POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

MARCH 31, 2019 AND 2018

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 19000009

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, 2019 and 2018, 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, 2019 and 2018, 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.

Cheng, Ya-Huei	Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan
May 9, 2019

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

			March 31, 2019		December 31, 2018		March 31, 2018	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 978,441	34	$ 897,160	34	$ 809,267	32
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	-	-	142	-
1136	Current financial assets at amortised cost, net	8	3,201	-	3,190	-	3,168	-
1150	Notes receivable, net	6(3)	105,231	4	87,374	3	136,957	6
1170	Accounts receivable, net	6(3)	213,196	7	249,564	9	322,610	13
1180	Accounts receivable - related parties	6(3) and 7	58,953	2	65,811	3	60,601	2
1200	Other receivables		12,164	-	11,888	-	10,376	-
130X	Inventories, net	6(4)	280,397	10	303,799	12	259,342	10
1410	Prepayments		20,017	1	28,682	1	40,481	2
1470	Other current assets	8	1,097	-	958	-	3,215	-
11XX	**Total current assets**		1,672,697	58	1,648,426	62	1,646,159	65
	Non-current assets							
1535	Non-current financial assets at amortised cost, net	8	6,826	-	6,826	-	6,826	-
1600	Property, plant and equipment, net	6(5)	833,538	29	825,775	31	725,183	29
1755	Right-of-use assets	6(6)	230,861	8	-	-	-	-
1760	Investment property, net	6(8)	116,005	4	116,643	5	98,908	4
1780	Intangible assets		2,764	-	3,112	-	3,525	-
1840	Deferred income tax assets	6(23)	14,803	1	15,103	1	15,308	1
1900	Other non-current assets	8	10,349	-	21,691	1	25,601	1
15XX	**Total non-current assets**		1,215,146	42	989,150	38	875,351	35
1XXX	**Total assets**		$ 2,887,843	100	$ 2,637,576	100	$ 2,521,510	100

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	March 31, 2018 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 77,202	3	$ 76,758	3	$ -	-
2130	Current contract liabilities	6(17)	1,032	-	1,588	-	-	-
2150	Notes payable		821	-	7,446	-	1,285	-
2170	Accounts payable	6(10)	108,021	4	84,462	3	101,635	4
2200	Other payables	6(11)	155,799	5	204,655	8	167,501	7
2230	Current income tax liabilities		104,131	4	98,936	4	104,227	4
2280	Current lease liabilities		9,970	-	-	-	-	-
2300	Other current liabilities		1,750	-	990	-	2,116	-
21XX	**Total current liabilities**		458,726	16	474,835	18	376,764	15
	Non-current liabilities							
2580	Non-current lease liabilities		210,530	7	-	-	-	-
2600	Other non-current liabilities	6(12)	37,161	1	37,442	1	28,078	1
25XX	**Total non-current liabilities**		247,691	8	37,442	1	28,078	1
2XXX	**Total liabilities**		706,417	24	512,277	19	404,842	16
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(13)						
3110	Share capital - common stock		800,018	28	800,018	30	800,018	32
	Capital surplus	6(14)						
3200	Capital surplus		235,900	9	235,900	10	235,900	10
	Retained earnings	6(15)						
3310	Legal reserve		446,786	15	446,786	17	414,015	16
3320	Special reserve		35,563	1	35,563	1	11,982	-
3350	Unappropriated retained earnings		695,265	24	657,399	25	680,656	27
	Other equity interest	6(16)						
3400	Other equity interest		(32,106)	(1)	(50,367)	(2)	(25,903)	(1)
31XX	**Equity attributable to owners of the parent**		2,181,426	76	2,125,299	81	2,116,668	84
3XXX	**Total equity**		2,181,426	76	2,125,299	81	2,116,668	84
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	**Total liabilities and equity**		$ 2,887,843	100	$ 2,637,576	100	$ 2,521,510	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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earning per share amounts)
(UNAUDITED)

			Three months ended March 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(17) and 7	$ 300,296	100	$ 401,357	100
5000	**Operating costs**	6(4)	(183,068)	(61)	(223,317)	(56)
5950	**Net operating margin**		117,228	39	178,040	44
	Operating expenses	6(21)(22)				
6100	Selling expenses		(20,366)	(7)	(25,322)	(6)
6200	General and administrative expenses		(33,384)	(11)	(33,914)	(8)
6300	Research and development expenses		(27,453)	(9)	(30,833)	(8)
6450	Reversal of expected credit gains and losses	12(2)	(1,666)	-	297	-
6000	**Total operating expenses**		(82,869)	(27)	(89,772)	(22)
6900	**Operating profit**		34,359	12	88,268	22
	Non-operating income and expenses					
7010	Other income	6(7)(18)	15,347	5	6,657	2
7020	Other gains and losses	6(19)	1,543	-	(2,106)	(1)
7050	Finance costs	6(20)	(1,481)	-	(65)	-
7000	**Total non-operating income and expenses**		15,409	5	4,486	1
7900	**Profit before tax**		49,768	17	92,754	23
7950	Income tax expense	6(23)	(11,902)	(4)	(16,703)	(4)
8200	**Profit for the period**		$ 37,866	13	$ 76,051	19
	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(16)	$ 18,261	6	$ 9,660	2
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		18,261	6	9,660	2
8300	**Other comprehensive income for the period**		$ 18,261	6	$ 9,660	2
8500	**Total comprehensive income for the period, net of tax**		$ 56,127	19	$ 85,711	21
	Profit attributable to:					
8610	Owners of the parent		$ 37,866	13	$ 76,051	19
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 56,127	19	$ 85,711	21
9750	**Basic earnings per share**	6(24)	$	0.47	$	0.95
9850	**Diluted earnings per share**	6(24)	$	0.47	$	0.94

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, 2019 AND 2018
(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 equity
For the three-month period 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
Profit for the period		-	-	-	-	-	-	76,051	-	76,051
Other comprehensive income	6(16)	-	-	-	-	-	-	-	9,660	9,660
Total comprehensive income		-	-	-	-	-	-	76,051	9,660	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
For the three-month period ended March 31, 2019										
Balance at January 1, 2019		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 446,786	$ 35,563	$ 657,399	($ 50,367)	$2,125,299
Profit for the period		-	-	-	-	-	-	37,866	-	37,866
Other comprehensive income	6(16)	-	-	-	-	-	-	-	18,261	18,261
Total comprehensive income		-	-	-	-	-	-	37,866	18,261	56,127
Balance at March 31, 2019		$ 800,018	$ 203,343	$ 14,924	$ 17,633	$ 446,786	$ 35,563	$ 695,265	($ 32,106)	$2,181,426

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three-month periods ended March 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 49,768	$ 92,754
Adjustments			
Adjustments to reconcile profit (loss)			
Net profit on financial assets at fair value through profit or loss		-	87
Reversal of expected credit losses (gains)	12(2)	1,666	(297)
Depreciation (including investment property and right-of-use assets)	6(19)(21)	27,683	22,866
Amortisation	6(21)	501	616
Interest expense	6(20)	1,481	65
Interest income	6(18)	(927)	(1,863)
Loss on disposal of property, plant and equipment	6(19)	312	1,291
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(15,765)	(15,474)
Accounts receivable, net		37,984	(42,767)
Accounts receivable, net - related parties		6,858	(3,219)
Other receivables		(276)	(8,796)
Inventories		23,402	(3,790)
Prepayments		8,665	(8,531)
Other current assets		(139)	1,777
Changes in operating liabilities			
Current contract liabilities		(556)	-
Notes payable		(6,625)	(1,713)
Accounts payable		23,559	8,009
Other payables		(26,322)	(6,260)
Other current liabilities		760	735
Defined benefit liabilities		(281)	(19)
Cash inflow generated from operations		131,748	35,471
Interest paid		(704)	(65)
Interest received		927	1,863
Income tax paid		(6,686)	(4,679)
Net cash flows from operating activities		125,285	32,590

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the three-month periods ended March 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortised cost, net		($ 12)	($ 68)
Increase in other non-current assets		(2,247)	(2,918)
Acquisition of property, plant and equipment	6(26)	(43,738)	(35,087)
Proceeds from disposal of property, plant and equipment		338	1,529
Acquisition of intangible assets		(136)	(27)
Net cash flows used in investing activities		(45,795)	(36,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities principal repayment	6(6)	(3,402)	-
Net cash flows used in financing activities		(3,402)	-
Effect of exchange rate		5,193	260
Net increase (decrease) in cash and cash equivalents		81,281	(3,721)
Cash and cash equivalents at beginning of period		897,160	812,988
Cash and cash equivalents at end of period	6(1)	$ 978,441	$ 809,267

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, 2019 AND 2018
(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 Coefficient, 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, 2019.

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 2019 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
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.

IFRS 16, 'Leases'

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $233,652, increased ‘lease liability’ by $223,125, and decreased ‘other non-current assets’ by $10,527 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.4%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	90,977
Add/Less: Adjustments as a result of a different treatment of extension and termination options		195,640
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	286,617
Incremental borrowing interest rate at the date of initial application		1.4%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	223,125

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

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
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 17, 'Insurance contracts'	January 1, 2021

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

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, 2018, 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, 2018.

(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.

(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, 2018.

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B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Subsidiaries	Activities	Ownership (%) March 31, 2019	Ownership (%) December 31, 2018	Ownership (%) March 31, 2018
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	100
Polytronics (B.V.I.)	P-Circuit Corporation	Investments and general business	100	100	100
P-Circuit Corporation	Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	100
Polystar Electronics Co.,	Hanpu (Kunshan)	Wholesale, import and export business	100	100	100
Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics, Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	100

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) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(5) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(6) Employee benefits

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.

(7) 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.

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

There have been no significant changes as of March 31, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and revolving funds	$ 537	$ 661	$ 471
Checking accounts and demand deposits	241,691	342,598	340,999
Time deposits	674,573	503,901	467,797
Cash equivalents-short-term notes	61,640	50,000	-
Total	$ 978,441	$ 897,160	$ 809,267

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, 2019	December 31, 2018	March 31, 2018
Current items:			
Financial assets 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 profit of $206 and $1,604 on financial assets (liabilities) held for trading for the three-month periods ended March 31, 2019 and 2018, respectively.

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

March 31, 2019: None.

December 31, 2018: None.

		March 31, 2018	
Derivative instruments		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.

C. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2)

(3) Notes and accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	$ 105,231	$ 87,374	$ 136,957
Accounts receivable	$ 215,268	$ 249,954	$ 325,221
Accounts receivable-related parties	58,953	65,811	60,601
Less: Allowance for bad debts	(2,072)	(390)	(2,611)
	$ 272,149	$ 315,375	$ 383,211

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

	March 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 220,886	$ 105,231	$ 263,890	$ 87,374
Up to 30 days	35,781	-	38,819	-
31 to 90 days	9,386	-	12,086	-
91 to 180 days	8,030	-	528	-
Over 180 days	138	-	442	-
	$ 274,221	$ 105,231	$ 315,765	$ 87,374

	March 31, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 318,002	$ 136,957
Up to 30 days	55,981	-
31 to 90 days	10,473	-
91 to 180 days	259	-
Over 180 days	1,107	-
	$ 385,822	$ 136,957

The above ageing analysis was based on past due date.

B. As at March 31, 2019, December 31,2018 and March 31, 2018, 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 $105,231, $87,374 and $136,957；$272,149, $315,375 and $383,211, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	$ 92,514	$ 91,735	$ 90,995
Work-in-progress	95,312	95,290	81,301
Finished goods	92,571	116,774	87,046
Total	$ 280,397	$ 303,799	$ 259,342

The cost of inventories recognized as expense for the period:

	For the three-month periods ended March 31,	
	2019	2018
Cost of goods sold	$ 182,614	$ 221,021
Loss on decline in market value	454	2,296
	$ 183,068	$ 223,317

(Blank below)

(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, 2019									
Cost	$ 704,539	$ 580,059	$ 8,360	$ 8,080	$ 10,746	$ 19,666	$ 79,497	$ 158,742	$ 1,569,689
Accumulated depreciation and impairment	(243,602)	(369,643)	(5,743)	(5,791)	(8,165)	(16,412)	-	(94,558)	(743,914)
	$ 460,937	$ 210,416	$ 2,617	$ 2,289	$ 2,581	$ 3,254	$ 79,497	$ 64,184	$ 825,775
2019									
Opening net book amount	$ 460,937	$ 210,416	$ 2,617	$ 2,289	$ 2,581	$ 3,254	$ 79,497	$ 64,184	$ 825,775
Additions	1,040	2,884	113	621	279	-	12,681	3,586	21,204
Disposals	-	(592)	-	(58)	-	-	-	-	(650)
Reclassifications	-	-	-	-	-	-	-	2,877	2,877
Depreciation charge	(8,059)	(9,124)	(310)	(197)	(256)	(161)	-	(5,961)	(24,068)
Net exchange differences	2,033	4,137	65	40	-	-	1,872	253	8,400
Closing net book amount	$ 455,951	$ 207,721	$ 2,485	$ 2,695	$ 2,604	$ 3,093	$ 94,050	$ 64,939	$ 833,538
At March 31, 2019									
Cost	$ 709,983	$ 588,933	$ 8,658	$ 8,226	$ 11,025	$ 19,666	$ 94,050	$ 166,094	$ 1,606,635
Accumulated depreciation and impairment	(254,032)	(381,212)	(6,173)	(5,531)	(8,421)	(16,573)	-	(101,155)	(773,097)
	$ 455,951	$ 207,721	$ 2,485	$ 2,695	$ 2,604	$ 3,093	$ 94,050	$ 64,939	$ 833,538

	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	-	-	-	-	-	-	-	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

1. For the three-month periods ended March 31, 2019 and 2018, there was no capitalization of borrowing interests attributable to the property, plant and equipment.
2. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
3. Above property, plant and equipment are owner-occupied.

(6) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2019		For the three-month period ended March 31, 2019	
	Carrying amount		Depreciation charge	
Land	$	209,402	$	1,272
Buildings		20,216		1,176
Transportation equipment		1,243		529
	$	230,861	$	2,977

C. For the three-month period ended March 31, 2019, the additions to right-of-use assets were $0.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month period ended March 31, 2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	777

E. For the three-month period ended March 31, 2019, the Group’s total cash outflow for leases were $3,402.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option . The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Leasing arrangements – lessor

Effective 2019

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 1 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the three-month period ended March 31, 2019, the Group recognised rent income in the amount of $12,560, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	March 31, 2019	
2019	$	28,231
2020		15,887
2021		15,887
2022		15,887
2023		15,225
	$	91,117

(8) Investment property

	2019		2018	
	Buildings		Buildings	
At January 1				
Cost	$	130,238	$	108,725
Accumulated depreciation	(	13,595)	(	9,284)
	$	116,643	$	99,441
Opening net book amount	$	116,643	$	99,441
Depreciation charge	(	638)	(	533)
Closing net book amount	$	116,005	$	98,908
At March 31				
Cost	$	130,238	$	108,725
Accumulated depreciation	(	14,233)	(	9,817)
	$	116,005	$	98,908

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,			
	2019		2018	
Rental income from investment property	$	12,560	$	2,300
Direct operating expenses arising from the investment property that generated rental income during the period	$	638	$	533

B. The fair value of investment property held by the Company as of March 31, 2019, December 31, 2018 and March 31, 2018 were $238,688, $238,688 and $199,263, 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. Information about the investment property that were pledged to others as collaterals is provided in Note 8.

(9) Short-term borrowings

Type of borrowings	March 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 77,202	3.41%	None

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 76,758	3.17%	None

March 31, 2019: None.

Interest expense recognised in profit or loss amounted to $694 for the three-month period ended March 31, 2019.

(10) Accounts payable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable	$ 99,097	$ 80,974	$ 81,409
Estimated accounts payable	8,924	3,488	20,226
	$ 108,021	$ 84,462	$ 101,635

(11) Other payables

	March 31, 2019	December 31, 2018	March 31, 2018
Wages and salaries payable	$ 49,881	$ 76,262	$ 56,727
Employee bonus and directors' remuneration payable	52,367	47,255	54,508
Payables on machinery and equipment	5,555	28,089	4,513
Others	47,996	53,049	51,753
	$ 155,799	$ 204,655	$ 167,501

(12) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 insufficient 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 $412 and $427 for the three-month periods ended March 31, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to $2,776.

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, 2019 and 2018 were $4,073 and $3,962, respectively.

(13) Share capital

As of March 31, 2019, 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):

	2019	2018
At January 1 / At March 31	80,002	80,002

(14) 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.

(15) 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 2018 earnings proposed by the Board of Directors on March 15, 2019, and the appropriations of 2017 had been resolved at shareholders' meeting on June 22, 2018 are as follows:

	2018		2017	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	$ 35,003	$ -	$ 32,771	$ -
Special reserve	14,804	-	23,581	-
Cash dividends	300,007	3.75	240,006	3.00
Total	$ 349,814	$ 3.75	$ 296,358	$ 3.00

As of May 9, 2019, the proposal of appropriation has not been resolved at the shareholders' meeting. The appropriation of 2017 earnings were the same as that approved by the Board of Directors on March 16, 2018.

G. For information relating to employees' compensation and directors' remuneration, please refer to Note 6(22).

(16) Other equity items

	Currency translation
At January 1, 2019	($ 50,367)
Currency translation differences	18,261
At March 31, 2019	($ 32,106)

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

(17) Operating revenue

	For the three-month periods ended March 31,	
	2019	2018
Sales revenue	$ 300,296	$ 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:

For the three-month period ended March 31, 2019	China	Taiwan	USA	Others	Total
Sales revenue	$ 174,993	$ 43,334	$ 59,188	$ 22,781	$ 300,296
Timing of revenue recognition					
At a point in time	$ 174,993	$ 43,334	$ 59,188	$ 22,781	$ 300,296

For the three-month period ended March 31, 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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Contract liabilities:			
Contract liabilities – Advance sales receipts	$ 1,032	$ 1,588	$ 917

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

	For the three-month periods ended March 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 1,470	$ 501

(18) Other income

	For the three-month periods ended March 31,	
	2019	2018
Interest income：		
Interest income from bank deposits	$ 915	$ 1,851
Interest income from financial assets measured at amortised cost	12	12
Total interest income	927	1,863
Rent income	12,560	2,300
Others	1,860	2,494
	$ 15,347	$ 6,657

(19) Other gains and losses

	For the three-month periods ended March 31,	
	2019	2018
Losses on disposals of property, plant and equipment	($ 312)	($ 1,291)
Foreign exchange gains (losses)	2,869	(1,038)
Gains on financial assets at fair value through profit or loss	206	1,604
Depreciation charge-investment property	(638)	(533)
Other losses	(582)	(848)
	$ 1,543	($ 2,106)

(20) Finance costs

	For the three-month periods ended March 31,	
	2019	2018
Interest expense	$ 1,481	$ 65

(21) Expenses by nature

	For the three-month periods ended March 31,	
	2019	2018
Employee benefit expenses	$ 81,153	$ 84,078
Depreciation charges on property, plant and equipment (Note)	27,683	22,866
Amortisation charges on intangible assets	501	616
Total	$ 109,337	$ 107,560

Note: Including investment property and right-of-use assets.

(22) Employee benefit expenses

	For the three-month periods ended March 31,	
	2019	2018
Wages and salaries	$ 63,883	$ 67,303
Labor and health insurance fees	3,862	3,647
Pension costs	4,485	4,389
Other personnel expenses	8,923	8,739
	$ 81,153	$ 84,078

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 period ended March 31, 2019 and 2018, employees' compensation was accrued at $4,430 and $8,898, respectively; while directors' remuneration was accrued at $682 and $1,369, 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% and 1.24%, respectively.

Employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 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.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended March 31, 2019	2018
Current tax:		
Current tax on profits for the period	$ 11,602	$ 18,721
Prior year income tax overestimation	-	-
Total current tax	11,602	18,721
Deferred tax:		
Origination and reversal of temporary differences	300	1,543
Impact of change in tax rate	-	(3,561)
Total deferred tax	300	(2,018)
Income tax expense	$ 11,902	$ 16,703

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

(c) The income tax charged/(credited) to equity during the period: None.

C The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

D 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.

(24) Earnings per share

	For the three-month period ended March 31, 2019		
	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	$ 37,866	80,002	$ 0.47
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	855	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 37,866	80,857	$ 0.47

	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

(25) Operating leases

Effective 2018

The Group leases land and plants under non-cancellable operating lease agreements. These leases have terms expiring between 1 and 11 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 $14,209 and $3,676 were recognized for these leases for the year ended December 31, 2018 and the three-month period ended March 31, 2018, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ 11,514	$ 10,372
Later than one year but not later than five years	46,056	35,750
Later than five years	33,407	38,385
	$ 90,977	$ 84,507

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	For the three-month periods ended March 31,	
	2019	2018
Purchase of property, plant, and equipment	$ 21,204	$ 35,634
Net change of payable on machinery and equipment	22,534	(547)
Cash paid during the period	$ 43,738	$ 35,087

(27) Changes in liabilities from financing activities

	Short-term borrowings	Total liabilites from financing activites
At January 1, 2019	$ 76,758	$ 76,758
Impact of changes in foreign exchange rate	444	444
At March 31, 2019	$ 77,202	$ 77,202

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Littelfuse, 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,	
	2019	2018
Sales of goods:		
Other associates	$ 58,920	$ 60,893

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

B. Accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable			
Other associates	$ 58,953	$ 65,811	$ 60,601

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,	
	2019	2018
Short-term employee benefits	$ 10,149	$ 12,957
Termination benefits	335	451
Total	$ 10,484	$ 13,408

8. PLEDGED ASSETS

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

	Book value			
Pledged asset	March 31, 2019	December 31, 2018	March 31, 2018	Purpose
Time deposit (recorded under ‘ current financial assets at amortised cost’)	$ 3,201	$ 3,190	$ 3,168	Guarantee for duty paid after customs release
Time deposit (recorded under ‘ non-current financial assets at amortised cost’)	6,826	6,826	6,826	Guarantee for land lease in science park
Building construction and investment real estate	204,754	205,879	-	Guarantee for short-term borrowing credit

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, 2019	December 31, 2018	March 31, 2018
Property, plant and equipment	$ 15,617	$ 31,820	$ 154,767

B. Operating lease agreement

Please refer to Note 6(25).

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.

(Blank below)

(2) Financial instruments

A. Financial instruments by category

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets measured at fair value through profit or loss			
Financial assets designated as at fair value through profit or loss	$ -	$ -	$ 142
Financial assets at amortised cost /Loans and receivables			
Cash and cash equivalents	978,441	897,160	809,267
Financial assets at amortised cost	10,027	10,016	9,994
Notes receivable	105,231	87,374	136,957
Accounts receivable (including related parties)	272,149	315,375	383,211
Other accounts receivable	12,164	11,888	10,376
Guarantee deposits paid	3,529	3,536	3,536
	$ 1,381,541	$ 1,325,349	$ 1,353,483
Financial liabilities			
Financial liabilities at amortised cost			
Short-term borrowings	$ 77,202	$ 76,758	$ -
Notes payable	821	7,446	1,285
Accounts payable	108,021	84,462	101,635
Other accounts payable	155,799	204,655	167,501
Lease liability	220,500	-	-
Guarantee deposits received	10,078	10,078	2,130
	$ 572,421	$ 383,399	$ 272,551

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, and 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, 2019				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD/RMB)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	7,372	30.820	$	227,209
USD:RMB	USD	967	6.720		297,767
RMB:NTD	RMB	603	4.586		2,761
Non-monetary items: None.					
Financial liabilities					
Monetary items					
USD:NTD	USD	3,945	30.820	$	121,593
Non-monetary items: None.					

	December 31, 2018				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	6,637	30.715	$	203,868
USD:RMB	USD	1,026	6.866		31,503
RMB:NTD	RMB	5,166	4.472		23,102
Non-monetary items: None.					
Financial liabilities					
Monetary items					
USD:NTD	USD	4,265	30.715	$	131,006
Non-monetary items: None.					

	March 31, 2018				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD/RMB)	
(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: None.					
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.					

v. The total exchange gain (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, 2019 and 2018, amounted to $2,869 and ($1,038), respectively.

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

	For the three-month period ended March 31, 2019		
	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%	$ 2,272	$ -
USD:RMB	1%	298	-
RMB:NTD	1%	28	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 1,216)	$ -
Non-monetary items: None.			

	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: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 482)	$ -
USD:RMB	1%	(16)	-
JPY:NTD	1%	(97)	-
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. 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 the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. 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:

If the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. 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.

vi. The Group classifies customers' 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, 2019, December 31, 2018 and March 31, 2018, the provision matrix is as follows:

	Without past due (within 30 days)	30 to 180 days	Up to 181 days	Total
At March 31, 2019				
Expected loss rate	0%	0~20%	30~100%	
Total book value	$ 256,667	$ 17,416	$ 138	$ 274,221
Loss allowance	$ -	$ 1,934	$ 138	$ 2,072
At December 31, 2018				
Expected loss rate	0%	0~20%	30~100%	
Total book value	$ 302,709	$ 12,614	$ 442	$ 315,765
Loss allowance	$ -	$ 183	$ 207	$ 390
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

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

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 390	$ -
Provision for impairment	1,666	-
Effect of foreign exchange	16	-
At March 31	$ 2,072	$ -

	2018	
	Accounts receivable	Notes receivable
At January 1	$ 2,866	$ -
Reversal of impairment loss	(297)	-
Effects of foreign exchange	42	-
At March 31	$ 2,611	$ -

(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, 2019	December 31, 2018	March 31, 2018
Floating rate:			
Expiring within one year	$ 457,502	$ 456,150	$ 351,173

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, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 77,202	$ -	$ -	$ -	$ -
Notes payable	426	-	395	-	-
Accounts payable	-	108,021	-	-	-
Lease liabilities	3,426	9,498	11,884	31,607	228,327
Other payables	-	155,799	-	-	-

Non-derivative financial liabilities:

December 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
Short-term borrowings	$ 76,758	$ -	$ -	$ -	$ -
Notes payable	7,051	395	-	-	-
Accounts payable	-	84,462	-	-	-
Other payables	-	204,655	-	-	-

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	-	-	-

Derivative financial assets:

March 31, 2019: None.

Derivative financial assets:

December 31, 2018: None.

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	$ -	$ -	$ -	$ -

(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, 2019 Recurring fair value measurement of assets	Level 1	Level 2	Level 3	Total

Assets: None
Liabilities: None.

December 31, 2018 Recurring fair value measurement of assets	Level 1	Level 2	Level 3	Total

Assets: None
Liabilities: None.

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.

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 evaluated 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 phrase "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, 2019 and 2018, there was no transfer between Level 1 and Level 2.

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,	
	2019	2018
Revenue from external customers	$ 300,296	$ 401,357
Inter-segment revenue	$ -	$ -
Segment income	$ 49,768	$ 92,754
Segment assets	$ 2,887,843	$ 2,521,510

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

None.

Polytronics Technology Corp.

Loans to others

For the three-month period ended March 31, 2019

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, 2019	Balance at March 31, 2019	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	$ 276,180	$ 274,800	$ -	4.35%	Reason for short-term financing	$ -	Operational need	$ -	$ -	$ -	$ 436,285	$ 872,570

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, 2019

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, 2019	Outstanding endorsement/ guarantee amount at March 31, 2019	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	$ 545,356	$ 111,640	$ 111,640	$ -	$ -	5.12	$ 1,090,713	Y	N	N
0	Polytronics Technology Corp.	Polystar Electronics Co., Ltd.	100%, owned subsidiary	545,356	230,720	230,720	77,050	-	10.58	1,090,713	Y	N	Y

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, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets
0	Polytronics Technology Corp.	Polytronics (B.V.I) Corporation	1	Processing charges	$ 13,814	Net 45 days	5%
0	"	"	1	Accounts payable	53,042	〃	2%
0	"	"	1	Endorsements and guarantees	111,640	Note 6	4%
0	"	Polystar Electronics Co.,Ltd.	1	Sales	45,000	Net 60 days	15%
0	"	"	1	Purchases	6,013	Net 45 days	2%
0	"	"	1	Accounts receivable	47,201	Net 60 days	2%
0	"	"	1	Accounts payable	5,593	Net 45 days	0%
0	"	"	1	Endorsements and guarantees	230,720	Note 6	8%
1	Polytronics (B.V.I) Corporation	P-Circuit Corp.	3	Other receivables	5,705	Note 5	0%
1	"	Polystar Electronics Co., Ltd.	3	Processing charges	13,814	Net 45 days	5%
1	"	"	3	Accounts payable	53,042	〃	2%
2	Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics Inc.	3	Sales	4,945	Net 45 days	2%
2	"	"	3	Accounts receivable	4,235	〃	0%
2	"	"	3	Accounts payable	69,101	〃	3%

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, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2019	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2019	Footnote
Polytronics Technolgy Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	$ 211,431	$ 211,431	2,644	100	$ 748,652	($ 9,953)	($ 9,953)	Subsidiary
Polytronics (B.V.I) Corporation	P-Circuit Corp.	America	Investment and general business operations	218,822	218,077	2	100	727,906	(9,953)	(9,953)	Subsidiary

Polytronics Technology Corp.

Information on investments in Mainland China

For the three-month period ended March 31, 2019

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, 2019 (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Net income of investee as of March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2019	Book value of investments in Mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Polystar Electronics Co., Ltd.(Note 2)	Production and sale of varistor and potentiometer	$ 628,305	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	$ 199,097	$ -	$ -	$ 199,097	($ 9,953)	100	($ 9,953)	$ 733,580	$ -	
Hanpu (Kunshan) Trading Co., Ltd.	Wholesale, import and export business	4,586	Other ways to invest in Mainland China.	-	-	-	-	159	100	159	27,710	-	
Polystar Senchip Microelectronics Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	160,516	Other ways to invest in Mainland China.	-	-	-	-	609	100	609	106,306	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	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.	$ 199,097	$ 628,305	$ 1,308,855

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: Including retained earnings capitalized of RMB$89,286 (In thousands of dollars).

Note 3:The financial statements were not audited by R.O.C. parent company's CPA.

Note 4: 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 5: Mainland China's investees information are translated using the exchange rates of USD:NTD = 1:30.715 and RMB:NTD=1:4.5685 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:30.715 and RMB:NTD=1:4.5862.

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, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Accounts receivable (payable)		Financing				Others-processing charges	
	Amount	%	Balance at March 31, 2019	%	Maximum balance during the three-month period ended March 31, 2019	Balance at March 31, 2019	Interest rate	Interest during the three-month period ended March 31, 2019	Balance at March 31, 2019	%
Polystar Electronics Co., Ltd.	$ 45,000	14.99%	$ 47,201	22.14%	$ 276,180	$ 274,800	4.35%	$ -	$ 13,814	33.08%
Polystar Electronics Co., Ltd.	(6,013)	4.88%	(58,635)	54.28%	-	-	-	-	-	-