

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

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

**THREE MONTHS ENDED MARCH 31, 2021 AND
2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR21000017

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 of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim financial reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months 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.

Hsieh, Chih-Cheng

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
May 11, 2021

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 review of such consolidated 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 auditors 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, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed)

Assets	Notes	March 31, 2021		December 31, 2020		March 31, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,465,561	51	\$ 1,257,168	36	\$ 1,138,454	38
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	84	-	-	-
1136	Current financial assets at	8						
	amortised cost		22,466	-	92,456	3	3,235	-
1150	Notes receivable, net	6(3)	210,761	4	155,331	5	136,037	4
1170	Accounts receivable, net	6(3)	342,703	7	317,771	9	245,973	8
1180	Accounts receivable - related	6(3) and 7						
	parties, net		138,618	3	85,768	3	84,472	3
1200	Other receivables		19,198	-	8,206	-	7,364	-
130X	Inventories	6(4)	369,371	8	283,870	8	230,833	8
1410	Prepayments		105,781	2	130,449	4	49,928	2
1470	Other current assets		8,715	-	1,016	-	1,174	-
11XX	Total current assets		<u>3,683,174</u>	<u>75</u>	<u>2,332,119</u>	<u>68</u>	<u>1,897,470</u>	<u>63</u>
Non-current assets								
1535	Non-current financial assets at	8						
	amortised cost		6,881	-	6,881	-	6,881	-
1600	Property, plant and equipment	6(5) and 8	754,591	16	727,447	21	753,661	25
1755	Right-of-use assets	6(6)	210,614	4	213,582	6	221,739	7
1760	Investment property, net	6(8) and 8	110,897	2	111,535	3	113,451	4
1780	Intangible assets		2,704	-	3,406	-	2,037	-
1840	Deferred income tax assets		18,024	1	17,588	1	17,410	1
1900	Other non-current assets		94,777	2	36,448	1	11,848	-
15XX	Total non-current assets		<u>1,198,488</u>	<u>25</u>	<u>1,116,887</u>	<u>32</u>	<u>1,127,027</u>	<u>37</u>
1XXX	Total assets		<u>\$ 4,881,662</u>	<u>100</u>	<u>\$ 3,449,006</u>	<u>100</u>	<u>\$ 3,024,497</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed)

Liabilities and Equity	Notes	March 31, 2021		December 31, 2020		March 31, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 328,567	7	\$ 327,998	10	\$ 75,477	3
2110	Short-term notes and bills payable		-	-	70,000	2	-	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	-	-	54	-
2130	Current contract liabilities	6(18)	7,835	-	7,849	-	5,668	-
2150	Notes payable		56,445	1	32,591	1	31,528	1
2170	Accounts payable	6(10)	202,558	4	179,883	5	120,557	4
2200	Other payables	6(11)	633,544	13	257,050	8	502,061	17
2230	Current income tax liabilities		105,963	2	71,767	2	126,430	4
2280	Current lease liabilities		12,849	1	12,731	-	11,919	-
2300	Other current liabilities		2,648	-	2,530	-	1,948	-
21XX	Total current liabilities		<u>1,350,409</u>	<u>28</u>	<u>962,399</u>	<u>28</u>	<u>875,642</u>	<u>29</u>
Non-current liabilities								
2530	Bonds payable	6(12)	344,234	7	-	-	-	-
2580	Non-current lease liabilities		191,058	4	193,772	6	201,807	7
2600	Other non-current liabilities		42,896	1	42,949	1	39,629	1
25XX	Total non-current liabilities		<u>578,188</u>	<u>12</u>	<u>236,721</u>	<u>7</u>	<u>241,436</u>	<u>8</u>
2XXX	Total liabilities		<u>1,928,597</u>	<u>40</u>	<u>1,199,120</u>	<u>35</u>	<u>1,117,078</u>	<u>37</u>
Equity								
Equity attributable to owners of parent								
	Share capital	6(14)						
3110	Common stock		847,018	17	800,018	23	800,018	26
	Capital surplus	6(15)						
3200	Capital surplus		543,296	11	235,900	7	235,900	8
	Retained earnings	6(16)						
3310	Legal reserve		518,412	11	518,412	15	481,790	16
3320	Special reserve		79,893	2	79,893	2	50,367	2
3350	Unappropriated retained earnings		467,045	10	685,966	20	426,819	14
	Other equity interest	6(17)						
3400	Other equity interest		(71,038)	(2)	(70,303)	(2)	(87,475)	(3)
31XX	Equity attributable to owners of parent		<u>2,384,626</u>	<u>49</u>	<u>2,249,886</u>	<u>65</u>	<u>1,907,419</u>	<u>63</u>
36XX	Non-controlling interests		568,439	11	-	-	-	-
3XXX	Total equity		<u>2,953,065</u>	<u>60</u>	<u>2,249,886</u>	<u>65</u>	<u>1,907,419</u>	<u>63</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the reporting period	11						
3X2X	Total liabilities and equity		<u>\$ 4,881,662</u>	<u>100</u>	<u>\$ 3,449,006</u>	<u>100</u>	<u>\$ 3,024,497</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
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, but not audited)

				Three months ended March 31			
				2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(18) and 7	\$ 549,282	100	\$ 358,021	100	
5000	Operating costs	6(4)	(273,134)	(50)	(182,815)	(51)	
5950	Net operating margin		276,148	50	175,206	49	
	Operating expenses	6(23)(24)					
6100	Selling and marketing expenses		(29,480)	(5)	(22,404)	(7)	
6200	General and administrative expenses		(58,301)	(10)	(45,701)	(13)	
6300	Research and development expenses		(41,784)	(8)	(28,988)	(8)	
6450	Expected credit losses	12(2)	766	-	(411)	-	
6000	Total operating expenses		(128,799)	(23)	(97,504)	(28)	
6900	Operating profit		147,349	27	77,702	21	
	Non-operating income and expenses						
7100	Interest income	6(19)	2,439	-	1,579	-	
7010	Other income	6(20)	20,498	4	14,285	4	
7020	Other gains and losses	6(21)	(3,850)	(1)	(1,169)	-	
7050	Finance costs	6(22)	(2,739)	-	(1,304)	-	
7000	Total non-operating income and expenses		16,348	3	13,391	4	
7900	Profit before income tax		163,697	30	91,093	25	
7950	Income tax expense	6(25)	(39,002)	(7)	(18,077)	(5)	
8200	Profit for the period		<u>\$ 124,695</u>	<u>23</u>	<u>\$ 73,016</u>	<u>20</u>	
	Other comprehensive (loss) income						
	Components of other comprehensive income that may be subsequently reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(17)	(\$ 747)	-	(\$ 7,582)	(2)	
8360	Components of other comprehensive loss that may be subsequently reclassified to profit or loss		(747)	-	(7,582)	(2)	
8300	Other comprehensive loss for the period, net of income tax		(\$ 747)	-	(\$ 7,582)	(2)	
8500	Total comprehensive income for the period		<u>\$ 123,948</u>	<u>23</u>	<u>\$ 65,434</u>	<u>18</u>	
	Profit attributable to:						
8610	Owners of parent		\$ 141,062	26	\$ 73,016	20	
8620	Non-controlling interests		(16,367)	(3)	-	-	
	Total		<u>\$ 124,695</u>	<u>23</u>	<u>\$ 73,016</u>	<u>20</u>	
	Total comprehensive income attributable to:						
8710	Owners of parent		\$ 140,327	26	\$ 65,434	18	
8720	Non-controlling interests		(16,379)	(3)	-	-	
	Total		<u>\$ 123,948</u>	<u>23</u>	<u>\$ 65,434</u>	<u>18</u>	
9750	Basic earnings per share (in dollars)	6(26)	<u>\$ 1.70</u>		<u>\$ 0.91</u>		
9850	Diluted earnings per share (in dollars)	6(26)	<u>\$ 1.69</u>		<u>\$ 0.90</u>		

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

Notes	Equity attributable to owners of the parent												Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock transactions	Capital Reserves Capital Surplus, changes in ownership interests in subsidiaries	Employee stock options	Capital surplus, share options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total			
<u>Three months ended March 31, 2020</u>														
	\$ 800,018	\$ 203,343	\$ 14,924	\$ -	\$ 17,633	\$ -	\$ 481,790	\$ 50,367	\$ 673,810	(\$ 79,893)	\$ 2,161,992	\$ -	\$ 2,161,992	
	-	-	-	-	-	-	-	-	73,016	-	73,016	-	73,016	
6(17)	-	-	-	-	-	-	-	-	-	(7,582)	(7,582)	-	(7,582)	
	-	-	-	-	-	-	-	-	73,016	(7,582)	65,434	-	65,434	
6(16)	-	-	-	-	-	-	-	-	(320,007)	-	(320,007)	-	(320,007)	
	\$ 800,018	\$ 203,343	\$ 14,924	\$ -	\$ 17,633	\$ -	\$ 481,790	\$ 50,367	\$ 426,819	(\$ 87,475)	\$ 1,907,419	\$ -	\$ 1,907,419	
<u>Three months ended March 31, 2021</u>														
	\$ 800,018	\$ 203,343	\$ 14,924	\$ -	\$ 17,633	\$ -	\$ 518,412	\$ 79,893	\$ 685,966	(\$ 70,303)	\$ 2,249,886	\$ -	\$ 2,249,886	
	-	-	-	-	-	-	-	-	141,062	-	141,062	(16,367)	124,695	
6(17)	-	-	-	-	-	-	-	-	-	(735)	(735)	(12)	(747)	
	-	-	-	-	-	-	-	-	141,062	(735)	140,327	(16,379)	123,948	
6(16)	-	-	-	-	-	-	-	-	(359,983)	-	(359,983)	-	(359,983)	
	47,000	272,600	-	-	-	-	-	-	-	-	319,600	-	319,600	
	-	-	-	-	12,930	-	-	-	-	-	12,930	-	12,930	
	-	-	-	-	-	16,374	-	-	-	-	16,374	-	16,374	
	-	-	-	5,492	-	-	-	-	-	-	5,492	584,818	590,310	
	\$ 847,018	\$ 475,943	\$ 14,924	\$ 5,492	\$ 30,563	\$ 16,374	\$ 518,412	\$ 79,893	\$ 467,045	(\$ 71,038)	\$ 2,384,626	\$ 568,439	\$ 2,953,065	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 163,697	\$ 91,093
Adjustments			
Adjustments to reconcile profit / loss			
Net loss (profit) on financial assets / liabilities at fair value through profit or loss		84	148
Expected credit losses	12(2)	(766)	411
Depreciation	6(21)(23)	27,063	27,328
Amortisation	6(23)	740	558
Interest expense	6(22)	2,739	1,304
Interest income	6(19)	(2,439)	(1,579)
Employee compensation-shared-based payment		12,930	-
Loss on disposal of property, plant and equipment	6(21)	-	977
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(55,524)	(2,488)
Accounts receivable		(24,807)	36,130
Accounts receivable - related parties		(52,850)	21,691
Other receivables		(10,992)	3,376
Inventories		(85,501)	(11,133)
Prepayments		24,668	11,599
Other current assets		(7,700)	(596)
Changes in operating liabilities			
Current contract liabilities		(14)	2,503
Notes payable		23,854	3,894
Accounts payable		22,675	(6,051)
Other payables		(10,906)	(20,704)
Other current liabilities		118	95
Defined benefit liabilities		(53)	(20)
Cash inflow generated from operations		27,016	158,536
Interest received		2,439	1,579
Interest paid		(1,656)	(1,304)
Income tax paid		(5,242)	(4,414)
Net cash flows from operating activities		<u>22,557</u>	<u>154,397</u>

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 67)
Disposal of financial assets at amortised cost		69,990	-
Increase in other non-current assets		(57,128)	(1,933)
Acquisition of property, plant and equipment	6(27)	(23,688)	(4,716)
Proceeds from disposal of property, plant and equipment		466	-
Acquisition of intangible assets		(38)	(32)
Increase in refundable deposits		(1,200)	(1,060)
Net cash flows used in investing activities		(11,598)	(7,808)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	340,255	-
Repayment of short-term borrowings	6(28)	(339,385)	-
Short-term notes and bills payable	6(28)	(70,000)	-
Issuance of corporate bonds	6(28)	359,525	-
Repayment of lease liabilities	6(28)	(2,596)	(2,557)
Increase in deposits-in	6(28)	-	(476)
Capital increase by cash		319,600	-
Cash contributed by non-controlling interests in subsidiaries' capital increase		590,310	-
Net cash flows from (used in) financing activities		1,197,709	(3,033)
Effect of exchange rate		(275)	(3,016)
Net increase in cash and cash equivalents		1,208,393	140,540
Cash and cash equivalents at beginning of period		1,257,168	997,914
Cash and cash equivalents at end of period	6(1)	\$ 2,465,561	\$ 1,138,454

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, but not audited)

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, manufacture and sale of Polymeric Positive Temperature Coefficient, Overvoltage protection elements and their production related semi-finished goods, modules, heat conductive substrates, thermal modules, heat dispersing materials, and LED lightings and modules.

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

These consolidated financial statements were reported to the Board of Directors on May 11, 2021.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest rate benchmark reform – phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

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

(2) Effect of new, revised or amended 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 IASB
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 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	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 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial position 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, 2020, 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, 2020.

(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 recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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, 2020.

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B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Activities	Ownership (%)			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	100	
Polytronics Technology Corporation	TCLAD Technology Corporation	Manufacturing of the thermal conductive board	56.27	100	-	Note 1
TCLAD Technology Corporation	TCLAD Inc.	Manufacturing of the thermal conductive board	100	-	-	Note 2
Polytronics (B.V.I.) Corporation	P-Circuit Corporation	Investments and general business operations	-	-	100	Note 3
P-Circuit Corporation	Kunshan Polystar Electronics Co., Ltd	Production and sale of varistor and potentiometer	-	-	100	Note 3
Polytronics (B.V.I.) Corporation	Kunshan Polystar Electronics Co., Ltd	Production and sale of varistor and potentiometer	100	100	-	Note 3
Kunshan Polystar Electronics Co., Ltd	Polystar Senchip Microelectronics Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	100	Note 4

Name of Investor	Name of Subsidiaries	Activities	Ownership (%)			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Kunshan Polystar Electronics Co., Ltd	PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	100	

Note 1: It was established by the Company on May 4, 2020. Additionally, on March 1, 2021, the Company participated in the cash capital increase of TCLAD Technology Corporation. After completing the capital increase, the Company's shareholding interests of TCLAD Technology Corporation decreased from 100% to 56.27% because the Company did not acquire new shares proportionately to its shareholding interests.

Note 2: It was established by TCLAD Technology Corporation on May 29, 2020. Through March 31, 2021, the investment amount has not yet been made.

Note 3: To adjust the investment structure, the dissolution and liquidation of P-Circuit Corp. was resolved by the Board of Directors on August 13, 2019 and the liquidation was completed in July 2020.

Note 4: On December 25, 2020, the Board of Directors of Polytronics Technology Corp. resolved to liquidate and dissolve Polystar Senchip Microelectronics, Inc.. As of March 31, 2021, the liquidation and dissolution are still under processing.

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:

As of March 31, 2021, December 31, 2020 and March 31, 2020 the non-controlling interests amounted to \$568,439, \$0 and \$0, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		Amount	Ownership (%)	
TCLAD Technology Corporation	Taiwan	<u>\$ 568,439</u>	<u>43.73%</u>	

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries	
	March 31, 2021	
Current assets	\$	1,314,351
Non-current assets		24,292
Current liabilities	(	38,658)
Non-current liabilities		-
Total net assets	\$	<u>1,299,985</u>

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	March 1, 2021 to March 31, 2021	
Revenue	\$	-
Profit before income tax	(	38,110)
Income tax expense		-
Profit for the period	(	38,110)
Other comprehensive income, net of income tax		-
Total comprehensive income	(\$)	<u>38,110</u>
Total comprehensive income attributable to non-controlling interests	(\$)	<u>16,379</u>
Dividends paid to non-controlling interests	\$	-

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	<u>March 1, 2021 to March 31, 2021</u>	
Net cash used in operating activities	(\$	104,644)
Net cash used in investing activities	(	31)
Net cash provided by financing activities		1,341,000
Effect of exchange rates		-
Increase in cash and cash equivalents		1,236,325
Cash and cash equivalents, beginning of period		10,503
Cash and cash equivalents, end of period	\$	<u>1,246,828</u>

(4) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in "Capital surplus—share options" at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable or and "Financial assets or financial liabilities at fair value through profit or loss") shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and "Capital surplus—share options".

(5) 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.

(6) 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 for the three months ended March 31, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand and revolving funds	\$ 82	\$ 99	\$ 176
Checking accounts and demand deposits	1,566,166	376,478	300,200
Time deposits	899,313	880,591	788,078
Cash equivalents-short-term notes	-	-	50,000
Total	<u>\$ 2,465,561</u>	<u>\$ 1,257,168</u>	<u>\$ 1,138,454</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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current items:			
Financial assets (liabilities) mandatorily measured at fair value through profit or loss			
Derivative instruments-forward foreign exchange contracts	\$ -	\$ -	\$ -
Valuation adjustment	-	84	(54)
Total	<u>\$ -</u>	<u>\$ 84</u>	<u>(\$ 54)</u>

- A. The Group recognised net profit (loss) of \$339 and (\$935) on financial assets (liabilities) held for trading for the three months ended March 31, 2021 and 2020, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:
 March 31, 2021: None.

Derivative financial instruments		December 31, 2020	
		Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD	1,765 thousand	2020/12/11~2021/02/05

Derivative financial instruments		March 31, 2020	
		Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD	800 thousand	2020/03/16~2020/04/30

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

(3) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 210,761	\$ 155,331	\$ 136,037
Accounts receivable	\$ 362,812	\$ 338,654	\$ 247,803
Accounts receivable-related parties	138,618	85,768	84,472
Less: Loss allowance	(20,109)	(20,883)	(1,830)
	<u>\$ 481,321</u>	<u>\$ 403,539</u>	<u>\$ 330,445</u>

A. The ageing analysis of accounts receivable and notes receivable is as follows:

	March 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 429,175	\$ 210,761	\$ 383,607	\$ 155,331
Up to 30 days	50,712	-	19,041	-
31 to 90 days	4,516	-	1,730	-
91 to 180 days	95	-	4,766	-
Over 180 days	16,932	-	15,278	-
	<u>\$ 501,430</u>	<u>\$ 210,761</u>	<u>\$ 424,422</u>	<u>\$ 155,331</u>

	<u>March 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 254,621	\$ 136,037
Up to 30 days	49,653	-
31 to 90 days	26,035	-
91 to 180 days	168	-
Over 180 days	1,798	-
	<u>\$ 332,275</u>	<u>\$ 136,037</u>

The above ageing analysis was based on past due date.

- B. As of March 31, 2021, December 31, 2020 and March 31, 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$525,927.
- C. As at March 31, 2021, December 31, 2020 and March 31, 2020, without taking into account any collaterals held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$201,761, \$155,331 and \$136,037, respectively, and accounts receivable were \$481,321, \$403,539 and \$330,445, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Raw materials	\$ 111,711	\$ 93,144	\$ 84,943
Work-in-progress	126,999	100,835	75,590
Finished goods	130,661	89,891	70,300
Total	<u>\$ 369,371</u>	<u>\$ 283,870</u>	<u>\$ 230,833</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 273,134	\$ 177,815
Loss on decline in market value	-	5,000
	<u>\$ 273,134</u>	<u>\$ 182,815</u>

(5) Property, plant and equipment

	2021								
	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1									
Cost	\$ 797,686	\$ 566,379	\$ 9,614	\$ 11,115	\$ 16,368	\$ 19,926	\$ 170,948	\$ 3,483	\$ 1,595,519
Accumulated depreciation and impairment	(307,874)	(390,733)	(7,108)	(6,853)	(8,410)	(17,630)	(129,464)	-	(868,072)
	<u>\$ 489,812</u>	<u>\$ 175,646</u>	<u>\$ 2,506</u>	<u>\$ 4,262</u>	<u>\$ 7,958</u>	<u>\$ 2,296</u>	<u>\$ 41,484</u>	<u>\$ 3,483</u>	<u>\$ 727,447</u>
Opening net book amount	\$ 489,812	\$ 175,646	\$ 2,506	\$ 4,262	\$ 7,958	\$ 2,296	\$ 41,484	\$ 3,483	\$ 727,447
Additions	3,631	6,660	37	-	195	-	5,610	34,972	51,105
Disposals	-	(460)	(5)	-	-	-	(1)	-	(466)
Reclassifications	-	-	-	-	-	-	516	-	516
Depreciation	(8,535)	(8,072)	(53)	(278)	(689)	(147)	(5,688)	-	(23,462)
Net exchange differences	(82)	(80)	(181)	-	(4)	-	(4)	(198)	(549)
Closing net book amount	<u>\$ 484,826</u>	<u>\$ 173,694</u>	<u>\$ 2,304</u>	<u>\$ 3,984</u>	<u>\$ 7,460</u>	<u>\$ 2,149</u>	<u>\$ 41,917</u>	<u>\$ 38,257</u>	<u>\$ 754,591</u>
At March 31									
Cost	\$ 801,152	\$ 568,498	\$ 9,598	\$ 11,112	\$ 16,563	\$ 19,926	\$ 176,504	\$ 38,257	\$ 1,641,610
Accumulated depreciation and impairment	(316,326)	(394,804)	(7,294)	(7,128)	(9,103)	(17,777)	(134,587)	-	(887,019)
	<u>\$ 484,826</u>	<u>\$ 173,694</u>	<u>\$ 2,304</u>	<u>\$ 3,984</u>	<u>\$ 7,460</u>	<u>\$ 2,149</u>	<u>\$ 41,917</u>	<u>\$ 38,257</u>	<u>\$ 754,591</u>

2020

	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Total
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	-	1,232	28	-	1,388	-	2,568	5,216
Disposals	-	(977)	-	-	-	-	-	(977)
Depreciation	(8,446)	(8,394)	(210)	(348)	(318)	(147)	(5,871)	(23,734)
Net exchange differences	(1,524)	(1,389)	(17)	(16)	-	-	(96)	(3,042)
Closing net book amount	<u>\$ 509,303</u>	<u>\$ 178,394</u>	<u>\$ 1,688</u>	<u>\$ 5,180</u>	<u>\$ 3,639</u>	<u>\$ 2,738</u>	<u>\$ 52,719</u>	<u>\$ 753,661</u>
At March 31								
Cost	\$ 789,591	\$ 549,225	\$ 8,057	\$ 11,023	\$ 11,398	\$ 19,926	\$ 173,098	\$ 1,562,318
Accumulated depreciation and impairment	(280,288)	(370,831)	(6,369)	(5,843)	(7,759)	(17,188)	(120,379)	(808,657)
	<u>\$ 509,303</u>	<u>\$ 178,394</u>	<u>\$ 1,688</u>	<u>\$ 5,180</u>	<u>\$ 3,639</u>	<u>\$ 2,738</u>	<u>\$ 52,719</u>	<u>\$ 753,661</u>

1. For the three months ended March 31, 2021 and 2020, there was no capitalisation of borrowing costs attributable to property, plant and equipment.
2. Information about property, plant and equipment that were pledged to others as collateral 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. Lease agreements 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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 198,080	\$ 199,434	\$ 203,262
Buildings	10,812	11,987	15,514
Transportation equipment	1,722	2,161	2,963
	<u>\$ 210,614</u>	<u>\$ 213,582</u>	<u>\$ 221,739</u>

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,347	\$ 1,346
Buildings	1,176	1,176
Transportation equipment	440	434
	<u>\$ 2,963</u>	<u>\$ 2,956</u>

- C. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets amounted to \$0 and \$1,275, respectively.
- D. The information on income and expense accounts relating to lease agreements is as follows:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 720</u>	<u>\$ 753</u>

- E. For the three months ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$3,316 and \$3,310, 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 buildings to others. Lease agreements 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 months ended March 31, 2021 and 2020, the Group recognised rental income in the amounts of \$16,174 and \$12,071, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments collectible under the operating leases is as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
2020	\$ -	\$ -	\$ 29,775
2021	44,489	44,489	32,604
2022	32,604	32,604	32,604
2023	31,930	31,930	31,930
2024	13,681	13,681	13,681
Total	<u>\$ 122,704</u>	<u>\$ 122,704</u>	<u>\$ 140,594</u>

(8) Investment property

	<u>2021</u>	<u>2020</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(18,703)	(16,149)
	<u>\$ 111,535</u>	<u>\$ 114,089</u>
Opening net book amount	\$ 111,535	\$ 114,089
Depreciation	(638)	(638)
Closing net book amount	<u>\$ 110,897</u>	<u>\$ 113,451</u>
At March 31		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(19,341)	(16,787)
	<u>\$ 110,897</u>	<u>\$ 113,451</u>

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

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 16,174	\$ 12,071
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 638	\$ 638

B. The fair value of investment property held by the Group as of March 31, 2021, December 31, 2020 and March 31, 2020 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 capitalised as part of investment property.

D. Information about the investment property that were pledged to others as collateral is provided in Note 8.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 128,567	0.925%	None
Secured borrowings	<u>200,000</u>	0.825%	Buildings
	<u>\$ 328,567</u>		
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 127,998	0.899%	None
Secured borrowings	<u>200,000</u>	0.825%	Buildings
	<u>\$ 327,998</u>		
<u>Type of borrowings</u>	<u>March 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 75,477</u>	2.71%	None

Interest expense recognised in profit or loss amounted to \$790 and \$539 for the three months ended March 31, 2021 and 2020, respectively.

(10) Accounts payable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts payable	\$ 176,714	\$ 168,943	\$ 106,780
Estimated accounts payable	<u>25,844</u>	<u>10,940</u>	<u>13,777</u>
	<u>\$ 202,558</u>	<u>\$ 179,883</u>	<u>\$ 120,557</u>

(11) Other payables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Wages and salaries payable	\$ 52,706	\$ 82,208	\$ 48,080
Employee bonus and directors' remuneration payable	73,131	54,087	59,548
Payables on machinery and equipment	45,490	18,073	8,629
Dividends payable	359,983	-	320,007
Others	102,234	102,682	65,797
	<u>\$ 633,544</u>	<u>\$ 257,050</u>	<u>\$ 502,061</u>

(12) Bonds payable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Bonds payable			
The Company's first unsecured convertible bonds	\$ 360,000	\$ -	\$ -
	360,000	-	-
Less: Conversion option amount exercised	-	-	-
Less: Discount on bonds payable	(15,766)	-	-
	344,234	-	-
Less: Current portion	-	-	-
	<u>\$ 344,234</u>	<u>\$ -</u>	<u>\$ -</u>

A. On November 11, 2020, the Company's Board of Directors resolved to issue the first domestic unsecured convertible bonds. The issuance has been approved by the FSC and was issued on January 18, 2021, the terms of the issuance were as following:

- (a) Total issuance amount: \$360 million.
- (b) The issuance price: The face value was \$100,000 (in dollars) and was issued at 101% of face value.
- (c) Issuance duration: 3 years (from January 18, 2021 to January 18, 2024).
- (d) Coupon rate of bonds: 0%.
- (e) Payback date and method: Except for converting into common shares during conversion period or repurchased and retired by the Company in advance, the bonds will be repaid at once in cash at face value on maturity date.
- (f) Conversion period: From three months after the issuance date (April 19, 2021) and ending on the maturity date (January 18, 2024), the creditor may request conversion at any time, except during the legal suspension of the transfer period.
- (g) Conversion price and adjustment: The conversion price was \$107 (in dollars) per share at issuance. However, if the ex-rights and ex-dividends occur after the issuance, the applicable

conversion price was subject to adjustments based on the conversion price adjustment formula.

- (h) The rights and obligations of the new shares after conversion are the same as those of the Company's ordinary shares.
- (i) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (j) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$16,374 were separated from the liability component and were recognised in “Capital surplus—share options” in accordance with IAS 32. The effective interest rates of the bonds payable after such separation ranged 1.5989%.

(13) Pensions

- A. (a) The Company has 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 Labor Standards 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 contributes monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company 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 will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$366 and \$392 for the three months ended March 31, 2021 and 2020, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$2,864.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes 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 subsidiary, Polystar Electronics Co., Ltd., has 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) is based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2021 and 2020, were \$4,226 and \$2,741, respectively.

(14) Share capital

As of March 31, 2021, the Company’s authorised capital was \$1,000,000, consisting of 100 million shares of ordinary share (including 5 million shares reserved for employee stock options), and the paid-in capital was \$847,018 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):

	2021	2020
At January 1	80,002	80,002
Cash capital increase	4,700	-
At March 31	<u>84,702</u>	<u>80,002</u>

(15) 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 capitalised 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.

(16) 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, except as legal reserve reaches amount equal to the paid-in capital, 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, and unappropriated retained earnings from prior years, shall be proposed by the Board of Directors and resolved by the stockholders’ meeting.

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 interest and stabilising 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 based on debit balances of other equity items at the balance sheet date before distributing earnings. When debit balances of 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 2020 earnings proposed by the Board of Directors on March 10, 2021, and the appropriations of 2019 earnings had been resolved at shareholders' meeting on June 24, 2020 are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 39,831		\$ 36,622	
Special reserve	(9,589)		29,526	
Cash dividends	359,983	\$ 4.25	320,007	\$ 4.00
Total	\$ 390,225		\$ 386,155	

The distribution of 2020 earnings, except cash dividends were resolved by the Board of Directors on March 10, 2021, others were pending for approval by the shareholders' meeting.

(17) Other equity items

	Financial statements translation difference of foreign operations	
At January 1, 2021	(\$	70,303)
Currency translation differences	(	735)
At March 31, 2021	(\$	71,038)
	Financial statements translation difference of foreign operations	
At January 1, 2020	(\$	79,893)
Currency translation differences	(	7,582)
At March 31, 2020	(\$	87,475)

(18) Operating revenue

	Three months ended March 31,	
	2021	2020
Sales revenue	\$ 549,282	\$ 358,021

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:

Three months ended March 31, 2021	China	Taiwan	USA	Others	Total
Sales revenue	\$ 329,683	\$ 81,772	\$ 105,956	\$ 31,871	\$ 549,282
Timing of revenue recognition					
At a point in time	\$ 329,683	\$ 81,772	\$ 105,956	\$ 31,871	\$ 549,282
Three months ended March 31, 2020	China	Taiwan	USA	Others	Total
Sales revenue	\$ 192,938	\$ 77,996	\$ 61,296	\$ 25,791	\$ 358,021
Timing of revenue recognition					
At a point in time	\$ 192,938	\$ 77,996	\$ 61,296	\$ 25,791	\$ 358,021

B. Contract assets and liabilities

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

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Contract liabilities:				
Contract liabilities –				
Advance sales receipts	\$ 7,835	\$ 7,849	\$ 5,668	\$ 3,165

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

	Three months ended March 31,	
	2021	2020
Revenue recognized that was included in the contract liabilities balance at the beginning of the period	\$ 7,619	\$ 2,641

(19) Interest income

	Three months ended March 31,	
	2021	2020
Interest income from bank deposits	\$ 2,430	\$ 1,505
Interest income from financial assets measured at amortised cost	9	74
	\$ 2,439	\$ 1,579

(20) Other income

	Three months ended March 31,	
	2021	2020
Rental income	\$ 16,174	\$ 12,071
Other income, others	4,324	2,214
	\$ 20,498	\$ 14,285

(21) Other gains and losses

	Three months ended March 31,	
	2021	2020
Losses on disposals of property, plant and equipment	\$ -	(\$ 977)
Foreign exchange (losses) gains	(2,475)	1,854
Gains (losses) on financial assets at fair value through profit or loss	339	(935)
Depreciation-investment property	(638)	(638)
Other losses	(1,076)	(473)
	(\$ 3,850)	(\$ 1,169)

(22) Finance costs

	Three months ended March 31,	
	2021	2020
Interest expense	\$ 2,739	\$ 1,304

(23) Expenses by nature

	Three months ended March 31,	
	2021	2020
Employee benefit expenses	\$ 110,907	\$ 82,526
Depreciation on property, plant and equipment (Note)	27,063	27,328
Amortisation on intangible assets	740	558

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

(24) Employee benefit expenses

	Three months ended March 31,	
	2021	2020
Wages and salaries	\$ 92,138	\$ 68,597
Share-based payment	12,930	-
Labor and health insurance fees	4,536	3,815
Pension costs	4,592	3,133
Other personnel expenses	9,641	6,981
	<u>\$ 123,837</u>	<u>\$ 82,526</u>

- A. In accordance with Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on a ratio of distributable profit of the current year, after covering accumulated losses. 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 months ended March 31, 2021 and 2020, employees' compensation was accrued at \$16,505 and \$8,544, respectively; while directors' remuneration was accrued at \$2,539 and \$1,314, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated based on distributable profit of current period, the estimated ratios are 8.61% and 1.32%, respectively. Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 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".

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 39,438	\$ 14,438
Prior year income tax overestimation	-	-
Total current tax	<u>39,438</u>	<u>14,438</u>
Deferred tax:		
Origination and reversal of temporary differences	(436)	3,639
Total deferred tax	<u>(436)</u>	<u>3,639</u>
Income tax expense	<u>\$ 39,002</u>	<u>\$ 18,077</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.

(26) Earnings per share

	Three months ended March 31, 2021		
	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	\$ 141,062	83,031	<u>\$ 1.70</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	443	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 141,062</u>	<u>83,474</u>	<u>\$ 1.69</u>

Three months ended March 31, 2020

	Weighted average number of		Earnings per share
	Amount after tax	ordinary shares outstanding (shares in thousands)		(in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 73,016	80,002	\$ <u>0.91</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,040	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>73,016</u>	<u>81,042</u>	\$ <u>0.90</u>

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three months ended March 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 51,105	\$ 5,216
Net change of payable on machinery and equipment	(27,417)	(500)
Cash paid during the period	\$ <u>23,688</u>	\$ <u>4,716</u>

B. Financing activities with no cash flow effects:

	Three months ended March 31,	
	2021	2020
Dividends payable	\$ <u>359,983</u>	\$ <u>320,007</u>

(28) Changes in liabilities from financing activities

	2021						
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Deposits-in	Dividends payable	Total liabilities from financing activities
At January 1	\$ 327,998	\$ 70,000	\$ 206,503	\$ -	\$ 10,700	\$ -	\$ 615,201
Changes in cash flow from financing activities	870	(70,000)	(2,596)	359,525	-	-	287,799
Interest expense	-	-	720	1,083	-	-	1,803
Interest paid	-	-	(720)	-	-	-	(720)
Declaration of the cash dividends	-	-	-	-	-	359,983	359,983
Corporate bond issuance	-	-	-	(16,374)	-	-	(16,374)
Impact of changes in foreign exchange rate	(301)	-	-	-	-	-	(301)
At March 31	\$ <u>328,567</u>	\$ -	\$ <u>203,907</u>	\$ <u>344,234</u>	\$ <u>10,700</u>	\$ <u>359,983</u>	\$ <u>1,247,391</u>

	2020				
	Short-term borrowings	Lease liabilities	Deposits-in	Dividends payable	Total liabilities from financing activities
At January 1	\$ 75,057	\$ 215,008	\$ 10,648	\$ -	\$ 300,713
Changes in cash flow from financing activities	-	(2,557)	(476)	-	(3,033)
Interest expense	-	753	-	-	753
Interest paid	-	(753)	-	-	(753)
Increase in lease liabilities	-	1,275	-	-	1,275
Declaration of the cash dividends	-	-	-	320,007	320,007
Impact of changes in foreign exchange rate	420	-	-	-	420
At March 31	<u>\$ 75,477</u>	<u>\$ 213,726</u>	<u>\$ 10,172</u>	<u>\$ 320,007</u>	<u>\$ 619,382</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended March 31,	
	2021	2020
Sales of goods:		
Other related parties	\$ <u>105,499</u>	\$ <u>60,780</u>

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

B. Accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable			
Other related parties	\$ <u>138,618</u>	\$ <u>85,768</u>	\$ <u>84,472</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.

(3) Key management personnel compensation

	Three months ended March 31,	
	2021	2020
Short-term employee benefits	\$ 15,475	\$ 12,028
Post-employment benefits	349	335
Total	<u>\$ 15,824</u>	<u>\$ 12,363</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2021	December 31, 2020	March 31, 2020	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 22,466	\$ 92,456	\$ 3,235	Guarantee for duty paid after customs release and performance bond guarantee and subsidiary endorsement guarantee
Time deposit (shown as "Non-current financial assets at amortised cost")	6,881	6,881	6,881	Guarantee for land lease in science park
Building construction and investment real estate	195,753	196,878	200,253	Guarantee for short-term borrowing credit line

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

In April 2020, the Company received a service of process and related documents with respect to a civil complaint filed by Ventec Central Europe GmbH ("Ventec") with a German Court. According to the complaint, Ventec alleged that the Company was involved in the misappropriation of its trade secret for HiPot Test. It was noted- that the specific testing process and detailed steps of the HiPot Test had been disclosed as early as 2009 by IPC, an international industrial organisation, in its Test Methods Manual, which has become the standard of the relevant industries. Since it has been disclosed and publicly known, such Test does not qualify as an object to be protected as a trade secret as alleged by Ventec. Moreover, other than the opinion provided by an employee of Ventec's affiliate, there is no independent opinion of any outside expert or any assessment report included in the complaint. Per the Company's assessment, such a unilateral allegation is clearly baseless. The Company had retained a German law firm to represent and defend the Company's interests, currently still under trial in the German court. Management believes that this lawsuit will have no material impact on the financial position and operations of the Company.

(2) Commitments

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Property, plant and equipment	<u>\$ 115,292</u>	<u>\$ 64,551</u>	<u>\$ 11,391</u>

B. 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 planned 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\$2 million, and would pay US\$18 million at settlement, and then 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 (“CFIUS”). The above purchase agreement of the acquisition was signed by both parties on July 8, 2020. The acquisition was approved by the CFIUS on February 12, 2021 and settled on May 1, 2021.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</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	\$ -	\$ 84	\$ -
Financial assets at amortised cost			
Cash and cash equivalents	\$ 2,465,561	\$ 1,257,168	\$ 1,138,454
Financial assets at amortised cost			
Notes receivable	29,347	99,337	10,116
Accounts receivable (including related parties)	210,761	155,331	136,037
Other receivables	481,321	403,539	330,445
Refundable deposits	19,198	8,206	7,364
	4,649	3,449	4,089
	<u>\$ 3,210,837</u>	<u>\$ 1,927,030</u>	<u>\$ 1,626,505</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	\$ -	\$ -	\$ 54
Financial liabilities at amortised cost			
Short-term borrowings	\$ 328,567	\$ 327,998	\$ 75,477
Short-term notes and bills payable	-	70,000	-
Notes payable	56,445	32,591	31,528
Accounts payable	202,558	179,883	120,557
Bond payable (including current portion)	344,234	-	-
Other payables	633,544	257,050	502,061
Deposits-in	10,700	10,700	10,172
	<u>\$ 1,576,048</u>	<u>\$ 878,222</u>	<u>\$ 739,795</u>
Lease liabilities	<u>\$ 203,907</u>	<u>\$ 206,503</u>	<u>\$ 213,726</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 cooperation 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 using various functional currencies, 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 policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Foreign exchange forward contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange risk by using foreign exchange forward 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:

March 31, 2021				
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	10,275	28.535	\$ 293,205
USD:RMB	USD	1,462	6.5566	41,643
RMB:NTD	RMB	1,322	4.344	5,745
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	410	28.535	\$ 11,716
JPY:NTD	JPY	38,090	0.2577	9,816
<u>Non-monetary items:</u> None.				
December 31, 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	9,624	28.48	\$ 274,103
USD:RMB	USD	531	6.5398	15,185
RMB:NTD	RMB	152	4.377	664
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	267	28.48	\$ 7,616
JPY:NTD	JPY	10,175	0.2763	2,811
<u>Non-monetary items:</u> None.				

March 31, 2020

Foreign currency		
amount (in thousands)	Exchange rate	Book value (NTD)

(Foreign currency: functional currency)

Financial assets

Monetary items

USD:NTD	USD	9,126	30.225	\$ 275,842
USD:RMB	USD	1,322	7.0931	39,910
HKD:RMB	HKD	540	0.9149	2,103
RMB:NTD	RMB	126	4.255	535

Non-monetary items: None.

Financial liabilities

Monetary items

USD:NTD	USD	114	30.225	\$ 3,453
JPY:NTD	JPY	6,700	0.2788	1,868
USD:RMB	USD	123	7.0931	3,722

Non-monetary items: None.

- v. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variations on the monetary items held by the Group for the three months ended March 31, 2021 and 2020, amounted to (\$2,475) and \$1,854, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Three months ended March 31, 2021		
Sensitivity analysis		
Degree of variation	Effect on profit (loss)	Effect on other comprehensive income

(Foreign currency: functional currency)

Financial assets

Monetary items

USD:NTD	1%	\$ 2,932	\$ -
USD:RMB	1%	416	-
RMB:NTD	1%	57	-

Non-monetary items: None.

Three months ended March 31, 2021			
Sensitivity analysis			
Degree of variation		Effect on profit (loss)	Effect on other comprehensive income
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 102)	\$ -
JPY:NTD	1%	(98)	-
<u>Non-monetary items:</u> None.			

Three months ended March 31, 2020			
Sensitivity analysis			
Degree of variation		Effect on profit (loss)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,758	\$ -
USD:RMB	1%	399	-
HKD:RMB	1%	21	-
RMB:NTD	1%	5	-
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 35)	\$ -
JPY:NTD	1%	(19)	-
USD:RMB	1%	(37)	-
<u>Non-monetary items:</u> None.			

(Foreign currency: functional currency)

Financial assets

Monetary items

USD:NTD	1%	\$ 2,758	\$ -
USD:RMB	1%	399	-
HKD:RMB	1%	21	-
RMB:NTD	1%	5	-

Non-monetary items: None.

Financial liabilities

Monetary items

USD:NTD	1%	(\$ 35)	\$ -
JPY:NTD	1%	(19)	-
USD:RMB	1%	(37)	-

Non-monetary items: None.

Price risk

The Group's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, and 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 credit 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 assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption 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 into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (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 March 31, 2021, December 31, 2020 and March 31, 2020, 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	Over 181 days	Total
<u>At March 31, 2021</u>						
Expected loss rate	0.01%	0.37%~0.87%	2.64%~19.53%	15.6%~22.73%	70.85%~100%	
Total book value	\$ 429,175	\$ 50,712	\$ 4,516	\$ 95	\$ 16,932	\$ 501,430
Loss allowance	\$ -	\$ 1,006	\$ 2,152	\$ 19	\$ 16,932	\$ 20,109
	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days	Total
<u>At December 31, 2020</u>						
Expected loss rate	0.01%	0.38%~0.89%	2.72%~20.14%	16.00%~23.43%	64.80%~100%	
Total book value	\$ 383,607	\$ 19,041	\$ 1,730	\$ 4,766	\$ 15,278	\$ 424,422
Loss allowance	\$ -	\$ -	\$ 28	\$ 5,584	\$ 15,271	\$ 20,883
	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days	Total
<u>At March 31, 2020</u>						
Expected loss rate	0.01%	0.02%~0.64%	0.1%~5.74%	0.21%~13.05%	45.57%~58.30%	
Total book value	\$ 254,621	\$ 49,653	\$ 26,035	\$ 168	\$ 1,798	\$ 332,275
Loss allowance	\$ -	\$ -	\$ 63	\$ 32	\$ 1,735	\$ 1,830

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

	2021	
	Accounts receivable	Notes receivable
At January 1	\$ 20,883	\$ -
Reversal of impairment loss	(766)	-
Effect of foreign exchange	(8)	-
At March 31	<u>\$ 20,109</u>	<u>\$ -</u>
	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 1,428	\$ -
Provision for impairment	411	-
Effect of foreign exchange	(9)	-
At March 31	<u>\$ 1,830</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 borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with

internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Floating rate:			
Expiring within one year	\$ 1,390,745	\$ 1,390,628	\$ 1,795,137

The facilities expiring within one year are annual facilities subject to review and renegotiation at various dates during 2021.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-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
March 31, 2021	<u>months</u>	<u>months</u>	<u>and 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>
	months	and 1 year	and 2 years	and 5 years	years
Short-term borrowings	\$ 328,567	\$ -	\$ -	\$ -	\$ -
Notes payable	56,445	-	-	-	-
Accounts payable	163,466	39,092	-	-	-
Lease liabilities	3,328	9,499	11,565	21,770	215,051
Other payables	359,983	273,561	-	-	-
Bonds payable	-	-	-	360,000	-
Deposits-in	-	10,700	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
December 31, 2020	<u>months</u>	<u>months</u>	<u>and 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>
	months	and 1 year	and 2 years	and 5 years	years
Short-term borrowings	\$ 256,960	\$ 71,038	\$ -	\$ -	\$ -
Short-term notes and bills payable	70,000	-	-	-	-
Notes payable	113	-	-	-	-
Accounts payable	-	179,883	-	-	-
Lease liabilities	3,328	9,706	12,171	22,625	216,711
Other payables	-	257,050	-	-	-
Deposits-in	-	10,700	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
March 31, 2020	months	months	and 2 years	and 5 years	years
	<u>months</u>	<u>and 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>years</u>
Short-term borrowings	\$ -	\$ 75,477	\$ -	\$ -	\$ -
Notes payable	31,528	-	-	-	-
Accounts payable	-	120,557	-	-	-
Lease liabilities	3,340	9,807	12,557	26,607	221,689
Other payables	320,007	182,054	-	-	-
Deposits-in	-	10,172	-	-	-

Derivative financial liabilities:

March 31, 2021: None.

December 31, 2020: None.

	Less than 3	Between 3	Between 1	Between 2	Over 5
March 31, 2020	months	months	and 2 years	and 5 years	years
	<u>months</u>	<u>and 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>years</u>
Foreign exchange contracts	\$ 54	\$ -	\$ -	\$ -	\$ -

(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. Financial instruments not measured at fair value

- (a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	March 31, 2021			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 344,234	\$ -	\$ 347,040	\$ -

December 31, 2020: None.

March 31, 2020: None.

- (b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: The fair value of the convertible bonds which were issued by the Group was estimated using binomial-Tree approach.

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

March 31, 2021: None.

December 31, 2020

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-foreign exchange forward contracts	\$ -	\$ 84	\$ -	\$ 84

Liabilities: None.

March 31, 2020

Assets: None

Liabilities:

<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-foreign exchange forward contracts	\$ -	\$ 54	\$ -	\$ 54

- D. 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. Foreign exchange forward contracts are usually valued based on the current forward exchange rate.

(b) Under the “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 assumptions and information on 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.

E. For the three months ended March 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

(4) Others

Due to the impact of COVID-19, the Company's significant subsidiary, Polystar Electronics Co., Ltd. which is located in Kunshan City, China, suspended its production lines for the period from late January 2020 to mid-February 2020 in line with the local governmental regulations. However, the subsidiary resumed its production on February 17, 2020 after receiving the approval from the local government and gradually restored its production capacity and operations. Based on the Company's assessment on the operations 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 period: Please refer to Notes 6(2) and 12.
- J. Significant inter-company transactions during the reporting period: 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 only one reportable segment.

(2) Segment information

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

(3) Information about segment profit or loss, assets and liabilities

	Three months ended March 31,	
	2021	2020
Revenue from external customers	\$ 549,282	\$ 358,021
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 163,697	\$ 91,093
Segment assets	\$ 4,881,662	\$ 3,024,497

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

None.

Polytronics Technology Corp. and Subsidiaries

Loans to others
Three months ended March 31, 2021

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 year ended		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)
					March 31, 2021	Balance at March 31, 2021							Item	Value		
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd	Other receivables - related party	Y	\$ 87,680	\$ 86,880	-	4.350%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 476,925	\$ 953,850
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	114,140	114,140	-	0.825%	Reason for short-term financing	-	Operational need	-	-	-	476,925	953,850
0	Polytronics Technology Corp.	TCLAD Inc.	Other receivables - related party	Y	14,268	14,268	-	0.825%	Reason for short-term financing	-	Operational need	-	-	-	476,925	953,850
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	428,025	428,025	28,535	2.62%	Reason for short-term financing	-	Operational need	-	-	-	953,850	953,850

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

Polytronics Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
The months ended March 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2021	Outstanding endorsement/ guarantee amount at March 31, 2021	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)
0	Polytronics Technology Corp.	Polytronics (B.V.I.) Corporation	100%, owned subsidiary	\$ 2,384,626	\$ 107,070	\$ 107,070	\$ -	\$ -	4.49	\$ 3,576,939	Y	N	N
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd	100%, owned subsidiary	2,384,626	114,778	114,778	71,338	-	4.81	3,576,939	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests indirectly owned by the Company	2,384,626	784,840	784,840	-	-	32.91	3,576,939	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company	2,384,626	14,268	14,268	14,268	-	0.60	3,576,939	Y	N	N

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

Polytronics Technology Corp. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Three months ended March 31, 2021

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	(\$ 105,499)	19%	Net 90 days	Note	Note	\$ 138,618	29%	
Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd	Subsidiary	Sales	(125,395)	23%	Net 60 days	Note	Note	98,988	21%	

Note : With the general payment term.

Polytronics Technology Corp. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 March 31, 2021

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Polytronics Technology Corp.	Liffefuse, Inc.	Director's parent company	\$ 138,618	3.76	\$ -	Not applicable	\$ 28,246	\$ -

Table 4

Polytronics Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2021

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.	Kunshan Polystar Electronics Co., Ltd	1	Sales	\$ 125,395	Net 60 days	23%
0	"	"	1	Purchases	16,857	Net 45 days	3%
0	"	"	1	Processing charges	19,207	"	4%
0	"	"	1	Accounts receivable	98,988	Net 60 days	2%
0	"	"	1	Accounts payable	69,954	Net 45 days	1%
0	"	TCLAD Technology Corporation	1	Other receivables	34,081	Collection and payment based on an agreed time	1%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Other receivables	32,012	"	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following 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.

Polytronics Technology Corp. and Subsidiaries

Information on investees

Three months ended March 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net profit (loss) of the investee for the three-month period ended March 31, 2021	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2021	Footnote
				Balance as at March 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Polytronics Technology Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	\$ 255,004	\$ 255,004	2,644	100	\$ 908,717	\$ 36,066	\$ 36,066	Subsidiary
Polytronics Technology Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	9,000	16,882	56.27	731,546 (	38,110) (	21,743)	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	-	-	-	100 (	4,810) (	4,810) (	4,810)	Subsidiary

Polytronics Technology Corp. and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of January 1, 2021 (Note 2)	Amount remitted from Taiwan to mainland China/ amount remitted back to Taiwan for the three-month period ended March 31, 2021		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2021	Net income of investee for the three-month period ended March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2021 (Note 2)	Book value of investments in mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Kunshan Polystar Electronics Co., Ltd (Note 2)	Production and sale of varistor and potentiometer	\$ 665,012	2	\$ 184,336	\$ -	\$ -	\$ 184,336	\$ 36,206	100	\$ 36,206	\$ 894,587	\$ -	
Polystar Senchip Microelectronics Inc. (Note 6)	Production and sale of resistors, discrete semiconductor devices and other resistive elements	152,324	3	-	-	-	-	12	100	12	106,387	-	
Polystellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	56,577	3	-	-	-	-	157	100	157	57,117	-	
Company name	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA										
Polytronics Technology Corp.	\$ 184,336	\$ 665,012	\$ 1,430,775										

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

Note 2: Investment income (loss) were recognized based on the financial statements audited by R.O.C. parent company's CPA.

Note 3: Under the '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 = 1:28.369 and RMB:TWD = 1:4.376 for recognised investment income (loss) and remaining using the exchangerates of USD:NTD=1:28.535 and RMB:TWD = 1:4.352.

Note 5: Polystar Senchip Microelectronics, Inc. will be liquidated through Polytronics Technology Corp. board of directors on December 25, 2020. As of March 31, 2021, it is still being processed.

Polytronics Technology Corp. and Subsidiaries

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

Three months ended March 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Sale (purchase)		Accounts receivable (payable)		Maximum balance during the three-month period ended March 31, 2021	Financing		Interest during the three-month period ended March 31, 2021	Others-processing charges	
	Amount	%	Balance at March 31, 2021	%		Balance at March 31, 2021	Interest rate		Balance at March 31, 2021	%
Kunshan Polystar Electronics Co., Ltd	\$ 125,395	22.83%	\$ 98,988	20.57%	\$ 87,680	\$ 86,880	4.35%	\$ -	\$ 19,207	18.73%
Kunshan Polystar Electronics Co., Ltd	(16,857)	9.70%	(69,954)	34.54%	-	-	-	-	-	-

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

March 31, 2021

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Everlight Chemical Industrial Corp.	8,375,991	9.88%
Littlefuse Europe GmbH	4,600,350	5.43%

Table 9