

**ITEQ Corporation and Subsidiaries**  
**Consolidated Financial**  
**Statements and Independent Auditors’**  
**Review Report**

**For the Nine Months Ended of September 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 September 30, 2023 and the consolidated statements of comprehensive income, for the three months ended September 30, 2023 and for the nine months ended September 30, 2023, and changes in equity and cash flows for the nine months ended September 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 September 30, 2023, the total asset was NT\$1,670,685 thousand, accounting for 4.93% of the total consolidated asset; total liabilities were NT\$789,047 thousand, accounting for 5.59% of total consolidated liabilities; for the period for three months and nine months ended September 30, 2023, the comprehensive (loss) income were NT\$(11,186) thousand and NT\$(44,289) thousand, accounting for (1.08)% and (6.13)% 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 September 30, 2023 were NT\$43,941 thousand, and the share of (loss) gain from affiliates and joint venture accounted for using the equity method for the three months ended September 30, 2023 and for the nine months ended September 30, 2023 was NT\$(1,500) thousand and NT\$(3,662) 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 status for the three months ended September 30, 2023, the financial performance for the three months ended September 30, 2023 and nine months ended September 30, 2023, and consolidated cash flows for the nine months ended September 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 Q3 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 November 1, 2022.

KPMG

CPA:

Approval No. of the  
competent authority :  
of securities

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

October 31, 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**  
**September 30, 2023, December 31 and September 30, 2022**

Unit: NT\$ thousand

Asset	September 30, 2023		December 31, 2022		September 30, 2022			Liabilities and equity	September 30, 2023		December 31, 2022		September 30, 2022		
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note 6(1))	\$ 6,029,655	18	5,213,819	16	4,310,053	13	2100	Short-term borrowings (Note 6(10))	\$ 2,463,478	7	2,465,577	7	3,321,374	10
1110	Financial assets at FVITPL - current (Notes 6(2) and (21))	3,833	-	3,273	-	4,562	-	2110	Short-term bills payable (Note 6(10))	-	-	149,915	1	199,800	1
1136	Financial assets at amortized cost - current (Note 6(2))	89,891	-	-	-	-	-	2120	Financial liabilities at FVITPL - current (Notes 6(2) and (21))	-	-	7,681	-	-	-
1170	Net notes and accounts receivable (Note 6(3) and (19))	11,469,800	34	12,119,285	36	12,314,940	38	2170	Accounts payable	6,332,437	19	5,926,422	18	3,953,993	12
1200	Other receivables (Notes 6(3))	57,676	-	269,426	1	247,138	1	2219	Other receivables (Notes 6(18))	1,229,990	4	1,635,974	5	2,192,562	7
1220	Current tax assets	90	-	32,381	-	32,311	-	2230	Current tax liabilities	531,581	2	550,684	2	543,891	2
130X	Inventories (Note 6(4))	2,833,887	9	2,731,351	8	2,578,580	8	2250	Provisions - Current	5,545	-	14,539	-	11,607	-
1470	Other current assets (Note 6(7))	1,047,227	3	1,099,406	3	1,164,923	4	2280	Lease liabilities - current (Notes 6(12) and 7)	63,015	-	55,120	-	58,594	-
	<b>Total current assets</b>	<b>21,532,059</b>	<b>64</b>	<b>21,468,941</b>	<b>64</b>	<b>20,652,507</b>	<b>64</b>	2320	Long-term liabilities due within one year or one business cycle (Notes 6(11) and 8)	90,593	-	17,086	-	-	-
<b>Non-current assets:</b>								2399	Other current liabilities (Note 6(19))	24,718	-	60,037	-	53,065	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 6(2) and (21))	44,103	-	32,684	-	35,959	-		<b>Total current liabilities</b>	<b>10,741,357</b>	<b>32</b>	<b>10,883,035</b>	<b>33</b>	<b>10,334,886</b>	<b>32</b>
1550	Investments using the equity method (Note 6(5))	43,941	-	47,603	-	49,000	-	<b>Non-current liabilities:</b>							
1600	Property, plant and equipment (Notes 6(6) and 8)	6,493,328	19	6,556,717	20	6,673,909	21	2540	Long-term borrowings (Notes 6(11) and 8)	2,600,194	8	1,676,771	5	1,477,261	5
1755	Right-of-use assets (Notes 6(8), 7 and 8)	320,538	1	298,374	1	316,769	1	2570	Deferred tax liabilities	511,102	1	460,976	1	450,742	1
1780	Intangible assets (Note 6(9))	9,513	-	9,141	-	9,478	-	2580	Lease liabilities - non-current (Notes 6(12) and 7)	229,388	1	213,861	1	227,558	1
1840	Deferred tax assets	394,132	1	285,385	1	149,138	-	2645	Guarantee deposits	43,967	-	37,980	-	35,055	-
1900	Other non-current assets (Notes 6(7) and 7)	5,043,003	15	4,684,764	14	4,636,274	14		<b>Total non-current liabilities</b>	<b>3,384,651</b>	<b>10</b>	<b>2,389,588</b>	<b>7</b>	<b>2,190,616</b>	<b>7</b>
	<b>Total non-current assets</b>	<b>12,348,558</b>	<b>36</b>	<b>11,914,668</b>	<b>36</b>	<b>11,870,527</b>	<b>36</b>		<b>Total liabilities</b>	<b>14,126,008</b>	<b>42</b>	<b>13,272,623</b>	<b>40</b>	<b>12,525,502</b>	<b>39</b>
<b>Total assets</b>								<b>Equity attributable to owners of the parent company (Note 6(2), (15), (17), and (21)):</b>							
		<b>\$ 33,880,617</b>	<b>100</b>	<b>33,383,609</b>	<b>100</b>	<b>32,523,034</b>	<b>100</b>	3100	Share capital	3,629,572	11	3,629,572	11	3,829,572	12
								3200	Capital surplus	9,212,082	27	9,201,666	27	9,701,921	30
								3300	Retained earnings	6,822,409	20	7,561,086	23	7,915,256	24
								3400	Other equities	90,546	-	(281,338)	(1)	(49,608)	-
								3500	Treasury stock	-	-	-	-	(1,399,609)	(5)
									<b>Total equity</b>	<b>19,754,609</b>	<b>58</b>	<b>20,110,986</b>	<b>60</b>	<b>19,997,532</b>	<b>61</b>
									<b>Total liabilities and equity</b>	<b>\$ 33,880,617</b>	<b>100</b>	<b>33,383,609</b>	<b>100</b>	<b>32,523,034</b>	<b>100</b>

(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 nine months ended September 30, 2023 and 2022**

Unit: NT\$ thousand

	July to September				January to September				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (Note 6(19))</b>								
	\$	6,644,845	100	6,352,008	100	18,334,818	100	22,266,721	100
5000	<b>Operating cost (Notes 6(4), (6), (8), (12), (13), (17), (18), 7 and 12)</b>								
		5,744,268	86	5,620,709	88	16,183,256	88	19,350,703	87
	<b>Gross profit</b>								
		900,577	14	731,299	12	2,151,562	12	2,916,018	13
	<b>Operating expenses (Notes 6(3), (6), (8), (12), (13), (17), (18), 7 and 12):</b>								
6100	Selling and marketing expenses	198,873	3	147,590	2	583,727	3	443,766	2
6200	General and administrative expenses	190,814	3	111,365	2	603,794	4	619,742	2
6300	Research and development expenses	123,522	2	123,298	2	376,731	2	408,814	2
6450	Expected credit impairment loss (gain)	(2,702)	-	(191)	-	10,847	-	934	-
	<b>Total operating expenses</b>	510,507	8	382,062	6	1,575,099	9	1,473,256	6
	<b>Income from operations</b>	390,070	6	349,237	6	576,463	3	1,442,762	7
	<b>Non-operating income and expenses (Notes 6(5), (6), (10), (11), (12), (20), (21) and 7):</b>								
7100	Interest income	7,494	-	4,944	-	25,725	-	13,573	-
7060	Share of gain or loss from affiliates and joint venture accounted for using the equity method	(1,500)	-	-	-	(3,662)	-	-	-
7010	Other income	15,761	-	87,716	1	58,615	-	141,720	-
7020	Other gains or losses	4,825	-	(49,571)	(1)	35,223	-	410,568	2
7050	Financial costs	(30,239)	-	(30,203)	-	(90,457)	-	(74,515)	-
	<b>Total non-operating income and expenses</b>	(3,659)	-	12,886	-	25,444	-	491,346	2
7900	<b>Income Before Income Tax</b>	386,411	6	362,123	6	601,907	3	1,934,108	9
7950	<b>Income tax expenses (Note (14))</b>	151,787	2	84,763	2	251,712	1	412,933	2
	<b>Net income for the period</b>	234,624	4	277,360	4	350,195	2	1,521,175	7
8300	<b>Other comprehensive income (Notes 6(14), (15) and (21)):</b>								
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	11,351	-	1,741	-	18,085	-	7,372	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(388)	-	-	-	(2,075)	-
	<b>Total of items that will not be reclassified subsequently to profit or loss</b>	11,351	-	1,353	-	18,085	-	5,297	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translating the financial statements of foreign operations	788,812	12	204,482	3	353,799	2	574,096	3
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	(40,896)	-	-	-	(114,819)	(1)
	<b>Total of items that may be reclassified subsequently to profit or loss</b>	788,812	12	163,586	3	353,799	2	459,277	2
8300	<b>Other comprehensive income for the period (net amount after-tax)</b>	800,163	12	164,939	3	371,884	2	464,574	2
	<b>Total comprehensive income for the period</b>	<u>\$ 1,034,787</u>	<u>16</u>	<u>442,299</u>	<u>7</u>	<u>722,079</u>	<u>4</u>	<u>1,985,749</u>	<u>9</u>
	<b>Net income for the period attributable to:</b>								
	Owners of the parent company	<u>\$ 234,624</u>	<u>4</u>	<u>277,360</u>	<u>4</u>	<u>350,195</u>	<u>2</u>	<u>1,521,175</u>	<u>7</u>
	<b>Total comprehensive income attributable to:</b>								
	Owners of the parent company	<u>\$ 1,034,787</u>	<u>16</u>	<u>442,299</u>	<u>7</u>	<u>722,079</u>	<u>4</u>	<u>1,985,749</u>	<u>9</u>
	<b>Basic earnings per share (Unit: NT\$) (Note (16))</b>	<u>\$ 0.65</u>		<u>0.74</u>		<u>0.96</u>		<u>4.01</u>	
	<b>Diluted earnings per share (Unit: NT\$) (Note (16))</b>	<u>\$ 0.65</u>		<u>0.74</u>		<u>0.96</u>		<u>3.98</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 Changes Equity**  
**For the nine months ended September 30, 2023 and 2022**

**Unit: NT\$ thousand**

	Retained earnings					Other equity items		Total	Treasury stock	Total Equity	
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized valuation loss (gain) on financial assets at FVTOCI				
<b>Balance at January 1, 2022</b>	\$ 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	-	-	-	-	1,521,175	1,521,175	-	-	-	-	1,521,175
Other comprehensive income recognized for the period	-	-	-	-	-	-	459,277	5,297	464,574	-	464,574
Total comprehensive income for the period	-	-	-	-	1,521,175	1,521,175	459,277	5,297	464,574	-	1,985,749
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	-	11,440	-	-	-	-	-	-	-	-	11,440
Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	(1,399,609)	(1,399,609)
<b>Balance at September 30, 2022</b>	<b>\$ 3,829,572</b>	<b>9,701,921</b>	<b>2,199,863</b>	<b>514,181</b>	<b>5,201,212</b>	<b>7,915,256</b>	<b>(45,731)</b>	<b>(3,877)</b>	<b>(49,608)</b>	<b>(1,399,609)</b>	<b>19,997,532</b>
<b>Balance at January 1, 2023</b>	\$ 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	-	-	-	-	350,195	350,195	-	-	-	-	350,195
Other comprehensive income recognized for the period	-	-	-	-	-	-	353,799	18,085	371,884	-	371,884
Total comprehensive income for the period	-	-	-	-	350,195	350,195	353,799	18,085	371,884	-	722,079
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	-	10,416	-	-	-	-	-	-	-	-	10,416
<b>Balance at September 30, 2023</b>	<b>\$ 3,629,572</b>	<b>9,212,082</b>	<b>2,386,002</b>	<b>281,338</b>	<b>4,155,069</b>	<b>6,822,409</b>	<b>78,944</b>	<b>11,602</b>	<b>90,546</b>	<b>-</b>	<b>19,754,609</b>

(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 nine months ended September 30, 2023 and 2022

Unit: NT\$ thousand

	January to September	
	2023	2022
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 601,907	1,934,108
<b>Adjustment item:</b>		
Adjustments for:		
Depreciation expenses	797,207	813,322
Expected credit impairment loss	10,847	934
Net loss on financial assets and liabilities at fair value through profit or loss	5,987	56
Interest expenses	90,457	74,515
Interest income	(25,725)	(13,573)
Share-based compensation payment	10,416	11,440
Share of loss from affiliates and joint venture accounted for using the equity method	3,662	-
Loss from disposal of property, plant and equipment	1,207	2,800
Write-down of inventories	59,883	39,324
Reversal of loss on impairment of property, plant and equipment	(803)	(17,475)
Other items	(9,113)	56,697
Total items of income and expenses	944,025	968,040
Changes in assets/liabilities related to operating activities		
Net changes in assets related to operating activities:		
Notes receivable	380,978	(1,065,072)
Accounts receivable	801,632	3,701,394
Other receivables	209,560	(16,113)
Inventories	(35,919)	2,998,971
Other current assets	99,013	250,135
Total net changes in assets related to operating activities	1,455,264	5,869,315
Net changes in liabilities related to operating activities:		
Financial liabilities held for trading	(14,228)	-
Accounts payable	121,879	(3,867,799)
Other payables	(220,802)	(243,432)
Other current liabilities	(36,799)	(802)
Total net changes in liabilities related to operating activities	(149,950)	(4,112,033)
Total net changes in assets and liabilities related to operating activities	1,305,314	1,757,282
Total adjustment item	2,249,339	2,725,322
Cash inflow generated from operations	2,851,246	4,659,430
Interest paid	(104,523)	(57,630)
Income tax paid	(298,832)	(355,014)
<b>Net cash generated from operating activities</b>	<b>2,447,891</b>	<b>4,246,786</b>
<b>Cash flows from investing activities:</b>		
Return of investments from financial assets at fair value through other comprehensive income	6,666	1,100
Acquisition of financial assets at amortized cost	(88,624)	-
Acquisition of investments using the equity method	-	(49,000)
Acquisition of property, plant, and equipment	(552,811)	(1,317,119)
Disposal of property, plant and equipment	2,854	173
Decrease in refundable deposits	14,822	2,184
Increase (decrease) in other non-current assets	(239,153)	5,443
Increase in pre-payments for equipment	(413,536)	(1,124,812)
Interest received	24,876	12,734
<b>Net cash used in investing activities</b>	<b>(1,244,906)</b>	<b>(2,469,297)</b>
<b>Cash flows from financing activities:</b>		
Distribution of cash dividends	(1,088,872)	(1,914,786)
Cost of repurchase of treasury shares	-	(1,399,609)
Increase (decrease) in short-term borrowings	(15,548)	926,090
Increase (decrease) of short-term bills payable	(149,915)	199,760
Proceeds from long-term borrowings	5,635,355	1,455,598
Re-payments of long-term borrowings	(4,700,000)	-
Increase (decrease) in guarantee deposits	3,958	(121)
Repayment of the principal of leases	(47,322)	(44,731)
<b>Net cash outflow from financing activities</b>	<b>(362,344)</b>	<b>(777,799)</b>
<b>Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies</b>	<b>(24,805)</b>	<b>(1,112,915)</b>
<b>Net increase (decrease) in cash and cash equivalents of the period</b>	<b>815,836</b>	<b>(113,225)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,213,819</b>	<b>4,423,278</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 6,029,655</b>	<b>4,310,053</b>

(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 Nine Months Ended of September 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 October 31, 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”

The following IFRSs apply to the Group starting from May 23, 2023, and the application has not caused any material effect on the consolidated financial statements.

- Amendment to IAS 12 - International Tax Reform Pillar Two Model Rules

(II) The impact of not yet adopting the IFRS recognized by the FSC

The Group has assessed that the application of the following newly amended IFRSs effective from January 1, 2024 will not cause significant impact on the consolidated financial statements.

- Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendment to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”.
- Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

- (III) 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparison Information”
- IAS No. 21 "Lack of Exchangeability"

### 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.

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

### (II) Basis of consolidation

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

Investor	Investee	Main Business	% of Ownership			Description
			September 30, 2023	December 31, 2022	September 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 "IPL")	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)
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.

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

### **(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.

## **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.

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

### 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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Cash	\$ 239	312	192
Cash in banks	3,632,479	2,585,791	2,686,139
Bank acceptances	2,396,937	1,966,300	1,623,722
Time deposit	-	661,416	-
Cash and equivalents	<b><u>\$ 6,029,655</u></b>	<b><u>5,213,819</u></b>	<b><u>4,310,053</u></b>

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).

(II) Financial assets and liabilities

1. Financial assets at FVITPL

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
<b>Financial assets mandatorily measured at FVTPL:</b>			
Forward exchange contracts	\$ -	-	1,076
Securities listed in ROC Emerging Stock Market	3,833	3,273	3,486
Total	<b><u>\$ 3,833</u></b>	<b><u>3,273</u></b>	<b><u>4,562</u></b>

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

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:

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

		<b>December 31, 2022</b>			
		<b>Contract amount (NT\$ thousand)</b>		<b>Currency</b>	<b>Maturity</b>
Buy: forward exchange contracts	USD	10,000/CNY	71,213	USD to RMB	January 9, 2023 - February 17, 2023
		<b>September 30, 2022</b>			
		<b>Contract amount (NT\$ thousand)</b>		<b>Currency</b>	<b>Maturity</b>
Buy: forward exchange contracts	USD	9,000/CNY	63,484	USD to RMB	October 13, 2022 - December 29, 2022

There was no such transaction on September 30, 2023.

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

### 2. Financial assets at FVTOCI

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Shares of domestic non-listed companies	\$ 3,000	2,371	2,300
Unlisted funds	41,103	30,313	33,659
	<b><u>\$ 44,103</u></b>	<b><u>32,684</u></b>	<b><u>35,959</u></b>

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Time deposit certificate	<b><u>\$ 89,891</u></b>	-	-

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Notes receivable	\$ 1,491,391	1,798,856	1,681,163
Accounts receivable	9,997,576	10,328,396	10,640,795
Less: Loss allowance	(19,167)	(7,967)	(7,018)
	<b><u>\$ 11,469,800</u></b>	<b><u>12,119,285</u></b>	<b><u>12,314,940</u></b>

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

The Group applies the simplified approach to provide for its loss allowance used for expected credit impairment 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:

	<b>September 30, 2023</b>		
	<b>Carrying amount of amounts receivable</b>	<b>Weighted average ECL rate</b>	<b>Loss allowance for lifetime ECL</b>
Not Past Due	\$ 11,442,033	0.00%	-
Over due for 1 to 30 days	21,808	0.00%~17.00%	920
Over due for 31 to 90 days	11,246	16.00%~45.60%	4,367
Over 91 Days	13,880	100%	13,880
	<b><u>\$ 11,488,967</u></b>		<b><u>19,167</u></b>
	<b>December 31, 2022</b>		
	<b>Carrying amount of amounts receivable</b>	<b>Weighted average ECL rate</b>	<b>Loss allowance for lifetime ECL</b>
Not Past Due	\$ 11,251,331	0.00%~0.04%	3,059
Over due for 1 to 30 days	859,447	0.00%~3.23%	3,880
Over due for 31 to 90 days	16,474	0.00%~9.21%	1,028
Over 91 Days	-	100%	-
	<b><u>\$ 12,127,252</u></b>		<b><u>7,967</u></b>
	<b>September 30, 2022</b>		
	<b>Carrying amount of amounts receivable</b>	<b>Weighted average ECL rate</b>	<b>Loss allowance for lifetime ECL</b>
Not Past Due	\$ 12,297,312	0.00%~0.04%	6,881
Over due for 1 to 30 days	15,062	0.00%~3.48%	84
Over due for 31 to 90 days	9,584	0.00%~16.60%	53
Over 91 Days	-	100%	-
	<b><u>\$ 12,321,958</u></b>		<b><u>7,018</u></b>



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

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

	January to September	
	2023	2022
Beginning balance	\$ 7,967	6,249
Impairment loss recognized	10,847	934
Amount written off due to irrecoverability	-	(250)
Effect of exchange rate changes	353	85
Ending balance	<u>\$ 19,167</u>	<u>7,018</u>

On September 30, 2023, December 31 and September 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)

<b>September 30, 2023</b>					
<b>Counterparties</b>	<b>Amount Derecognized</b>	<b>Advances Available</b>	<b>Advances Received</b>	<b>Amount Transferred to Other Receivables</b>	<b>Interest Rate</b>
KGI Commercial Bank	<u>\$ 1,009</u>	<u>9,681</u>	<u>\$ -</u>	<u>1,009</u>	-
<b>December 31, 2022</b>					
<b>Counterparties</b>	<b>Amount Derecognized</b>	<b>Advances Available</b>	<b>Advances Received</b>	<b>Amount Transferred to Other Receivables</b>	<b>Interest Rate</b>
KGI Commercial Bank	<u>\$ 1,231</u>	<u>9,213</u>	<u>\$ -</u>	<u>1,231</u>	-
<b>September 30, 2022</b>					
<b>Counterparties</b>	<b>Amount Derecognized</b>	<b>Advances Available</b>	<b>Advances Received</b>	<b>Amount Transferred to Other Receivables</b>	<b>Interest Rate</b>
Taishin Bank	\$ 3,083	174,775	\$ -	3,083	-
KGI Commercial Bank	<u>2,309</u>	<u>19,050</u>	<u>-</u>	<u>2,309</u>	-
	<u>\$ 5,392</u>	<u>193,825</u>	<u>\$ -</u>	<u>5,392</u>	

On September 30, 2023, December 31 and September 30, 2022, the Group provided promissory notes in the amount of NT\$9,300 thousand, NT\$9,300 thousand, and NT\$193,775 thousand, respectively, to the banks as collateral.

(IV) Inventories

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Raw materials	\$ 2,077,099	1,921,644	1,829,346
Work in progress	186,156	173,480	168,934
Finished goods	544,302	603,093	563,495
Inventories in transit	<u>26,330</u>	<u>33,134</u>	<u>16,805</u>
	<u>\$ 2,833,887</u>	<u>2,731,351</u>	<u>2,578,580</u>

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

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

	<u>July to September</u>		<u>January to September</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Loss from depreciation	\$ 18,010	2,528	59,883	39,324
Income from scrapping	(107,712)	(84,051)	(312,307)	(320,242)
	<u>\$ (89,702)</u>	<u>(81,523)</u>	<u>(252,424)</u>	<u>(280,918)</u>

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

As of September 30, 2023, December 31 and September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Joint venture	<u>\$ 43,941</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.

2. 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.

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

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

### (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	12,835	198,628	1,142	1,101	104,658	1,205	319,569
Disposal	(23,255)	(49,221)	(2,149)	(2,387)	(25,589)	(10,280)	(112,881)
Reclassification (Note)	19,516	133,016	-	3,267	80,742	26,391	262,932
Effects of changes in exchange rates	59,112	134,363	581	7,811	21,757	-	223,624
Balance at September 30, 2023	<b>\$ 3,122,017</b>	<b>8,190,536</b>	<b>40,766</b>	<b>434,629</b>	<b>1,720,971</b>	<b>422,939</b>	<b>13,931,858</b>
Balance at January 1, 2022	\$ 2,992,222	7,197,602	39,309	443,325	1,292,708	241,674	12,206,840
Addition	10,475	44,177	3,466	3,530	45,996	110,982	218,626
Disposal	-	(25,303)	(174)	(1,281)	(19,079)	-	(45,837)
Reclassification (Note)	-	343,028	-	-	149,833	49,856	542,717
Effects of changes in exchange rates	84,806	201,335	(84)	(6,831)	29,292	(5)	308,513
Balance at September 30, 2022	<b>\$ 3,087,503</b>	<b>7,760,839</b>	<b>42,517</b>	<b>438,743</b>	<b>1,498,750</b>	<b>402,507</b>	<b>13,230,859</b>
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	110,882	447,143	2,103	17,355	141,474	29,100	748,057
Disposal	(23,255)	(41,056)	(1,955)	(2,470)	(26,997)	(13,087)	(108,820)
Reversal of impairment losses	(373)	(362)	-	-	(68)	-	(803)
Effects of changes in exchange rates	18,896	79,202	431	6,650	13,020	-	118,199
Balance at September 30, 2023	<b>\$ 993,712</b>	<b>4,850,091</b>	<b>30,957</b>	<b>355,569</b>	<b>991,800</b>	<b>216,401</b>	<b>7,438,530</b>
Balance at January 1, 2022	\$ 728,997	3,756,332	30,927	332,964	699,684	153,167	5,702,071
Depreciation	110,955	440,062	1,313	19,674	157,241	35,102	764,347
Disposal	-	(22,465)	(170)	(1,253)	(18,976)	-	(42,864)
Reversal of impairment losses	-	(10,619)	-	-	(6,856)	-	(17,475)
Effects of changes in exchange rates	23,021	102,146	695	9,969	15,040	-	150,871
Balance at September 30, 2022	<b>\$ 862,973</b>	<b>4,265,456</b>	<b>32,765</b>	<b>361,354</b>	<b>846,133</b>	<b>188,269</b>	<b>6,556,950</b>
Carrying amount:							
January 1, 2023	<b>\$ 2,166,247</b>	<b>3,408,586</b>	<b>10,814</b>	<b>90,803</b>	<b>675,032</b>	<b>205,235</b>	<b>6,556,717</b>
September 30, 2023	<b>\$ 2,128,305</b>	<b>3,340,445</b>	<b>9,809</b>	<b>79,060</b>	<b>729,171</b>	<b>206,538</b>	<b>6,493,328</b>
January 1, 2022	<b>\$ 2,263,225</b>	<b>3,441,270</b>	<b>8,382</b>	<b>110,361</b>	<b>593,024</b>	<b>88,507</b>	<b>6,504,769</b>
September 30, 2022	<b>\$ 2,224,530</b>	<b>3,495,383</b>	<b>9,752</b>	<b>77,389</b>	<b>652,617</b>	<b>214,238</b>	<b>6,673,909</b>

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

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

As of September 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 September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Offset against business tax payable	\$ 848,209	924,605	972,010
Pre-payment to suppliers	16,162	43,177	60,271
Prepaid expense and others	<u>182,856</u>	<u>131,624</u>	<u>132,642</u>
	<u><b>\$ 1,047,227</b></u>	<u><b>1,099,406</b></u>	<u><b>1,164,923</b></u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Pre-payments for equipment facilities	\$ 4,573,598	4,247,085	4,175,308
Long-term prepayments	227,678	178,388	195,789
Materials and supplies	79,980	84,488	93,426
Net defined benefit plan assets	28,800	28,459	22,198
Refundable deposits	<u>132,947</u>	<u>146,344</u>	<u>149,553</u>
	<u><b>\$ 5,043,003</b></u>	<u><b>4,684,764</b></u>	<u><b>4,636,274</b></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>
September 30, 2023	<u>\$ 38,049</u>	<u>282,489</u>	<u>320,538</u>
January 1, 2022	<u>\$ 39,274</u>	<u>271,599</u>	<u>310,873</u>
September 30, 2022	<u>\$ 39,341</u>	<u>277,428</u>	<u>316,769</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 nine months ended September 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 September 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 September 30, 2022, the Group has not provided any of the abovementioned right-of-use assets for pledge or guarantee.

(IX) Intangible assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Goodwill	<u>\$ 9,513</u>	<u>9,141</u>	<u>9,478</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 bills payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank borrowings (currency: NTD, USD, and RMB)	\$ 2,463,478	2,465,577	3,321,374
Short-term bills payable	-	149,915	199,800
Total	<u>\$ 2,463,478</u>	<u>2,615,492</u>	<u>3,521,174</u>
Outstanding limit	<u>\$ 8,755,869</u>	<u>9,430,002</u>	<u>7,730,324</u>
Interest Rate	<u>1.65%~6.03%</u>	<u>0.63%~5.45%</u>	<u>0.63%~5.04%</u>

The Group gained capital from the currency market and has engaged Dah Chung Bills and China Bills Finance to issue short-term notes as of January 1, 2022 to September 30, 2022 and December 31, 2022. There was no such transaction during the period from January 1, 2023 to September 30, 2023.

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

(XI) Long-term borrowings

	<u>September 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%~5.63%	2025.5~2027.7	\$ 2,042,026
Secured bank borrowings	RMB	3.90%	2028.1	648,761
Less: Current portion				(90,593)
Total				<u>\$ 2,600,194</u>
Outstanding limit				<u>\$ 1,014,035</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>

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

	<b>September 30, 2022</b>			
	<b>Currency</b>	<b>Interest Rate</b>	<b>Year of expiry</b>	<b>Amount</b>
Unsecured bank borrowings	NTD and RMB	1.23%~2.67%	2022.7~2027.7	\$ 1,477,261
Less: Current portion				-
Total				<u>\$ 1,477,261</u>
Outstanding limit				<u>\$ 833,986</u>

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:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Current	<u>\$ 63,015</u>	<u>55,120</u>	<u>58,594</u>
Non-current	<u>\$ 229,388</u>	<u>213,861</u>	<u>227,558</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:

	<b>July to September</b>		<b>January to September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expenses on lease liabilities	<u>\$ 2,076</u>	<u>1,932</u>	<u>6,332</u>	<u>5,361</u>
Expenses on short-term and low-value leases	<u>\$ 11,428</u>	<u>13,575</u>	<u>35,636</u>	<u>41,880</u>

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

	<b>January to September</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 89,290</u>	<u>91,972</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 two 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.

2. 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.

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

### (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.

The breakdown of expenses of the Group is as follows:

	July to September		January to September	
	2023	2022	2023	2022
Operating expenses	\$ (114)	(39)	(342)	(116)

#### 2. Defined contribution plans

The breakdown of expenses of the Group is as follows:

	July to September		January to September	
	2023	2022	2023	2022
Operating costs	\$ 1,525	1,599	4,780	5,110
Operating expenses	1,764	1,766	5,351	5,369
	<b>\$ 3,289</b>	<b>3,365</b>	<b>10,131</b>	<b>10,479</b>

### (XIV) Income tax

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

	July to September		January to September	
	2023	2022	2023	2022
Current tax payable	\$ 151,787	85,507	307,813	330,535
Deferred income tax (gains) expenses	-	(744)	(56,101)	82,398
Income tax expense	<b>\$ 151,787</b>	<b>84,763</b>	<b>251,712</b>	<b>412,933</b>

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

	July to September		January to September	
	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	\$ -	(388)	-	(2,075)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ -	(40,896)	-	(114,819)
	<b>\$ -</b>	<b>(41,284)</b>	<b>-</b>	<b>(116,894)</b>



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

3. The income tax returns of the Company and its subsidiary, Bou Mou, have been approved by the revenue service office up to 2021.

### (XV) Capital and other equity

For the nine months ended September 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. Treasury stock

In order to protect the Company's credit and shareholders' equity, it was resolved by the Board of Directors on July 8 and August 23, 2022 that the repurchasing of company shares shall be made for the period between July 11, 2022 to September 28, 2022 in accordance with Article 28-2 of the Securities and Exchange Act. The number of repurchased treasury shares amounted to 20,000 shares for NTD 1,399,609 thousand. As of September 30, 2022, the shares outstanding are 20,000 thousand shares.

According to the Securities and Exchange Act, the Company's treasury shares may not be pledged and is not entitled to the rights of shareholders before transfer.

### 4. 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	-	18,085	18,085
Exchange difference arising from the translation of net assets of foreign operations	353,799	-	353,799
September 30, 2023	<u>\$ 78,944</u>	<u>11,602</u>	<u>90,546</u>
January 1, 2022	\$ (505,008)	(9,174)	(514,182)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	5,297	5,297
Exchange difference arising from the translation of net assets of foreign operations	459,277	-	459,277
September 30, 2022	<u>\$ (45,731)</u>	<u>(3,877)</u>	<u>(49,608)</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:

	Unit: Thousand shares			
	July to September		January to September	
	2023	2022	2023	2022
<b>Basic earnings per share</b>				
Net profit attributable to ordinary share equity holders of the Company	\$ 234,624	277,360	350,195	1,521,175
Weight average number of outstanding ordinary shares	362,957	373,427	362,957	379,746
Earnings per share (unit: NT\$)	\$ 0.65	0.74	0.96	4.01
<b>Diluted earnings per share</b>				
Net profit attributable to ordinary share equity holders of the Company	\$ 234,624	277,360	350,195	1,521,175
Weight average number of outstanding ordinary shares (basic)	362,957	373,427	362,957	379,746
Effects on employees' compensation	277	-	513	2,285
Weight average number of outstanding ordinary shares (diluted)	363,234	373,427	363,470	382,031
Earnings per share (unit: NT\$)	\$ 0.65	0.74	0.96	3.98

### (XVII) Share-based payment

For the nine months ended September 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 September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the compensation costs under employee stock options recognized were NT\$3,376 thousand, NT\$3,561 thousand, NT\$10,416 thousand and NT\$11,440 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:

	July to September		January to September	
	2023	2022	2023	2022
Employees' compensation	\$ 11,957	(11,913)	25,257	68,183
Remuneration to Directors	2,597	(1,605)	5,959	16,849
	<b>\$ 14,554</b>	<b>(13,518)</b>	<b>31,216</b>	<b>85,032</b>

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

	July to September 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:						
Asia	\$ 238,206	2,560,560	1,971,168	1,272,946	558,174	6,601,054
Europe	27,218	1,132	8	-	4,694	33,052
Others	10,690	-	-	-	49	10,739
	<b>\$ 276,114</b>	<b>2,561,692</b>	<b>1,971,176</b>	<b>1,272,946</b>	<b>562,917</b>	<b>6,644,845</b>
Main products:						
Copper clad laminate	\$ 189,312	1,791,959	1,376,514	930,045	541,430	4,829,260
Prepreg	86,418	769,722	594,662	342,901	286	1,793,989
Others	384	11	-	-	21,201	21,596
	<b>\$ 276,114</b>	<b>2,561,692</b>	<b>1,971,176</b>	<b>1,272,946</b>	<b>562,917</b>	<b>6,644,845</b>

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

		July to September 2022					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	290,868	2,626,515	1,840,786	473,984	1,074,115	6,306,268
Europe		29,165	3,243	-	-	5,112	37,520
Others		7,246	-	-	-	974	8,220
		<b>\$ 327,279</b>	<b>2,629,758</b>	<b>1,840,786</b>	<b>473,984</b>	<b>1,080,201</b>	<b>6,352,008</b>
Main products:							
Copper clad laminate	\$	226,042	1,837,629	1,255,969	332,270	890,296	4,542,206
Prepreg		101,171	792,118	584,817	141,714	169,383	1,789,203
Others		66	11	-	-	20,522	20,599
		<b>\$ 327,279</b>	<b>2,629,758</b>	<b>1,840,786</b>	<b>473,984</b>	<b>1,080,201</b>	<b>6,352,008</b>
		January to September 2023					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	651,846	6,779,227	5,983,864	3,195,398	1,568,430	18,178,765
Europe		94,655	6,911	8	-	18,188	119,762
Others		32,913	-	-	-	3,378	36,291
		<b>\$ 779,414</b>	<b>6,786,138</b>	<b>5,983,872</b>	<b>3,195,398</b>	<b>1,589,996</b>	<b>18,334,818</b>
Main products:							
Copper clad laminate	\$	532,424	4,761,829	4,226,747	2,359,356	1,519,808	13,400,164
Prepreg		244,365	2,023,919	1,757,125	836,042	286	4,861,737
Others		2,625	390	-	-	69,902	72,917
		<b>\$ 779,414</b>	<b>6,786,138</b>	<b>5,983,872</b>	<b>3,195,398</b>	<b>1,589,996</b>	<b>18,334,818</b>
		January to September 2022					
		ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Major regional market:							
Asia	\$	1,004,049	9,311,669	7,038,688	989,950	3,739,194	22,083,550
Europe		108,423	7,004	-	-	19,450	134,877
Others		45,430	-	-	-	2,864	48,294
		<b>\$ 1,157,902</b>	<b>9,318,673</b>	<b>7,038,688</b>	<b>989,950</b>	<b>3,761,508</b>	<b>22,266,721</b>
Main products:							
Copper clad laminate	\$	784,815	6,555,705	4,840,317	698,802	3,029,773	15,909,412
Prepreg		371,323	2,759,252	2,196,975	291,148	626,489	6,245,187
Others		1,764	3,716	1,396	-	105,246	112,122
		<b>\$ 1,157,902</b>	<b>9,318,673</b>	<b>7,038,688</b>	<b>989,950</b>	<b>3,761,508</b>	<b>22,266,721</b>

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

### 2. Contract balance

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Amounts receivable	\$ 11,488,967	12,127,252	12,321,958
Less: Loss allowance	(19,167)	(7,967)	(7,018)
Total	<u>\$ 11,469,800</u>	<u>12,119,285</u>	<u>12,314,940</u>

As of September 30, 2023, December 31 and September 30, 2022, the balance of contract liabilities from the sales of products was NT\$12,283 thousand, NT\$15,248 thousand and NT\$38,025 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

	<u>July to September</u>		<u>January to September</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest of bank deposits	\$ 7,494	4,944	25,725	13,573

#### 2. Other income

	<u>July to September</u>		<u>January to September</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Grant income	\$ 13,524	82,595	28,983	130,954
Other income	2,237	5,121	29,632	10,766
	<u>\$ 15,761</u>	<u>87,716</u>	<u>58,615</u>	<u>141,720</u>

#### 3. Other gains or losses

	<u>July to September</u>		<u>January to September</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net foreign exchange losses	\$ 13,076	(49,215)	(62,680)	(52,187)
Net loss on financial assets and liabilities at fair value through profit or loss	137	520	(5,987)	(56)
Reversal of loss on impairment of property, plant and equipment	-	-	803	17,475
Net loss from disposal of property, plant and equipment	(160)	(157)	(1,207)	(2,800)
Insurance claim income	-	-	118,340	450,000
Others	(8,228)	(719)	(14,046)	(1,864)
	<u>\$ 4,825</u>	<u>(49,571)</u>	<u>35,223</u>	<u>410,568</u>

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

### 4. Financial costs

	July to September		January to September	
	2023	2022	2023	2022
Interest expenses	\$ 30,239	30,203	90,457	74,515

### (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.

#### 1. Credit risk

##### (1) Credit risk concentration

As of September 30, 2023, December 31 and September 30, 2022, 50%, 50%, and 56% 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 nine months ended September 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.

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

### 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>
<b>September 30, 2023</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,463,478	2,467,164	2,467,164	-	-	-
Accounts payable	6,332,437	6,332,437	6,332,437	-	-	-
Other payables	1,229,990	1,229,990	1,229,990	-	-	-
Lease liabilities	292,403	310,084	70,230	70,002	162,118	7,734
Long-term borrowings (including the current portion of long-term borrowings)	2,690,787	2,848,414	164,923	2,070,118	613,373	-
Guarantee deposits	43,967	43,967	-	43,967	-	-
	<b>\$ 13,053,062</b>	<b>13,232,056</b>	<b>10,264,744</b>	<b>2,184,087</b>	<b>775,491</b>	<b>7,734</b>
<b>December 31, 2022</b>						
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	-	-	-
	<b>\$ 12,186,387</b>	<b>12,295,810</b>	<b>10,322,754</b>	<b>963,622</b>	<b>979,384</b>	<b>30,050</b>
<b>September 30, 2022</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 3,321,374	3,328,145	3,328,145	-	-	-
Short-term bills payable	199,800	200,000	200,000	-	-	-
Accounts payable	3,953,993	3,953,993	3,953,993	-	-	-
Lease liabilities	286,152	301,404	61,567	54,920	147,354	37,563
Other payables	2,192,562	2,192,562	2,192,562	-	-	-
Long-term borrowings	1,477,261	1,544,928	22,052	787,187	735,689	-
Guarantee deposits	35,055	35,055	-	35,055	-	-
	<b>\$ 11,466,197</b>	<b>11,556,087</b>	<b>9,758,319</b>	<b>877,162</b>	<b>883,043</b>	<b>37,563</b>

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.



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

### 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:

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary item</u>									
USD	\$ 45,341	32.27	1,463,154	75,758	30.71	2,326,528	72,911	31.75	2,314,924
<u>Financial liabilities</u>									
<u>Monetary item</u>									
USD	67,548	32.27	2,179,774	73,649	30.71	2,261,761	86,049	31.75	2,732,056

#### (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. For the nine months ended September 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 nine months ended September 30, 2023 and 2022 will change by NT\$7,166 thousand and NT\$4,171 thousand, respectively. The same basis is adopted for the analysis of both periods.

#### (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 September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the currency exchange gains or losses (including realized and unrealized) were NT\$13,076 thousand NT\$(49,215) thousand, NT\$(62,680) thousand, and NT\$(52,187) thousand, respectively.

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

### 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 nine months ended September 30, 2023 and 2022 will change by NT\$38,657 thousand and NT\$37,488 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:

	January to September		January to September	
	2023		2022	
Price of securities on the reporting date	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%	\$ 441	38	360	35
Decrease by 1%	\$ (441)	(38)	(360)	(35)

## 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:

	September 30, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVITPL					
Securities listed in ROC Emerging					
Stock Market	\$ 3,833	-	-	3,833	3,833
Financial assets at FVTOCI					
Unlisted funds	41,103	-	-	41,103	41,103
Shares of domestic non-listed					
companies	3,000	-	-	3,000	3,000
Subtotal	44,103	-	-	44,103	44,103
Financial assets at amortized cost					
Cash and equivalents	6,029,655	-	-	-	-
Financial assets at amortized cost	89,891	-	-	-	-
Notes receivable and accounts	11,469,800	-	-	-	-
receivable					
Other receivables	57,676	-	-	-	-
Refundable deposits	132,947	-	-	-	-
Subtotal	17,779,969	-	-	-	-
Total	<b>\$ 17,827,905</b>	-	-	<b>47,936</b>	<b>47,936</b>
Financial liabilities at amortized cost					
Bank borrowings	\$ 5,154,265	-	-	-	-
Accounts payable	6,332,437	-	-	-	-
Lease liabilities	292,403	-	-	-	-
Other payables	1,229,990	-	-	-	-
Guarantee deposits	43,967	-	-	-	-
Total	<b>\$ 13,053,062</b>	-	-	-	-

## 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	12,119,285	-	-	-	-
receivable					
Other receivables	269,426	-	-	-	-
Refundable deposits	146,344	-	-	-	-
Subtotal	17,748,874	-	-	-	-
Total	<b>\$ 17,784,831</b>	-	-	<b>35,957</b>	<b>35,957</b>
Financial liabilities at fair value through					
profit or loss					
Derivative financial liabilities	\$ 7,681	-	7,681	-	7,681
Financial liabilities 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	<b>\$ 12,186,387</b>	-	<b>7,681</b>	-	<b>7,681</b>

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

	September 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVITPL					
Derivative financial assets	\$ 1,076	-	1,076	-	1,076
Securities listed in ROC Emerging Stock Market	3,486	-	-	3,486	3,486
Subtotal	4,562	-	1,076	3,486	4,562
Financial assets at FVTOCI					
Unlisted funds	33,659	-	-	33,659	33,659
Shares of domestic non-listed companies	2,300	-	-	2,300	2,300
Subtotal	35,959	-	-	35,959	35,959
Financial assets at amortized cost					
Cash and equivalents	\$ 4,310,053	-	-	-	-
Notes receivable and accounts receivable	12,314,940	-	-	-	-
Other receivables	247,138	-	-	-	-
Refundable deposits	149,553	-	-	-	-
Subtotal	17,021,684	-	-	-	-
Total	<b>\$ 17,062,205</b>	<b>-</b>	<b>1,076</b>	<b>39,445</b>	<b>40,521</b>
Financial liabilities at amortized cost					
Bank borrowings	\$ 4,798,635	-	-	-	-
Short-term bills payable	199,800	-	-	-	-
Accounts payable	3,953,993	-	-	-	-
Lease liabilities	286,152	-	-	-	-
Other payables	2,192,562	-	-	-	-
Guarantee deposits	35,055	-	-	-	-
Total	<b>\$ 11,466,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (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.

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

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 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.

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

### (3) Transfer between level 1 and level 2

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

### (4) Breakdown of changes in level 3

	<b>Financial assets at FVITPL</b>	<b>Measured at fair value through profit or loss</b>	
	<b>Equity instruments with no public quotation</b>	<b>Equity instruments with no public quotation</b>	<b>Total</b>
January 1, 2023	\$ 3,273	32,684	35,957
Total gains or losses:			
Recognized as profit or loss	560	-	560
Recognized in other comprehensive income	-	18,085	18,085
Investment refunds	-	(6,666)	(6,666)
September 30, 2023	<u>\$ 3,833</u>	<u>44,103</u>	<u>47,936</u>

	<b>Financial assets at FVITPL</b>	<b>Measured at fair value through profit or loss</b>	
	<b>Equity instruments with no public quotation</b>	<b>Equity instruments with no public quotation</b>	<b>Total</b>
January 1, 2022	\$ 4,618	29,687	34,305
Total gains or losses:			
Recognized in profit or loss	(1,132)	-	(1,132)
Recognized in other comprehensive income	-	7,372	7,372
Investment refunds	-	(1,100)	(1,100)
September 30, 2022	<u>\$ 3,486</u>	<u>35,959</u>	<u>39,445</u>

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 for the nine months ended September 30, 2023 and 2022 are as follows:

	<b>July to September</b>		<b>January to September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Recognized in profit or loss	<u>\$ 137</u>	<u>(556)</u>	<u>560</u>	<u>(1,132)</u>
Recognized in other comprehensive income	<u>\$ 11,351</u>	<u>1,741</u>	<u>18,085</u>	<u>7,372</u>

### (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:

<u>Items</u>	<u>Evaluation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets at FVITPL - investments in equity instruments with no active market	Comparable Company Law	<ul style="list-style-type: none"> <li>Stock price net value multiplier (1.41, 1.13, and 1.15 on September 30, 2023, December 31, 2022, and September 30, 2022, respectively)</li> <li>Discount for the lack of market liquidity (20% on September 30, 2023, December 31, 2022, and September 30, 2022)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value</li> <li>The higher the discount for the lack of market liquidity, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income - investments in equity instruments with no active market	Comparable Company Law	<ul style="list-style-type: none"> <li>Stock price net value multiplier (3.39, 3.07, and 3.35 on September 30, 2023, December 31, 2022, and September 30, 2022, respectively)</li> <li>Discount for the lack of market liquidity (25% on September 30, 2023, December 31, 2022, and September 30, 2022)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value</li> <li>The higher the discount for the lack of market liquidity, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income - unlisted funds	Net asset value approach	<ul style="list-style-type: none"> <li>Net asset value</li> </ul>	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 September 30, 2023, December 31 and September 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)

		Changes in fair value reflected in profit or loss					
		Favorable changes			Unfavorable changes		
Input	Upward or downward changes	September 30, 2023	December 31, 2022	September 30, 2022	September 30, 2023	December 31, 2022	September 30, 2022
Stock price net value multiplier	5%	99	137	84	(99)	(137)	(84)
Discount for the lack of market liquidity	5%	57	61	97	(57)	(61)	(97)

  

		Changes in fair value reflected in other comprehensive income					
		Favorable changes			Unfavorable changes		
Input	Upward or downward changes	September 30, 2023	December 31, 2022	September 30, 2022	September 30, 2023	December 31, 2022	September 30, 2022
Stock price net value multiplier	5%	93	68	93	(93)	(68)	(93)
Discount for the lack of market liquidity	5%	50	43	43	(50)	(43)	(43)

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		September 30, 2023
			Exchange rate changes	Others	
Short-term borrowings	\$ 2,465,577	(15,548)	13,449	-	2,463,478
Short-term bills payable	149,915	(149,915)	-	-	-
Long-term borrowings	1,693,857	935,355	61,575	-	2,690,787
Lease liabilities	268,981	(47,322)	2,714	68,030	292,403
Guarantee deposits	37,980	3,958	2,029	-	43,967
Total liabilities arising from financing activities.	<b>\$ 4,616,310</b>	<b>726,528</b>	<b>79,767</b>	<b>68,030</b>	<b>5,490,635</b>

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

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Exchange rate changes	Others	
Short-term borrowings	\$ 2,131,144	926,090	264,140	-	3,321,374
Short-term bills payable	-	199,760	-	40	199,800
Long-term borrowings	-	1,455,598	21,663	-	1,477,261
Lease liabilities	276,912	(44,731)	2,585	51,386	286,152
Guarantee deposits	33,696	(121)	1,480	-	35,055
Total liabilities arising from financing activities.	<u>\$ 2,441,752</u>	<u>2,536,596</u>	<u>289,868</u>	<u>51,426</u>	<u>5,319,642</u>

### VII. Related Party Transactions

#### (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:

Related Party Name	Related Party Category
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:

Line Item	September 30, 2023	December 31, 2022	September 30, 2022
Right-of-use assets	<u>\$ 156,275</u>	<u>173,530</u>	<u>180,760</u>
Refundable deposits (accounted for as other non-current assets)	<u>\$ 103,860</u>	<u>103,012</u>	<u>102,730</u>
Lease liabilities - current	\$ 28,671	27,520	27,411
Lease liabilities - non-current	127,059	144,347	151,268
	<u>\$ 155,730</u>	<u>171,867</u>	<u>178,679</u>

	July to September		January to September	
	2023	2022	2023	2022
Financial costs	<u>\$ 637</u>	<u>727</u>	<u>1,996</u>	<u>2,263</u>
Depreciation expenses	<u>\$ 7,442</u>	<u>7,230</u>	<u>22,325</u>	<u>21,691</u>
Interest income	<u>\$ 284</u>	<u>280</u>	<u>849</u>	<u>839</u>

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

### 2. Lease agreement

The Company leases its office to MGC-ITEQ on an operating lease, with a leasing period of one year. For the nine months ended September 30, 2023, the lease income recognized was NT\$24 thousand.

There was no such transaction during the period from January 1, 2022 to September 30, 2022.

### 3. Others

The dividends paid by the Group to the related parties are summarized as follows:

	<b>January to September</b>	
	<b>2023</b>	<b>2022</b>
WIN Semiconductors	\$ 196,226	327,044
Tian He	127,304	211,903
Other Related Parties	87,920	164,839
	<b>\$ 411,450</b>	<b>703,786</b>

### (III) Compensation for the major management

	<b>July to September</b>		<b>January to September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 26,462	56,221	41,910	75,685
Post-employment benefits	148	196	444	513
	<b>\$ 26,610</b>	<b>56,417</b>	<b>42,354</b>	<b>76,198</b>

## VIII. Pledged Assets

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

<b>Asset</b>	<b>Target of pledge/guarantee</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Property, plant, and equipment	Long-term borrowings	\$ 629,635	-	-
Right-of-use assets	Long-term borrowings	61,497	-	-
		<b>\$ 691,132</b>	<b>-</b>	<b>-</b>

## IX. Significant Contingent Liabilities and Unrecognized Commitments

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Acquisition of property, plant, and equipment	<b>\$ 3,939,763</b>	<b>4,578,527</b>	<b>4,302,185</b>

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

(II) Outstanding letter of credit issued by the Group

	September 30, 2023	December 31, 2022	September 30, 2022
Outstanding letter of credit issued	\$ 455,508	449,592	523,618

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

**XI. Material Events After the Balance Sheet**

The Company's subsidiary, ITEQ Corporation (Thailand) LTD., was commissioned to build a plant and its ancillary equipment on October 20, 2023 at a total cost of THB 614,953,271.

**XII. Others**

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

Function Nature	July to September 2023			July to September 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	233,739	134,130	367,869	224,343	87,147	311,490
Labor and health insurance expenses	4,156	4,158	8,314	4,173	4,888	9,061
Pension expenses	1,525	1,650	3,175	1,599	1,727	3,326
Remuneration	-	2,632	2,632	-	(1,725)	(1,725)
Other employee benefits expenses	66,005	33,883	99,888	98,590	(19,149)	79,441
Depreciation expenses	227,554	42,540	270,094	241,202	38,972	280,174
Amortized expenses	-	-	-	-	-	-

Function Nature	January to September 2023			January to September 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	689,285	450,972	1,140,257	836,129	388,847	1,224,976
Labor and health insurance expenses	12,913	11,800	24,713	13,387	13,216	26,603
Pension expenses	4,780	5,009	9,789	5,110	5,253	10,363
Remuneration	-	6,099	6,099	-	16,849	16,849
Other employee benefits expenses	201,489	101,127	302,616	279,768	88,379	368,147
Depreciation expenses	669,972	127,235	797,207	706,421	106,901	813,322
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. Separately disclosed Items

(I) Information about significant transactions

For the nine months ended September 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 (Note 3)	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)
													Title	Value		
0	The Company	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	122,856	0	0	-	2	-	Operating capital	-	None	-	3,950,921	7,901,843
1	IIL	ITEQ (WX)	Accounts receivable - related parties and other receivables - related parties	Yes	347,018	184,594	184,594	-	2	-	Operating capital	-	None	-	457,326	457,326
2	ITEQ (WX)	IIL	Accounts receivable - related parties and other receivables - related parties	Yes	343,952	210,725	210,725	-	2	-	Operating capital	-	None	-	3,950,921	3,950,921
3	"	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	674,190	674,190	584,298	1.5	2	-	Operating capital	-	None	-	3,950,921	3,950,921
3	"	ITEQ (JX)	Accounts receivable - related parties and other receivables - related parties	Yes	1,348,380	1,348,380	1,348,380	1.5	2	-	Operating capital	-	None	-	3,950,921	3,950,921

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/Guarantee d 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	19,754,609	726,075(Note 3)	726,075	103,975	-	3.68%	19,754,609	Yes	No	No
0	"	IPL	2	19,754,609	3,823,995(Note 3)	3,823,995	788,622	-	19.36%	19,754,609	Yes	No	No
0	"	ITEQ (DG)	2	19,754,609	1,535,500(Note 3)	1,290,800	-	-	6.53%	19,754,609	Yes	No	Yes
0	"	ITEQ (JX)	2	19,754,609	3,031,060(Note 3)	3,031,060	862,963	-	15.34%	19,754,609	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	September 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 FVTOCI - non-current	357	3,000	1.0%	3,000	
Bang Mao	Mortech Corporation	-	Financial assets at FVITPL - current	381	3,833	1.0%	3,833	
"	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 FVTOCI - non-current	-	41,103	4.8%	41,103	

## 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:

Unit: Thousand shares/NT\$ thousand

Buying/selling company	Type and Name of Marketable Securities	Financial Statement Account	Related Party	Relationship	January 1, 2023		Buying		Selling			September 30, 2023		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling price	Carrying cost	Disposal gain or loss	Number of Shares	Amount
The Company	Thailand ITEQ	Investments using the equity method	-	Subsidiary	-	-	6,500	586,083	-	-	-	-	6,500	573,438 (Note)

(Note) The amount at the end of the period is based on the balance recognized under the equity method, which has been eliminated when the consolidated financial statements were prepared.

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) %	
The Company	ITEQ (WX)	Subsidiary	(Sales)	(101,202)	(9.75%)	OA 120 days	No material difference with general customers	No material difference with general customers	64,568	11.62%	Note
The Company	ITEQ (JX)	"	"	(137,528)	(13.25%)	"	"	"	116,359	20.93%	"
IPL	ITEQ (GZ)	"	"	(143,060)	(15.26%)	"	"	"	86,845	14.85%	"
IPL	ITEQ (DG)	"	"	(290,283)	(30.96%)	"	"	"	127,667	21.83%	"
IPL	ITEQ (JX)	"	"	(326,767)	(34.86%)	"	"	"	369,534	63.18%	"
IIL	The Company	"	"	(208,174)	(40.18%)	"	"	"	124,651	25.41%	"
IIL	ITEQ (WX)	"	"	(214,537)	(41.41%)	"	"	"	327,881	66.85%	"
ITEQ (GZ)	ITEQ (DG)	"	"	(642,172)	(28.99%)	"	"	"	260,272	18.84%	"
ITEQ (WX)	IIL	"	"	(308,471)	(4.28%)	"	"	"	411,333	8.42%	"
ITEQ (DG)	ITEQ (GZ)	"	"	(187,227)	(2.83%)	"	"	"	-	0.00%	"
ITEQ (DG)	ITEQ (JX)	"	"	(259,701)	(3.93%)	"	"	"	292,611	7.77%	"
ITEQ (JX)	ITEQ (WX)	"	"	(1,170,926)	(15.71%)	"	"	"	338,249	9.12%	"
ITEQ (JX)	ITEQ (DG)	"	"	(3,069,084)	(41.18%)	"	"	"	1,305,387	35.19%	"
ITEQ (WX)	The Company	"	Purchases	101,202	1.65%	"	"	"	(64,568)	(2.43%)	"
ITEQ (JX)	The Company	"	"	137,528	1.99%	"	"	"	(116,359)	(3.60%)	"
ITEQ (GZ)	IPL	"	"	143,060	7.07%	"	"	"	(86,845)	(17.90%)	"
ITEQ (DG)	IPL	"	"	290,283	4.71%	"	"	"	(127,667)	(5.14%)	"
ITEQ (JX)	IPL	"	"	326,767	4.72%	"	"	"	(369,534)	(11.45%)	"
The Company	IIL	"	"	208,174	18.31%	"	"	"	(124,651)	(21.54%)	"
ITEQ (WX)	IIL	"	"	214,537	3.50%	"	"	"	(327,881)	(12.35%)	"
ITEQ (DG)	ITEQ (GZ)	"	"	642,172	10.43%	"	"	"	(260,272)	(10.49%)	"
IIL	ITEQ (WX)	"	"	308,471	59.91%	"	"	"	(411,333)	(87.67%)	"
ITEQ (GZ)	ITEQ (DG)	"	"	187,227	16.47%	"	"	"	-	0.00%	"
ITEQ (JX)	ITEQ (DG)	"	"	259,701	12.83%	"	"	"	(292,611)	(9.06%)	"
ITEQ (WX)	ITEQ (JX)	"	"	1,170,926	19.09%	"	"	"	(338,249)	(12.74%)	"
ITEQ (DG)	ITEQ (JX)	"	"	3,069,084	49.84%	"	"	"	(1,305,387)	(52.60%)	"

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 October 31, 2023)	
The Company	ITEQ (JX)	Subsidiary	116,359	1.07	-	-	18,005	-
IPL	ITEQ (DG)	Subsidiary	127,667	2.61	-	-	33,866	-
IPL	ITEQ (JX)	Subsidiary	369,534	1.53	-	-	90,187	-
IIL	The Company	Subsidiary	124,651	1.77	-	-	22,274	-
IIL	ITEQ (WX)	Subsidiary	327,881	0.75	-	-	17,644	-
ITEQ (DG)	ITEQ (JX)	Subsidiary	292,611	0.64	-	-	78,419	-
ITEQ (JX)	ITEQ (DG)	Subsidiary	1,305,387	2.85	-	-	426,987	-
ITEQ (JX)	ITEQ (WX)	Subsidiary	338,249	5.71	-	-	164,026	-
ITEQ (WX)	IIL	Subsidiary	411,333	0.77	-	-	32,170	-
ITEQ (GZ)	ITEQ (DG)	Subsidiary	260,272	3.33	-	-	125,849	-

Note: Written off in the consolidated financial statements.

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

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	327,881	Note 4	0.97%
1	IIL	The Company	2	Sale	208,174	Note 4	1.14%
1	IIL	ITEQ (WX)	3	Sale	214,537	Note 4	1.17%
2	IPL	ITEQ (JX)	3	Sale	326,767	Note 4	1.78%
2	IPL	ITEQ (JX)	3	Accounts receivable	369,534	Note 4	1.09%
2	IPL	ITEQ (DG)	3	Sale	290,283	Note 4	1.58%
3	ITEQ Holding	ITEQ (HK)	3	Other receivables	880,355	Note 4	2.60%
4	ITEQ (JX)	ITEQ (WX)	3	Sale	1,170,926	Note 4	6.39%
4	ITEQ (JX)	ITEQ (DG)	3	Sale	3,069,084	Note 4	16.74%
4	ITEQ (JX)	ITEQ (DG)	3	Accounts receivable	1,305,387	Note 4	3.85%
4	ITEQ (JX)	ITEQ (WX)	3	Accounts receivable	338,249	Note 4	1.00%
5	ITEQ (DG)	ITEQ (JX)	3	Accounts receivable	292,611	Note 4	0.86%
6	ITEQ (WX)	IIL	3	Sale	308,471	Note 4	1.68%
6	ITEQ (WX)	ITEQ (JX)	3	Other receivables	1,952,536	Note 4	5.76%
6	ITEQ (WX)	IIL	3	Accounts receivable	411,333	Note 4	1.21%
7	ITEQ (GZ)	ITEQ (DG)	3	Sale	642,172	Note 4	3.50%
7	ITEQ (GZ)	ITEQ (DG)	3	Accounts receivable	260,272	Note 4	0.77%

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:



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

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 about Investees (Excluding Investees in Mainland China)**

Unit: NT\$ thousand

Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount		As of September 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%	20,476,534	1,041,085	1,041,085	Note 1
"	Bang Mao Investment	Hsinchu County	Investment	70,000	70,000	7,000	100%	114,481	2,007	2,007	Note 1
"	MGC-ITEQ Technology Co.,Ltd.	Hsinchu County	Electronic Parts and Components Manufacturing	49,000	49,000	4,900	49%	43,941	(7,474)	(3,662)	
"	Thailand ITEQ	Thailand	Produces and sells prepreg and copper-clad lamination	586,083	-	6,500	100%	573,438	7	7	Note 1
ITEQ International	ITEQ Holding	British Cayman Islands	Investment	1,879,344	1,879,344	18,500	100%	20,495,839	1,037,032	1,037,032	Note 1
ITEQ Holding	ESIC	The British Virgin Islands	Investments in Mainland China	395,850	395,850	10,750	100%	8,158,308	464,096	464,096	Note 1
"	IPL	Samoa	Import/Export	30,450	30,450	1,000	100%	67,509	(6,928)	(6,928)	Note 1
"	IIL	Samoa	Import/Export	30,450	30,450	1,000	100%	74,608	(1,546)	(1,546)	Note 1
"	Eagle Great	The British Virgin Islands	Mainland China Re-investment	258,795	258,795	8,499	100%	427,965	(51,188)	(51,188)	Note 1
"	ITEQ(HK)	Hong Kong	Mainland China Re-investment	736,890	736,890	24,200	100%	10,886,252	632,630	632,630	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 January 1, 2023	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	Investment profit or loss recognized for the period (Note 2)	Carrying Amount as of September 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	405,268	405,268	5,095,885	-
ITEQ (WX) (Note 5)	Produces and sells prepreg and copper-clad lamination	1,248,450	(Note 1)(Note 4)	672,945	-	-	672,945	699,283	699,283	9,110,047	3,501,517
ITEQ (HJ) (Note 5)	Produces and sells mass lamination	258,795	(Note 1)(Note 4)	252,309	-	-	252,309	(44,105)	(44,105)	425,319	-
ITEQ (GZ) (Note 5)	Produces and sells prepreg and copper-clad lamination	721,665	(Note 1)	493,290	-	-	493,290	47,786	47,786	2,632,006	1,119,692
ITEQ (JX) (Note 5)	Produces and sells prepreg and copper-clad lamination	4,896,360	(Note 1)(Note 4)	-	-	-	-	121,181	121,181	6,179,899	-

#### 2. Limit for investments in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of September 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)	2,594,508 (USD 80,400)	11,852,765

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 September 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 nine months ended September 30, 2023, please refer to information about significant transactions in Note 13(1) for details.

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

**(IV) Information on major shareholders:**

Unit: shares

Name of major shareholder / Shares	No. of ordinary Shares held	Ratio of shareholdings
WIN Semiconductors Corp.	65,408,733	18.02%
Tian He Xing Ye Corp.	43,034,591	11.85%
Fu Cun Construction Co.	21,241,897	5.85%

## 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:

	July to September 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 276,114	2,561,692	1,971,176	1,272,946	562,917	6,644,845
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 276,114</u>	<u>2,561,692</u>	<u>1,971,176</u>	<u>1,272,946</u>	<u>562,917</u>	<u>6,644,845</u>
Segment (loss) profit	<u>\$ (168,048)</u>	<u>334,278</u>	<u>88,256</u>	<u>93,383</u>	<u>38,542</u>	<u>386,411</u>

  

	July to September 2022					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 327,279	2,629,758	1,840,786	473,984	1,080,201	6,352,008
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 327,279</u>	<u>2,629,758</u>	<u>1,840,786</u>	<u>473,984</u>	<u>1,080,201</u>	<u>6,352,008</u>
Segment (loss) profit	<u>\$ (104,232)</u>	<u>307,516</u>	<u>88,594</u>	<u>(27,285)</u>	<u>97,530</u>	<u>362,123</u>

  

	January to September 2023					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 779,414	6,786,138	5,983,872	3,195,398	1,589,996	18,334,818
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 779,414</u>	<u>6,786,138</u>	<u>5,983,872</u>	<u>3,195,398</u>	<u>1,589,996</u>	<u>18,334,818</u>
Segment (loss) profit	<u>\$ (454,229)</u>	<u>789,734</u>	<u>181,660</u>	<u>77,229</u>	<u>7,513</u>	<u>601,907</u>

  

	January to September 2022					
	ITEQ	ITEQ (WX)	ITEQ (DG)	ITEQ (JX)	Others	Total
Income from external customers	\$ 1,157,902	9,318,673	7,038,688	989,950	3,761,508	22,266,721
Intra-segment income	-	-	-	-	-	-
Total income	<u>\$ 1,157,902</u>	<u>9,318,673</u>	<u>7,038,688</u>	<u>989,950</u>	<u>3,761,508</u>	<u>22,266,721</u>
Segment (loss) profit	<u>\$ 23,242</u>	<u>1,069,123</u>	<u>377,440</u>	<u>192,231</u>	<u>272,072</u>	<u>1,934,108</u>