POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18000002

To the Board of Directors and Shareholders of Polytronics Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Polytronics Technology Crop. and subsidiaries ("the Group") as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
May 9, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018, DECEMBER 31, 2017 AND MARCH 31, 2017
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Assets	Notes	March 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	March 31, 2017 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 809,267	32	$ 812,988	34	$ 972,866	39
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	142	-	229	-	-	-
1136	Current financial assets at amortised cost, net	8	3,168	-	-	-	-	-
1150	Notes receivable, net		136,957	6	119,565	5	97,851	4
1170	Accounts receivable, net	6(3)	322,610	13	276,352	12	226,409	9
1180	Accounts receivable - related parties	7	60,601	2	57,382	2	48,600	2
1200	Other receivables		10,376	-	1,580	-	2,501	-
130X	Inventories, net	6(4)	259,342	10	255,552	11	280,475	11
1410	Prepayments		40,481	2	31,950	1	23,406	1
1470	Other current assets	8	3,215	-	8,092	-	4,028	-
11XX	**Total current assets**		1,646,159	65	1,563,690	65	1,656,136	66
	Non-current assets							
1535	Non-current financial assets at amortised cost, net	8	6,826	-	-	-	-	-
1543	Non-current financial assets at cost, net	12(4)	-	-	-	-	2,100	-
1600	Property, plant and equipment, net	6(5)	725,183	29	709,609	29	729,612	29
1760	Investment property, net	6(6)	98,908	4	99,441	4	101,040	4
1780	Intangible assets		3,525	-	4,101	-	2,779	-
1840	Deferred income tax assets		15,308	1	13,290	1	11,267	-
1900	Other non-current assets	8	25,601	1	30,327	1	24,646	1
15XX	**Total non-current assets**		875,351	35	856,768	35	871,444	34
1XXX	**Total assets**		$ 2,521,510	100	$ 2,420,458	100	$ 2,527,580	100

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018, DECEMBER 31, 2017 AND MARCH 31, 2017
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	March 31, 2017 AMOUNT	%
	Current liabilities							
2150	Notes payable		$ 1,285	-	$ 2,998	-	$ 855	-
2170	Accounts payable	6(7)	101,635	4	93,626	4	113,135	5
2200	Other payables	6(8)	167,501	7	173,214	7	159,494	6
2230	Current income tax liabilities		104,227	4	90,185	4	112,637	4
2300	Other current liabilities	6(14)	2,116	-	1,381	-	1,963	-
21XX	**Total current liabilities**		376,764	15	361,404	15	388,084	15
	Non-current liabilities							
2600	Other non-current liabilities	6(9)	28,078	1	28,097	1	26,799	1
25XX	**Total non-current liabilities**		28,078	1	28,097	1	26,799	1
2XXX	**Total liabilities**		404,842	16	389,501	16	414,883	16
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(10)						
3110	Share capital - common stock		800,018	32	800,018	33	800,018	32
	Capital surplus	6(11)						
3200	Capital surplus		235,900	10	235,900	10	235,900	10
	Retained earnings	6(12)						
3310	Legal reserve		414,015	16	414,015	17	373,487	15
3320	Special reserve		11,982	-	11,982	-	11,982	-
3350	Unappropriated retained earnings		680,656	27	604,605	25	747,079	29
3400	Other equity interest	6(14)	(25,903)	(1)	(35,563)	(1)	(55,769)	(2)
31XX	**Equity attributable to owners of the parent**		2,116,668	84	2,030,957	84	2,112,697	84
3XXX	**Total equity**		2,116,668	84	2,030,957	84	2,112,697	84
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 2,521,510	100	$ 2,420,458	100	$ 2,527,580	100

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earings per share)
(UNAUDITED)

			For the three-month periods ended March 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(14)	$ 401,357	100	$ 351,869	100
5000	**Operating costs**	6(4)	(223,317)	(56)	(177,055)	(50)
5950	**Net operating margin**		178,040	44	174,814	50
	Operating expenses	6(18)(19)				
6100	Selling expenses		(25,322)	(6)	(21,208)	(6)
6200	General and administrative expenses		(33,914)	(8)	(34,036)	(10)
6300	Research and development expenses		(30,833)	(8)	(29,916)	(8)
6450	Reversal of expected credit losses		297	-	-	-
6000	**Total operating expenses**		(89,772)	(22)	(85,160)	(24)
6900	**Operating profit**		88,268	22	89,654	26
	Non-operating income and expenses					
7010	Other income	6(15)	6,657	2	13,662	4
7020	Other gains and losses	6(16)	(2,106)	(1)	(26,499)	(8)
7050	Finance costs	6(17)	(65)	-	(58)	-
7000	**Total non-operating income and expenses**		4,486	1	(12,895)	(4)
7900	**Profit before tax**		92,754	23	76,759	22
7950	Income tax expense	6(20)	(16,703)	(4)	(15,517)	(5)
8200	**Profit for the year**		$ 76,051	19	$ 61,242	17
	Other comprehensive (loss) income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations	6(13)	$ 9,660	2	($ 30,119)	(8)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		9,660	2	(30,119)	(8)
8300	**Other comprehensive income (loss) for the year**		$ 9,660	2	($ 30,119)	(8)
8500	**Total comprehensive income for the year, net of tax**		$ 85,711	21	$ 31,123	9
	Profit attributable to:					
8610	Owners of the parent		$ 76,051	19	$ 64,062	18
8620	Non-controlling interests		-	-	(2,820)	(1)
	Profit for the year		$ 76,051	19	$ 61,242	17
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 85,711	21	$ 33,943	10
8720	Non-controlling interest		-	-	(2,820)	(1)
	Total comprehensive income for the year		$ 85,711	21	$ 31,123	9
9750	**Basic earnings per share**	6(21)	$ 0.95		$ 0.80	
9850	**Diluted earnings per share**	6(21)	$ 0.94		$ 0.79	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent										
			Capital Surplus			Retained Earnings						
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
For the three-month period ended March 31, 2017												
Balance at January 1, 2017		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 373,487	$ 11,982	$ 683,017	($ 25,650)	$2,078,754	$ 33,068	$2,111,822
Comprehensive income for the period												
Profit for the period		-	-	-	-	-	-	64,062	-	64,062	(2,820)	61,242
Other comprehensive loss	6(13)	-	-	-	-	-	-	-	(30,119)	(30,119)	-	(30,119)
Total comprehensive income (loss)		-	-	-	-	-	-	64,062	(30,119)	33,943	(2,820)	31,123
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(30,248)	(30,248)
Balance at March 31, 2017		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 373,487	$ 11,982	$ 747,079	($ 55,769)	$2,112,697	$ -	$2,112,697
For the three month periods ended March 31, 2018												
Balance at January 1, 2018		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 414,015	$ 11,982	$ 604,605	($ 35,563)	$2,030,957	$ -	$2,030,957
Comprehensive income for the period												
Profit for the period		-	-	-	-	-	-	76,051	-	76,051	-	76,051
Other comprehensive income	6(13)	-	-	-	-	-	-	-	9,660	9,660	-	9,660
Total comprehensive income		-	-	-	-	-	-	76,051	9,660	85,711	-	85,711
Balance at March 31, 2018		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 414,015	$ 11,982	$ 680,656	($ 25,903)	$2,116,668	$ -	$2,116,668

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three-month periods ended March 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 92,754	$ 76,759
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets at fair value through profit or loss		87	-
Reversal of expected credit losses		(297)	-
Reversal for bad debt expense		-	(567)
Depreciation (including investment property)	6(16)(18)	22,866	26,489
Amortisation	6(18)	616	402
Interest expense	6(17)	65	58
Interest income	6(15)	(1,863)	(1,069)
Loss on disposal of property, plant and equipment	6(16)	1,291	944
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(15,474)	11,058
Accounts receivable, net		(42,767)	39,755
Accounts receivable, net - related parties		(3,219)	16,604
Other receivables		(8,796)	(892)
Inventories		(3,790)	5,500
Prepayments		(8,531)	6,976
Other current assets		1,777	(765)
Changes in operating liabilities			
Financial liabilities at fair value through loss - current		-	(386)
Notes payable		(1,713)	(591)
Accounts payable		8,009	(35,967)
Other payables		(6,260)	(26,362)
Other current liabilities		735	(1,274)
Defined benefit liabilities		(19)	(191)
Cash inflow generated from operations		35,471	116,481
Interest paid		(65)	(58)
Interest received		1,863	1,069
Income tax paid		(4,679)	(4,874)
Net cash flows from operating activities		32,590	112,618

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three-month periods ended March 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortised cost, net		($ 68)	$ -
Proceeds from disposal of financial assets at cost		-	900
Increase in other non-current assets		(2,918)	(2,917)
Acquisition of property, plant and equipment	6(24)	(35,087)	(10,588)
Proceeds from disposal of property, plant and equipment		1,529	6,784
Acquisition of intangible assets		(27)	-
Net cash flows used in investing activities		(36,571)	(5,821)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in guarantee deposits received		-	(5,771)
Changes in non-controlling interests		-	(30,248)
Net cash flows used in financing activities		-	(36,019)
Effect of exchange rate		260	(2,826)
Net (decrease) increase in cash and cash equivalents		(3,721)	67,952
Cash and cash equivalents at beginning of period		812,988	904,914
Cash and cash equivalents at end of period	6(1)	$ 809,267	$ 972,866

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Polytronics Technology Corporation (the "Company") was incorporated on December 18, 1997 and commenced operations on August 1, 1999. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, manufacturing and sale of Polymeric Positive Temperature Coefficent, Overvoltage protection element and its production related semi-finished goods, modules, heat conductive substrate, thermal module, heat dispersing materials, and LED lightings and modules.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on May 9, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The impact is not material on January 1, 2018.

(2) <u>Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group</u>

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 16, ‘Leases’	January 1, 2019
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 ‘Lease’. The Group has proposed the assessment on 2018 first quarter of the Board of Directors and the application of this requirement is not expected to materially impact to the Group’s financial condition and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards 34, "Interim Financial Reporting" as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the impact is not material for the Group. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39') ,International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The same basis of consolidation have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

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B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	Name of Subsidiaries	Main Business Activities	March 31, 2018	December 31, 2017	March 31, 2017	Note
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	100	
Polytronics Technology Corporation	Polycarbide Material Co., Ltd.	Manufacturing of electrical components and wholesale and retail of chemical raw	0	0	100	Note
Polytronics (B.V.I.) Corporation	P-Circuit Corporation	Investments and general business operations	100	100	100	
P-Circuit Corporation	Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	100	
Polystar Electronics Co., Ltd.	Hanpu (Kunshan) Trading Co., Ltd.	Wholesale, import and export business	100	100	100	
Polystar Electronics Co., Ltd.	Polystar Senchip Microeletronics, Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	100	

Note: Polycarbide Material Co., Ltd. has been liquidated on December 21, 2017, and share capital and surplus funds were distributed on December 28, 2017.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(8) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(10) Employee benefits

Pensions

Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Additionally, the related information is disclosed accordingly.

(11) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(12) Revenue recognition

Sales of goods

The Group manufactures and sells Polymeric Positive Temperature Coefficent device and its production related semi-finished goods, modules, heat conductive substrate, thermal module, heat dispersing materials, and LED lightings and modules. Sales are recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes as of March 31, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand and revolving funds	$ 471	$ 629	$ 489
Checking accounts and demand deposits	340,999	255,401	281,846
Time deposits	467,797	512,310	640,201
Cash equivalents -short-term notes	-	44,648	50,330
Total	$ 809,267	$ 812,988	$ 972,866

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets/liabilities at fair value through profit or loss

Items	March 31, 2018
Current items:	
Financial assets (liabilities) held for trading	
Derivative instrument-forward foreign exchange contracts	$ -
Financial assets (liabilities) held for trading valuation adjustment	142
Total	$ 142

A. The Group recognized net gain of $1,604 on financial assets (liabilities) held for trading for the three-month period ended March 31, 2018.

B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative instruments		March 31, 2018 Contract amount (Notional principal)	Contract period
Forward foreign exchange contracts	USD	$ 500	2018/2/14~2018/4/30
Forward foreign exchange contracts	USD	$ 500	2018/3/8~2018/4/30
Forward foreign exchange contracts	USD	$ 900	2018/3/15~2018/5/31
Forward foreign exchange contracts	USD	$ 400	2018/3/23~2018/5/31

Note: Expressed in thousands of US dollars.

The Group entered into forward foreign exchange contracts to sell US dollars to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk is provided in Note 12(2).

D. Information on March 31, 2017 and December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	$ 136,957	$ 119,565	$ 97,851
Accounts receivable	$ 325,221	$ 279,218	$ 230,387
Less: Allowance for bad debts	(2,611)	(2,866)	(3,978)
	$ 322,610	$ 276,352	$ 226,409

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Without past due	$ 275,444	$ 242,661	$ 193,511
Up to 30 days	37,938	20,153	21,393
31 to 90 days	10,473	13,281	6,010
91 to 180 days	259	565	4,885
Over 181 days	1,107	2,558	4,588
	$ 325,221	$ 279,218	$ 230,387

The above ageing analysis was based on past due date.

B. As at March 31, 2018, December 31,2017 and March 31, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were $136,957, $119,565 and $97,851, $ 322,610, $276,352 and $226,409, respectively .

C. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	$ 90,995	$ 86,282	$ 108,695
Work-in-progress	81,301	85,491	83,633
Finished goods	87,046	83,779	88,147
Total	$ 259,342	$ 255,552	$ 280,475

The cost of inventories recognized as expense for the period:

	For the three-month periods ended March 31,	
	2018	2017
Cost of goods sold	$ 221,021	$ 183,344
Loss (gain) on decline (recovery) in market value	2,296	(6,289)
	$ 223,317	$ 177,055

(5) Property, plant and equipment

	Buildings	Machinery	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Construction in progress	Others	Total
At January 1, 2018									
Cost	$ 664,556	$ 567,122	$ 8,271	$ 9,261	$ 9,911	$ 32,389	$ 277	$ 129,569	$ 1,421,356
Accumulated depreciation and impairment	(219,421)	(363,317)	(5,078)	(6,928)	(8,026)	(32,007)	-	(76,970)	(711,747)
	$ 445,135	$ 203,805	$ 3,193	$ 2,333	$ 1,885	$ 382	$ 277	$ 52,599	$ 709,609
2018									
Opening net book amount	$ 445,135	$ 203,805	$ 3,193	$ 2,333	$ 1,885	$ 382	$ 277	$ 52,599	$ 709,609
Additions	-	6,607	270	-	43	1,840	24,455	2,419	35,634
Disposals	-	(2,786)	(22)	-	-	-	-	(12)	(2,820)
Reclassifications (Note)	-	-	-	-	-	-	-	818	818
Depreciation charge	(7,335)	(9,724)	(360)	(174)	(180)	(41)	-	(4,519)	(22,333)
Net exchange differences	1,370	2,515	48	18	-	-	119	205	4,275
Closing net book amount	$ 439,170	$ 200,417	$ 3,129	$ 2,177	$ 1,748	$ 2,181	$ 24,851	$ 51,510	$ 725,183
At March 31, 2018									
Cost	$ 667,275	$ 564,392	$ 8,613	$ 9,329	$ 9,954	$ 34,229	$ 24,851	$ 133,016	$ 1,451,659
Accumulated depreciation and impairment	(228,105)	(363,975)	(5,484)	(7,152)	(8,206)	(32,048)	-	(81,506)	(726,476)
	$ 439,170	$ 200,417	$ 3,129	$ 2,177	$ 1,748	$ 2,181	$ 24,851	$ 51,510	$ 725,183

	Buildings	Machinery	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Construction in progress	Others	Total
At January 1, 2017									
Cost	$ 665,084	$ 585,356	$ 8,156	$ 9,330	$ 9,100	$ 32,133	$ 1,507	$ 106,102	$ 1,416,768
Accumulated depreciation and impairment	(191,465)	(347,385)	(4,173)	(6,421)	(7,635)	(31,816)	-	(63,738)	(652,633)
	$ 473,619	$ 237,971	$ 3,983	$ 2,909	$ 1,465	$ 317	$ 1,507	$ 42,364	$ 764,135
2017									
Opening net book amount	$ 473,619	$ 237,971	$ 3,983	$ 2,909	$ 1,465	$ 317	$ 1,507	$ 42,364	$ 764,135
Additions	-	4,543	89	-	273	-	-	8,116	13,021
Disposals	-	(6,841)	(801)	-	-	-	-	(86)	(7,728)
Reclassifications	-	-	-	-	-	-	-	1,895	1,895
Depreciation charge	(7,258)	(12,547)	(323)	(172)	(196)	(83)	-	(5,377)	(25,956)
Net exchange differences	(5,117)	(8,769)	(180)	(72)	-	-	(77)	(1,540)	(15,755)
Closing net book amount	$ 461,244	$ 214,357	$ 2,768	$ 2,665	$ 1,542	$ 234	$ 1,430	$ 45,372	$ 729,612
At March 31, 2017									
Cost	$ 655,766	$ 564,289	$ 6,813	$ 9,096	$ 9,373	$ 32,133	$ 1,430	$ 111,630	$ 1,390,530
Accumulated depreciation and impairment	(194,522)	(349,932)	(4,045)	(6,431)	(7,831)	(31,899)	-	(66,258)	(660,918)
	$ 461,244	$ 214,357	$ 2,768	$ 2,665	$ 1,542	$ 234	$ 1,430	$ 45,372	$ 729,612

1. For the three-month periods ended March 31, 2018 and 2017, there was no capitalization of borrowing interests attributable to the property, plant and equipment.
2. There were no property, plant and equipment pledged to others as collateral.

(6) Investment property

	2018	2017
	Buildings	Buildings
At January 1		
Cost	$ 108,725	$ 108,725
Accumulated depreciation	(9,284)	(7,152)
	$ 99,441	$ 101,573
Opening net book amount	$ 99,441	$ 101,573
Depreciation charge	(533)	(533)
Closing net book amount	$ 98,908	$ 101,040
At March 31		
Cost	$ 108,725	$ 108,725
Accumulated depreciation	(9,817)	(7,685)
	$ 98,908	$ 101,040

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the three-month periods ended March 31,	
	2018	2017
Rental income from investment property	$ 2,300	$ 4,228
Direct operating expenses arising from the investment property that generated rental income during the period	$ 533	$ 533

B. The fair value of investment property held by the Company as of March 31, 2018, December 31, 2017 and March 31, 2017 were $199,263, $199,263 and $207,463, respectively. The fair value is estimated using the valuation method frequently used by market participants. The valuation is based on evidence of similar trading prices.

C. There were no borrowing costs capitalized as part of investment property.

D. The investment property was not pledged to others as collateral.

(7) Accounts payable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable	$ 81,409	$ 82,130	$ 87,145
Estimated accounts payable	20,226	11,496	25,990
	$ 101,635	$ 93,626	$ 113,135

(8) Other payables

	March 31, 2018	December 31, 2017	March 31, 2017
Wages and salaries payable	$ 56,727	$ 75,566	$ 53,333
Employee bonus and directors' remuneration payable	54,508	49,241	63,335
Payables on machinery and equipment	4,513	3,966	9,947
Others	51,753	44,441	32,879
	$ 167,501	$ 173,214	$ 159,494

(9) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficent to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pesion costs of $427 and $445 for the three-month periods ended March 31, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending March 31, 2018 amount to $2,666.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s Mainland China subsidiaries, Polystar Electronics Co., Ltd., Hanpu (Kunshan) Trading Co., Ltd. and Polystar Senchip Microelectronics, Inc., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2018 and 2017 were $3,962 and $3,850, respectively.

(10) Share capital

As of March 31, 2017, the Company’s authorised capital was $1,000,000, consisting of 100 million shares of ordinary stock (including 5 million shares reserved for employee stock options), and the paid-in capital was $800,018 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	2018	2017
At January 1 / At March 31	80,002	80,002

(11) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(12) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve, then setting aside or reversing special reserve according to the resolution of shareholders during their meeting or the request by competent authorities. Appropriation of remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. Dividend policy: As the Company is in a rapidly changing industry and in the growing stage, and considering the Company’s long-term financial plans, shareholders’ long-term profit and stabilizing performance target, cash dividend distribution shall not be lower than 10% of the total dividend distribution.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. The appropriations for 2017 earnings proposed by the Board of Directors on March 16, 2018, and the appropriations of 2016 had been resolved at shareholders' meeting on June 22, 2017 are as follows:

	2017		2016	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	$ 32,771	$ -	$ 40,528	$ -
Special reserve	23,581	-	-	-
Cash dividends	240,006	3.00	364,008	4.55
Total	$ 296,358	$ 3.00	$ 404,536	$ 4.55

As of May 9, 2018, the proposal of appropriation has not been resolved at the shareholders' meeting.

F. For information relating to employees' compensation and directors' remuneration, please refer to Note 6(20).

(13) Other equity items

	Currency translation
At January 1, 2018	($ 35,563)
Currency translation differences	9,660
At March 31, 2018	($ 25,903)

	Currency translation
At January 1, 2017	($ 25,650)
Currency translation differences	(30,119)
At March 31, 2017	($ 55,769)

(14) Operating revenue

	For the three-month period ended March 31, 2018
Sales revenue	$ 401,357

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

2018	China	Taiwan	USA	Others	Total
Sales Revenue	$ 273,557	$ 39,419	$ 60,956	$ 27,425	$ 401,357
Timing of revenue recognition					
At a point in time	$ 273,557	$ 39,419	$ 60,956	$ 27,425	$ 401,357

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	March 31, 2018
Contract liabilities:	
Contract liabilities – Advance sales receipts	$ 917

(15) Other income

	For the three-month periods ended March 31, 2018	2017
Interest income：		
Interest income from bank deposits	$ 1,851	$ 1,069
Interest income from financial assets measured at amortised cost	12	-
Total interest income	1,863	1,069
Rent income	2,300	4,228
Others	2,494	8,365
	$ 6,657	$ 13,662

(16) Other gains and losses

	For the three-month periods ended March 31, 2018	2017
Losses on disposals of property, plant and equipment	($ 1,291)	($ 944)
Foreign exchange losses	(1,038)	(25,045)
Gains on financial assets at fair value through profit or loss	1,604	822
Depreciation charge-investment property	(533)	(533)
Other gains	(848)	(799)
	($ 2,106)	($ 26,499)

(17) Finance costs

	For the three-month periods ended March 31,	
	2018	2017
Interest expense	65	58

(18) Expenses by nature

	For the three-month periods ended March 31,	
	2018	2017
Employee benefit expenses	$ 84,078	$ 79,294
Depreciation charges on property, plant and equipment (including investment property)	22,866	26,489
Amortisation charges on intangible assets	616	402
Total	$ 107,560	$ 106,185

(19) Employee benefit expenses

	For the three-month periods ended March 31,	
	2018	2017
Wages and salaries	$ 67,303	$ 63,171
Labor and health insurance fees	3,647	3,779
Pension costs	4,389	4,295
Other personnel expenses	8,739	8,049
	$ 84,078	$ 79,294

A. In accordance with Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.

B. For the three-month periods ended March 31, 2018 and 2017, employees' compensation was accrued at $8,898 and $7,497, respectively; while directors' remuneration was accrued at $1,369 and $1,153, respectively. The aforementioned amounts were recognized in salary expenses.

   The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period, the estimated ratios are 8.96% and 1.38%, respectively.

   Employees' compensation and directors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

   Information about the employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended March 31, 2018	2017
Current tax:		
Current tax on profits for the period	$ 18,721	$ 17,834
Prior year income tax overestimation	-	-
Total current tax	18,721	17,834
Deferred tax:		
Origination and reversal of temporary differences	1,543	(2,317)
Impact of change in tax rate	(3,561)	-
Total deferred tax	(2,018)	(2,317)
Income tax expense	$ 16,703	$ 15,517

(b) The income tax (charge)/credit relating to components of other comprehensive income: None.

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(21) Earnings per share

	For the three-month period ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 76,051	80,002	$ 0.95
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	772	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 76,051	80,774	$ 0.94

	For the three-month period ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 64,062	80,002	$ 0.80
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,142	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 64,062	81,144	$ 0.79

(22) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On March 31, 2017, the Group acquired an additional 25.71% of shares of its subsidiary—Polystar Senchip Microeletronics Inc. for a total cash consideration of $28,607. The carrying amount of non-controlling interest in Polystar Senchip Microeletronics Inc. was $28,607 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $28,607 and an increase in the equity attributable to owners of the parent by $28,607. The effect of changes in interests in Polystar Senchip Microeletronics Inc. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	$ 28,607
Consideration paid to non-controlling interest	(28,607)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	$ -

(23) Operating leases

The Group leases land and plants under non-cancellable operating lease agreements. These leases have terms expiring between 2 and 20 years and have renewable right at the end of the lease period. Rent will be increased in accordance with lease agreements depending on market rents. Rents of $3,676 and $3,679 were recognized for these leases for the three-month periods ended March 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than one year	$ 10,372	$ 7,749	$ 10,269
Later than one year but not later than five years	35,750	24,619	25,605
Later than five years	38,385	37,046	41,663
	$ 84,507	$ 69,414	$ 77,537

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	For the three-month periods ended March 31,	
	2018	2017
Purchase of property, plant, and equipment	$ 35,634	$ 13,021
Net change of payable on machinery and equipment	(547)	(2,433)
Cash paid during the period	$ 35,087	$ 10,588

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Littlefuse, Inc.	A Board of Director of the Parent Company

(2) Significant related party transactions and balances

A. Operating revenue

	For the three-month periods ended March 31,	
	2018	2017
Sales of goods:		
-Other associates	$ 60,893	$ 71,088

There are no significant differences in sales prices and collection terms between related parties and third parties.

B. Accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable			
-Other associates	$ 60,601	$ 57,382	$ 48,600

The receivables from related parties arise mainly from sale transactions. The receivables are due 60 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(3) Key management compensation

	For the three-month periods ended March 31,	
	2018	2017
Short-term employee benefits	$ 12,957	$ 15,975
Termination benefits	451	339
Total	$ 13,408	$ 16,314

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value			
Pledged asset	March 31, 2018	December 31, 2017	March 31, 2017	Purpose
Time deposit (recorded under ' current financial assets at amortised')	$ 3,168	$ -	$ -	Guarantee for duty paid after customs release
Time deposit (recorded under ' non-current financial assets at amortised')	6,826	-	-	Guarantee for land lease in science park
Time deposit (recorded under 'other current assets')	-	3,156	3,134	Guarantee for duty paid after customs release
Time deposit (recorded under 'other non-current assets')	-	6,770	6,770	Guarantee for land lease in science park

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Property, plant and equipment	$ 154,767	$ 26,666	$ 21,668

B. Operating lease agreement

Please refer to Note 6(24).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure. The Group may adjust the amount of dividends paid to shareholders, return capital or issue new shares to achieve the optimal capital structure.

(2) Financial instruments

A. Financial instruments by category

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Financial assets measured at fair value through profit or loss			
Financial assets designated as at fair value through profit or loss	$ 142	$ 229	$ -
Financial assets at fair value through other comprehensive income			
Financial assets at cost	-	-	2,100
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	809,267	812,988	972,866
Notes receivable	136,957	119,565	97,851
Accounts receivable	322,610	276,352	226,409
Other accounts receivable	10,376	1,580	2,501
Guarantee deposits paid	3,536	3,536	3,543
Other financial assets	9,994	9,926	9,904
	$ 1,292,882	$ 1,224,176	$ 1,315,174
Financial liabilities			
Financial liabilities at amortised cost			
Notes payable	$ 1,285	$ 2,998	$ 855
Accounts payable	101,635	93,626	113,135
Other accounts payable	167,501	173,214	159,494
Guarantee deposits received	2,130	2,130	2,130
	$ 272,551	$ 271,968	$ 275,614

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2018				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	6,857	29.105	$	199,568
USD:RMB	USD	396	6.2733		11,554
RMB:NTD	RMB	5,199	4.6470		24,162
Non-monetary items					
USD:NTD	USD	24,819	29.105	$	722,347
Financial liabilities					
Monetary items					
USD:NTD	USD	1,657	29.105	$	48,238
USD:RMB	USD	252	6.2733		1,580
JPY:NTD	JPY	35,580	0.2739		9,745
Non-monetary items: None.					

	December 31, 2017				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	7,094	29.76	$	211,115
USD:RMB	USD	375	6.512		11,152
RMB:NTD	RMB	10,340	4.565		47,203
Non-monetary items					
USD:NTD	USD	23,219	29.76	$	690,997
Financial liabilities					
Monetary items					
USD:NTD	USD	280	29.76	$	8,319
USD:RMB	USD	1,880	6.512		12,240
Non-monetary items: None.					

	March 31, 2017				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	13,646	30.330	$	413,897
USD:RMB	USD	1,389	6.8893		42,164
RMB:NTD	RMB	7,870	4.407		34,684
Non-monetary items					
USD:NTD	USD	20,132	30.330	$	610,600
Financial liabilities					
Monetary items					
USD:NTD	USD	1,777	30.330	$	53,909
JPY:NTD	JPY	2,560	0.2713		695
USD:RMB	USD	1,775	6.8893		12,229
Non-monetary items: None.					

v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2018 and 2017, amounted to $1,038 and $25,045, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Blank below)

	For the three-month period ended March 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,996	$ -
USD:RMB	1%	115	-
RMB:NTD	1%	242	-
Non-monetary items			
USD:NTD	1%	$ -	$ 7,223
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 482)	$ -
USD:RMB	1%	(16)	-
JPY:NTD	1%	(97)	-
Non-monetary items: None.			

	For the three-month period ended March 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,139	$ -
USD:RMB	1%	422	-
RMB:NTD	1%	347	-
Non-monetary items			
USD:NTD	1%	$ -	$ 6,106
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 539)	$ -
JPY:NTD	1%	(7)	-
USD:RMB	1%	(122)	-
Non-monetary items: None.			

Price risk

The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

iv. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 365 days.

vi. The Group classifies customer’s accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On March 31, 2018, December 31,2017 and March 31, 2017, the provision matrix is as follows:

	Without past due(within 30 days)	30 to 180 days	Up to 181 days	Total
At March 31, 2018				
Expected loss rate	0%	0~20%	30~100%	
Total book value	$ 313,382	$ 10,732	$ 1,107	$ 325,221
Loss allowance	$ -	$ 2,004	$ 607	$ 2,611
December 31, 2017				
Expected loss rate	0%	0~20%	30~100%	
Total book value	$ 262,814	$ 13,846	$ 2,558	$ 279,218
Loss allowance	$ -	$ 1,648	$ 1,218	$ 2,866
At March 31, 2017				
Expected loss rate	0%	0~20%	30~100%	
Total book value	$ 214,904	$ 10,895	$ 4,588	$ 230,387
Loss allowance	$ -	$ 1,443	$ 2,534	$ 3,977

xi. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 2,866	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	$ 2,866	$ -
Reversal of impairment loss	(297)	-
Effect of foreign exchange	42	-
At March 31	$ 2,611	$ -

	2017	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 4,914	$ -
Reversal of impairment loss	(567)	-
Derecognised	(369)	-
At March 31	$ 3,978	$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, and compliance with internal balance sheet ratio targets.

ii. The Group has the following undrawn borrowing facilities:

	March 31, 2018	December 31, 2017	March 31, 2017
Floating rate:			
Expiring within one year	$ 351,173	$ 352,786	$ 360,025

The facilities expiring within one year are annual facilities subject to review at various dates during 2018.

iii. The table below analyzes the Group's non-derivative financial liabilities and net-settled or ross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable	$ 495	$ 790	$ -	$ -	$ -
Accounts payable	-	101,635	-	-	-
Other payables	-	167,501	-	-	-

Non-derivative financial liabilities:

December 31, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable	$ 2,998	$ -	$ -	$ -	$ -
Accounts payable	-	93,626	-	-	-
Other payables	-	173,214	-	-	-

Non-derivative financial liabilities:

March 31, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable	$ 855	$ -	$ -	$ -	$ -
Accounts payable	-	113,135	-	-	-
Other payables	-	159,494	-	-	-

Derivative financial assets:

March 31, 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Foreign exchange contracts	$ 142	$ -	$ -	$ -	$ -

Derivative financial assets:

December 31, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Foreign exchange contracts	$ 229	$ -	$ -	$ -	$ -

Derivative financial liabilities:

March 31, 2017: None.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

March 31, 2018

Assets:

Recurring fair value measurement of assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss-forward foreign exchange contracts	$ -	$ 142	$ -	$ 142

Liabilities: None.

December 31, 2017

Assets:

Recurring fair value measurement of assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss-forward foreign exchange contracts	$ -	$ 229	$ -	$ 229

Liabilities: None.

March 31, 2017

Assets: None.

Liabilities: None.

C. The methods and assumptions the Group used to measure fair value are as follows:

(a) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(b) Under "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the Group makes self-assessment using the income approach to calculate the fair value of investment property. Related assumption and information of inputs are as follows:

i. Cash flow: Cash flow shall be valuated on the basis of existing lease contracts, rent at local market rates, or current market rents for similar comparable properties in the same location and condition, and overvalued and undervalued comparable properties shall be excluded. If there is a period-end value, the discounted present period-end value may be added.

ii. Analysis period: When there is no specified period for the income, the analysis period in principle shall not be longer than 10 years; when there is a specified period for the income, the income shall be estimated for the remainder of the specified period.

iii. Discount rate: The discount rate shall be determined using the risk premium approach only, with the calculation based on a certain interest rate, plus the estimate for the individual characteristics of the investment property. The language "certain interest rate" means the interest rate may not be lower than the floating interest rate on a 2-year time deposit of a small amount, as posted by the Chunghwa Post Co. Ltd., plus 0.75 percentage points.

(c) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the three-month periods ended March 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

(4) Effects on initial application of IFRS 9, 'Leases' and summaries of adopting significant accounting policies in 2017

A. Summaries of adopting significant accounting policies in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

(b) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

(i)Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

a. Not designated on initial recognition as at fair value through profit or loss;

b.Not designated on initial recognition as available-for-sale;

c. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using trade date accounting.

(iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(iv) Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

B. The carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were not different.

C. The significant accounts as of March 31, 2017 and for the year ended December 31, 2017, are as follows:

(a) Financial assets at fair value through profit or loss

Items	December 31, 2017	March 31, 2017
Current items:		
Financial assets (liabilities) held for trading		
Derivative instrument-forward foreign exchange contracts	$ -	$ -
Valuation adjustment	229	-
	$ 229	$ -

i. The Group recognised net profit amounting to $822 on financial assets (liabilities) held for trading for the 1st quarter, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

No forward foreign exchange contracts were outstanding as of March 31, 2017.

	March 31, 2017	
Derivative instruments	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 1,000	2017/12/13~2018/1/31

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) Financial assets at cost

Items	December 31, 2017	March 31, 2017
Non-current items:		
Non-listed companies stocks	$ -	$ 2,100

According to the Group's intention, its investment in the unlisted stocks should be classified as 'available-for-sale financial assets'. However, as the unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to the unlisted stocks or the unlisted stock's financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

D. Credit risk information for March 31, 2017 and December 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(b) For March 31, 2017 and December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	March 31, 2017
Group 1	$ 117,480	$ 126,336
Group 2	171,526	116,658
	$ 289,006	$ 242,994

Group 1: Listed companies or customers who are considered to have good credit conditions.

Group 2: Non-listed companies or customers whose credit conditions are considered to be inferior than Group 1 customers.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	March 31, 2017
Up to 30 days	$ 29,368	$ 21,067
31 to 90 days	13,106	5,947
91 to 180 days	253	3,832
Over 181 days	2,001	1,169
	$ 44,728	$ 32,015

(e) Movement analysis of financial assets that were impaired is as follows:

i.As of December 31, 2017 and March 31, 2017, the Group's accounts receivable that were impaired amount to $2,866 and $3,978, respectively.

ii. Movement in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 96	$ 4,818	$ 4,914
Provision for impairment	(87)	(480)	(567)
Effects of foreign exchange	-	(369)	(369)
At March 31	$ 9	$ 3,969	$ 3,978

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

Sales of goods

The Group manufactures and sells Polymeric Positive Temperature Coefficent device and its production related semi-finished goods, modules, heat conductive substrate, thermal module, heat dispersing materials, and LED lightings and modules. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the three-month period ended March 31, 2017
Sales revenue	$ 351,869

C. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are immaterial for the three-month period ended March 31, 2018.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12.

J. Significant inter-company transactions during the reporting periods: Please refer to table 3

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

1. General information

The Group mainly operates in a single industry. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has a single reportable segment.

2. Segment information

The Group's Chief Operating Decision-Maker evaluates the performance of operating segments based on the consolidated financial statements. The accounting policies of the operating segments are in accordance with the significant accounting policies summarized in Note 4.

3. Information about segment profit or loss, assets and liabilities

	For the three-month periods ended March 31,	
	2018	2017
Revenue from external customers	$ 401,357	$ 351,869
Inter-segment revenue	$ -	$ -
Segment income	$ 92,754	$ 76,759
Segment assets	$ 2,521,510	$ 2,527,580

4. Reconciliation for segment income (loss), assets and liabilities

None.

Polytronics Technology Corp.

Loans to others

For the three-month period ended March 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2018	Balance at March 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
0	Polytronics Technology Corp.	Polystar Electronics Co., Ltd.	Other receivables - related party	Y	$ 278,820	$ 278,820	$ 139,410	4.35%	Reason for short-term financing	$ -	Operational need	$ -	$ -	$ -	$ 423,333	$ 846,667
1	Hanpu (Kunshan) Trading Co., Ltd	Polystar Electronics Co., Ltd.	Short-term	Y	27,882	27,882	25,559	4.35%	Reason for short-term financing	-	Operational need	-	-	-	423,333	423,333
2	Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics Inc.	Other receivables	Y	23,235	23,235	-	4.35%	Reason for short-term financing	-	Operational need	-	-	-	423,333	423,333

Note 1: Follow the group policy "Procedure for Provision of Loans".

Polytronics Technology Corp.

Provision of endorsements and guarantees to others

For the three-month period ended March 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

		Party being endorsed/guaranteed											
Number	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2018	Outstanding endorsement/ guarantee amount at March 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 1)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 1)	Provision of endorsements /guarantees by subsidiary to parent company (Note 1)	Provision of endorsements/ guarantees to the party in Mainland China (Note 1)
0	Polytronics Technology Corp.	Polytronics (B.V.I.) Corporation	100%, owned subsidiary	$ 529,167	$ 157,136	$ 154,778	$ -	$ -	7.31	$ 1,058,334	Y	N	N

Note 1: Follow the corporation policy “Procedure for Provision of Endorsements and Guarantees to Others”.

Polytronics Technology Corp.

Significant inter-company transactions during the reporting periods

For the three-month period ended March 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Polytronics Technology Corp.	Polytronics (B.V.I) Corporation	1	Processing charges	$ 15,281	Net 45 days	4%
0	"	"	1	Accounts payable	39,097	〃	2%
0	"	"	1	Endorsements and guarantees	154,778	Note 6	6%
0	"	Polystar Electronics Co., Ltd.	1	Other receivable	3,160	Note 5	0%
0	"	"	1	Sales	82,471	Net 60 days	21%
0	"	"	1	Purchases	1,054	Net 45 days	0%
0	"	"	1	Accounts receivable	81,102	Net 60 days	3%
0	"	"	1	Accounts payable	1,393	Net 45 days	0%
0	"	"	1	Other receivable	139,629	Note 4	6%
1	Polytronics (B.V.I) Corporation	"	3	Processing charges	15,281	Net 45 days	4%
1	"	"	3	Accounts payable	39,097	〃	2%
2	Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics Inc.	3	Sales	2,670	〃	0%
2	"	"	3	Accounts receivable	3,941	〃	1%
2	Hanpu (Kunshan) Trading Co., Ltd.	Polystar Electronics Co., Ltd.	3	Other receivable	25,599	Note 4	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Interest payable of parent loan to subsidiary.

Note 5: Pay temporary debits for subsidiary.

Note 6: Follow the policy "Procedure for Provision of endorsements and guarentees to others".

Polytronics Technology Corp.

Information on investees

For the three-month period ended March 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month periods ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month periods ended March 31, 2018	Footnote
Polytronics Technolgy Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	$ 211,431	$ 211,431	2,644	100	$ 703,720	$ 22,112	$ 22,112	Subsidiary
Polytronics (B.V.I) Corporation	P-Circuit Corp.	America	Investment and general business operations	206,646	211,296	2	100	684,284	22,437	22,437	Subsidiary

Polytronics Technology Corp.

Information on investments in Mainland China

For the three-month period ended March 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	$ 206,646	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	$ 188,018	$ -	$ -	$ 188,018	$ 23,955	100	$ 23,955	$ 686,452	$ -	
Hanpu (Kunshan) Trading Co., Ltd.	Wholesale, import and export business	4,640	Other ways to invest in Mainland China.	-	-	-	-	404	100	404	27,081	-	
Polystar Senchip Microelectronics Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	162,283	Other ways to invest in Mainland China.	-	-	-	-	(2,783)	100	(2,783)	105,298	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Polytronics Technology Corp.	$ 188,018	$ 206,646	$ 1,270,001

Note 1: During 2001~2002, the Company remitted US$360,000 for investment in Polytronics (B.V.I) Corporation in British Virgin Islands. In 1991, Polytronics (B.V.I) Corporation took this amount along with its own US$640,000, totalling US$1,000,000 to invest in P-Circuit Corp. in U.S. P-Circuit Corp. then used this US$1,000,000 to invest in Polystar Electronics Co., Ltd. in Mainland China. During 2003~2010, the Company remitted US$1,500,000, US$510,000, US$1,000,000, US$1,000,000 and US$2,100,000, respectively, to Polytronics (B.V.I) Corporation for investment. The cumulative investment amount was US$6,470,000. Then Polytronics (B.V.I) Corporation's remitted US$1,500,000, US$510,000, US$1,000,000, US$990,000 and US$2,100,000, respectively to P-Circuit Corp. for investment. P-Circuit Corp. then remitted this amount to Polystar Electronics Co., Ltd.in Mainland China The cumulative investment amount in Polystar Electonics Co., Ltd. through P-Circuit Corp. was US$6,460,000.

Note 2:The financial statements were not audited by R.O.C. parent company's CPA.

Note 3: Under 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', amendment to Jing-Shen-Zi No. 09704604680 of Ministry of Economic Affairs, effective August 2008, ceiling of accumulated investment in Mainland China may not exceed 60% of the net assets and the ceiling is effective from August 1.

Note 4: Mainland China's investees information are translated using the exchange rates of USD:NTD = 1:29.301 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:29.105.

Polytronics Technology Corp.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Accounts receivable (payable)		Financing				Others-processing charges	
Investee in Mainland China	Amount	%	Balance at March 31, 2018	%	Maximum balance during the three-month period ended March 31, 2018	Balance at March 31, 2018	Interest rate	Interest during the three-month period ended March 31, 2018	Balance at March 31, 2018	%
Polystar Electronics Co., Ltd.	$ 81,655	20.34%	$ 80,950	21.12%	$ 278,820	$ 278,820	4.35%	$ 217	$ 15,281	44.02%
Polystar Electronics Co., Ltd.	(1,635)	0.75%	(40,490)	39.84%	-	-	-	-	-	-