

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

JUNE 30, 2020 AND 2019

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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Polytronics Technology Corp. and subsidiaries (the “Group”) as at June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-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 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 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” in the Republic of China. 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-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.

Lin, Yu-Kuan

Tsang, Kwok-Wah

PricewaterhouseCoopers, Taiwan

August 11, 2020

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
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	June 30, 2020		December 31, 2019		June 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,032,938	36	\$ 997,914	34	\$ 1,052,953	35
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	94	-	414	-
1136	Current financial assets at	8						
	amortised cost, net		3,256	-	3,223	-	3,223	-
1150	Notes receivable, net	6(3)	95,400	3	134,567	4	107,452	4
1170	Accounts receivable, net	6(3)	235,247	8	283,769	10	258,633	9
1180	Accounts receivable - related	6(3) and 7						
	parties		122,252	4	106,163	4	97,490	3
1200	Other receivables		9,108	-	10,740	-	13,128	1
130X	Inventories, net	6(4)	252,474	9	219,700	7	230,719	8
1410	Prepayments		55,618	2	61,527	2	13,018	-
1470	Other current assets		1,943	-	579	-	1,225	-
11XX	Total current assets		<u>1,808,236</u>	<u>62</u>	<u>1,818,276</u>	<u>61</u>	<u>1,778,255</u>	<u>60</u>
Non-current assets								
1535	Non-current financial assets at	8						
	amortised cost, net		6,881	-	6,826	-	6,826	-
1600	Property, plant and equipment, net	6(5) and 8	729,496	25	776,198	26	829,155	28
1755	Right-of-use assets	6(6)	218,603	7	223,516	8	228,392	8
1760	Investment property, net	6(8) and 8	112,812	4	114,089	4	115,366	4
1780	Intangible assets		1,703	-	2,572	-	2,516	-
1840	Deferred income tax assets		16,969	1	21,049	1	14,829	-
1900	Other non-current assets		17,381	1	8,854	-	5,628	-
15XX	Total non-current assets		<u>1,103,845</u>	<u>38</u>	<u>1,153,104</u>	<u>39</u>	<u>1,202,712</u>	<u>40</u>
1XXX	Total assets		<u>\$ 2,912,081</u>	<u>100</u>	<u>\$ 2,971,380</u>	<u>100</u>	<u>\$ 2,980,967</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2020		December 31, 2019		June 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 303,739	11	\$ 75,057	3	\$ 77,722	3
2130	Current contract liabilities	6(17)	438	-	3,165	-	4,088	-
2150	Notes payable		20,208	1	27,634	1	1,050	-
2170	Accounts payable	6(10)	128,510	4	126,608	4	113,518	4
2200	Other payables	6(11)	145,752	5	203,533	7	478,610	16
2230	Current income tax liabilities		70,985	3	116,405	4	92,494	3
2280	Current lease liabilities		12,091	-	11,141	-	11,628	-
2300	Other current liabilities		3,208	-	1,853	-	2,018	-
21XX	Total current liabilities		<u>684,931</u>	<u>24</u>	<u>565,396</u>	<u>19</u>	<u>781,128</u>	<u>26</u>
Non-current liabilities								
2580	Non-current lease liabilities		199,051	7	203,867	7	206,975	7
2600	Other non-current liabilities		39,613	1	40,125	1	37,371	1
25XX	Total non-current liabilities		<u>238,664</u>	<u>8</u>	<u>243,992</u>	<u>8</u>	<u>244,346</u>	<u>8</u>
2XXX	Total liabilities		<u>923,595</u>	<u>32</u>	<u>809,388</u>	<u>27</u>	<u>1,025,474</u>	<u>34</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(13)	800,018	27	800,018	27	800,018	27
Capital surplus								
3200	Capital surplus	6(14)	235,900	8	235,900	8	235,900	8
Retained earnings								
3310	Legal reserve	6(15)	518,412	18	481,790	16	481,790	16
3320	Special reserve		79,893	3	50,367	2	50,367	2
3350	Unappropriated retained earnings		455,550	16	673,810	23	429,772	14
Other equity interest								
3400	Other equity interest	6(16)	(101,287)	(4)	(79,893)	(3)	(42,354)	(1)
31XX	Equity attributable to owners of the parent		<u>1,988,486</u>	<u>68</u>	<u>2,161,992</u>	<u>73</u>	<u>1,955,493</u>	<u>66</u>
3XXX	Total equity		<u>1,988,486</u>	<u>68</u>	<u>2,161,992</u>	<u>73</u>	<u>1,955,493</u>	<u>66</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 2,912,081</u>	<u>100</u>	<u>\$ 2,971,380</u>	<u>100</u>	<u>\$ 2,980,967</u>	<u>100</u>

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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	Three-month periods ended June 30				Six-month periods ended June 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17) and 7	\$ 408,666	100	\$ 393,079	100	\$ 766,687	100	\$ 693,375	100
5000	Operating costs	6(4)	(211,399)	(52)	(212,185)	(54)	(394,214)	(52)	(395,253)	(57)
5950	Net operating margin		<u>197,267</u>	<u>48</u>	<u>180,894</u>	<u>46</u>	<u>372,473</u>	<u>48</u>	<u>298,122</u>	<u>43</u>
	Operating expenses	6(22)(23)								
6100	Selling expenses		(21,646)	(5)	(23,193)	(6)	(44,050)	(6)	(43,559)	(6)
6200	General and administrative expenses		(47,471)	(12)	(37,298)	(9)	(93,172)	(12)	(70,682)	(10)
6300	Research and development expenses		(32,857)	(8)	(31,839)	(8)	(61,845)	(8)	(59,292)	(9)
6450	Expected credit gains (losses)	12(2)	(883)	-	160	-	(1,294)	-	(1,506)	-
6000	Total operating expenses		<u>(102,857)</u>	<u>(25)</u>	<u>(92,170)</u>	<u>(23)</u>	<u>(200,361)</u>	<u>(26)</u>	<u>(175,039)</u>	<u>(25)</u>
6900	Operating profit		<u>94,410</u>	<u>23</u>	<u>88,724</u>	<u>23</u>	<u>172,112</u>	<u>22</u>	<u>123,083</u>	<u>18</u>
	Non-operating income and expenses									
7100	Interest income	6(18)	1,363	-	1,797	-	2,942	1	2,724	-
7010	Other income	6(19)	18,063	4	15,733	4	32,348	4	30,153	4
7020	Other gains and losses	6(20)	(4,464)	(1)	(568)	-	(5,633)	(1)	975	-
7050	Finance costs	6(21)	(1,712)	-	(1,439)	-	(3,016)	-	(2,920)	-
7000	Total non-operating income and expenses		<u>13,250</u>	<u>3</u>	<u>15,523</u>	<u>4</u>	<u>26,641</u>	<u>4</u>	<u>30,932</u>	<u>4</u>
7900	Profit before tax		<u>107,660</u>	<u>26</u>	<u>104,247</u>	<u>27</u>	<u>198,753</u>	<u>26</u>	<u>154,015</u>	<u>22</u>
7950	Income tax expense	6(24)	(12,781)	(3)	(19,926)	(5)	(30,858)	(4)	(31,828)	(4)
8200	Profit for the period		<u>\$ 94,879</u>	<u>23</u>	<u>\$ 84,321</u>	<u>22</u>	<u>\$ 167,895</u>	<u>22</u>	<u>\$ 122,187</u>	<u>18</u>
	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)	(\$ 13,812)	(3)	(\$ 10,248)	(3)	(\$ 21,394)	(3)	\$ 8,013	1
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		<u>(13,812)</u>	<u>(3)</u>	<u>(10,248)</u>	<u>(3)</u>	<u>(21,394)</u>	<u>(3)</u>	<u>8,013</u>	<u>1</u>
8300	Other comprehensive (loss) income for the period, net of tax		<u>(\$ 13,812)</u>	<u>(3)</u>	<u>(\$ 10,248)</u>	<u>(3)</u>	<u>(\$ 21,394)</u>	<u>(3)</u>	<u>\$ 8,013</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>\$ 81,067</u>	<u>20</u>	<u>\$ 74,073</u>	<u>19</u>	<u>\$ 146,501</u>	<u>19</u>	<u>\$ 130,200</u>	<u>19</u>
	Profit attributable to:									
8610	Owners of the parent		<u>\$ 94,879</u>	<u>23</u>	<u>\$ 84,321</u>	<u>22</u>	<u>\$ 167,895</u>	<u>22</u>	<u>\$ 122,187</u>	<u>18</u>
	Comprehensive income attributable to:									
8710	Owners of the parent		<u>\$ 81,067</u>	<u>20</u>	<u>\$ 74,073</u>	<u>19</u>	<u>\$ 146,501</u>	<u>19</u>	<u>\$ 130,200</u>	<u>19</u>
9750	Basic earnings per share	6(25)	<u>\$ 1.19</u>		<u>\$ 1.05</u>		<u>\$ 2.10</u>		<u>\$ 1.53</u>	
9850	Diluted earnings per share	6(25)	<u>\$ 1.18</u>		<u>\$ 1.05</u>		<u>\$ 2.08</u>		<u>\$ 1.51</u>	

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 SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(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	
<u>For the six-month period ended June 30, 2019</u>										
	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	-	-	-	-	-	122,187	-	-	122,187
	Other comprehensive income for the period	-	-	-	-	-	-	8,013	-	8,013
	Total comprehensive income for the period	-	-	-	-	-	122,187	8,013	-	130,200
	Distribution of 2018 earnings:									
	Legal reserve	-	-	-	-	35,004	-	(35,004)	-	-
	Special reserve	-	-	-	-	-	14,804	(14,804)	-	-
	Cash dividends	-	-	-	-	-	(300,006)	-	-	(300,006)
	Balance at June 30, 2019	<u>\$ 800,018</u>	<u>\$ 203,343</u>	<u>\$ 14,924</u>	<u>\$ 17,633</u>	<u>\$ 481,790</u>	<u>\$ 50,367</u>	<u>\$ 429,772</u>	<u>(\$ 42,354)</u>	<u>\$1,955,493</u>
<u>For the six-month period ended June 30, 2020</u>										
	Balance at January 1, 2020	\$ 800,018	\$ 203,343	\$ 14,924	\$ 17,633	\$ 481,790	\$ 50,367	\$ 673,810	(\$ 79,893)	\$2,161,992
	Profit for the period	-	-	-	-	-	167,895	-	-	167,895
	Other comprehensive loss for the period	-	-	-	-	-	-	(21,394)	(21,394)	(21,394)
	Total comprehensive (loss) income for the period	-	-	-	-	-	167,895	(21,394)	-	146,501
	Distribution of 2019 earnings:									
	Legal reserve	-	-	-	-	36,622	-	(36,622)	-	-
	Special reserve	-	-	-	-	-	29,526	(29,526)	-	-
	Cash dividends	-	-	-	-	-	(320,007)	-	-	(320,007)
	Balance at June 30, 2020	<u>\$ 800,018</u>	<u>\$ 203,343</u>	<u>\$ 14,924</u>	<u>\$ 17,633</u>	<u>\$ 518,412</u>	<u>\$ 79,893</u>	<u>\$ 455,550</u>	<u>(\$ 101,287)</u>	<u>\$1,988,486</u>

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six-month periods ended June 30	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 198,753	\$ 154,015
Adjustments			
Adjustments to reconcile profit (loss)			
Net profit on financial assets at fair value through profit or loss		94	(414)
Expected credit losses	12(2)	1,294	1,506
Depreciation (including investment property and right-of-use assets)	6(20)(22)	53,052	55,043
Amortisation	6(22)	1,097	1,041
Interest expense	6(21)	3,016	2,920
Interest income	6(18)	(2,942)	(2,724)
Loss on disposal of property, plant and equipment	6(20)	1,929	474
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		36,909	(19,153)
Accounts receivable, net		43,315	(9,149)
Accounts receivable, net - related parties		(16,089)	(31,679)
Other receivables		1,632	(1,240)
Inventories		(32,774)	73,080
Prepayments		5,909	15,664
Other current assets		(1,364)	(279)
Changes in operating liabilities			
Current contract liabilities		(2,727)	2,500
Notes payable		(7,426)	(6,396)
Accounts payable		1,902	29,056
Other payables		(53,470)	(10,017)
Other current liabilities		1,355	1,028
Defined benefit liabilities		(36)	(547)
Cash inflow generated from operations		233,429	254,729
Interest paid		(3,016)	(2,920)
Interest received		2,942	2,724
Income tax paid		(72,198)	(29,245)
Net cash flows from operating activities		<u>161,157</u>	<u>225,288</u>

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six-month periods ended June 30	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost, net		(\$ 88)	(\$ 33)
Increase in other non-current assets		(8,227)	(9,678)
Acquisition of property, plant and equipment	6(26)	(12,835)	(52,658)
Proceeds from disposal of property, plant and equipment		15	642
Acquisition of intangible assets		(250)	(437)
Increase in deposits - out		(300)	-
Net cash flows used in investing activities		(21,685)	(62,164)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	447,715	-
Decrease in short-term borrowings	6(27)	(218,886)	-
Repayment of principal portion of lease liabilities	6(27)	(5,141)	(5,227)
(Decrease) increase in deposits - in	6(27)	(476)	476
Cash dividends paid	6(15)	(320,007)	-
Net cash flows used in financing activities		(96,795)	(4,751)
Effect of exchange rate		(7,653)	(2,580)
Net increase in cash and cash equivalents		35,024	155,793
Cash and cash equivalents at beginning of period		997,914	897,160
Cash and cash equivalents at end of period	6(1)	\$ 1,032,938	\$ 1,052,953

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(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 August 11, 2020.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

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

(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
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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, 2019, 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, 2019.

(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, 2019.

(blank below)

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Activities	Ownership (%)			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	100	
Polytronics Technology Corporation	TCLD Technology Corporation	Manufacturing of the thermal conductive board	100	-	-	Note 1
TCLD Technology Corporation	TCLAD INC.	Manufacturing of the thermal conductive board	-	-	-	Note 2
Polytronics (B.V.I.) Corporation	P-Circuit Corporation	Investments and general business operations	100	100	100	Note 4
P-Circuit Corporation	Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	100	Note 4
Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics, Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	100	
Polystar Electronics Co., Ltd.	PolyStellar Electronics Co.,Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	-	Note 3

Note 1: It was invested by Polytronics Technology Corporation and established on May 4, 2020.

Note 2: It was invested by TCLD Technology Corporation and established on May 29, 2020. As of June 30, 2020, the payment for the shares have not been paid.

Note 3: It was invested by Polystar Electronics Co., Ltd. and established on December 11, 2019.

Note 4: The dissolution and liquidation of P-Circuit Corp. was resolved by the Board of Directors on August 13, 2019 to adjust the investment structure, and the liquidation was completed in July 2020.

- 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) 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.

(5) 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 June 30, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand and revolving funds	\$ 226	\$ 376	\$ 469
Checking accounts and demand deposits	357,767	298,925	252,102
Time deposits	674,945	698,613	730,382
Cash equivalents-short-term notes	-	-	70,000
Total	<u>\$ 1,032,938</u>	<u>\$ 997,914</u>	<u>\$ 1,052,953</u>

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

<u>Items</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current items:			
Financial assets(liabilities) mandatorily measured at fair value through profit or loss			
Derivative instrument- forward foreign exchange contracts	\$ -	\$ -	\$ -
Valuation adjustment	-	94	414
Total	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 414</u>

- A. The Group recognized net (loss) profit of \$391, \$772, (\$544) and \$978 on financial assets /liabilities held for trading for the three-month and six-month periods ended June 30, 2020 and 2019, respectively.
- B. The non-hedging derivative instruments transaction and contract information are as follows:
June 30, 2020 : None.

		<u>December 31, 2019</u>	
<u>Derivative instruments</u>		<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD	\$ 1,500	2019/12/18~2020/01/31

		<u>June 30, 2019</u>	
<u>Derivative instruments</u>		<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Forward foreign exchange contracts	USD	\$ 1,000	2019/06/13~2019/07/31

- 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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes receivable	\$ 95,400	\$ 134,567	\$ 107,452
Accounts receivable	\$ 237,946	\$ 285,197	\$ 260,519
Accounts receivable-related parties	122,252	106,163	97,490
Less: Allowance for bad debts	(2,699)	(1,428)	(1,886)
	<u>\$ 357,499</u>	<u>\$ 389,932</u>	<u>\$ 356,123</u>

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

	June 30, 2020		December 31, 2019	
	Accounts	Notes	Accounts	Notes
	receivable	receivable	receivable	receivable
Not past due	\$ 262,528	\$ 95,400	\$ 308,195	\$ 134,567
Up to 30 days	54,198	-	52,549	-
31 to 90 days	39,827	-	28,755	-
91 to 180 days	1,826	-	81	-
Over 180 days	1,819	-	1,780	-
	<u>\$ 360,198</u>	<u>\$ 95,400</u>	<u>\$ 391,360</u>	<u>\$ 134,567</u>

	June 30, 2019	
	Accounts	Notes
	receivable	receivable
Not past due	\$ 280,003	\$ 107,452
Up to 30 days	47,299	-
31 to 90 days	24,226	-
91 to 180 days	4,229	-
Over 180 days	2,252	-
	<u>\$ 358,009</u>	<u>\$ 107,452</u>

The above ageing analysis was based on past due date.

- B. As of June 30, 2020, December 31, 2019 and June 30, 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$403,139.
- C. As at June 30, 2020, December 31, 2019 and June 30, 2019, 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 \$95,400, \$134,567 and \$107,452 ; \$357,499, \$389,932 and \$356,123, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 100,177	\$ 72,864	\$ 69,344
Work-in-progress	71,522	75,684	82,670
Finished goods	80,775	71,152	78,705
Total	<u>\$ 252,474</u>	<u>\$ 219,700</u>	<u>\$ 230,719</u>

The cost of inventories recognized as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 214,793	\$ 211,093
(Gain) loss on (recovery) decline in market value	(3,394)	1,092
	<u>\$ 211,399</u>	<u>\$ 212,185</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 392,608	\$ 393,707
Loss on decline in market value	1,606	1,546
	<u>\$ 394,214</u>	<u>\$ 395,253</u>

(Blank below)

(5) Property, plant and equipment

2020

	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Computer and communication equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
At January 1								
Cost	\$ 792,117	\$ 565,905	\$ 8,099	\$ 11,065	\$ 10,010	\$ 19,926	\$ 170,903	\$ 1,578,025
Accumulated depreciation and impairment	(272,844)	(377,983)	(6,212)	(5,521)	(7,441)	(17,041)	(114,785)	(801,827)
	<u>\$ 519,273</u>	<u>\$ 187,922</u>	<u>\$ 1,887</u>	<u>\$ 5,544</u>	<u>\$ 2,569</u>	<u>\$ 2,885</u>	<u>\$ 56,118</u>	<u>\$ 776,198</u>
Opening net book amount	\$ 519,273	\$ 187,922	\$ 1,887	\$ 5,544	\$ 2,569	\$ 2,885	\$ 56,118	\$ 776,198
Additions	-	4,649	1,270	-	480	-	2,125	8,524
Disposals	-	(1,936)	(8)	-	-	-	-	(1,944)
Reclassifications	-	-	-	-	1,085	-	(241)	844
Depreciation charge	(16,824)	(16,412)	(396)	(694)	(697)	(294)	(10,530)	(45,847)
Net exchange differences	(4,128)	(3,796)	(65)	(41)	-	-	(249)	(8,279)
Closing net book amount	<u>\$ 498,321</u>	<u>\$ 170,427</u>	<u>\$ 2,688</u>	<u>\$ 4,809</u>	<u>\$ 3,437</u>	<u>\$ 2,591</u>	<u>\$ 47,223</u>	<u>\$ 729,496</u>
At June 30								
Cost	\$ 785,266	\$ 540,997	\$ 9,110	\$ 10,952	\$ 10,903	\$ 19,926	\$ 171,806	\$ 1,548,960
Accumulated depreciation and impairment	(286,945)	(370,570)	(6,422)	(6,143)	(7,466)	(17,335)	(124,583)	(819,464)
	<u>\$ 498,321</u>	<u>\$ 170,427</u>	<u>\$ 2,688</u>	<u>\$ 4,809</u>	<u>\$ 3,437</u>	<u>\$ 2,591</u>	<u>\$ 47,223</u>	<u>\$ 729,496</u>

	2019								
	Buildings	Machinery	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Construction in progress	Others	Total
At January 1									
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)
	<u>\$ 460,937</u>	<u>\$ 210,416</u>	<u>\$ 2,617</u>	<u>\$ 2,289</u>	<u>\$ 2,581</u>	<u>\$ 3,254</u>	<u>\$ 79,497</u>	<u>\$ 64,184</u>	<u>\$ 825,775</u>
Opening net book amount	\$ 460,937	\$ 210,416	\$ 2,617	\$ 2,289	\$ 2,581	\$ 3,254	\$ 79,497	\$ 64,184	\$ 825,775
Additions	6,173	3,652	288	3,250	951	260	17,521	4,489	36,584
Disposals	-	(715)	(31)	(58)	-	-	-	(312)	(1,116)
Reclassifications	-	3,750	-	-	-	-	-	11,517	15,267
Depreciation charge	(16,171)	(18,002)	(621)	(428)	(516)	(326)	-	(11,779)	(47,843)
Net exchange differences	919	1,884	31	13	-	-	(2,446)	87	488
Closing net book amount	<u>\$ 451,858</u>	<u>\$ 200,985</u>	<u>\$ 2,284</u>	<u>\$ 5,066</u>	<u>\$ 3,016</u>	<u>\$ 3,188</u>	<u>\$ 94,572</u>	<u>\$ 68,186</u>	<u>\$ 829,155</u>
At June 30									
Cost	\$ 712,614	\$ 583,999	\$ 8,440	\$ 10,794	\$ 11,284	\$ 19,926	\$ 94,572	\$ 174,523	\$ 1,616,152
Accumulated depreciation and impairment	(260,756)	(383,014)	(6,156)	(5,728)	(8,268)	(16,738)	-	(106,337)	(786,997)
	<u>\$ 451,858</u>	<u>\$ 200,985</u>	<u>\$ 2,284</u>	<u>\$ 5,066</u>	<u>\$ 3,016</u>	<u>\$ 3,188</u>	<u>\$ 94,572</u>	<u>\$ 68,186</u>	<u>\$ 829,155</u>

1. For the six-month periods ended June 30, 2020 and 2019, 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

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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 201,753	\$ 204,704	\$ 207,903
Buildings	14,338	16,690	19,041
Transportation equipment	2,512	2,122	1,448
	<u>\$ 218,603</u>	<u>\$ 223,516</u>	<u>\$ 228,392</u>

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,345	\$ 1,272
Buildings	1,175	1,175
Transportation equipment	452	499
	<u>\$ 2,972</u>	<u>\$ 2,946</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,691	\$ 2,544
Buildings	2,351	2,351
Transportation equipment	886	1,028
	<u>\$ 5,928</u>	<u>\$ 5,923</u>

C. For the three-month and six-month periods ended June 30, 2020 and 2019, the additions to right-of-use assets amounted to \$0, \$745, \$1,275 and \$745, respectively.

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 745</u>	<u>\$ 772</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 1,498</u>	<u>\$ 1,549</u>

E. For the six-month periods ended June 30, 2020 and 2019, the Group's total cash outflow for leases amounted to \$6,639 and \$6,776, respectively.

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

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 and six-month periods ended June 30, 2020 and 2019, the Group recognized rent income in the amounts of \$12,937, \$13,259, \$25,008 and \$25,819, respectively, 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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
2019	\$ -	\$ -	\$ 15,555
2020	21,029	41,654	16,037
2021	35,440	32,604	16,037
2022	32,604	32,604	16,037
2023	31,930	31,930	15,369
2024	13,681	-	-
Total	<u>\$ 134,684</u>	<u>\$ 138,792</u>	<u>\$ 79,035</u>

(8) Investment property

	<u>2020</u>	<u>2019</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(16,149)	(13,595)
	<u>\$ 114,089</u>	<u>\$ 116,643</u>
Opening net book amount	\$ 114,089	\$ 116,643
Depreciation charge	(1,277)	(1,277)
Closing net book amount	<u>\$ 112,812</u>	<u>\$ 115,366</u>
At June 30		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(17,426)	(14,872)
	<u>\$ 112,812</u>	<u>\$ 115,366</u>

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from investment property	<u>\$ 12,944</u>	<u>\$ 13,259</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 1,481</u>	<u>\$ 1,432</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from investment property	<u>\$ 25,015</u>	<u>\$ 25,819</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 2,119</u>	<u>\$ 2,070</u>

B. The fair value of investment property held by the Group as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$238,688, \$238,688 and \$238,688, 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

<u>Type of borrowings</u>	<u>June 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 103,739	1.55%	None
Secured borrowings	<u>200,000</u>	0.825%	Buildings
	<u>\$ 303,739</u>		
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 75,057</u>	2.73%	None
<u>Type of borrowings</u>	<u>June 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 77,722</u>	3.14%	None

Interest expense recognized in profit or loss amounted to \$949, \$662, \$1,488 and \$1,356 for the three-month and six-month periods ended June 30, 2020 and 2019, respectively.

(10) Accounts payable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts payable	\$ 119,000	\$ 113,868	\$ 94,068
Estimated accounts payable	9,510	12,740	19,450
	<u>\$ 128,510</u>	<u>\$ 126,608</u>	<u>\$ 113,518</u>

(11) Other payables

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Wages and salaries payable	\$ 54,660	\$ 71,300	\$ 54,427
Employee bonus and directors' remuneration payable	22,666	49,998	63,672
Payables on machinery and equipment	3,818	8,129	12,015
Dividends payable	-	-	300,006
Others	64,608	74,106	48,490
	<u>\$ 145,752</u>	<u>\$ 203,533</u>	<u>\$ 478,610</u>

(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 pension costs of \$393, \$412, \$785 and \$824 for the three-month and six-month periods ended June 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$2,752.

- 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., 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 defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2020 and 2019 were \$2,069, \$3,756 \$4,810 and \$7,829, respectively.

(13) Share capital

As of June 30, 2020, 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):

	2020	2019
At January 1 / At June 30	<u>80,002</u>	<u>80,002</u>

(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, if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is not required to be set aside any more, 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.

In accordance with Company Act Article 240, Item 5 and Article 241, Item 2, the resolution, for all or a portion of distributable dividends, legal reserve and capital surplus that are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and will be reported to the shareholders, shall not be subject to the resolution at the shareholders' meeting.

B. Dividend policy: As the Company is in a rapidly changing industry and in the growth 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 2019 and 2018 had been resolved at shareholders' meeting on June 24, 2020 and June 19, 2019 are as follows:

	2019		2018	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 36,622		\$ 35,004	
Special reserve	29,526		14,804	
Cash dividends (Note)	320,007	\$ 4.00	300,006	\$ 3.75
Total	<u>\$ 386,155</u>		<u>\$ 349,814</u>	

The appropriation of 2019 and 2018 earnings were the same as that approved by the Board of Directors on March 20, 2020 and March 15, 2019.

Note: The distribution of 2019 earnings, except for cash dividends, were resolved by the Board of Directors on March 20, 2020.

(16) Other equity items

	<u>Currency translation</u>
At January 1, 2020	(\$ 79,893)
Currency translation differences	(21,394)
At June 30, 2020	<u>(\$ 101,287)</u>
	<u>Currency translation</u>
At January 1, 2019	(\$ 50,367)
Currency translation differences	8,013
At June 30, 2019	<u>(\$ 42,354)</u>

(17) Operating revenue

	For the three-month periods ended June 30,	
	2020	2019
Sales revenue	<u>\$ 408,666</u>	<u>\$ 393,079</u>
	For the six-month periods ended June 30,	
	2020	2019
Sales revenue	<u>\$ 766,687</u>	<u>\$ 693,375</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended June 30, 2020					
	China	Taiwan	USA	Others	Total
Sales revenue	\$ 211,979	\$ 76,590	\$ 92,682	\$ 27,415	\$ 408,666
Timing of revenue recognition					
At a point in time	\$ 211,979	\$ 76,590	\$ 92,682	\$ 27,415	\$ 408,666
For the three-month period ended June 30, 2019					
	China	Taiwan	USA	Others	Total
Sales revenue	\$ 221,045	\$ 66,209	\$ 76,230	\$ 29,595	\$ 393,079
Timing of revenue recognition					
At a point in time	\$ 221,045	\$ 66,209	\$ 76,230	\$ 29,595	\$ 393,079
For the six-month period ended June 30, 2020					
	China	Taiwan	USA	Others	Total
Sales revenue	\$ 404,917	\$ 154,586	\$ 153,978	\$ 53,206	\$ 766,687
Timing of revenue recognition					
At a point in time	\$ 404,917	\$ 154,586	\$ 153,978	\$ 53,206	\$ 766,687
For the six-month period ended June 30, 2019					
	China	Taiwan	USA	Others	Total
Sales revenue	\$ 396,038	\$ 109,543	\$ 135,418	\$ 52,376	\$ 693,375
Timing of revenue recognition					
At a point in time	\$ 396,038	\$ 109,543	\$ 135,418	\$ 52,376	\$ 693,375

B. Contract assets and liabilities

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

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract liabilities:				
Contract liabilities –				
Advance sales receipts	\$ 438	\$ 3,165	\$ 4,088	\$ 1,588

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

	For the three-month periods ended June 30,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 195	\$ 7
	For the six-month periods ended June 30,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 2,836	\$ 1,477

(18) Interest income

	For the three-month periods ended June 30,	
	2020	2019
Interest income from bank deposits	\$ 1,342	\$ 1,787
Interest income from financial assets measured at amortised cost	21	10
	\$ 1,363	\$ 1,797
	For the six-month periods ended June 30,	
	2020	2019
Interest income from bank deposits	\$ 2,847	\$ 2,702
Interest income from financial assets measured at amortised cost	95	22
	\$ 2,942	\$ 2,724

(19) Other income

	For the three-month periods ended June 30,	
	2020	2019
Rent income	\$ 12,937	\$ 13,259
Other income, others	5,126	2,474
	\$ 18,063	\$ 15,733
	For the six-month periods ended June 30,	
	2020	2019
Rent income	\$ 25,008	\$ 25,819
Other income, others	7,340	4,334
	\$ 32,348	\$ 30,153

(20) Other gains and losses

	For the three-month periods ended June 30,	
	2020	2019
Losses on disposals of property, plant and equipment	(\$ 952)	(\$ 162)
Foreign exchange (losses) gains	(2,568)	51
Gains on financial assets at fair value through profit or loss	391	772
Depreciation charge-investment property	(639)	(639)
Other losses	(696)	(590)
	<u>(\$ 4,464)</u>	<u>(\$ 568)</u>

	For the six-month periods ended June 30,	
	2020	2019
Losses on disposals of property, plant and equipment	(\$ 1,929)	(\$ 474)
Foreign exchange (losses) gains	(714)	2,920
(Losses) gains on financial assets at fair value through profit or loss	(544)	978
Depreciation charge-investment property	(1,277)	(1,277)
Other losses	(1,169)	(1,172)
	<u>(\$ 5,633)</u>	<u>\$ 975</u>

(21) Finance costs

	For the three-month periods ended June 30,	
	2020	2019
Interest expense	<u>\$ 1,712</u>	<u>\$ 1,439</u>

	For the six-month periods ended June 30,	
	2020	2019
Interest expense	<u>\$ 3,016</u>	<u>\$ 2,920</u>

(22) Expenses by nature

	For the three-month periods ended June 30,	
	2020	2019
Employee benefit expenses	\$ 85,600	\$ 83,067
Depreciation charges on property, plant and equipment (Note)	25,724	27,360
Amortisation charges on intangible assets	539	540
Total	<u>\$ 111,863</u>	<u>\$ 110,967</u>

	For the six-month periods ended June 30,	
	2020	2019
Employee benefit expenses	\$ 168,126	\$ 164,220
Depreciation charges on property, plant and equipment (Note)	53,052	55,043
Amortisation charges on intangible assets	1,097	1,041
Total	<u>\$ 222,275</u>	<u>\$ 220,304</u>

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

(23) Employee benefit expenses

	For the three-month periods ended June 30,	
	2020	2019
Wages and salaries	\$ 73,751	\$ 67,879
Labor and health insurance fees	4,166	3,281
Pension costs	2,462	4,168
Other personnel expenses	5,221	7,739
	<u>\$ 85,600</u>	<u>\$ 83,067</u>
	For the six-month periods ended June 30,	
	2020	2019
Wages and salaries	\$ 142,348	\$ 131,762
Labor and health insurance fees	7,981	7,143
Pension costs	5,595	8,653
Other personnel expenses	12,202	16,662
	<u>\$ 168,126</u>	<u>\$ 164,220</u>

- 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 and six-month periods ended June 30, 2020 and 2019, employees' compensation was accrued at \$11,100, \$9,866, \$19,644 and \$14,296, respectively; while directors' remuneration was accrued at \$1,708, \$1,518, \$3,022 and \$2,200, 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 8.71% and 1.34%, respectively.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended June 30,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 19,125	\$ 19,952
Prior year income tax overestimation	(6,785)	-
Total current tax	<u>12,340</u>	<u>19,952</u>
Deferred tax:		
Origination and reversal of temporary differences	441	(26)
Total deferred tax	<u>441</u>	<u>(26)</u>
Income tax expense	<u>\$ 12,781</u>	<u>\$ 19,926</u>
	For the six-month periods ended June 30,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 33,563	\$ 31,554
Prior year income tax overestimation	(6,785)	-
Total current tax	<u>26,778</u>	<u>31,554</u>
Deferred tax:		
Origination and reversal of temporary differences	4,080	274
Total deferred tax	<u>4,080</u>	<u>274</u>
Income tax expense	<u>\$ 30,858</u>	<u>\$ 31,828</u>

(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.

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

	For the three-month period ended June 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 94,879	80,002	\$ <u>1.19</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	319	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>94,879</u>	<u>80,321</u>	\$ <u>1.18</u>
	For the three-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 84,321	80,002	\$ <u>1.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	298	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>84,321</u>	<u>80,300</u>	\$ <u>1.05</u>

For the six-month period ended June 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 167,895	80,002	\$ <u>2.10</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	753	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>167,895</u>	<u>80,755</u>	\$ <u>2.08</u>

For the six-month period ended June 30, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 122,187	80,002	\$ <u>1.53</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	673	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>122,187</u>	<u>80,675</u>	\$ <u>1.51</u>

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2020	2019
Purchase of property, plant, and equipment	\$ 8,524	\$ 36,584
Net change of payable on machinery and equipment	4,311	16,074
Cash paid during the period	\$ <u>12,835</u>	\$ <u>52,658</u>

(27) Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
At January 1	\$ 75,057	\$ 215,008	\$ 10,648	\$ 300,713
Changes in cash flow from financing activities	228,829	(5,141)	(476)	223,212
Interest paid	-	(1,498)	-	(1,498)
Interest expense	-	1,498	-	1,498
Increase in lease liabilities	-	1,275	-	1,275
Impact of changes in foreign exchange rate	(147)	-	-	(147)
At June 30	<u>\$ 303,739</u>	<u>\$ 211,142</u>	<u>\$ 10,172</u>	<u>\$ 525,053</u>

	2019			
	Short-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
At January 1	\$ 76,758	\$ 223,125	\$ 10,078	\$ 309,961
Changes in cash flow from financing activities	-	(5,227)	476	(4,751)
Interest paid	-	(1,549)	-	(1,549)
Interest expense	-	1,549	-	1,549
Increase in lease liabilities	-	705	-	705
Impact of changes in foreign exchange rate	964	-	-	964
At June 30	<u>\$ 77,722</u>	<u>\$ 218,603</u>	<u>\$ 10,554</u>	<u>\$ 306,879</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
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 June 30,	
	2020	2019
Sales of goods:		
Other associates	<u>\$ 92,409</u>	<u>\$ 76,114</u>
	For the six-month periods ended June 30,	
	2020	2019
Sales of goods:		
Other associates	<u>\$ 153,189</u>	<u>\$ 135,034</u>

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

B. Accounts receivable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts receivable			
Other associates	\$ <u>122,252</u>	\$ <u>106,163</u>	\$ <u>97,490</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 90 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

	<u>For the three-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 19,626	\$ 6,451
Termination benefits	349	349
Total	<u>\$ 19,975</u>	<u>\$ 6,800</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 31,654	\$ 16,600
Termination benefits	684	684
Total	<u>\$ 32,338</u>	<u>\$ 17,284</u>

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	
Time deposit (recorded under 'current financial assets at amortised cost')	\$ 3,256	\$ 3,223	\$ 3,223	Guarantee for duty paid after customs release
Time deposit (recorded under 'non-current financial assets at amortised cost')	6,881	6,826	6,826	Guarantee for land lease in science park
Building construction and investment real estate	199,128	201,378	203,629	Guarantee for short-term borrowing credit line

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

In April, 2020, the Company received the service of process with respect to the civil complaint of Ventec and related documents from the German court. According to its complaint, Ventec alleged that the Company was involved in misappropriation of its trade secret for HiPot Test, for which it launched the said lawsuit. It is found that the specific testing process and detailed steps of the HiPot Test has been disclosed as early as in 2009 by IPC, an international industrial organization, in its Test Methods Manual, which has become the standards of the relevant industries. Since it has been disclosed and publicly known, such Test is not able to constitute an object to be protected as a trade secret as alleged by Ventec. Moreover, other than the opinions provided by an employee of Ventec's affiliate, there is no independent opinion of any outside expert or any assessment report produced in the complaint.

Such a unilateral allegation is clearly baseless. The Company had retained German law firm to represent and defend the Company's interests. There will be no material impact on the financial or business of the Group.

(2) Commitments

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Property, plant and equipment	<u>\$ 18,854</u>	<u>\$ 17,580</u>	<u>\$ 8,210</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

For the purpose of escalating the technology, improving product portfolio and expanding the revenue, on July 8, 2020, the Board of Directors of the Company resolved to acquire segment assets and businesses of TCLAD of Henkel US Operations Corporation and plan to continue operating the business, through the Company's wholly-owned subsidiary, TCLAD Technology Corporation. The estimated purchase price of this acquisition transaction is US\$26 million, of which will be subsequently supplemented or returned based on the inventory value at settlement. The Company made the down payment of US\$2million, and will pay US\$18 million at settlement, and then will pay both US\$3 million after 3 months and 6 months from the settlement date. All the payments will be paid in cash. The completion of this acquisition is subject to the condition of the approval of Committee on Foreign Investment in the United States. The above purchase agreement of the acquisition was signed by both parties on July 8, 2020.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets designated as at fair value through profit or loss	\$ -	\$ 94	\$ 414
Financial assets at amortised cost			
Cash and cash equivalents	1,032,938	997,914	1,052,953
Financial assets at amortised cost			
Notes receivable	10,137	10,049	10,049
Accounts receivable (including related parties)	95,400	134,567	107,452
Other accounts receivable	357,499	389,932	356,123
Guarantee deposits paid	9,108	10,740	13,128
	<u>3,329</u>	<u>3,029</u>	<u>3,029</u>
	<u>\$ 1,508,411</u>	<u>\$ 1,546,231</u>	<u>\$ 1,542,734</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss			
Financial liabilities designated as at fair value through profit or loss	\$ -	\$ -	\$ -
Financial liabilities at amortised cost			
Short-term borrowings	303,739	75,057	77,722
Notes payable	20,208	27,634	1,050
Accounts payable	128,510	126,608	113,518
Other accounts payable	145,752	203,533	478,610
Guarantee deposits received	10,172	10,648	10,554
	<u>\$ 608,381</u>	<u>\$ 443,480</u>	<u>\$ 681,454</u>
Lease liabilities	<u>\$ 211,142</u>	<u>\$ 215,008</u>	<u>\$ 218,603</u>

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: 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:

June 30, 2020

Foreign currency				
	amount		Exchange	Book value
	(In thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	10,684	29.630	\$ 316,573
USD:RMB	USD	1,136	7.0741	33,680
HKD:RMB	HKD	540	0.9127	2,067
RMB:NTD	RMB	221	4.191	926
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	255	29.630	\$ 7,557
JPY:NTD	JPY	22,000	0.2751	6,052
USD:RMB	USD	40	7.0741	1,186
<u>Non-monetary items:</u> None.				

December 31, 2019

Foreign currency				
	amount		Exchange	Book value
	(In thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	8,966	29.980	\$ 268,788
USD:RMB	USD	1,204	6.966	36,094
HKD:RMB	HKD	540	0.895	2,081
RMB:NTD	RMB	841	4.305	3,621
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	542	29.980	\$ 16,259
JPY:NTD	JPY	11,450	0.276	3,160
<u>Non-monetary items:</u> None.				

					June 30, 2019		
					Foreign currency		
					amount	Exchange	Book value
					(In thousands)	rate	(NTD)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	6,845	31.06	\$			212,610
USD:RMB	USD	964	6.868				29,941
HKD:RMB	HKD	526	0.880				2,093
<u>Non-monetary items:</u> None.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	1,919	31.06	\$			59,618
<u>Non-monetary items:</u> None.							

- v. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2020 and 2019, amounted to (\$2,568), \$51, (\$714) and \$2,920, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the six-month period ended June 30, 2020		
Sensitivity analysis		
Degree of variation	Effect on profit or loss	Effect on other comprehensive income

(Foreign currency: functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	1%	\$ 3,166 \$ -
USD:RMB	1%	337 -
HKD:RMB	1%	21 -
RMB:NTD	1%	9 -
<u>Non-monetary items:</u> None.		
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD:NTD	1%	(\$ 76) \$ -
JPY:NTD	1%	(61) -
USD:RMB	1%	(12) -
<u>Non-monetary items:</u> None.		

For the six-month period ended June 30, 2019

Sensitivity analysis

	<u>Degree of variation</u>	<u>Effect on profit or loss</u>		<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 2,126	\$	-
USD:RMB	1%	299		-
HKD:RMB	1%	21		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 596)	\$	-
<u>Non-monetary items:</u> 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. As of June 30, 2020, December 31, 2019 and June 30, 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Up to 181 days	Total
<u>At June 30, 2020</u>						
Expected loss rate	0.01%	0.02%~0.61%	0.09%~5.54%	0.20%~12.60%	43.96%~56.33%	
Total book value	\$ 262,528	\$ 54,198	\$ 39,827	\$ 1,826	\$ 1,819	\$ 360,198
Loss allowance	\$ -	\$ -	\$ 78	\$ 808	\$ 1,813	\$ 2,699
<u>At December 31, 2019</u>						
Expected loss rate	0.01%	0.01%~0.66%	0.02%~5.96%	0.03%~17.68%	30.96%~60.44%	
Total book value	\$ 308,195	\$ 52,549	\$ 28,755	\$ 81	\$ 1,780	\$ 391,360
Loss allowance	\$ -	\$ -	\$ 30	\$ 813	\$ 585	\$ 1,428

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Up to 181 days	Total
<u>At June 30, 2019</u>						
Expected loss rate	0.01%	0.01%	10%	0~20%	30%~100%	
Total book value	\$ 280,003	\$ 47,299	\$ 24,226	\$ 4,229	\$ 2,252	\$ 358,009
Loss allowance	\$ -	\$ -	\$ 30	\$ 1,705	\$ 151	\$ 1,886

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

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 1,428	\$ -
Provision for impairment	1,294	-
Effect of foreign exchange	(23)	-
At June 30	<u>\$ 2,699</u>	<u>\$ -</u>
	<u>2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 390	\$ -
Provision for impairment	1,506	-
Effect of foreign exchange	(10)	-
At June 30	<u>\$ 1,886</u>	<u>\$ -</u>

(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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Floating rate:			
Expiring within one year	<u>\$ 1,555,416</u>	<u>\$ 745,207</u>	<u>\$ 566,052</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2020.

- iii. The table below analyzes the Group's non-derivative financial liabilities and net-settled or cross-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:

	Less than 3	Between 3	Between 1	Between 2	Over 5
June 30, 2020	months	months	and 2 years	and 5 years	years
	and 1 year	and 1 year			
Short-term borrowings	\$ 55,365	\$ 248,374	\$ -	\$ -	\$ -
Notes payable	20,208	-	-	-	-
Accounts payable	-	128,510	-	-	-
Lease liabilities	3,340	9,727	12,350	25,214	220,030
Other payables	-	145,752	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
December 31, 2019	months	months	and 2 years	and 5 years	years
	and 1 year	and 1 year			
Short-term borrowings	\$ -	\$ 75,057	\$ -	\$ -	\$ -
Notes payable	27,634	-	-	-	-
Accounts payable	-	126,608	-	-	-
Lease liabilities	3,250	9,561	12,330	27,531	223,348
Other payables	-	203,533	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
June 30, 2019	months	months	and 2 years	and 5 years	years
	and 1 year	and 1 year			
Short-term borrowings	\$ 77,722	\$ -	\$ -	\$ -	\$ -
Notes payable	655	395	-	-	-
Accounts payable	-	113,518	-	-	-
Lease liabilities	3,303	9,220	11,804	30,189	226,667
Other payables	-	478,610	-	-	-

Derivative financial liabilities:

June 30, 2020: None.

Derivative financial liabilities:

December 31, 2019: None.

Derivative financial liabilities:

June 30, 2019: 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:

June 30, 2020

Assets: None.

Liabilities: None.

December 31, 2019

Assets:

<u>Recurring fair value measurement</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss-forward foreign exchange contracts	\$ -	\$ 94	\$ -	\$ 94

Liabilities: None.

June 30, 2019

Assets:

<u>Recurring fair value measurement</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss-forward foreign exchange contracts	\$ -	\$ 414	\$ -	\$ 414

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 six-month periods ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

(4) Others

Due to the impact of COVID-19, the Company's material subsidiary, Polystar Electronics Co., Ltd. which is located in Kunshan City, China, stopped the production lines for the period from late January 2020 to mid-February 2020 in line with the local regulations. However, the subsidiary resumed the production on February 17, 2020 after receiving the approval from the local government and gradually restored its production capacity and operation. Based on the Company's assessment on the operation and financial information of the Group, the COVID-19 pandemic has no material impact on the Group's ability to continue as a going concern, impairment on assets and financing risks.

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: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- 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 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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 six-month periods ended June 30,	
	2020	2019
Revenue from external customers	\$ 766,687	\$ 693,375
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 198,753	\$ 154,015
Segment assets	\$ 2,912,081	\$ 2,980,967

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

None.

Polytronics Technology Corp. and Subsidiary

Loans to others

For the six-month period ended June 30, 2020

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 six-month period ended June 30, 2020	Balance at June 30, 2020	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 (Note)	Ceiling on total loans granted (Note)
													Item	Value		
0	Polytronics Technology Corp.	Polystar Electronics Co., Ltd.	Other receivables - related party	Y	\$ 259,440	\$ 83,820	\$ -	4.35%	Reason for short-term financing	\$ -	Operational need	\$ -	\$ -	\$ -	\$ 397,697	\$ 795,394

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

Polytronics Technology Corp. and Subsidiary
Provision of endorsements and guarantees to others
For the six-month period ended June 30, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of June 30, 2020	Outstanding endorsement/ guarantee amount at June 30, 2020	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)	Provision of endorsements/ guarantees by parent company to subsidiary (Note)	Provision of endorsements /guarantees by subsidiary to parent company (Note)	Provision of endorsements/ guarantees to the party in Mainland China (Note)
		Company name	Relationship with the endorser/ guarantor										
0	Polytronics Technology Corp.	Polytronics (B.V.I.) Corporation	100%, owned subsidiary	\$ 1,988,486	\$ 110,500	\$ 109,260	\$ -	\$ -	5.49	\$ 2,982,729	Y	N	N
0	Polytronics Technology Corp.	Polystar Electronics Co., Ltd.	100%, owned subsidiary	1,988,486	207,940	175,245	44,445	-	8.81	2,982,729	Y	N	Y

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

Polytronics Technology Corp. and Subsidiary
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Polytronics Technology Corp.	Liffelfuse, Inc.	Director's parent company	Sales	(\$ 153,189)	26%	Net 90 days	Note	Note	\$ 122,252	44%	
Polytronics Technology Corp.	Polystar Electronics Co., Ltd.	Subsidiary	Sales	(113,024)	19%	Net 60 days	Note	Note	27,549	10%	

Note : With the general payment term.

Polytronics Technology Corp. and Subsidiary
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 June 30, 2020

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Polytronics Technology Corp.	Liffelfuse, Inc.	Director's parent company	\$ 122,252	2.68	\$ -	Not applicable	\$ 31,313	\$ -

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Polytronics Technology Corp. and Subsidiary
 Significant inter-company transactions during the reporting periods
 For the six-month period ended June 30, 2020

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Polytronics Technology Corp.	Polystar Electronics Co.,Ltd.	1	Sales	\$ 113,024	Net 60 days	15%
0	"	"	1	Purchases	27,218	Net 45 days	4%
0	"	"	1	Processing charges	37,350	"	5%
0	"	"	1	Accounts receivable	27,549	Net 60 days	1%
0	"	"	1	Accounts payable	78,723	Net 45 days	3%
2	Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics Inc.	3	Sales	2,427	Net 30 days	0%
2	"	"	3	Accounts receivable	580	"	0%
2	"	"	3	Accounts payable	43,882	"	2%
2	"	"	3	Other payable	43,886	"	2%

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 six 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 guarantees to others".

Polytronics Technology Corp. and Subsidiary
Information on investees
For the six-month period ended June 30, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2020			Net profit (loss) of the investee for the six-month period ended June 30, 2020	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2020	Footnote
				Balance as at June 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Polytronics Technology Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	\$ 255,004	\$ 211,431	2,644	100	\$ 796,134	\$ 27,897	\$ 27,897	Subsidiary
Polytronics Technolgy Corp.	TCLD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	9,000	-	200	100	8,971 (29) (29)	Subsidiary
Polytronics (B.V.I) Corporation	P-Circuit Corp.	America	Investment and general business operations	253,337	212,858	2	100	777,575	29,278	29,278	Subsidiary

Table 6

Polytronics Technology Corp. and Subsidiary
Information on investments in Mainland China
For the six-month period ended June 30, 2020

Table 7

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Net income of investee as of June 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2020 (Note 2)	Book value of investments in Mainland China as of June 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2020	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	Remitted back to Taiwan as of June 30, 2020							
Polystar Electronics Co., Ltd. (Note 1)	Production and sale of varistor and potentiometer	\$ 655,405	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 191,410	\$ -	\$ -	\$ 191,419	\$ 29,192	100	\$ 29,192	\$ 776,169	\$ -	
Polystar Senchip Microelectronics Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	146,598	Other ways to invest in Mainland China.	-	-	-	-	524	100	524	102,145	-	
Polystellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	54,451	Other ways to invest in Mainland China.	-	-	-	-	310	100	210	54,754	-	Note 5
			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										
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020												
Polytronics Technology Corp.	\$ 191,410	\$ 655,405	\$ 1,193,091										

Note 1: Including retained earnings capitalized of RMB\$89,286 and RMB\$16,964 (In thousands pf dollars).

Note 2: The financial statements that are unaudited 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 = 1:30 and RMB:TWD = 1:4.263 for recognised investment income (loss) and remaining using the exchangerates of USD:NTD=1:29.630 and RMB:TWD = 1:4.189.

Note 5: It was invested by Polystar Electronics Co., Ltd and the investment amount was RMB\$ 13,000(In thousands of dollars)

Polytronics Technology Corp. and Subsidiary

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

For the six-month period ended June 30, 2020

Table 8

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 June 30, 2020	%	Maximum balance during the six-month period ended June 30, 2020	Balance at June 30, 2020	Interest rate	Interest during the six- month period ended June 30, 2020	Balance at June 30, 2020	%
Polystar Electronics Co., Ltd.	\$ 113,024	14.74%	\$ 27,549	7.71%	\$ 259,440	\$ 83,820	4.35%	\$ -	\$ 37,350	28.30%
Polystar Electronics Co., Ltd. (27,218)	8.15%	(78,723)	61.26%	-	-	-	-	-	-

Table 8

Polytronics Technology Corp. and Subsidiary

Major shareholders information

June 30, 2020

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Everlight Chemical Industrial Corp.	8,000,000	9.99%
Littlefuse Europe GmbH	4,600,350	5.75%

Table 9