

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**
**THREE MONTHS ENDED MARCH 31, 2022 AND
2021**

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

PWCR22000031

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, 2022 and 2021, 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

Except as explained in the following paragraph, 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.

Basis for qualified conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT\$1,192,181 thousand, constituting 23.62% of the consolidated total assets as at March 31, 2022, total liabilities amounted to NT\$142,032 thousand, constituting 7.36% of the consolidated total liabilities as at March 31, 2022, and the total comprehensive income amounted to NT(\$44,957) thousand, constituting (36.08%) of the consolidated total comprehensive income for the three months then ended.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, 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, 2022 and 2021, 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, 2022

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 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, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,252,953	25	\$ 1,345,040	24	\$ 2,465,561	51
1136	Current financial assets at amortised cost	8	39,181	1	509,408	9	22,466	-
1150	Notes receivable, net	6(2)	184,084	4	208,135	4	210,761	4
1170	Accounts receivable, net	6(2)	533,242	11	493,163	9	342,703	7
1180	Accounts receivable - related parties, net	6(2) and 7	93,741	2	97,383	2	138,618	3
1200	Other receivables		15,751	-	15,226	-	19,198	-
130X	Inventories	6(3)	1,015,964	20	924,917	17	369,371	8
1410	Prepayments		77,866	1	85,666	1	105,781	2
1470	Other current assets		10,825	-	35,051	1	8,715	-
11XX	Total current assets		<u>3,223,607</u>	<u>64</u>	<u>3,713,989</u>	<u>67</u>	<u>3,683,174</u>	<u>75</u>
Non-current assets								
1535	Non-current financial assets at amortised cost	8	6,926	-	6,881	-	6,881	-
1600	Property, plant and equipment	6(4) and 8	1,199,441	24	1,181,983	22	754,591	16
1755	Right-of-use assets	6(5)	202,453	4	203,543	4	210,614	4
1760	Investment property, net	6(7) and 8	108,343	2	108,982	2	110,897	2
1780	Intangible assets		182,117	4	184,249	3	2,704	-
1840	Deferred income tax assets		16,052	-	17,917	-	18,024	1
1900	Other non-current assets		107,615	2	110,706	2	94,777	2
15XX	Total non-current assets		<u>1,822,947</u>	<u>36</u>	<u>1,814,261</u>	<u>33</u>	<u>1,198,488</u>	<u>25</u>
1XXX	Total assets		<u>\$ 5,046,554</u>	<u>100</u>	<u>\$ 5,528,250</u>	<u>100</u>	<u>\$ 4,881,662</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed)

Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 365,872	7	\$ 805,983	14	\$ 328,567	7
2130	Current contract liabilities	6(17)	7,395	-	1,625	-	7,835	-
2150	Notes payable		61,877	1	60,116	1	56,445	1
2170	Accounts payable	6(9)	207,272	4	312,801	6	202,558	4
2200	Other payables	6(10)	663,984	13	390,662	7	633,544	13
2230	Current income tax liabilities		114,880	3	94,044	2	105,963	2
2280	Current lease liabilities		10,041	-	10,362	-	12,849	1
2300	Other current liabilities		14,158	1	12,229	-	2,648	-
21XX	Total current liabilities		<u>1,445,479</u>	<u>29</u>	<u>1,687,822</u>	<u>30</u>	<u>1,350,409</u>	<u>28</u>
Non-current liabilities								
2530	Bonds payable	6(11)	257,401	5	256,375	5	344,234	7
2580	Non-current lease liabilities		186,805	3	187,606	3	191,058	4
2600	Other non-current liabilities		39,919	1	40,114	1	42,896	1
25XX	Total non-current liabilities		<u>484,125</u>	<u>9</u>	<u>484,095</u>	<u>9</u>	<u>578,188</u>	<u>12</u>
2XXX	Total liabilities		<u>1,929,604</u>	<u>38</u>	<u>2,171,917</u>	<u>39</u>	<u>1,928,597</u>	<u>40</u>
Equity								
Equity attributable to owners of parent								
	Share capital	6(13)						
3110	Common stock		856,453	17	856,453	15	847,018	17
	Capital surplus	6(14)						
3200	Capital surplus		625,558	12	625,558	11	543,296	11
	Retained earnings	6(15)						
3310	Legal reserve		558,243	11	558,243	10	518,412	11
3320	Special reserve		70,304	2	70,304	1	79,893	2
3350	Unappropriated retained earnings		523,270	10	807,570	15	467,045	10
	Other equity interest	6(16)						
3400	Other equity interest		(29,284)	-	(82,092)	(1)	(71,038)	(2)
31XX	Equity attributable to owners of parent		<u>2,604,544</u>	<u>52</u>	<u>2,836,036</u>	<u>51</u>	<u>2,384,626</u>	<u>49</u>
36XX	Non-controlling interests		<u>512,406</u>	<u>10</u>	<u>520,297</u>	<u>10</u>	<u>568,439</u>	<u>11</u>
3XXX	Total equity		<u>3,116,950</u>	<u>62</u>	<u>3,356,333</u>	<u>61</u>	<u>2,953,065</u>	<u>60</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the reporting period	11						
3X2X	Total liabilities and equity		<u>\$ 5,046,554</u>	<u>100</u>	<u>\$ 5,528,250</u>	<u>100</u>	<u>\$ 4,881,662</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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, but not audited)

				Three months ended March 31			
				2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(17) and 7	\$ 788,550	100	\$ 549,282	100	
5000	Operating costs	6(3)	(563,754)	(72)	(273,134)	(50)	
5950	Net operating margin		224,796	28	276,148	50	
	Operating expenses	6(22)(23)					
6100	Selling and marketing expenses		(49,276)	(6)	(29,480)	(5)	
6200	General and administrative expenses		(82,559)	(11)	(58,301)	(10)	
6300	Research and development expenses		(42,847)	(5)	(41,784)	(8)	
6450	Expected credit gains	12(2)	1	-	766	-	
6000	Total operating expenses		(174,681)	(22)	(128,799)	(23)	
6900	Operating profit		50,115	6	147,349	27	
	Non-operating income and expenses						
7100	Interest income	6(18)	1,656	-	2,439	-	
7010	Other income	6(19)	23,274	3	20,498	4	
7020	Other gains and losses	6(20)	14,531	2	(3,850)	(1)	
7050	Finance costs	6(21)	(3,177)	-	(2,739)	-	
7000	Total non-operating income and expenses		36,284	5	16,348	3	
7900	Profit before income tax		86,399	11	163,697	30	
7950	Income tax expense	6(24)	(24,207)	(3)	(39,002)	(7)	
8200	Profit for the period		\$ 62,192	8	\$ 124,695	23	
	Other comprehensive income (loss)						
	Components of other comprehensive income that may be subsequently reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(16)	\$ 62,418	8	(\$ 747)	-	
8360	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss		62,418	8	(747)	-	
8300	Other comprehensive income (loss) for the period, net of income tax		\$ 62,418	8	(\$ 747)	-	
8500	Total comprehensive income for the period		\$ 124,610	16	\$ 123,948	23	
	Profit attributable to:						
8610	Owners of parent		\$ 79,693	10	\$ 141,062	26	
8620	Non-controlling interests		(17,501)	(2)	(16,367)	(3)	
	Total		\$ 62,192	8	\$ 124,695	23	
	Total comprehensive income attributable to:						
8710	Owners of parent		\$ 132,501	17	\$ 140,327	26	
8720	Non-controlling interests		(7,891)	(1)	(16,379)	(3)	
	Total		\$ 124,610	16	\$ 123,948	23	
9750	Basic earnings per share (in dollars)	6(25)	\$ 0.93		\$ 1.70		
9850	Diluted earnings per share (in dollars)	6(25)	\$ 0.91		\$ 1.69		

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

Notes	Equity attributable to owners of the parent												Total equity
	Common stock	Capital Reserves				Retained Earnings				Financial statements translation differences of foreign operations	Total	Non-controlling interests	
		Additional paid-in capital	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Employee stock options	Capital surplus, share options	Legal reserve	Special reserve	Unappropriated retained earnings				
Three months ended March 31, 2021													
	\$ 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(16)	-	-	-	-	-	-	-	-	-	(735)	(735)	(12)	(747)
	-	-	-	-	-	-	-	-	141,062	(735)	140,327	(16,379)	123,948
Three months ended March 31, 2021													
6(15)	-	-	-	-	-	-	-	-	(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
Three months ended March 31, 2022													
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 558,243	\$ 70,304	\$ 807,570	(\$ 82,092)	\$ 2,836,036	\$ 520,297	\$ 3,356,333
	-	-	-	-	-	-	-	-	79,693	-	79,693	(17,501)	62,192
6(16)	-	-	-	-	-	-	-	-	-	52,808	52,808	9,610	62,418
	-	-	-	-	-	-	-	-	79,693	52,808	132,501	(7,891)	124,610
Three months ended March 31, 2022													
6(15)	-	-	-	-	-	-	-	-	(363,993)	-	(363,993)	-	(363,993)
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 558,243	\$ 70,304	\$ 523,270	(\$ 29,284)	\$ 2,604,544	\$ 512,406	\$ 3,116,950

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 86,399	\$ 163,697
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets / liabilities at fair value through profit or loss		-	84
Expected credit gains	12(2)	(1)	(766)
Depreciation	6(20)(22)	49,480	27,063
Amortisation	6(22)	10,090	740
Interest expense	6(21)	3,177	2,739
Interest income	6(18)	(1,656)	(2,439)
Employee compensation-shared-based payment		-	12,930
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		24,051	(55,524)
Accounts receivable		(40,078)	(24,807)
Accounts receivable - related parties		3,642	(52,850)
Other receivables		(525)	(10,992)
Inventories		(91,047)	(85,501)
Prepayments		7,800	24,668
Other current assets		24,226	(7,700)
Changes in operating liabilities			
Current contract liabilities		5,770	(14)
Notes payable		1,761	23,854
Accounts payable		(105,529)	22,675
Other payables		(58,188)	(10,906)
Other current liabilities		1,929	118
Defined benefit liabilities		(195)	(53)
Cash (outflow) inflow generated from operations		(78,894)	27,016
Interest received		1,656	2,439
Interest paid		(3,177)	(1,656)
Income tax paid		(1,507)	(5,242)
Net cash flows (used in) from operating activities		(81,922)	22,557

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 221,788)	(\$ 57,128)
Disposal of financial assets at amortised cost		691,970	69,990
Acquisition of property, plant and equipment	6(27)	(59,169)	(23,688)
Proceeds from disposal of property, plant and equipment		-	466
Acquisition of intangible assets		(1,275)	(38)
Increase in refundable deposits		(237)	(1,200)
Net cash flows from (used in) investing activities		<u>409,501</u>	<u>(11,598)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	405,184	340,255
Repayment of short-term borrowings	6(28)	(859,458)	(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)	(2,705)	(2,596)
Capital increase by cash		-	319,600
Cash contributed by non-controlling interests in subsidiaries' capital increase		-	590,310
Net cash flows (used in) from financing activities		<u>(456,979)</u>	<u>1,197,709</u>
Effect of exchange rate		<u>37,313</u>	<u>(275)</u>
Net (decrease) increase in cash and cash equivalents		(92,087)	1,208,393
Cash and cash equivalents at beginning of period		<u>1,345,040</u>	<u>1,257,168</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,252,953</u>	<u>\$ 2,465,561</u>

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, 2022 AND 2021

(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 thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, 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, 2022.

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 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial 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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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, 2021, 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, 2021.

(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, 2021.

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B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Activities	Ownership (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
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	56.27	56.27	Note 1
TCLAD Technology Corporation	TCLAD Inc.	Manufacturing of the thermal conductive board	100	100	100	Note 4
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	85	85	-	Note 2
Polytronics (B.V.I.) Corporation	Kunshan Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	100	
Kunshan Polystar Electronics Co., Ltd.	Polystar Senchip Microelectronics Inc.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	-	-	100	Note 3
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 on April 30, 2021.

Note 3: On December 25, 2020, the Board of Directors of Polytronics Technology Corp. resolved to liquidate and dissolve Polystar Senchip Microelectronics, Inc. and the liquidation and de-registration was completed on June 15, 2021.

Note 4: The financial statements of the entity as of and for the three months ended March 31, 2022 was not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

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, 2022, December 31, 2021 and March 31, 2021, the non-controlling interests amounted to \$512,406, \$520,297 and \$568,439, 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 (%)	
<u>March 31, 2022</u>				
TCLAD Technology Corporation	Taiwan	\$ 512,406	43.73%	
<u>Non-controlling interests</u>				
<u>December 31, 2021</u>				
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
TCLAD Technology Corporation	Taiwan	\$ 520,297	43.73%	
<u>Non-controlling interests</u>				
<u>March 31, 2021</u>				
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
TCLAD Technology Corporation	Taiwan	\$ 568,439	43.73%	

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries		
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 842,361	\$ 1,399,028	\$ 1,314,351
Non-current assets	562,758	549,942	24,292
Current liabilities	(235,670)	(760,735)	(38,658)
Non-current liabilities	-	-	-
Total net assets	<u>\$ 1,169,449</u>	<u>\$ 1,188,235</u>	<u>\$ 1,299,985</u>

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2022 to March 31, 2022	March 1, 2021 to March 31, 2021
Revenue	\$ 275,858	\$ -
Profit before income tax	(40,761)	(38,110)
Income tax expense	40	-
Profit for the period	(40,721)	(38,110)
Other comprehensive income, net of income tax	-	-
Total comprehensive income	(\$ 40,721)	(\$ 38,110)
Total comprehensive income attributable to non-controlling interests	\$ 541	(\$ 16,379)
Dividends paid to non-controlling interests	\$ -	\$ -

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2022 to March 31, 2022	March 1, 2021 to March 31, 2021
Net cash used in operating activities	(\$ 254,636)	(\$ 104,644)
Net cash provided by (used in) investing activities	469,774	(31)
Net cash (used in) provided by financing activities	(425,882)	1,341,000
Effect of exchange rates	32,564	-
(Decrease) increase in cash and cash equivalents	(178,180)	1,236,325
Cash and cash equivalents, beginning of period	343,476	10,503
Cash and cash equivalents, end of period	\$ 165,296	\$ 1,246,828

(4) Employee benefits

Defined benefit plans

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

(5) Income tax

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.

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

There have been no significant changes for the three months ended March 31, 2022. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand and revolving funds	\$ 149	\$ 170	\$ 82
Checking accounts and demand deposits	642,468	817,027	1,566,166
Time deposits	610,336	527,843	899,313
	<u>\$ 1,252,953</u>	<u>\$ 1,345,040</u>	<u>\$ 2,465,561</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) Notes and accounts receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 184,084	\$ 208,135	\$ 210,761
Accounts receivable	\$ 552,336	\$ 511,529	\$ 362,812
Accounts receivable-related parties	93,741	97,383	138,618
Less: Loss allowance	(19,094)	(18,366)	(20,109)
	<u>\$ 626,983</u>	<u>\$ 590,546</u>	<u>\$ 481,321</u>

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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 603,976	\$ 184,084	\$ 564,362	\$ 208,135
Up to 30 days	18,690	-	17,943	-
31 to 90 days	7,141	-	8,225	-
91 to 180 days	523	-	29	-
Over 180 days	15,747	-	18,353	-
	<u>\$ 646,077</u>	<u>\$ 184,084</u>	<u>\$ 608,912</u>	<u>\$ 208,135</u>

	<u>March 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 429,175	\$ 210,761
Up to 30 days	50,712	-
31 to 90 days	4,516	-
91 to 180 days	95	-
Over 180 days	16,932	-
	<u>\$ 501,430</u>	<u>\$ 210,761</u>

The above ageing analysis was based on past due date.

- B. As of March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$579,753.
- C. As at March 31, 2022, December 31, 2021 and March 31, 2021, 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 \$184,084, \$208,135 and \$201,761, respectively, and accounts receivable were \$626,983, \$590,546 and \$481,321, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(3) Inventories

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Raw materials	\$ 386,323	\$ 321,397	\$ 111,711
Work-in-progress	342,254	291,650	126,999
Finished goods	287,387	311,870	130,661
	<u>\$ 1,015,964</u>	<u>\$ 924,917</u>	<u>\$ 369,371</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 554,204	\$ 273,134
Loss on decline in market value	9,550	-
	<u>\$ 563,754</u>	<u>\$ 273,134</u>

(4) Property, plant and equipment

2022

	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1										
Cost	\$ 2,114	\$ 1,019,316	\$ 869,309	\$ 13,082	\$ 13,121	\$ 21,743	\$ 19,926	\$ 199,304	\$ 4,161	\$ 2,162,076
Accumulated depreciation and impairment	-	(346,207)	(437,769)	(8,042)	(7,560)	(11,063)	(18,187)	(151,265)	-	(980,093)
	<u>\$ 2,114</u>	<u>\$ 673,109</u>	<u>\$ 431,540</u>	<u>\$ 5,040</u>	<u>\$ 5,561</u>	<u>\$ 10,680</u>	<u>\$ 1,739</u>	<u>\$ 48,039</u>	<u>\$ 4,161</u>	<u>\$ 1,181,983</u>
Opening net book amount	\$ 2,114	\$ 673,109	\$ 431,540	\$ 5,040	\$ 5,561	\$ 10,680	\$ 1,739	\$ 48,039	\$ 4,161	\$ 1,181,983
Additions	-	-	10,147	510	-	1,002	-	4,325	16,639	32,623
Reclassifications	-	-	5,751	-	-	-	-	-	(5,751)	-
Depreciation	-	(10,560)	(27,273)	(352)	(509)	(985)	(131)	(6,065)	-	(45,875)
Net exchange differences	72	12,740	16,687	85	232	89	-	653	152	30,710
Closing net book amount	<u>\$ 2,186</u>	<u>\$ 675,289</u>	<u>\$ 436,852</u>	<u>\$ 5,283</u>	<u>\$ 5,284</u>	<u>\$ 10,786</u>	<u>\$ 1,608</u>	<u>\$ 46,952</u>	<u>\$ 15,201</u>	<u>\$ 1,199,441</u>
At March 31										
Cost	\$ 2,186	\$ 1,039,560	\$ 902,925	\$ 13,741	\$ 13,354	\$ 22,875	\$ 19,926	\$ 211,183	\$ 15,201	\$ 2,240,951
Accumulated depreciation and impairment	-	(364,271)	(466,073)	(8,458)	(8,070)	(12,089)	(18,318)	(164,231)	-	(1,041,510)
	<u>\$ 2,186</u>	<u>\$ 675,289</u>	<u>\$ 436,852</u>	<u>\$ 5,283</u>	<u>\$ 5,284</u>	<u>\$ 10,786</u>	<u>\$ 1,608</u>	<u>\$ 46,952</u>	<u>\$ 15,201</u>	<u>\$ 1,199,441</u>

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>

1. For the three months ended March 31, 2022 and 2021, 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.

(5) 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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 193,152	\$ 194,133	\$ 198,080
Buildings	6,746	8,097	10,812
Transportation equipment	2,555	1,313	1,722
	<u>\$ 202,453</u>	<u>\$ 203,543</u>	<u>\$ 210,614</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,275	\$ 1,347
Buildings	1,238	1,176
Transportation equipment	453	440
	<u>\$ 2,966</u>	<u>\$ 2,963</u>

- C. For the three months ended March 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$0, respectively.
- D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 695</u>	<u>\$ 720</u>

- E. For the three months ended March 31, 2022 and 2021, the Group's total cash outflow for leases were \$3,400 and \$3,316, 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.

(6) Leasing arrangements – lessor

- A. The Group leases buildings to others. Lease agreements are typically made for periods of 1 to 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, 2022 and 2021, the Group recognised rent income in the amounts of \$14,277 and \$16,174, 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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
2021	\$ -	\$ -	\$ 44,489
2022	31,115	43,098	32,604
2023	34,810	34,810	31,930
2024	16,469	16,469	13,681
2025	2,788	2,788	-
2026	1,936	1,936	-
	<u>\$ 87,118</u>	<u>\$ 99,101</u>	<u>\$ 122,704</u>

(7) Investment property

	<u>2022</u>	<u>2021</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(21,256)	(18,703)
	<u>\$ 108,982</u>	<u>\$ 111,535</u>
Opening net book amount	\$ 108,982	\$ 111,535
Depreciation	(639)	(638)
Closing net book amount	<u>\$ 108,343</u>	<u>\$ 110,897</u>
At March 31		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(21,895)	(19,341)
	<u>\$ 108,343</u>	<u>\$ 110,897</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>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 13,958</u>	<u>\$ 16,174</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 639</u>	<u>\$ 638</u>

B. The fair value of investment property held by the Group as of March 31, 2022, December 31, 2021 and March 31, 2021 was \$265,364, \$265,364 and \$238,688, respectively. The fair value is estimated using the valuation method frequently used by market participants which is categorised with Level 3 in the fair value hierarchy. The valuation is based on evidence of similar trading prices.

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

(8) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 165,872	0.795%	None
Secured borrowings	200,000	0.800%	Buildings and time deposits
	<u>\$ 365,872</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 561,141	0.689%	None
Secured borrowings	244,842	0.773%	Buildings and time deposits
	<u>\$ 805,983</u>		

<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	200,000	0.825%	Buildings
	<u>\$ 328,567</u>		

Interest expense recognised in profit or loss amounted to \$674 and \$790 for the three months ended March 31, 2022 and 2021, respectively.

(9) Accounts payable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable	\$ 148,092	\$ 282,102	\$ 176,714
Estimated accounts payable	59,180	30,699	25,844
	<u>\$ 207,272</u>	<u>\$ 312,801</u>	<u>\$ 202,558</u>

(10) Other payables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Wages and salaries payable	\$ 66,628	\$ 91,404	\$ 52,706
Employee bonus and directors' remuneration payable	77,831	67,575	73,131
Payables on machinery and equipment	11,636	41,510	45,490
Dividends payable	363,993	-	359,983
Others	143,896	190,173	102,234
	<u>\$ 663,984</u>	<u>\$ 390,662</u>	<u>\$ 633,544</u>

(11) Bonds payable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Bonds payable			
The Company's first unsecured convertible bonds	\$ 360,000	\$ 360,000	\$ 360,000
	360,000	360,000	360,000
Less: Conversion option amount exercised	(95,300)	(95,300)	-
Less: Discount on bonds payable	(7,299)	(8,325)	(15,766)
	257,401	256,375	344,234
Less: Current portion	-	-	-
	<u>\$ 257,401</u>	<u>\$ 256,375</u>	<u>\$ 344,234</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%.
- (k) Through March 31, 2022, the convertible corporate bonds with face value of \$95,300 have been converted into 944 thousand ordinary shares.

(12) Pensions

- A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the 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 and its domestic subsidiaries contribute monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$380 and \$366 for the three months ended March 31, 2022 and 2021, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for next year amount to \$3,503.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China 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) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The Group’s US subsidiary has established a 401(K) pension plan in accordance with Section 401(K) of the Internal Revenue Code (IRC). All eligible employees can elect to have a certain portion of their salaries contributed to their individual pension accounts according to the contribution limit. The US subsidiary makes a matching contribution of no higher than 8% of each employee’s salary to their individual pension accounts.
- (d) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2022 and 2021, were \$10,598 and \$4,226, respectively.

(13) Share capital

As of March 31, 2022, the Company’s authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary share (including 5 million shares reserved for employee stock options), and the paid-in capital was \$856,453 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):

	2022	2021
At January 1	85,646	80,002
Cash capital increase	-	4,700
At March 31	<u>85,646</u>	<u>84,702</u>

On November 11, 2020, the Company’s Board of Directors approved to increase its capital in cash by issuing 4,700 thousand new shares, except for 10% reserved for employees in accordance with laws and 10% contributed for public offering in accordance with the Securities and Exchange Act. The remainings were subscribed by the original shareholders according to their shareholding ratio specified in the shareholder register at the effective date for the capital increase which was set on February 2, 2021.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be 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.

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, 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 2021 earnings proposed by the Board of Directors on March 23, 2022, and the appropriations of 2020 earnings had been resolved at shareholders' meeting on August 10, 2021 are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 51,183		\$ 39,831	
Special reserve	11,789		(9,589)	
Cash dividends	363,993	\$ 4.25	359,983	\$ 4.25
	<u>\$ 426,965</u>		<u>\$ 390,225</u>	

The distribution of 2021 earnings, except cash dividends were resolved by the Board of Directors on March 23, 2022, others were pending for approval by the shareholders' meeting.

(16) Other equity items

	Financial statements translation difference of foreign operations
At January 1, 2022	(\$ 82,092)
Currency translation differences	52,808
At March 31, 2022	<u>(\$ 29,284)</u>
	Financial statements translation difference of foreign operations
At January 1, 2021	(\$ 70,303)
Currency translation differences	(735)
At March 31, 2021	<u>(\$ 71,038)</u>

(17) Operating revenue

	Three months ended March 31,	
	2022	2021
Sales revenue	<u>\$ 788,550</u>	<u>\$ 549,282</u>

A. Disaggregation of revenue from contracts with customers

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

Three months ended March 31, 2022	China	Taiwan	USA	Others	Total
Sales revenue	<u>\$ 336,686</u>	<u>\$ 100,409</u>	<u>\$ 226,869</u>	<u>\$ 124,586</u>	<u>\$ 788,550</u>
Timing of revenue recognition					
At a point in time	<u>\$ 336,686</u>	<u>\$ 100,409</u>	<u>\$ 226,869</u>	<u>\$ 124,586</u>	<u>\$ 788,550</u>

<u>Three months ended March 31, 2021</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	\$ 329,683	\$ 81,772	\$ 105,956	\$ 31,871	\$ 549,282
Timing of revenue recognition					
At a point in time	<u>\$ 329,683</u>	<u>\$ 81,772</u>	<u>\$ 105,956</u>	<u>\$ 31,871</u>	<u>\$ 549,282</u>

B. Contract assets and liabilities

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:				
Contract liabilities –				
Advance sales receipts	<u>\$ 7,395</u>	<u>\$ 1,625</u>	<u>\$ 7,835</u>	<u>\$ 7,849</u>

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

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ 1,638</u>	<u>\$ 7,619</u>

(18) Interest income

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 1,592	\$ 2,430
Interest income from financial assets at amortised cost	64	9
	<u>\$ 1,656</u>	<u>\$ 2,439</u>

(19) Other income

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Rental income	\$ 14,277	\$ 16,174
Other income, others	8,997	4,324
	<u>\$ 23,274</u>	<u>\$ 20,498</u>

(20) Other gains and losses

	Three months ended March 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 15,630	(\$ 2,475)
Gains on financial assets at fair value through profit or loss	-	339
Depreciation-investment property	(639)	(638)
Other losses	(460)	(1,076)
	<u>\$ 14,531</u>	<u>(\$ 3,850)</u>

(21) Finance costs

	Three months ended March 31,	
	2022	2021
Interest expense	<u>\$ 3,177</u>	<u>\$ 2,739</u>

(22) Expenses by nature

	Three months ended March 31,	
	2022	2021
Employee benefit expenses	\$ 280,801	\$ 110,907
Depreciation on property, plant and equipment (Note)	49,480	27,063
Amortisation on intangible assets	10,090	740

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

(23) Employee benefit expenses

	Three months ended March 31,	
	2022	2021
Wages and salaries	\$ 216,550	\$ 92,138
Share-based payment	-	12,930
Labor and health insurance fees	18,321	4,536
Pension costs	10,978	4,592
Other personnel expenses	34,952	9,641
	<u>\$ 280,801</u>	<u>\$ 123,837</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 concerning 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, 2022 and 2021, employees' compensation was accrued at \$9,325 and \$16,505, respectively; while directors' remuneration was accrued at \$1,435 and \$2,539, 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 8.25% and 1.27%, respectively.

Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 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."

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 22,342	\$ 39,438
Prior year income tax overestimation	-	-
Total current tax	<u>22,342</u>	<u>39,438</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,865</u>	<u>(436)</u>
Total deferred tax	<u>1,865</u>	<u>(436)</u>
Income tax expense	<u>\$ 24,207</u>	<u>\$ 39,002</u>

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

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(25) Earnings per share

	Three months ended March 31, 2022		
	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	\$ 79,693	85,645	\$ <u>0.93</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	821	2,621	
Employees' compensation	-	620	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>80,514</u>	<u>88,886</u>	\$ <u>0.91</u>

	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>

(26) Business combinations

A. For the purpose of escalating the technology, improving product portfolio and expanding the scale of revenue, on July 8, 2020, the Board of Directors of the Company resolved to acquire the TCLAD segment assets and businesses from Henkel US Operations Corporation and plans to continue operating the business, through TCLAD Technology Corporation and TCLAD Inc. The above purchase agreement was approved by the CFIUS on February 12, 2021, and was executed on May 1, 2021.

B. The following table summarises the consideration paid for TCLAD businesses and the fair values of the assets acquired at the acquisition date:

	<u>May 1, 2021</u>
Purchase consideration	
Cash paid	\$ <u>584,985</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Inventories	41,966
Property, plant and equipment	368,068
Intangible assets	<u>112,461</u>
Total identifiable net assets	<u>522,495</u>
Goodwill	<u>\$ <u>62,490</u></u>

C. The fair value of the acquired identifiable intangible assets of \$112,461 (including trademarks and patents) is provisional pending receipt of the final valuations for those assets.

D. The evaluation of the fair value of the identifiable assets is still in progress. Currently, it is recognised at the initial valuation, and the relevant acquisition price allocation will be completed within a year.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 32,623	\$ 51,105
Net change of payable on machinery and equipment	29,874	(27,417)
Net change of prepayments on machinery and equipment	(3,328)	-
Cash paid during the period	<u>\$ 59,169</u>	<u>\$ 23,688</u>

B. Financing activities with no cash flow effects:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Dividends payable	<u>\$ 363,993</u>	<u>\$ 359,983</u>

(28) Changes in liabilities from financing activities

	2022						
	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in	Dividends payable	Total liabilities from financing activities	
At January 1	\$ 805,983	\$ 197,968	\$ 256,375	\$ 10,663	\$ -	\$ 1,270,989	
Changes in cash flow from financing activities	(454,274)	(2,705)	-	-	-	(456,979)	
Interest expense	-	695	1,026	-	-	1,721	
Interest paid	-	(695)	-	-	-	(695)	
Declaration of the cash dividends	-	-	-	-	363,993	363,993	
Impact of changes in foreign exchange rate	14,163	1,583	-	-	-	15,746	
At March 31	<u>\$ 365,872</u>	<u>\$ 196,846</u>	<u>\$ 257,401</u>	<u>\$ 10,663</u>	<u>\$ 363,993</u>	<u>\$ 1,194,775</u>	

	2021						
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Deposits-in	Devividends 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>\$ -</u>	<u>\$ 203,907</u>	<u>\$ 344,234</u>	<u>\$ 10,700</u>	<u>\$ 359,983</u>	<u>\$ 1,247,391</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 Company

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended March 31,	
	2022	2021
Sales of goods:		
Other related parties	<u>\$ 91,746</u>	<u>\$ 105,499</u>

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

B. Accounts receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable			
Other related parties	\$ <u>93,741</u>	\$ <u>97,383</u>	\$ <u>138,618</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

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 14,426	\$ 15,475
Post-employment benefits	369	349
	<u>\$ 14,795</u>	<u>\$ 15,824</u>

8. PLEGDED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 39,181	\$ 509,408	\$ 22,466	Guarantee for customs and bond performance guarantee and company card guarantee
Time deposit (shown as "Non-current financial assets at amortised cost")	6,926	6,881	6,881	Guarantee for land lease in science park
Buildings and investment property	191,252	192,377	195,753	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. On March 11, 2022, the German Court held a trial and determined that Ventec's claim was inconsistent with the facts and dismissed Ventec's appeal. Management believes that this lawsuit will have no material impact on the financial position and operations of the Company.

(2) Commitments

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Property, plant and equipment	\$ 47,910	\$ 60,633	\$ 115,292

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 12(4).

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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,252,953	\$ 1,345,040	\$ 2,465,561
Financial assets at amortised cost	46,107	516,289	29,347
Notes receivable	184,084	208,135	210,761
Accounts receivable (including related parties)	626,983	590,546	481,321
Other receivables	15,751	15,226	19,198
Refundable deposits	10,663	10,426	4,649
	<u>\$ 2,136,541</u>	<u>\$ 2,685,662</u>	<u>\$ 3,210,837</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 365,872	\$ 805,983	\$ 328,567
Notes payable	61,877	60,116	56,445
Accounts payable	207,272	312,801	202,558
Other payables	663,984	390,662	633,544
Bond payable (including current portion)	257,401	256,375	344,234
Deposits-in	<u>10,663</u>	<u>10,663</u>	<u>10,700</u>
	<u>\$ 1,567,069</u>	<u>\$ 1,836,600</u>	<u>\$ 1,576,048</u>
Lease liabilities	<u>\$ 196,846</u>	<u>\$ 197,968</u>	<u>\$ 203,907</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. 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's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2022				
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	15,581	28.625	\$ 446,005
USD:RMB	USD	126	6.3433	3,590
RMB:NTD	RMB	11,201	4.506	50,471
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	388	28.625	\$ 11,093
JPY:NTD	JPY	17,500	0.2353	4,118
<u>Non-monetary items:</u> None.				
December 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	11,190	27.68	\$ 309,730
USD:RMB	USD	297	6.3793	8,238
RMB:NTD	RMB	1,709	4.344	7,424
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	244	27.68	\$ 6,764
JPY:NTD	JPY	2,409	0.2405	493
<u>Non-monetary items:</u> None.				

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.				

- iv. The total exchange gain (loss), 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, 2022 and 2021, amounted to \$15,630 and (\$2,475), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Three months ended March 31, 2022				
Sensitivity analysis				
	Degree of variation	Effect on	Effect on	Effect on other
		profit (loss)	comprehensive	income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 4,460	\$	-
USD:RMB	1%	36		-
RMB:NTD	1%	505		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 111)	\$	-
JPY:NTD	1%	(41)		-
<u>Non-monetary items:</u> None.				

Three months ended March 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,932	\$ -
USD:RMB	1%	416	-
RMB:NTD	1%	57	-
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 102)	\$ -
JPY:NTD	1%	(98)	-
<u>Non-monetary items:</u> 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. On March 31, 2022, December 31, 2021 and March 31, 2021, 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 180 days	Total
<u>At March 31, 2022</u>						
Expected loss rate	0.01%	0.33%~0.78%	2.39%~17.56%	14.45%~20.42%	87.07%~100%	
Total book value	\$ 603,976	\$ 18,690	\$ 7,141	\$ 523	\$ 15,747	\$ 646,077
Loss allowance	\$ -	\$ -	\$ 3,257	\$ 90	\$ 15,747	\$ 19,094
	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2021</u>						
Expected loss rate	0.01%	0.34%~0.80%	2.43%~17.96%	14.60%~20.90%	83.87%~100%	
Total book value	\$ 564,362	\$ 17,943	\$ 8,225	\$ 29	\$ 18,353	\$ 608,912
Loss allowance	\$ -	\$ -	\$ 81	\$ 6	\$ 18,279	\$ 18,366

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At March 31, 2021</u>						
Expected loss rate	0.01%	0.37%~0.87%	2.64%~19.53%	15.64%~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

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

	2022	
	Accounts receivable	Notes receivable
At January 1	\$ 18,366	\$ -
Reversal of impairment loss	(1)	-
Effect of foreign exchange	729	-
At March 31	<u>\$ 19,094</u>	<u>\$ -</u>

	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>

(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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Floating rate:			
Expiring within one year	<u>\$ 954,342</u>	<u>\$ 935,367</u>	<u>\$ 1,390,745</u>

The facilities expiring within one year are annual facilities subject to review and renegotiation at various dates during 2022.

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, 2022	months	months	and 2 years	and 5 years	years
	months	and 1 year			
Short-term borrowings	\$ 285,908	\$ 79,964	\$ -	\$ -	\$ -
Notes payable	61,877	-	-	-	-
Accounts payable	178,828	28,444	-	-	-
Lease liabilities	3,400	9,291	8,673	19,913	208,414
Other payables	363,993	299,991	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	10,663	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
December 31, 2021	months	months	and 2 years	and 5 years	years
	months	and 1 year			
Short-term borrowings	\$ 357,296	\$ 448,687	\$ -	\$ -	\$ -
Notes payable	60,116	-	-	-	-
Accounts payable	-	312,801	-	-	-
Lease liabilities	3,414	9,940	9,646	19,923	210,073
Other payables	-	390,662	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	10,663	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
March 31, 2021	months	months	and 2 years	and 5 years	years
	months	and 1 year			
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	-	-	-

(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, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	<u>\$ 257,401</u>	<u>\$ -</u>	<u>\$ 255,171</u>	<u>\$ -</u>

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	<u>\$ 256,375</u>	<u>\$ -</u>	<u>\$ 255,171</u>	<u>\$ -</u>

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

(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 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, 2022 and 2021, there was no transfer between Level 1 and Level 2.

(4) Others

- A. 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 April 2, 2022 to late April 2022 in line with the local governmental regulations. However, the subsidiary resumed its production on April 29, 2022 after receiving the approval from the local government and gradually restored its production capacity and operations. After assessment on the Group's operation and financial information, the Group's ability to continue as a going concern, assets impairment and financing risk and operations were not significantly affected.
- B. On February 12, 2022, the Company was informed that an employee had been contracted with COVID-19. The Company cooperated with the Public Health Bureau to conduct contact tracing and COVID-19 testing. The Company had suspended all production for cleaning and disinfection since that morning and resumed production on February 15, 2022. Based on the Company's assessment, the above incident has no significant impact on the Company's operations.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to table 3.

(2) Information on investees

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

(3) Information on investments in mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

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,	
	2022	2021
Revenue from external customers	\$ 788,550	\$ 549,282
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 86,399	\$ 163,697
Segment assets	\$ 5,046,554	\$ 4,881,662

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

None.

Polytronics Technology Corp. and Subsidiaries

Loans to others
Three months ended March 31, 2022

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 March 31, 2022	Balance at March 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note)	Ceiling on total loans granted (Note)
													Item	Value		
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Other receivables - related party	Y	\$ 90,120	\$ 90,120	\$ -	4.35%	Short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 1,041,818	\$ 1,041,818
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	114,500	114,500	50,000	0.825%	Short-term financing	-	Operational need	-	-	-	1,041,818	1,041,818
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	420,375	229,000	-	2.62%	Short-term financing	-	Operational need	-	-	-	1,041,818	1,041,818
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	28,625	28,625	14,313	1.75%	Short-term financing	-	Operational need	-	-	-	1,041,818	1,041,818

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

Polytronics Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
Three months ended March 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2022	Outstanding endorsement/ guarantee amount at March 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note)	Provision of endorsements/ guarantees by parent company to subsidiary (Note)	Provision of endorsements /guarantees by subsidiary to parent company (Note)	Provision of endorsements/ guarantees to the party in mainland China (Note)
		Company name	Relationship with the endorser/ guarantor										
0	Polytronics Technology Corp.	Polytronics (B.V.I.) Corporation	100% owned subsidiary	\$ 2,604,544	\$ 106,050	\$ 50,000	\$ -	\$ -	1.92	\$ 3,906,816	Y	N	N
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	100% owned subsidiary	2,604,544	151,713	151,713	42,938	-	5.82	3,906,816	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests directly owned by the Company	2,604,544	100,000	100,000	-	-	3.84	3,906,816	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company	2,604,544	42,938	42,938	42,938	-	1.65	3,906,816	Y	N	N

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

Polytronics Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2022

Table 3

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	\$ 70,946	Net 60 days	9%
0	"	"	1	Purchases	20,427	Net 45 days	3%
0	"	"	1	Processing charges	12,051	"	2%
0	"	"	1	Accounts receivable	67,284	Net 60 days	1%
0	"	"	1	Accounts payable	67,918	Net 45 days	1%
0	"	TCLAD Technology Corporation	1	Other receivables	84,375	Net 45 days	2%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Other receivables	59,626	Collection and payment based on an agreed time	1%
1	"	"	3	Purchases	18,511	Net 30 days	2%
1	"	"	3	Accounts payable	1,154	Net 30 days	0%
1	"	"	3	Interest Revenue	2,512	Collection and payment based on an agreed time	0%
1	"	TCLAD Europe GmbH	3	Other receivables	14,459	Collection and payment based on an agreed time	0%
1	"	"	3	Accounts receivable	24,274	Net 30 days	0%
1	"	"	3	Sales	8,113	Net 30 days	1%
2	TCLAD Inc.	TCLAD Europe GmbH	3	Sales	30,318	Net 30 days	4%
2	"	"	3	Accounts receivable	21,129	Net 30 days	0%

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, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three-month period ended March 31, 2022	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2022	Footnote
				Balance as at March 31, 2022	Balance as at December 31, 2021	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	\$ 1,059,815	\$ 12,244	\$ 12,244	Subsidiary
Polytronics Technology Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	16,882	56.27	657,042 (41,261) (23,219)	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,100,225	665,461	-	100	982,634 (43,831) (43,831)	Subsidiary (Note)
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	5,732	5,732	170	85	10,528	3,604	3,064	Subsidiary

Note: In March 2022, TCLAD Technology Corporation transferred its debt right of TCLAD Inc. into share capital in the amount of USD 15,300 thousand, and its initial investment amount increased to \$1,100,225. And, the number of shares increased to 388,000 thousand shares. In addition, in March 2022, TCLAD Inc. processed reverse stock split and decreased 99.9999%. As of Mach 31, 2022, TCLAD Technology Corporation held 388 shares.

Polytronics Technology Corp. and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2022

Table 5

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, 2022	Amount remitted from Taiwan to mainland China/ amount remitted back to Taiwan for the three-month period ended March 31, 2022		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2022	Net income of investee for the three-month period ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2022 (Note 3)	Book value of investments in mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	Footnote
				(Note 2)	Remitted to mainland China	Remitted back to Taiwan							
Kunshan Polystar Electronics Co., Ltd. (Note 2)	Production and sale of varistor and potentiometer	\$ 682,709	2	\$ 184,918	\$ -	\$ -	\$ 184,918	\$ 12,241	100	\$ 12,241	\$ 1,045,674	\$ -	
PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	90,253	3	-	-	-	-	361	100	361	91,780	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2022</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in mainland China imposed by the Investment Commission of MOEA</u>										
Polytronics Technology Corp.	\$ 184,918	\$ 682,709	\$ 1,562,726										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in mainland China.
- (3) Others

Note 2: Including retained earnings capitalized of RMB\$89,286 and RMB\$16,964 (In thousands of dollars).

Note 3: Investment income (loss) were recognized based on the financial statements reviewed by R.O.C. parent company's CPA.

Note 4: 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 was effective from August 1, 2008.

Note 5: Mainland China's investees information are translated using the exchange rates of USD:NTD = 1:28.021 and RMB:TWD = 1:4.414 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:28.625 and RMB:TWD = 1:4.513.

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, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Sales (purchase)		Accounts receivable (payable)		Financing			Others-processing charges		
	Amount	%	Balance at March 31, 2022	%	Maximum balance during the three-month period ended March 31, 2022	Balance at March 31, 2022	Interest rate	Interest during the three- month period ended March 31, 2022	Balance at March 31, 2022	%
Kunshan Polystar Electronics Co., Ltd.	\$ 70,946	5.98%	\$ 67,284	10.73%	\$ 90,120	\$ 90,120	4.35%	\$ -	\$ 12,051	20.94%
Kunshan Polystar Electronics Co., Ltd.	(20,427)	13.34%	(67,918)	32.77%	-	-	-	-	-	-

Table 6

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

March 31, 2022

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Everlight Chemical Industrial Corp.	8,375,991	9.77%
Littlefuse Europe GmbH	4,600,350	5.37%

Table 7