

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

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

**NINE MONTHS ENDED SEPTEMBER 30, 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

PWCR 22001922

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Polytronics Technology Crop. and subsidiaries (the “Group”) as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim financial reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine 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

November 9, 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 audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report 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
SEPTEMBER 30, 2022, DECEMBER 31, AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 are reviewed)

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 827,464	18	\$ 1,345,040	24	\$ 1,363,123	25
1136	Current financial assets at amortised cost	8	119,999	3	509,408	9	499,445	9
1150	Notes receivable, net	6(2)	204,078	4	208,135	4	221,056	4
1170	Accounts receivable, net	6(2)	485,017	11	493,163	9	632,742	12
1180	Accounts receivable - related parties, net	6(2) and 7	68,268	1	97,383	2	141,692	3
1200	Other receivables		23,509	1	15,226	-	19,766	-
130X	Inventories	6(3)	853,266	19	924,917	17	665,181	12
1410	Prepayments		107,274	2	85,666	1	101,406	2
1470	Other current assets		12,265	-	35,051	1	23,612	-
11XX	Total current assets		<u>2,701,140</u>	<u>59</u>	<u>3,713,989</u>	<u>67</u>	<u>3,668,023</u>	<u>67</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	1,312,796	29	1,172,461	21	1,119,434	21
1755	Right-of-use assets	6(5)	198,499	5	203,543	4	204,679	4
1760	Investment property, net	6(7) and 8	107,066	2	108,982	2	109,620	2
1780	Intangible assets		189,816	4	193,771	4	203,996	4
1840	Deferred income tax assets		14,838	-	17,917	-	17,523	-
1900	Other non-current assets		16,369	1	110,706	2	119,130	2
15XX	Total non-current assets		<u>1,846,310</u>	<u>41</u>	<u>1,814,261</u>	<u>33</u>	<u>1,781,263</u>	<u>33</u>
1XXX	Total assets		<u>\$ 4,547,450</u>	<u>100</u>	<u>\$ 5,528,250</u>	<u>100</u>	<u>\$ 5,449,286</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2022 and 2021 are reviewed)

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 379,390	8	\$ 805,983	14	\$ 840,796	16
2130	Current contract liabilities	6(17)	9,568	-	1,625	-	2,167	-
2150	Notes payable		63,522	2	60,116	1	51,329	1
2170	Accounts payable	6(9)	185,675	4	312,801	6	280,921	5
2200	Other payables	6(10)	272,959	6	390,662	7	381,058	7
2230	Current income tax liabilities		40,311	1	94,044	2	87,906	2
2280	Current lease liabilities		9,209	-	10,362	-	12,954	-
2300	Other current liabilities		28,413	1	12,229	-	14,921	-
21XX	Total current liabilities		<u>989,047</u>	<u>22</u>	<u>1,687,822</u>	<u>30</u>	<u>1,672,052</u>	<u>31</u>
Non-current liabilities								
2530	Bonds payable	6(11)	259,465	5	256,375	5	255,353	5
2580	Non-current lease liabilities		184,424	4	187,606	3	185,801	3
2600	Other non-current liabilities		39,513	1	40,114	1	41,892	1
25XX	Total non-current liabilities		<u>483,402</u>	<u>10</u>	<u>484,095</u>	<u>9</u>	<u>483,046</u>	<u>9</u>
2XXX	Total liabilities		<u>1,472,449</u>	<u>32</u>	<u>2,171,917</u>	<u>39</u>	<u>2,155,098</u>	<u>40</u>
Equity								
Equity attributable to owners of parent								
Share capital 6(13)								
3110	Common stock		856,453	19	856,453	15	856,453	16
Capital surplus 6(14)								
3200	Capital surplus		625,558	14	625,558	11	625,558	11
Retained earnings 6(15)								
3310	Legal reserve		609,426	14	558,243	10	558,243	10
3320	Special reserve		82,092	2	70,304	1	70,304	1
3350	Unappropriated retained earnings		466,113	10	807,570	15	722,123	13
Other equity interest 6(16)								
3400	Other equity interest		14,332	-	(82,092)	(1)	(85,740)	(1)
31XX	Equity attributable to owners of parent		<u>2,653,974</u>	<u>59</u>	<u>2,836,036</u>	<u>51</u>	<u>2,746,941</u>	<u>50</u>
36XX	Non-controlling interests		<u>421,027</u>	<u>9</u>	<u>520,297</u>	<u>10</u>	<u>547,247</u>	<u>10</u>
3XXX	Total equity		<u>3,075,001</u>	<u>68</u>	<u>3,356,333</u>	<u>61</u>	<u>3,294,188</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>\$ 4,547,450</u>	<u>100</u>	<u>\$ 5,528,250</u>	<u>100</u>	<u>\$ 5,449,286</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 AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, but not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17) and 7	\$ 734,954	100	\$ 952,420	100	\$ 2,257,455	100	\$ 2,319,079	100
5000	Operating costs	6(3)	(583,983)	(80)	(646,106)	(68)	(1,861,170)	(83)	(1,438,379)	(62)
5950	Net operating margin		<u>150,971</u>	<u>20</u>	<u>306,314</u>	<u>32</u>	<u>396,285</u>	<u>17</u>	<u>880,700</u>	<u>38</u>
	Operating expenses	6(22)(23)								
6100	Selling and marketing expenses		(45,496)	(6)	(67,544)	(7)	(142,424)	(6)	(134,972)	(6)
6200	General and administrative expenses		(77,460)	(11)	(62,409)	(6)	(243,425)	(11)	(181,251)	(8)
6300	Research and development expenses		(47,193)	(6)	(36,051)	(4)	(132,326)	(6)	(115,894)	(5)
6450	Expected credit (losses) gains	12(2)	<u>173</u>	<u>-</u>	<u>476</u>	<u>-</u>	(<u>278</u>)	<u>-</u>	<u>2,534</u>	<u>-</u>
6000	Total operating expenses		(<u>169,976</u>)	(<u>23</u>)	(<u>165,528</u>)	(<u>17</u>)	(<u>518,453</u>)	(<u>23</u>)	(<u>429,583</u>)	(<u>19</u>)
6900	Operating profit (loss)		(<u>19,005</u>)	(<u>3</u>)	<u>140,786</u>	<u>15</u>	(<u>122,168</u>)	(<u>6</u>)	<u>451,117</u>	<u>19</u>
	Non-operating income and expenses									
7100	Interest income	6(18)	1,111	-	1,168	-	4,586	-	5,188	-
7010	Other income	6(19)	22,497	3	31,531	3	76,079	3	72,962	3
7020	Other gains and losses	6(20)	26,897	4	(10,349)	(1)	54,232	3	(22,358)	(1)
7050	Finance costs	6(21)	(2,949)	-	(3,310)	-	(8,685)	-	(9,705)	-
7000	Total non-operating income and expenses		<u>47,556</u>	<u>7</u>	<u>19,040</u>	<u>2</u>	<u>126,212</u>	<u>6</u>	<u>46,087</u>	<u>2</u>
7900	Profit before income tax		<u>28,551</u>	<u>4</u>	<u>159,826</u>	<u>17</u>	<u>4,044</u>	<u>-</u>	<u>497,204</u>	<u>21</u>
7950	Income tax expense	6(24)	(<u>21,295</u>)	(<u>3</u>)	(<u>32,657</u>)	(<u>4</u>)	(<u>66,623</u>)	(<u>3</u>)	(<u>105,166</u>)	(<u>4</u>)
8200	Profit (loss) for the period		<u>\$ 7,256</u>	<u>1</u>	<u>\$ 127,169</u>	<u>13</u>	(<u>\$ 62,579</u>)	(<u>3</u>)	<u>\$ 392,038</u>	<u>17</u>
	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)	<u>\$ 67,972</u>	<u>9</u>	(<u>\$ 901</u>)	<u>-</u>	<u>\$ 145,240</u>	<u>7</u>	(<u>\$ 19,676</u>)	(<u>1</u>)
8360	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss		<u>67,972</u>	<u>9</u>	(<u>901</u>)	<u>-</u>	<u>145,240</u>	<u>7</u>	(<u>19,676</u>)	(<u>1</u>)
8300	Other comprehensive income (loss) for the period, net of income tax		<u>\$ 67,972</u>	<u>9</u>	(<u>\$ 901</u>)	<u>-</u>	<u>\$ 145,240</u>	<u>7</u>	(<u>\$ 19,676</u>)	(<u>1</u>)
8500	Total comprehensive income for the period		<u>\$ 75,228</u>	<u>10</u>	<u>\$ 126,268</u>	<u>13</u>	<u>\$ 82,661</u>	<u>4</u>	<u>\$ 372,362</u>	<u>16</u>
	Profit (loss) attributable to:									
8610	Owners of parent		\$ 42,561	6	\$ 135,834	14	\$ 85,507	4	\$ 426,382	18
8620	Non-controlling interests		(35,305)	(5)	(8,665)	(1)	(148,086)	(7)	(34,344)	(1)
	Total		<u>\$ 7,256</u>	<u>1</u>	<u>\$ 127,169</u>	<u>13</u>	(<u>\$ 62,579</u>)	(<u>3</u>)	<u>\$ 392,038</u>	<u>17</u>
	Total comprehensive income (loss) attributable to:									
8710	Owners of parent		\$ 84,984	11	\$ 135,221	14	\$ 181,931	8	\$ 410,945	18
8720	Non-controlling interests		(9,756)	(1)	(8,953)	(1)	(99,270)	(4)	(38,583)	(2)
	Total		<u>\$ 75,228</u>	<u>10</u>	<u>\$ 126,268</u>	<u>13</u>	<u>\$ 82,661</u>	<u>4</u>	<u>\$ 372,362</u>	<u>16</u>
9750	Basic earnings per share (in dollars)	6(25)	<u>\$ 0.50</u>		<u>\$ 1.59</u>		<u>\$ 1.00</u>		<u>\$ 5.05</u>	
9850	Diluted earnings per share (in dollars)	6(25)	<u>\$ 0.49</u>		<u>\$ 1.55</u>		<u>\$ 0.99</u>		<u>\$ 4.95</u>	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

Notes	Equity attributable to owners of the parent												
	Common stock	Additional paid-in capital	Treasury stock transactions	Capital reserves Capital surplus, changes in ownership interests in subsidiaries	Employee stock options	Capital surplus, share options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interests	Total equity
<u>Nine months ended September 30, 2021</u>													
	\$ 800,018	\$ 203,343	\$ 14,924	\$ -	\$ 17,633	\$ -	\$ 518,412	\$ 79,893	\$ 685,966	(\$ 70,303)	\$ 2,249,886	\$ -	\$ 2,249,886
	-	-	-	-	-	-	-	-	426,382	-	426,382	(34,344)	392,038
6(16)	-	-	-	-	-	-	-	-	-	(15,437)	(15,437)	(4,239)	(19,676)
	-	-	-	-	-	-	-	-	426,382	(15,437)	410,945	(38,583)	372,362
<u>Distribution of 2020 earnings:</u>													
6(15)	-	-	-	-	-	-	39,831	-	(39,831)	-	-	-	-
	-	-	-	-	-	-	-	(9,589)	9,589	-	-	-	-
	-	-	-	-	-	-	-	-	(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
	9,435	86,596	-	-	-	(4,334)	-	-	-	-	91,697	-	91,697
	-	-	-	5,492	-	-	-	-	-	-	5,492	585,830	591,322
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 558,243	\$ 70,304	\$ 722,123	(\$ 85,740)	\$ 2,746,941	\$ 547,247	\$ 3,294,188
<u>Nine months ended September 30, 2022</u>													
	\$ 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
	-	-	-	-	-	-	-	-	85,507	-	85,507	(148,086)	(62,579)
6(16)	-	-	-	-	-	-	-	-	-	96,424	96,424	48,816	145,240
	-	-	-	-	-	-	-	-	85,507	96,424	181,931	(99,270)	82,661
<u>Distribution of 2021 earnings:</u>													
6(15)	-	-	-	-	-	-	51,183	-	(51,183)	-	-	-	-
	-	-	-	-	-	-	-	11,788	(11,788)	-	-	-	-
	-	-	-	-	-	-	-	-	(363,993)	-	(363,993)	-	(363,993)
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 609,426	\$ 82,092	\$ 466,113	\$ 14,332	\$ 2,653,974	\$ 421,027	\$ 3,075,001

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Nine months ended September 30	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,044	\$ 497,204
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets / liabilities at fair value through profit or loss		-	84
Expected credit losses (gains)	12(2)	278	(2,534)
Depreciation	6(22)	144,057	102,162
Amortisation	6(22)	33,753	8,775
Interest expense	6(21)	8,685	9,705
Interest income	6(18)	(4,586)	(5,188)
Losses (gains) on disposal of property, plant and equipment	6(20)	857	(82)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,057	(67,406)
Accounts receivable		7,868	(314,403)
Accounts receivable - related parties		29,115	(55,924)
Other receivables		(8,283)	(11,560)
Inventories		71,651	(339,345)
Prepayments		(21,608)	29,043
Other current assets		22,786	(22,596)
Changes in operating liabilities			
Current contract liabilities		7,943	(5,682)
Notes payable		3,406	18,738
Accounts payable		(127,126)	101,038
Other payables		(94,069)	92,008
Other current liabilities		16,184	12,391
Defined benefit liabilities		(601)	(323)
Cash inflow generated from operations		98,411	46,105
Interest received		4,586	5,188
Interest paid		(5,595)	(9,705)
Income tax paid		(117,277)	(88,962)
Net cash flows used in operating activities		(19,875)	(47,374)

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Nine months ended September 30	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 321,805)	(\$ 954,313)
Disposal of financial assets at amortised cost		711,169	547,325
Effect of changes in consolidated entities	6(26)	-	(584,985)
Acquisition of property, plant and equipment	6(27)	(124,955)	(183,090)
Proceeds from disposal of property, plant and equipment		-	1,465
Acquisition of intangible assets		(5,551)	(18,222)
Increase in refundable deposits		(962)	(57)
Net cash flows from (used in) investing activities		<u>257,896</u>	<u>(1,191,877)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	1,077,389	1,674,357
Repayment of short-term borrowings	6(28)	(1,529,527)	(1,152,920)
Short-term notes and bills payable	6(28)	-	(70,000)
Issuance of corporate bonds	6(28)	-	359,525
Repayment of lease liabilities	6(28)	(7,481)	(7,748)
Decrease in deposits-in	6(28)	-	(734)
Capital increase by cash		-	319,600
Cash dividends paid	6(15)	(363,993)	(359,983)
Cash contributed by non-controlling interests in subsidiaries' capital increase		-	591,322
Net cash flows (used in) from financing activities		<u>(823,612)</u>	<u>1,353,419</u>
Effect of exchange rate		<u>68,015</u>	<u>(8,213)</u>
Net (decrease) increase in cash and cash equivalents		(517,576)	105,955
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>\$ 827,464</u>	<u>\$ 1,363,123</u>

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 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 authorised for issuance by the Board of Directors on November 9, 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
 New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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

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.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 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	
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	85	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.	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.

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 September 30, 2022, December 31, 2021 and September 30, 2021, the non-controlling interests amounted to \$421,027, \$520,297 and \$547,247, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		September 30, 2022	Ownership (%)	
TCLAD Technology Corporation	Taiwan	\$ 421,027	43.73%	

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		December 31, 2021	Ownership (%)	
TCLAD Technology Corporation	Taiwan	\$ 520,297	43.73%	

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		September 30, 2021	Ownership (%)	
TCLAD Technology Corporation	Taiwan	\$ 547,247	43.73%	

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 711,138	\$ 1,399,028	\$ 1,356,824
Non-current assets	584,968	549,942	549,256
Current liabilities	(335,228)	(760,735)	(655,692)
Non-current liabilities	(303)	-	-
Total net assets	\$ 960,575	\$ 1,188,235	\$ 1,250,388

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	July 1, 2022 to September 30, 2022	July 1, 2021 to September 30, 2021
Revenue	\$ 267,101	\$ 337,744
Loss before income tax	(81,189)	(19,683)
Income tax expense	(113)	(133)
Loss for the period	(81,302)	(19,816)
Other comprehensive income (loss), net of income tax	58,404	(9,646)
Total comprehensive loss	<u>(\$ 22,898)</u>	<u>(\$ 29,462)</u>
Total comprehensive income (loss) attributable to non-controlling interests	<u>\$ 55</u>	<u>(\$ 118)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>\$ -</u>

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2022 to September 30, 2022	March 1, 2021 to September 30, 2021
Revenue	\$ 810,389	\$ 543,052
Loss before income tax	(339,108)	(78,968)
Income tax expense	(188)	(133)
Loss for the period	(339,296)	(79,101)
Other comprehensive income (loss), net of income tax	111,637	(9,646)
Total comprehensive loss	<u>(\$ 227,659)</u>	<u>(\$ 88,747)</u>
Total comprehensive loss attributable to non-controlling interests	<u>(\$ 227,659)</u>	<u>(\$ 133)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>\$ -</u>

Statement of cash flows:

TCLAD Technology Corporation and Subsidiaries		
	January 1, 2022 to September 30, 2022	March 1, 2021 to September 30, 2021
Net cash used in operating activities	(\$ 385,002)	(\$ 1,092,064)
Net cash provided by (used in) investing activities	439,252	(331,389)
Net cash (used in) provided by financing activities	(317,262)	1,758,750
Effect of exchange rates	50,464	-
(Decrease) increase in cash and cash equivalents	(212,548)	335,297
Cash and cash equivalents, beginning of period	343,476	10,503
Cash and cash equivalents, end of period	<u>\$ 130,928</u>	<u>\$ 345,800</u>

(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 nine months ended September 30, 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and revolving funds	\$ 97	\$ 170	\$ 108
Checking accounts and demand deposits	627,365	817,027	870,442
Time deposits	200,002	527,843	492,573
	<u>\$ 827,464</u>	<u>\$ 1,345,040</u>	<u>\$ 1,363,123</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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 204,078	\$ 208,135	\$ 221,056
Accounts receivable	\$ 504,242	\$ 511,529	\$ 650,897
Accounts receivable-related parties	68,268	97,383	141,692
Less: Loss allowance	(19,225)	(18,366)	(18,155)
	<u>\$ 553,285</u>	<u>\$ 590,546</u>	<u>\$ 774,434</u>

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

	<u>September 30, 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	\$ 502,180	\$ 204,078	\$ 564,362	\$ 208,135
Up to 30 days	22,650	-	17,943	-
31 to 90 days	15,435	-	8,225	-
91 to 180 days	4,551	-	29	-
Over 180 days	27,694	-	18,353	-
	<u>\$ 572,510</u>	<u>\$ 204,078</u>	<u>\$ 608,912</u>	<u>\$ 208,135</u>

	<u>September 30, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 743,254	\$ 221,056
Up to 30 days	30,681	-
31 to 90 days	3,385	-
91 to 180 days	90	-
Over 180 days	15,179	-
	<u>\$ 792,589</u>	<u>\$ 221,056</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2022, December 31, 2021 and September 30, 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 September 30, 2022, December 31, 2021 and September 30, 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 \$204,078, \$208,135 and \$221,056, respectively, and accounts receivable were \$553,285, \$590,546 and \$774,434, respectively.

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

(3) Inventories

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Raw materials	\$ 349,288	\$ 321,397	\$ 223,309
Work-in-progress	201,544	291,650	204,931
Finished goods	<u>302,434</u>	<u>311,870</u>	<u>236,941</u>
	<u>\$ 853,266</u>	<u>\$ 924,917</u>	<u>\$ 665,181</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 570,337	\$ 646,106
Loss on decline (gain from recovery) in market value	<u>13,646</u>	<u>-</u>
	<u>\$ 583,983</u>	<u>\$ 646,106</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 1,822,832	\$ 1,444,623
Loss on decline (gain from recovery) in market value	<u>38,338</u>	<u>(6,244)</u>
	<u>\$ 1,861,170</u>	<u>\$ 1,438,379</u>

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold for the nine months ended September 30, 2021.

(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	\$ 1,007,330	\$ 871,773	\$ 13,082	\$ 13,121	\$ 21,743	\$ 19,926	\$ 199,304	\$ 4,161	\$ 2,152,554
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>\$ 661,123</u>	<u>\$ 434,004</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>\$ 1,172,461</u>
Opening net book amount	\$ 2,114	\$ 661,123	\$ 434,004	\$ 5,040	\$ 5,561	\$ 10,680	\$ 1,739	\$ 48,039	\$ 4,161	\$ 1,172,461
Additions	-	1,678	170,580	815	-	1,391	-	7,807	14,349	196,620
Disposals	-	-	(844)	(7)	-	-	-	(6)	-	(857)
Reclassifications	-	-	4,281	-	-	-	-	-	(4,281)	-
Depreciation	-	(30,974)	(77,929)	(974)	(1,242)	(3,001)	(393)	(18,430)	-	(132,943)
Net exchange differences	311	29,704	35,121	314	320	344	-	10,098	1,303	77,515
Closing net book amount	<u>\$ 2,425</u>	<u>\$ 661,531</u>	<u>\$ 565,213</u>	<u>\$ 5,188</u>	<u>\$ 4,639</u>	<u>\$ 9,414</u>	<u>\$ 1,346</u>	<u>\$ 47,508</u>	<u>\$ 15,532</u>	<u>\$ 1,312,796</u>
At September 30										
Cost	\$ 2,425	\$ 1,043,544	\$ 1,087,443	\$ 14,396	\$ 13,430	\$ 23,344	\$ 19,926	\$ 209,908	\$ 15,532	\$ 2,429,948
Accumulated depreciation and impairment	-	(382,013)	(522,230)	(9,208)	(8,791)	(13,930)	(18,580)	(162,400)	-	(1,117,152)
	<u>\$ 2,425</u>	<u>\$ 661,531</u>	<u>\$ 565,213</u>	<u>\$ 5,188</u>	<u>\$ 4,639</u>	<u>\$ 9,414</u>	<u>\$ 1,346</u>	<u>\$ 47,508</u>	<u>\$ 15,532</u>	<u>\$ 1,312,796</u>

2021

	Land	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>\$ -</u>	<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	-	52,767	46,733	1,268	1,457	3,985	-	15,053	8,444	129,707
Disposals	-	-	(1,328)	(20)	(33)	-	-	(2)	-	(1,383)
Reclassifications	-	2,379	1,090	-	-	-	-	-	(3,469)	-
Acquired through business combinations	2,128	135,086	215,231	2,025	1,176	211	-	2,627	-	358,484
Depreciation	-	(28,422)	(42,021)	(830)	(930)	(2,321)	(425)	(16,480)	-	(91,429)
Net exchange differences	-	(1,743)	(1,398)	(31)	(15)	(77)	-	(105)	(23)	(3,392)
Closing net book amount	<u>\$ 2,128</u>	<u>\$ 649,879</u>	<u>\$ 393,953</u>	<u>\$ 4,918</u>	<u>\$ 5,917</u>	<u>\$ 9,756</u>	<u>\$ 1,871</u>	<u>\$ 42,577</u>	<u>\$ 8,435</u>	<u>\$ 1,119,434</u>
At September 30										
Cost	\$ 2,128	\$ 984,987	\$ 811,495	\$ 12,609	\$ 13,098	\$ 20,487	\$ 19,926	\$ 187,659	\$ 8,435	\$ 2,060,824
Accumulated depreciation and impairment	-	(335,108)	(417,542)	(7,691)	(7,181)	(10,731)	(18,055)	(145,082)	-	(941,390)
	<u>\$ 2,128</u>	<u>\$ 649,879</u>	<u>\$ 393,953</u>	<u>\$ 4,918</u>	<u>\$ 5,917</u>	<u>\$ 9,756</u>	<u>\$ 1,871</u>	<u>\$ 42,577</u>	<u>\$ 8,435</u>	<u>\$ 1,119,434</u>

1. For the nine months ended September 30, 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 191,118	\$ 194,133	\$ 195,306
Buildings	4,270	8,097	8,461
Transportation equipment	3,111	1,313	912
	<u>\$ 198,499</u>	<u>\$ 203,543</u>	<u>\$ 204,679</u>

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,357	\$ 1,346
Buildings	1,238	1,176
Transportation equipment	509	371
	<u>\$ 3,104</u>	<u>\$ 2,893</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 4,072	\$ 4,040
Buildings	3,714	3,527
Transportation equipment	1,412	1,251
	<u>\$ 9,198</u>	<u>\$ 8,818</u>

- C. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$787, \$0, \$3,861 and \$0, respectively.
- D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 666</u>	<u>\$ 701</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 2,058</u>	<u>\$ 2,132</u>

E. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$9,539 and \$9,880, 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 and nine months ended September 30, 2022 and 2021, the Group recognised rent income in the amounts of \$12,412, \$11,492, \$39,122 and \$40,490, 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
2021	\$ -	\$ -	\$ 11,905
2022	11,983	43,098	43,098
2023	44,177	34,810	34,810
2024	16,469	16,469	16,469
2025	2,788	2,788	2,788
2026	1,936	1,936	-
	<u>\$ 77,353</u>	<u>\$ 99,101</u>	<u>\$ 109,070</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	(1,916)	(1,915)
Closing net book amount	<u>\$ 107,066</u>	<u>\$ 109,620</u>
At September 30		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(23,172)	(20,618)
	<u>\$ 107,066</u>	<u>\$ 109,620</u>

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

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 12,412</u>	<u>\$ 11,492</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 638</u>	<u>\$ 537</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 39,122</u>	<u>\$ 40,490</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 2,738</u>	<u>\$ 2,646</u>

B. The fair value of investment property held by the Group as of September 30, 2022, December 31, 2021 and September 30, 2021 were \$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>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 79,390	2.474%	None
Secured borrowings	300,000	1.277%	Buildings and time deposits
	<u>\$ 379,390</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>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 223,046	0.731%	None
Secured borrowings	617,750	0.699%	Buildings and time deposits
	<u>\$ 840,796</u>		

Interest expense recognised in profit or loss amounted to \$2,181, \$1,303, \$3,537 and \$3,521 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(9) Accounts payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable	\$ 129,549	\$ 282,102	\$ 251,201
Estimated accounts payable	56,126	30,699	29,720
	<u>\$ 185,675</u>	<u>\$ 312,801</u>	<u>\$ 280,921</u>

(10) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Wages and salaries payable	\$ 77,007	\$ 91,404	\$ 81,299
Employee bonus and directors' remuneration payable	16,000	67,575	57,562
Payables on machinery and equipment	17,876	41,510	53,972
Others	162,076	190,173	188,225
	<u>\$ 272,959</u>	<u>\$ 390,662</u>	<u>\$ 381,058</u>

(11) Bonds payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Bonds payable			
The Company's first unsecured convertible bonds	\$ 360,000	\$ 360,000	\$ 360,000
	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>
Less: Conversion option amount exercised	(95,300)	(95,300)	(95,300)
Less: Discount on bonds payable	(5,235)	(8,325)	(9,347)
	<u>259,465</u>	<u>256,375</u>	<u>255,353</u>
Less: Current portion	-	-	-
	<u>\$ 259,465</u>	<u>\$ 256,375</u>	<u>\$ 255,353</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 September 30, 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, \$367, \$1,140 and \$1,099 for the three months and nine months ended September 30, 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 and nine months ended September 30, 2022 and 2021, were \$9,994, \$9,287, \$30,231 and \$18,824, respectively.

(13) Share capital

As of September 30, 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
Conversion of convertible bonds	-	944
At September 30	<u>85,646</u>	<u>85,646</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 shareholders' 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 and 2020 had been resolved at shareholders' meeting on June 23, 2022 and 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	11,788		(9,589)	
Cash dividends	<u>363,993</u>	\$ 4.25	<u>359,983</u>	\$ 4.25
	<u>\$ 426,964</u>		<u>\$ 390,225</u>	

(16) Other equity items

	Financial statements translation difference of foreign operations
At January 1, 2022	(\$ 82,092)
Currency translation differences	96,424
At September 30, 2022	<u>\$ 14,332</u>
	Financial statements translation difference of foreign operations
At January 1, 2021	(\$ 70,303)
Currency translation differences	(15,437)
At September 30, 2021	<u>(\$ 85,740)</u>

(17) Operating revenue

	Three months ended September 30,	
	2022	2021
Sales revenue	<u>\$ 734,954</u>	<u>\$ 952,420</u>
	Nine months ended September 30,	
	2022	2021
Sales revenue	<u>\$ 2,257,455</u>	<u>\$ 2,319,079</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:

<u>Three months ended September 30, 2022</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 344,380</u>	<u>\$ 51,342</u>	<u>\$ 176,033</u>	<u>\$ 163,199</u>	<u>\$ 734,954</u>
Timing of revenue recognition					
At a point in time	<u>\$ 344,380</u>	<u>\$ 51,342</u>	<u>\$ 176,033</u>	<u>\$ 163,199</u>	<u>\$ 734,954</u>
<u>Three months ended September 30, 2021</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 411,947</u>	<u>\$ 136,479</u>	<u>\$ 298,604</u>	<u>\$ 105,390</u>	<u>\$ 952,420</u>
Timing of revenue recognition					
At a point in time	<u>\$ 411,947</u>	<u>\$ 136,479</u>	<u>\$ 298,604</u>	<u>\$ 105,390</u>	<u>\$ 952,420</u>
<u>Nine months ended September 30, 2022</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 990,015</u>	<u>\$ 224,365</u>	<u>\$ 616,244</u>	<u>\$ 426,831</u>	<u>\$ 2,257,455</u>
Timing of revenue recognition					
At a point in time	<u>\$ 990,015</u>	<u>\$ 224,365</u>	<u>\$ 616,244</u>	<u>\$ 426,831</u>	<u>\$ 2,257,455</u>
<u>Nine months ended September 30, 2021</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 1,138,300</u>	<u>\$ 299,946</u>	<u>\$ 668,783</u>	<u>\$ 212,050</u>	<u>\$ 2,319,079</u>
Timing of revenue recognition					
At a point in time	<u>\$ 1,138,300</u>	<u>\$ 299,946</u>	<u>\$ 668,783</u>	<u>\$ 212,050</u>	<u>\$ 2,319,079</u>

B. Contract assets and liabilities

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:				
Contract liabilities –				
Advance sales receipts	<u>\$ 9,568</u>	<u>\$ 1,625</u>	<u>\$ 2,167</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 September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ -</u>	<u>\$ 68</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ 1,477</u>	<u>\$ 7,690</u>

(18) Interest income

	Three months ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 876	\$ 1,163
Interest income from financial assets at amortised cost	235	5
	<u>\$ 1,111</u>	<u>\$ 1,168</u>

	Nine months ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 4,220	\$ 5,157
Interest income from financial assets at amortised cost	366	31
	<u>\$ 4,586</u>	<u>\$ 5,188</u>

(19) Other income

	Three months ended September 30,	
	2022	2021
Rental income	\$ 12,412	\$ 11,492
Other income, others	10,085	20,039
	<u>\$ 22,497</u>	<u>\$ 31,531</u>

	Nine months ended September 30,	
	2022	2021
Rental income	\$ 39,122	\$ 40,490
Other income, others	36,957	32,472
	<u>\$ 76,079</u>	<u>\$ 72,962</u>

(20) Other gains and losses

	Three months ended September 30,	
	2022	2021
(Losses) gains on disposals of property, plant and equipment	(\$ 113)	\$ 30
Net currency exchange gains (losses)	28,296	(6,434)
Depreciation-investment property	(638)	(638)
Other losses	(648)	(3,307)
	<u>\$ 26,897</u>	<u>(\$ 10,349)</u>

	Nine months ended September 30,	
	2022	2021
(Losses) gains on disposals of property, plant and equipment	(\$ 857)	\$ 82
Net currency exchange gains (losses)	57,736	(14,856)
Gains on financial assets at fair value through profit or loss	-	339
Depreciation-investment property	(1,916)	(1,915)
Other losses	(731)	(6,008)
	<u>\$ 54,232</u>	<u>(\$ 22,358)</u>

(21) Finance costs

	Three months ended September 30,	
	2022	2021
Interest expense	\$ 2,949	\$ 3,310

	Nine months ended September 30,	
	2022	2021
Interest expense	\$ 8,685	\$ 9,705

(22) Expenses by nature

	Three months ended September 30,	
	2022	2021
Employee benefit expenses	\$ 261,594	\$ 269,716
Depreciation on property, plant and equipment (Note)	48,750	39,662
Amortisation on intangible assets	11,681	4,678

	Nine months ended September 30,	
	2022	2021
Employee benefit expenses	\$ 790,737	\$ 598,332
Depreciation on property, plant and equipment (Note)	144,057	102,162
Amortisation on intangible assets	33,753	8,775

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

(23) Employee benefit expenses

	Three months ended September 30,	
	2022	2021
Wages and salaries	\$ 206,171	\$ 215,562
Labor and health insurance fees	12,979	12,567
Pension costs	10,374	9,654
Other personnel expenses	32,070	30,933
	<u>\$ 261,594</u>	<u>\$ 268,716</u>

	Nine months ended September 30,	
	2022	2021
Wages and salaries	\$ 614,345	\$ 469,964
Share-based payment	-	12,930
Labor and health insurance fees	46,085	31,071
Pension costs	31,371	19,923
Other personnel expenses	98,936	64,444
	<u>\$ 790,737</u>	<u>\$ 598,332</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 and nine months ended September 30, 2022 and 2021, employees' compensation were accrued at \$6,067, \$15,893, \$13,867 and \$49,887, respectively; while directors' remuneration were accrued at \$933, \$2,445, \$2,133 and \$7,675, 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 8.27% 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 September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 17,687	\$ 32,773
Prior year income tax overestimation	-	-
Total current tax	<u>17,687</u>	<u>32,773</u>
Deferred tax:		
Origination and reversal of temporary differences	3,608	(116)
Total deferred tax	<u>3,608</u>	<u>(116)</u>
Income tax expense	<u>\$ 21,295</u>	<u>\$ 32,657</u>

	Nine months ended September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 63,544	\$ 105,101
Prior year income tax overestimation	-	-
Total current tax	<u>63,544</u>	<u>105,101</u>
Deferred tax:		
Origination and reversal of temporary differences	3,079	65
Total deferred tax	<u>3,079</u>	<u>65</u>
Income tax expense	<u>\$ 66,623</u>	<u>\$ 105,166</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) (Loss) earnings per share

	Three months ended September 30,2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	\$ <u>42,561</u>	<u>85,645</u>	\$ <u>0.50</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	828	2,621	
Employees' compensation	-	109	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>43,389</u>	<u>88,375</u>	\$ <u>0.49</u>
	Three months ended September 30,2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 135,834	85,307	\$ <u>1.59</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	921	2,621	
Employees' compensation	-	429	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>136,755</u>	<u>88,357</u>	\$ <u>1.55</u>

Nine months ended September 30, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 85,507	85,645	\$ 1.00
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,473	2,621	
Employees' compensation	-	415	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 87,980	88,681	\$ 0.99
Nine months ended September 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 426,382	84,359	\$ 5.05
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,020	1,584	
Employees' compensation	-	533	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 428,402	86,476	\$ 4.95

(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	358,484
Intangible assets	<u>174,951</u>
Total identifiable net assets	<u>575,401</u>
Goodwill	<u>\$ 9,584</u>

C. The fair value of the identifiable net assets acquired as of May 1, 2021 was originally assessed at a provisional amount and the fair value of these net assets was determined after the end of the measurement period as described above.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 196,620	\$ 129,707
Net change of payable on machinery and equipment	23,634	(35,899)
Net change of prepayments on machinery and equipment	(95,299)	<u>89,282</u>
Cash paid during the period	<u>\$ 124,955</u>	<u>\$ 183,090</u>

B. Financing activities with no cash flow effects:

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Convertible bonds being converted to capital stocks	<u>\$ -</u>	<u>\$ 91,697</u>

(28) Changes in liabilities from financing activities

	2022					Total liabilities from financing activities
	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in		
At January 1	\$ 805,983	\$ 197,968	\$ 256,375	\$ 10,663	\$	1,270,989
Changes in cash flow from financing activities	(452,138)	(7,481)	-	-	(459,619)
Interest expense	-	2,058	3,090	-	-	5,148
Interest paid	-	(2,058)	-	-	(2,058)
Impact of changes in foreign exchange rate	25,545	-	-	-	-	25,545
Changes in other non-cash items	-	3,146	-	-	-	3,146
At September 30	<u>\$ 379,390</u>	<u>\$ 193,633</u>	<u>\$ 259,465</u>	<u>\$ 10,663</u>	<u>\$</u>	<u>843,151</u>

	2021					Total liabilities from financing activities
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Deposits-in	
At January 1	\$ 327,998	\$ 70,000	\$ 206,503	\$ -	\$ 10,700	\$ 615,201
Changes in cash flow from financing activities	521,437	(70,000)	(7,748)	359,525	(734)	802,480
Interest expense	-	-	2,132	3,899	-	6,031
Interest paid	-	-	(2,132)	-	-	(2,132)
Corportate bond issuance	-	-	-	(16,374)	-	(16,374)
Coverible bonds converted	-	-	-	(91,697)	-	(91,697)
Impact of changes in foreign exchange rate	(8,639)	-	-	-	-	(8,639)
At September 30	<u>\$ 840,796</u>	<u>\$ -</u>	<u>\$ 198,755</u>	<u>\$ 255,353</u>	<u>\$ 9,966</u>	<u>\$ 1,304,870</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Littelfuse, Inc.	A Board of Director of the Company

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended September 30,	
	2022	2021
Sales of goods:		
Other related parties	<u>\$ 65,075</u>	<u>\$ 141,687</u>
	Nine months ended September 30,	
	2022	2021
Sales of goods:		
Other related parties	<u>\$ 246,450</u>	<u>\$ 380,003</u>

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

B. Accounts receivable

September 30, 2022 December 31, 2021 September 30, 2021

Accounts receivable

Other related parties \$ 68,268 \$ 97,383 \$ 141,692

The receivables from related parties arise mainly from sale transactions. The receivables are due 90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

(3) Key management personnel compensation

	Three months ended September 30,	
	2022	2021
Short-term employee benefits	\$ 5,981	\$ 7,579
Post-employment benefits	380	349
	\$ 6,361	\$ 7,928
	Nine months ended September 30,	
	2022	2021
Short-term employee benefits	\$ 42,021	\$ 42,928
Post-employment benefits	1,129	1,047
	\$ 43,150	\$ 43,975

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 119,999	\$ 509,408	\$ 499,445	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	189,002	192,377	193,502	Guarantee for short-term borrowing credit line

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment	\$ 13,745	\$ 60,633	\$ 83,040

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 827,464	\$ 1,345,040	\$ 1,363,123
Financial assets at amortised cost			
Notes receivable	126,925	516,289	506,326
Accounts receivable (including related parties)	204,078	208,135	221,056
Other receivables	553,285	590,546	774,434
Refundable deposits	23,509	15,226	19,766
	11,388	10,426	3,506
	<u>\$ 1,746,649</u>	<u>\$ 2,685,662</u>	<u>\$ 2,888,211</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 379,390	\$ 805,983	\$ 840,796
Notes payable	63,522	60,116	51,329
Accounts payable	185,675	312,801	280,921
Other payables	272,959	390,662	381,058
Bond payable (including current portion)	259,465	256,375	255,353
Deposits-in	10,663	10,663	9,966
	<u>\$ 1,171,674</u>	<u>\$ 1,836,600</u>	<u>\$ 1,819,423</u>
Lease liabilities	<u>\$ 193,633</u>	<u>\$ 197,968</u>	<u>\$ 198,755</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:

September 30, 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 16,885		31.75	\$ 536,110
USD:RMB	USD 3,534		7.0931	112,119
RMB:NTD	RMB 339		4.473	1,518
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD 161		31.75	\$ 5,111
<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.				

September 30, 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	32,823	27.85	\$ 914,121
USD:RMB	USD	451	6.4626	12,546
RMB:NTD	RMB	125	4.305	538
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	378	27.85	\$ 10,524
JPY:NTD	JPY	5,570	0.2490	1,387
<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 and nine months ended September 30, 2022 and 2021, amounted to \$28,296, (\$6,434), \$57,736 and (\$14,856), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Nine months ended September 30, 2022				
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%	\$ 5,361	\$	-
USD:RMB	1%	1,121		-
RMB:NTD	1%	15		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 51)	\$	-
<u>Non-monetary items:</u> None.				

Nine months ended September 30, 2021

Sensitivity analysis

	<u>Degree of variation</u>	<u>Effect on profit (loss)</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 9,141	\$ -
USD:RMB	1%	125	-
RMB:NTD	1%	5	-
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 105)	\$ -
JPY:NTD	1%	(14)	-
<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 September 30, 2022, December 31, 2021 and September 30, 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 September 30, 2022</u>						
Expected loss rate	0.01%	0.33%~1.10%	2.44%~21.02%	14.89%~30.91%	91.55%~100%	
Total book value	\$ 502,180	\$ 22,650	\$ 15,435	\$ 4,551	\$ 27,694	\$ 572,510
Loss allowance	\$ -	\$ -	\$ 38	\$ 82	\$ 19,105	\$ 19,225

	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 September 30, 2021</u>						
Expected loss rate	0.01%	0.35%~0.82%	2.50%~18.44%	15.09%~21.47%	80.18%~100%	
Total book value	\$ 743,254	\$ 30,681	\$ 3,385	\$ 90	\$ 15,179	\$ 792,589
Loss allowance	\$ -	\$ -	\$ 2,886	\$ 90	\$ 15,179	\$ 18,155

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	\$ -
Provision for impairment	278	-
Effect of foreign exchange	581	-
At September 30	<u>\$ 19,225</u>	<u>\$ -</u>
	2021	
	Accounts receivable	Notes receivable
At January 1	\$ 20,883	\$ -
Reversal of impairment loss	(2,534)	-
Effect of foreign exchange	(194)	-
At September 30	<u>\$ 18,155</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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Floating rate:			
Expiring within one year	\$ <u>944,267</u>	\$ <u>935,367</u>	\$ <u>904,641</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
September 30, 2022	months	months	and 2 years	and 5 years	years
		and 1 year			
Short-term borrowings	\$379,375	\$ -	\$ -	\$ -	\$ -
Notes payable	63,522	-	-	-	-
Accounts payable	-	185,675	-	-	-
Lease liabilities	3,059	7,273	7,344	19,996	205,941
Other payables	-	272,959	-	-	-
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
		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
September 30, 2021	months	months	and 2 years	and 5 years	years
		and 1 year			
Short-term borrowings	\$434,356	\$ 406,440	\$ -	\$ -	\$ -
Notes payable	51,359	-	-	-	-
Accounts payable	253,524	27,397	-	-	-
Lease liabilities	3,120	9,229	10,013	20,532	211,733
Other payables	-	381,058	-	-	-
Bonds payable	-	-	-	264,700	-
Deposits-in	-	9,966	-	-	-

(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.

	September 30, 2022			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 259,465	\$ -	\$ 255,171	\$ -
	December 31, 2021			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 256,375	\$ -	\$ 255,171	\$ -
	September 30, 2021			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 255,353	\$ -	\$ 255,171	\$ -

- (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.

D. For the nine months ended September 30, 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: Please refer to table 3.
- 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 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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

	Nine months ended September 30,	
	2022	2021
Revenue from external customers	\$ 2,257,455	\$ 2,319,079
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 4,044	\$ 497,204
Segment assets	\$ 4,547,450	\$ 5,449,286

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

None.

Polytronics Technology Corp. and Subsidiaries

Loans to others

Nine months ended September 30, 2022

Table 1

Expressed in thousand

(Except as otherwise

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	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)
					balance during the year ended September 30, 2022	September 30, 2022							Item	Value		
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Other receivables - related party	Y	\$ 90,120	\$ 89,460	\$ -	4.35%	Short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 1,061,589	1,061,589
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	127,000	127,000	63,500	0.825%	Short-term financing	-	Operational need	-	-	-	1,061,589	1,061,589
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	127,000	127,000	-	0.825%	Short-term financing	-	Operational need	-	-	-	1,061,589	1,061,589
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	420,375	254,000	95,250	2.62%	Short-term financing	-	Operational need	-	-	-	1,061,589	1,061,589
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	31,750	31,750	25,400	2.25%	Short-term financing	-	Operational need	-	-	-	1,061,589	1,061,589

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

ds of NTD
indicated)

Footnote

Note2

Polytronics Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
Nine months ended September 30, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2022	Outstanding endorsement/ guarantee amount at September 30, 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)
			Relationship with the endorser/ guarantor											
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	100% owned subsidiary		2,653,974	157,516	88,900	15,875	-	3.35	\$ 3,980,960	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests directly owned by the Company		2,653,974	100,000	100,000	100,000	100,000	3.77	\$ 3,980,960	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company		2,653,974	47,625	47,625	47,625	-	1.79	\$ 3,980,960	Y	N	N

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

Polytronics Technology Corp. and Subsidiaries

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

Nine months ended September 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Polytronics Technology Corp.	Liffelfuse, Inc.	Director of the Company	Sales	(\$ 246,450)	11%	Net 90 days	Note	Note	\$ 68,268	9%	
Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Subsidiary	Sales	(249,232)	11%	Net 60 days	Note	Note	34,213	5%	

Note : With the general payment term.

Polytronics Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2022

Table 4

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	\$ 249,232	Net 60 days	11%
0	"	"	1	Purchases	61,507	Net 45 days	3%
0	"	"	1	Processing charges	33,828	Net 45 days	1%
0	"	"	1	Accounts receivable	34,213	Net 60 days	1%
0	"	"	1	Accounts payable	74,479	Net 45 days	2%
0	"	TCLAD Technology Corporation	1	Other receivables	63,500	Collection and payment based on an agreed time	1%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Other receivables	96,223	Collection and payment based on an agreed time	2%
1	"	"	3	Purchases	91,634	Net 30 days	4%
1	"	"	3	Accounts payable	1,722	Net 30 days	0%
1	"	"	3	Interest Revenue	3,440	Collection and payment based on an agreed time	0%
1	"	TCLAD Europe GmbH	3	Other receivables	25,493	Collection and payment based on an agreed time	1%
1	"	"	3	Accounts receivable	15,009	Net 30 days	0%
1	"	"	3	Sales	14,920	Net 30 days	1%
2	TCLAD Inc.	TCLAD Europe GmbH	3	Sales	95,350	Net 30 days	4%
2	"	"	3	Accounts receivable	14,824	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
Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the six months ended September 30, 2022	Investment income (loss) recognised by the Company for the six months ended September 30, 2022	Footnote
				Balance as at September 30, 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	\$ 1,060,997	\$ 20,309	\$ 20,309	Subsidiary
Polytronics Technology Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	16,882	56.27	539,548	(339,789)	(191,211)	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,193,070	665,461	-	100	860,496	(342,506)	(348,739)	Subsidiary (Note)
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	5,732	5,732	170	85	10,067	3,284	2,792	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 September 30, 2022, TCLAD Technology Corporation held 419 shares.

Polytronics Technology Corp. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2022

Table 6

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 six months ended September 30, 2022		Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2022	Net income of investee for the six months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended September 30, 2022 (Note 3)	Book value of investments in mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 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	\$ 701,021	2	\$ 205,105	\$ -	\$ -	\$ 205,105	\$ 20,265	100	\$ 20,265	\$ 1,045,268	\$ -	
PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	89,524	3	-	-	-	-	691	100	691	91,370	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to mainland China as of September 30, 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.	\$ 205,105	\$ 701,021	\$ 1,592,383										

Note 1: Investment methods are classified into the following six 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 = 1:29.331 and RMB:TWD = 1:4.435 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:31.75 and RMB:TWD = 1:4.476

Polytronics Technology Corp. and Subsidiaries

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

Nine months ended September 30, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Sales (purchase)		Accounts receivable (payable)		Maximum balance during the six months ended September 30, 2022	Financing		Interest during the six months ended September 30, 2022	Others-processing charges	
	Amount	%	Balance at September 30, 2022	%		Balance at September 30, 2022	Interest rate		Balance at September 30, 2022	%
Kunshan Polystar Electronics Co., Ltd.	\$ 249,232	11.04%	\$ 34,213	4.52%	\$ 90,120	\$ 89,460	4.35%	\$ -	\$ 33,828	19.25%
Kunshan Polystar Electronics Co., Ltd.	(61,507)	16.66%	(74,479)	40.11%	-	-	-	-	-	-

Table 7

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

September 30, 2022

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Everlight Chemical Industrial Corp.	8,000,000	9.34%
Littlefuse Europe GmbH	4,600,350	5.37%

Table 8