITEQ (GZ)	"	"	(169,552)	(3.78%)	"	"	"	0	0.00%	"
ITEQ (DG)	ITEQ (JX)	"	"	(132,302)	(2.95%)	"	"	"	283,637	7.98%	"
ITEQ (JX)	ITEQ (WX)	"	"	(684,679)	(14.61%)	"	"	"	265,697	7.57%	"
ITEQ (JX)	ITEQ (DG)	"	"	(2,061,021)	(43.97%)	"	"	"	1,439,900	41.02%	"
)								
ITEQ (GZ)	IPL	"	Purchases	118,727	8.59%	"	"	"	(110,520)	(28.58%)	"
ITEQ (DG)	IPL	"	"	192,891	4.58%	"	"	"	(137,177)	(5.64%)	"
ITEQ (JX)	IPL	"	"	326,767	7.44%	"	"	"	(327,994)	(12.13%)	"
The Company	IIL	"	"	143,973	20.25%	"	"	"	(139,881)	(32.79%)	"
ITEQ (WX)	IIL	"	"	141,620	3.66%	"	"	"	(381,575)	(19.81%)	"
ITEQ (DG)	ITEQ (GZ)	"	"	463,248	11.01%	"	"	"	(279,169)	(11.48%)	"
IIL	ITEQ (WX)	"	"	213,200	60.50%	"	"	"	(496,315)	(91.97%)	"
The Company	ITEQ (DG)	"	"	145,325	20.44%	"	"	"	(191)	(0.04%)	"
ITEQ (GZ)	ITEQ (DG)	"	"	169,552	12.27%	"	"	"	0	0.00%	"
ITEQ (JX)	ITEQ (DG)	"	"	132,302	3.01%	"	"	"	(283,637)	(10.49%)	"
ITEQ (WX)	ITEQ (JX)	"	"	684,679	17.68%	"	"	"	(265,697)	(13.79%)	"
ITEQ (DG)	ITEQ (JX)	"	"	2,061,021	48.97%	"	"	"	(1,439,900)	(59.19%)	"

Note: Written off in the consolidated financial statements.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Company Name	Related Party	Relationship	Balance of Receivables from Related Party (Note)	Turnover Rate	Overdue		Amounts Received in	Allowance for Impairment
					Amount	Actions Taken	Subsequent Period (As of August 1, 2023)	
The Company	ITEQ (JX)	Subsidiary	118,115	0.77	-	-	45,312	-
IPL	ITEQ (DG)	Subsidiary	137,177	2.52	-	-	16,295	-
IPL	ITEQ (JX)	Subsidiary	327,994	2.47	-	-	92,322	-
IPL	ITEQ (GZ)	Subsidiary	110,520	1.47	-	-	10,781	-
IIL	The Company	Subsidiary	139,881	1.75	-	-	27,548	-
IIL	ITEQ (WX)	Subsidiary	381,575	0.70	-	-	11,871	-
ITEQ (DG)	ITEQ (JX)	Subsidiary	283,637	0.97	-	-	52,902	-
ITEQ (JX)	ITEQ (DG)	Subsidiary	1,439,900	2.74	-	-	430,960	-
ITEQ (JX)	ITEQ (WX)	Subsidiary	265,697	5.78	-	-	120,773	-
ITEQ (WX)	IIL	Subsidiary	496,315	0.74	-	-	29,596	-
ITEQ (GZ)	ITEQ (DG)	Subsidiary	279,169	3.47	-	-	99,832	-

Note: Written off in the consolidated financial statements.

9. Derivative instrument transactions: For details, please refer to Note 6(2).

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

10. INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS:

No. (Note 1)	Transaction Company	Counterparty	Relationship with Counterparty (Note 2)	Transaction Status (Note 3) (Note 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
1	IIL	ITEQ (WX)	3	Accounts receivable	381,575	Note 4	1.23%
2	IPL	ITEQ (JX)	3	Sale	326,767	Note 4	2.80%
2	IPL	ITEQ (JX)	3	Accounts receivable	327,994	Note 4	1.06%
3	ITEQ Holding	ITEQ (HK)	3	Other receivables	849,527	Note 4	2.75%
4	ITEQ (JX)	ITEQ (WX)	3	Sale	684,679	Note 4	5.86%
4	ITEQ (JX)	ITEQ (DG)	3	Sale	2,061,021	Note 4	17.63%
4	ITEQ (JX)	ITEQ (DG)	3	Accounts receivable	1,439,900	Note 4	4.66%
4	ITEQ (JX)	ITEQ (WX)	3	Accounts receivable	265,697	Note 4	0.86%
5	ITEQ (DG)	ITEQ (JX)	3	Accounts receivable	283,637	Note 5	0.92%
6	ITEQ (WX)	IIL	3	Sale	213,200	Note 4	0.69%
6	ITEQ (WX)	ITEQ (JX)	3	Other receivables	1,865,162	Note 4	6.04%
6	ITEQ (WX)	IIL	3	Accounts receivable	496,315	Note 4	1.61%
7	ITEQ (GZ)	ITEQ (DG)	3	Sale	463,248	Note 4	3.96%
7	ITEQ (GZ)	ITEQ (DG)	3	Accounts receivable	279,169	Note 4	0.90%

Note 1: The completion method for the code is as follows:

1. 0 - ITEQ (parent company).
2. Starting from 1 based on the sequence - subsidiaries.

Note 2: The category of the relationship with counterparty is set out as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

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

Note 4: No material difference from non-related parties.

Note 5: The disclosures for transactions with an amount over NT\$200,000 thousand of the item are hereby made.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(II) Information on Investees (Excluding Investees in Mainland China)

Unit: NT\$ thousand

Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2023			Net Income (Loss) of the Investee	Share of Profits	Remarks
				End of this period	End of last period	Number of shares	Percentage (%)	Carrying amount			
The Company	ITEQ International	Samoa	Investment	1,879,344	1,879,344	18,500	100%	19,552,855	579,343	579,343	Note 1
"	Bang Mao Investment	Hsinchu County	Investment	70,000	70,000	7,000	100%	101,290	628	628	Note 1
"	MGC-ITEQ Technology Co.,Ltd.	Hsinchu County	Electronic Parts and Components Manufacturing	49,000	49,000	4,900	49%	45,441	(4,412)	(2,162)	
"	Thailand ITEQ	Thailand	Produces and sells prepreg and copper-clad lamination	189,568	-	2,135	100%	188,263	42	42	Note 1
ITEQ International	ITEQ Holding	British Cayman Islands	Investment	1,879,344	1,879,344	18,500	100%	19,537,485	579,125	579,125	Note 1
ITEQ Holding	ESIC	The British Virgin Islands	Investments in Mainland China	395,850	395,850	10,750	100%	7,688,871	328,288	328,288	Note 1
"	IPL	Samoa	Import/Export	30,450	30,450	1,000	100%	64,958	(7,027)	(7,027)	Note 1
"	IIL	Samoa	Import/Export	30,450	30,450	1,000	100%	74,362	764	764	Note 1
"	Eagle Great	The British Virgin Islands	Mainland China Re-investment	258,795	258,795	8,499	100%	425,746	(35,380)	(35,380)	Note 1
"	ITEQ(HK)	Hong Kong	Mainland China Re-investment	736,890	736,890	24,200	100%	10,433,239	292,480	292,480	Note 1

Note 1: Written off in the consolidated financial statements.

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

(III) Information on Investments in Mainland China:

Unit: NT\$ thousand

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of April 1, 2023	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	Investment profit or loss recognized for the period (Note 2)	Carrying Amount as of June 30, 2023	Repatriation of Investment Income Received as of the Period
					Outward	Inward					
ITEQ (DG) (Note 5)	Produces and sells prepreg and copper-clad lamination	609,000	(Note 1)(Note 4)	395,850	-	-	395,850	308,367	308,367	4,791,792	-
ITEQ (WX) (Note 5)	Produces and sells prepreg and copper-clad lamination	1,248,450	(Note 1)(Note 4)	672,945	-	-	672,945	394,617	394,617	8,433,926	3,501,517
ITEQ (HJ) (Note 5)	Produces and sells mass lamination	258,795	(Note 1)(Note 4)	252,309	-	-	252,309	(28,628)	(28,628)	422,975	-
ITEQ (GZ) (Note 5)	Produces and sells prepreg and copper-clad lamination	721,665	(Note 1)	493,290	-	-	493,290	11,029	11,029	2,825,177	809,253
ITEQ (JX) (Note 5)	Produces and sells prepreg and copper-clad lamination	4,896,360	(Note 1)(Note 4)	-	-	-	-	43,812	43,812	5,848,435	-

2. Limit for investments in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA (Note 6)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
1,814,394 (USD 59,586)	2,503,656 (USD 80,400)	11,229,867

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

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

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

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

Note 5: Written off in the consolidated financial statements.

Note 6: The translation was based on the exchange rate at the end of the period on June 30, 2023.

3. Significant transactions:

Regarding the direct or indirect significant transactions (written off when preparing the consolidated statements) of investees in Mainland China of the Group for the three months ended June 30, 2023, please refer to information about significant transactions in Note 13(1) for details.

(IV) Information on major shareholders:

Unit: shares

Shares Name of major shareholder	No. of ordinary Shares held	Ratio of shareholdings
WIN Semiconductors Corp.	65,408,733	18.02%
Tian He Xing Ye Corp.	42,434,591	11.69%
Fu Cun Construction Co.	29,353,897	8.08%

Note to consolidated financial statements of ITEQ Corporation and its subsidiaries (cont'd)

XIV. Segments Information

The information on the operating segments of the Group and the reconciliation is as follows:

	April to June 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 206,666	2,048,650	1,727,812	1,008,132	439,058	5,430,318
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 206,666</u>	<u>2,048,650</u>	<u>1,727,812</u>	<u>1,008,132</u>	<u>439,058</u>	<u>5,430,318</u>
Segment (loss) profit	<u>\$ (91,679)</u>	<u>206,401</u>	<u>73,187</u>	<u>(65,764)</u>	<u>(40,784)</u>	<u>81,361</u>

	April to June 2022					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 529,559	3,217,711	2,304,281	308,964	1,285,140	7,645,655
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 529,559</u>	<u>3,217,711</u>	<u>2,304,281</u>	<u>308,964</u>	<u>1,285,140</u>	<u>7,645,655</u>
Segment (loss) profit	<u>\$ 55,977</u>	<u>351,433</u>	<u>112,099</u>	<u>(11,903)</u>	<u>88,377</u>	<u>595,983</u>

	January to June 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 503,300	4,224,446	4,012,696	1,922,452	1,027,079	11,689,973
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 503,300</u>	<u>4,224,446</u>	<u>4,012,696</u>	<u>1,922,452</u>	<u>1,027,079</u>	<u>11,689,973</u>
Segment (loss) profit	<u>\$ (286,181)</u>	<u>455,456</u>	<u>93,404</u>	<u>(16,154)</u>	<u>(31,029)</u>	<u>215,496</u>

	January to June 2022					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 830,623	6,688,915	5,197,902	515,966	2,681,307	15,914,713
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 830,623</u>	<u>6,688,915</u>	<u>5,197,902</u>	<u>515,966</u>	<u>2,681,307</u>	<u>15,914,713</u>
Segment (loss) profit	<u>\$ 127,474</u>	<u>761,607</u>	<u>288,846</u>	<u>219,516</u>	<u>174,542</u>	<u>1,571,985</u>