

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

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

**THREE MONTHS ENDED MARCH 31, 2023 AND
2022**

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

PWCR23000043

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Polytronics Technology Corp. and subsidiaries (the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim financial reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion for 2022 first quarter consolidated financial statements

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

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion for 2022 first quarter consolidated financial statements* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim financial reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Hsieh, Chih-Cheng

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 2023

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
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,131,256	25	\$ 1,102,816	24	\$ 1,252,953	25
1136	Current financial assets at amortised cost	8	120,013	3	119,999	3	39,181	1
1150	Notes receivable, net	6(2)	207,841	5	196,930	4	184,084	4
1170	Accounts receivable, net	6(2)	471,163	10	438,156	10	533,242	11
1180	Accounts receivable - related parties, net	6(2) and 7	46,208	1	41,389	1	93,741	2
1200	Other receivables		19,320	-	24,528	-	15,751	-
130X	Inventories	6(3)	721,873	16	781,404	17	1,015,964	20
1410	Prepayments		60,829	1	98,198	2	77,866	1
1470	Other current assets		2,552	-	1,235	-	10,825	-
11XX	Total current assets		<u>2,781,055</u>	<u>61</u>	<u>2,804,655</u>	<u>61</u>	<u>3,223,607</u>	<u>64</u>
Non-current assets								
1535	Non-current financial assets at amortised cost	8	6,926	-	6,926	-	6,926	-
1600	Property, plant and equipment	6(4) and 8	1,202,012	27	1,240,482	27	1,189,594	24
1755	Right-of-use assets	6(5)	206,963	5	195,305	4	202,453	4
1760	Investment property, net	6(7) and 8	105,789	2	106,428	2	108,343	2
1780	Intangible assets		177,314	4	189,877	4	191,964	4
1840	Deferred income tax assets		18,243	-	18,509	1	16,052	-
1900	Other non-current assets		23,483	1	22,833	1	107,615	2
15XX	Total non-current assets		<u>1,740,730</u>	<u>39</u>	<u>1,780,360</u>	<u>39</u>	<u>1,822,947</u>	<u>36</u>
1XXX	Total assets		<u>\$ 4,521,785</u>	<u>100</u>	<u>\$ 4,585,015</u>	<u>100</u>	<u>\$ 5,046,554</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 567,963	13	\$ 508,933	11	\$ 365,872	7
2130	Current contract liabilities	6(16)	5,458	-	9,522	-	7,395	-
2150	Notes payable		46,667	1	50,666	1	61,877	1
2170	Accounts payable		138,949	3	173,287	4	207,272	4
2200	Other payables	6(9)	344,082	8	293,322	7	663,984	13
2230	Current income tax liabilities		65,292	1	52,119	1	114,880	3
2280	Current lease liabilities		10,706	-	8,527	-	10,041	-
2320	Long-term liabilities, current portion	6(10)	261,547	6	-	-	-	-
2399	Other current liabilities, others		8,501	-	12,638	-	14,158	1
21XX	Total current liabilities		<u>1,449,165</u>	<u>32</u>	<u>1,109,014</u>	<u>24</u>	<u>1,445,479</u>	<u>29</u>
Non-current liabilities								
2530	Bonds payable	6(10)	-	-	260,504	6	257,401	5
2580	Non-current lease liabilities		192,136	4	182,350	4	186,805	3
2600	Other non-current liabilities		39,470	1	39,719	1	39,919	1
25XX	Total non-current liabilities		<u>231,606</u>	<u>5</u>	<u>482,573</u>	<u>11</u>	<u>484,125</u>	<u>9</u>
2XXX	Total liabilities		<u>1,680,771</u>	<u>37</u>	<u>1,591,587</u>	<u>35</u>	<u>1,929,604</u>	<u>38</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(12)	856,453	19	856,453	19	856,453	17
Capital surplus								
3200	Capital surplus	6(13)	582,735	13	625,558	13	625,558	12
Retained earnings								
3310	Legal reserve	6(14)	609,426	13	609,426	13	558,243	11
3320	Special reserve		82,092	2	82,092	2	70,304	2
3350	Unappropriated retained earnings		390,484	9	470,887	10	523,270	10
Other equity interest								
3400	Other equity interest	6(15)	(14,263)	-	(13,449)	-	(29,284)	-
31XX	Equity attributable to owners of parent		<u>2,506,927</u>	<u>56</u>	<u>2,630,967</u>	<u>57</u>	<u>2,604,544</u>	<u>52</u>
36XX	Non-controlling interests		<u>334,087</u>	<u>7</u>	<u>362,461</u>	<u>8</u>	<u>512,406</u>	<u>10</u>
3XXX	Total equity		<u>2,841,014</u>	<u>63</u>	<u>2,993,428</u>	<u>65</u>	<u>3,116,950</u>	<u>62</u>
Significant contingent liabilities and unrecognised contract commitments 9								
Significant events after the reporting period 11								
3X2X	Total liabilities and equity		<u>\$ 4,521,785</u>	<u>100</u>	<u>\$ 4,585,015</u>	<u>100</u>	<u>\$ 5,046,554</u>	<u>100</u>

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, but not auditor)

				Three months ended March 31				
				2023		2022		
Items	Notes	AMOUNT	%	AMOUNT	%			
4000	Operating revenue	6(16) and 7	\$	662,142	100	\$	788,550	100
5000	Operating costs	6(3)	(	524,317	(79)	(	563,754	(72)
5950	Net operating margin			137,825	21		224,796	28
	Operating expenses	6(21)(22)						
6100	Selling and marketing expenses		(	53,229	(8)	(	49,276	(6)
6200	General and administrative expenses		(	72,555	(11)	(	82,559	(11)
6300	Research and development expenses		(	58,707	(9)	(	42,847	(5)
6450	Expected credit (losses) gains	12(2)	(	520	-	(	1	-
6000	Total operating expenses		(	185,011	(28)	(	174,681	(22)
6900	Operating (loss) profit		(	47,186	(7)		50,115	6
	Non-operating income and expenses							
7100	Interest income	6(17)		1,288	-		1,656	-
7010	Other income	6(18)		52,332	8		23,274	3
7020	Other gains and losses	6(19)	(	3,229	(1)		14,531	2
7050	Finance costs	6(20)	(	9,089	(1)	(	3,177	-
7000	Total non-operating income and expenses			41,302	6		36,284	5
7900	Profit (loss) before income tax		(	5,884	(1)		86,399	11
7950	Income tax expense	6(23)	(	14,242	(2)	(	24,207	(3)
8200	Profit (loss) for the period		(	20,126	(3)	\$	62,192	8
	Other comprehensive income (loss)							
	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(15)	(\$	3,820	(1)	\$	62,418	8
8360	Components of other comprehensive (loss) income that may be subsequently reclassified to profit or loss		(	3,820	(1)		62,418	8
8300	Other comprehensive (loss) income for the period, net of income tax		(\$	3,820	(1)	\$	62,418	8
8500	Total comprehensive (loss) income for the period		(\$	23,946	(4)	\$	124,610	16
	Profit (loss) attributable to:							
8610	Owners of parent		\$	5,242	1	\$	79,693	10
8620	Non-controlling interests		(	25,368	(4)	(	17,501	(2)
	Total		(\$	20,126	(3)	\$	62,192	8
	Total comprehensive income (loss) attributable to:							
8710	Owners of parent		\$	4,428	-	\$	132,501	17
8720	Non-controlling interests		(	28,374	(4)	(	7,891	(1)
	Total		(\$	23,946	(4)	\$	124,610	16
9750	Basic earnings per share (in dollars)	6(24)	\$	0.06		\$	0.93	
9850	Diluted earnings per share (in dollars)	6(24)	\$	0.06		\$	0.91	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

Notes	Equity attributable to owners of the parent												Total equity
	Common stock	Additional paid-in capital	Treasury stock transactions	Capital reserves Capital surplus, changes in ownership interests in subsidiaries	Employee stock options	Capital surplus, share options	Retained earnings		Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interests	
							Legal reserve	Special reserve					
<u>Three months ended March 31, 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
	-	-	-	-	-	-	-	-	79,693	-	79,693	(17,501)	62,192
6(15)	-	-	-	-	-	-	-	-	-	52,808	52,808	9,610	62,418
	-	-	-	-	-	-	-	-	79,693	52,808	132,501	(7,891)	124,610
Distribution of 2021 earnings:													
6(14)	-	-	-	-	-	-	-	-	(363,993)	-	(363,993)	-	(363,993)
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 558,243	\$ 70,304	\$ 523,270	(\$ 29,284)	\$ 2,604,544	\$ 512,406	\$ 3,116,950
<u>Three months ended March 31, 2023</u>													
	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 609,426	\$ 82,092	\$ 470,887	(\$ 13,449)	\$ 2,630,967	\$ 362,461	\$ 2,993,428
	-	-	-	-	-	-	-	-	5,242	-	5,242	(25,368)	(20,126)
6(15)	-	-	-	-	-	-	-	-	-	(814)	(814)	(3,006)	(3,820)
	-	-	-	-	-	-	-	-	5,242	(814)	4,428	(28,374)	(23,946)
Distribution of 2022 earnings:													
6(14)	-	-	-	-	-	-	-	-	(85,645)	-	(85,645)	-	(85,645)
6(14)	-	(42,823)	-	-	-	-	-	-	-	-	(42,823)	-	(42,823)
	\$ 856,453	\$ 519,716	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 609,426	\$ 82,092	\$ 390,484	(\$ 14,263)	\$ 2,506,927	\$ 334,087	\$ 2,841,014

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 5,884)	\$ 86,399
Adjustments			
Adjustments to reconcile (profit) loss			
Expected credit losses (gains)	12(2)	520 (	1)
Depreciation	6(21)	55,260	49,480
Amortisation	6(21)	12,400	10,090
Interest expense	6(20)	9,089	3,177
Interest income	6(17)	(1,288 ) (	1,656)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(10,911)	24,051
Accounts receivable		(33,527 ) (	40,078)
Accounts receivable - related parties		(4,819)	3,642
Other receivables		5,208 (	525)
Inventories		59,531 (	91,047)
Prepayments		37,369	7,800
Other current assets		(1,317)	24,226
Changes in operating liabilities			
Current contract liabilities		(4,064)	5,770
Notes payable		(3,999)	1,761
Accounts payable		(34,338 ) (	105,529)
Other payables		(76,580 ) (	58,188)
Other current liabilities		(4,137)	1,929
Defined benefit liabilities		25 (	195)
Other non-current liabilities		(274)	-
Cash outflow generated from operations		(1,736 ) (	78,894)
Interest received		1,288	1,656
Interest paid		(8,046 ) (	3,177)
Income tax paid		(803) (1,507)
Net cash flows used in operating activities		(9,297) (81,922)

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(Reviewed, but not audited)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 14)	(\$ 221,788)
Disposal of financial assets at amortised cost		-	691,970
Acquisition of property, plant and equipment	6(25)	(11,128)	(59,169)
Proceeds from disposal of property, plant and equipment		138	-
Acquisition of intangible assets		(1,246)	(1,275)
Decrease (increase) in refundable deposits		563	(237)
Net cash flows (used in) from investing activities		(11,687)	409,501
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	593,460	405,184
Repayment of short-term borrowings	6(26)	(518,727)	(859,458)
Repayment of lease liabilities	6(26)	(2,766)	(2,705)
Net cash flows from (used in) financing activities		71,967	(456,979)
Effect of exchange rate		(22,543)	37,313
Net increase (decrease) in cash and cash equivalents		28,440	(92,087)
Cash and cash equivalents at beginning of period		1,102,816	1,345,040
Cash and cash equivalents at end of period	6(1)	\$ 1,131,256	\$ 1,252,953

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(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 authorized for issuance by the Board of Directors on May 8, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
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.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by 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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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, 2022, 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" that came into effect 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, 2022.

(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 that came into effect 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, 2022.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Main Business Activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
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	
Polytronics Technology Corporation	PolyTCB Electronics Corporation	Manufacturing and sales of electronic components	100	100	-	Note 1
TCLAD Technology Corporation	TCLAD Inc.	Manufacturing of the thermal conductive board	100	100	100	Note 2
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	85	85	85	
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: Established and registered by the Company on November 23, 2022.

Note 2: The financial statements of the entity as of and for the three months ended March 31, 2022 was not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2023, December 31, 2022 and March 31, 2022, the non-controlling interests amounted to \$334,087, \$362,461 and \$512,406, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

		<u>Non-controlling interests</u>		
		<u>March 31, 2023</u>		
<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
TCLAD Technology Corporation	Taiwan	<u>\$ 334,087</u>	<u>43.73%</u>	
		<u>Non-controlling interests</u>		
		<u>December 31, 2022</u>		
<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
TCLAD Technology Corporation	Taiwan	<u>\$ 362,461</u>	<u>43.73%</u>	
		<u>Non-controlling interests</u>		
		<u>March 31, 2022</u>		
<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
TCLAD Technology Corporation	Taiwan	<u>\$ 512,406</u>	<u>43.73%</u>	

Balance sheet:

	<u>TCLAD Technology Corporation and Subsidiaries</u>		
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current assets	\$ 642,193	\$ 584,844	\$ 842,361
Non-current assets	525,205	549,841	562,758
Current liabilities	(405,848)	(308,384)	(235,670)
Non-current liabilities	(342)	-	-
Total net assets	<u>\$ 761,208</u>	<u>\$ 826,301</u>	<u>\$ 1,169,449</u>

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Revenue	\$ 260,686	\$ 275,858
Loss before income tax	(58,109)	(40,761)
Income tax (expense) benefit	(72)	40
Loss for the period	(58,181)	(40,721)
Other comprehensive loss, net of income tax	(6,912)	-
Total comprehensive loss	(\$ 65,093)	(\$ 40,721)
Total comprehensive income attributable to non-controlling interests	\$ 157	\$ 541
Dividends paid to non-controlling interests	\$ -	\$ -

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Net cash used in operating activities	(\$ 54,788)	(\$ 254,636)
Net cash (used in) provided by investing activities	(5,297)	469,774
Net cash provided by (used in) financing activities	121,770	(425,882)
Effect of exchange rates	(3,048)	32,564
Increase (decrease) in cash and cash equivalents	58,637	(178,180)
Cash and cash equivalents, beginning of period	117,030	343,476
Cash and cash equivalents, end of period	\$ 175,667	\$ 165,296

(4) Employee benefits

Defined benefit plans

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

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes for the three months ended March 31, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and revolving funds	\$ 190	\$ 97	\$ 149
Checking accounts and demand deposits	548,501	591,959	642,468
Time deposits	582,565	510,760	610,336
	<u>\$ 1,131,256</u>	<u>\$ 1,102,816</u>	<u>\$ 1,252,953</u>

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Notes and accounts receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ 207,841	\$ 196,930	\$ 184,084
Accounts receivable	\$ 490,945	\$ 457,360	\$ 552,336
Accounts receivable-related parties	46,208	41,389	93,741
Less: Loss allowance	(19,782)	(19,204)	(19,094)
	<u>\$ 517,371</u>	<u>\$ 479,545</u>	<u>\$ 626,983</u>

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 450,379	\$ 207,841	\$ 441,153	\$ 196,930
Up to 30 days	36,332	-	28,167	-
31 to 90 days	24,708	-	6,216	-
91 to 180 days	6,894	-	950	-
Over 180 days	18,840	-	22,263	-
	<u>\$ 537,153</u>	<u>\$ 207,841</u>	<u>\$ 498,749</u>	<u>\$ 196,930</u>

	March 31, 2022	
	Accounts receivable	Notes receivable
Not past due	\$ 603,976	\$ 184,084
Up to 30 days	18,690	-
31 to 90 days	7,141	-
91 to 180 days	523	-
Over 180 days	15,747	-
	<u>\$ 646,077</u>	<u>\$ 184,084</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2023, December 31, 2022 and March 31, 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$817,047.

C. As at March 31, 2023, December 31, 2022 and March 31, 2022, 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 \$207,841, \$196,930 and \$184,084, respectively, and accounts receivable were \$517,371, \$479,545 and \$626,983, respectively.

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

(3) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 290,903	\$ 293,244	\$ 386,323
Work-in-progress	199,355	200,399	342,254
Finished goods	231,615	287,761	287,387
	<u>\$ 721,873</u>	<u>\$ 781,404</u>	<u>\$ 1,015,964</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2023	2022
Cost of goods sold	\$ 513,118	\$ 554,204
Loss on decline in market value	11,199	9,550
	<u>\$ 524,317</u>	<u>\$ 563,754</u>

(4) Property, plant and equipment

2023

	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1										
Cost	\$ 2,345	\$ 1,031,867	\$ 1,076,562	\$ 14,151	\$ 13,328	\$ 23,851	\$ 19,926	\$ 209,245	\$ -	\$ 2,391,275
Accumulated depreciation and impairment	-	(390,488)	(540,818)	(9,414)	(9,101)	(14,910)	(18,711)	(167,351)	-	(1,150,793)
	<u>\$ 2,345</u>	<u>\$ 641,379</u>	<u>\$ 535,744</u>	<u>\$ 4,737</u>	<u>\$ 4,227</u>	<u>\$ 8,941</u>	<u>\$ 1,215</u>	<u>\$ 41,894</u>	<u>\$ -</u>	<u>\$ 1,240,482</u>
Opening net book amount	\$ 2,345	\$ 641,379	\$ 535,744	\$ 4,737	\$ 4,227	\$ 8,941	\$ 1,215	\$ 41,894	\$ -	\$ 1,240,482
Additions	-	850	3,407	18	-	143	-	2,481	1,888	8,787
Disposals	-	-	(128)	(4)	-	-	-	(6)	-	(138)
Depreciation	-	(10,504)	(33,576)	(349)	(495)	(993)	(131)	(5,471)	-	(51,519)
Net exchange differences	(19)	(879)	4,806	(2)	144	(19)	-	369	-	4,400
Closing net book amount	<u>\$ 2,326</u>	<u>\$ 630,846</u>	<u>\$ 510,253</u>	<u>\$ 4,400</u>	<u>\$ 3,876</u>	<u>\$ 8,072</u>	<u>\$ 1,084</u>	<u>\$ 39,267</u>	<u>\$ 1,888</u>	<u>\$ 1,202,012</u>
At March 31										
Cost	\$ 2,326	\$ 1,032,144	\$ 1,076,517	\$ 14,149	\$ 13,331	\$ 23,968	\$ 19,926	\$ 211,799	\$ 1,888	\$ 2,396,048
Accumulated depreciation and impairment	-	(401,298)	(566,264)	(9,749)	(9,455)	(15,896)	(18,842)	(172,532)	-	(1,194,036)
	<u>\$ 2,326</u>	<u>\$ 630,846</u>	<u>\$ 510,253</u>	<u>\$ 4,400</u>	<u>\$ 3,876</u>	<u>\$ 8,072</u>	<u>\$ 1,084</u>	<u>\$ 39,267</u>	<u>\$ 1,888</u>	<u>\$ 1,202,012</u>

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	-	-	10,147	510	-	1,002	-	4,325	16,639	32,623
Reclassifications	-	-	5,751	-	-	-	-	-	(5,751)	-
Depreciation	-	(10,560)	(27,273)	(352)	(509)	(985)	(131)	(6,065)	-	(45,875)
Net exchange differences	72	12,331	16,771	85	232	89	-	653	152	30,385
Closing net book amount	<u>\$ 2,186</u>	<u>\$ 662,894</u>	<u>\$ 439,400</u>	<u>\$ 5,283</u>	<u>\$ 5,284</u>	<u>\$ 10,786</u>	<u>\$ 1,608</u>	<u>\$ 46,952</u>	<u>\$ 15,201</u>	<u>\$ 1,189,594</u>
At March 31										
Cost	\$ 2,186	\$ 1,027,165	\$ 905,473	\$ 13,741	\$ 13,354	\$ 22,875	\$ 19,926	\$ 211,183	\$ 15,201	\$ 2,231,104
Accumulated depreciation and impairment	-	(364,271)	(466,073)	(8,458)	(8,070)	(12,089)	(18,318)	(164,231)	-	(1,041,510)
	<u>\$ 2,186</u>	<u>\$ 662,894</u>	<u>\$ 439,400</u>	<u>\$ 5,283</u>	<u>\$ 5,284</u>	<u>\$ 10,786</u>	<u>\$ 1,608</u>	<u>\$ 46,952</u>	<u>\$ 15,201</u>	<u>\$ 1,189,594</u>

1. For the three months ended March 31, 2023 and 2022, there was no capitalisation of borrowing costs attributable to property, plant and equipment.
2. Information about property, plant and equipment that were pledged to others as collateral is provided in Note 8.
3. Above property, plant and equipment are owner-occupied.

(5) Leasing arrangements – lessee

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 188,310	\$ 189,639	\$ 193,152
Buildings	16,459	3,032	6,746
Transportation equipment	2,194	2,634	2,555
	<u>\$ 206,963</u>	<u>\$ 195,305</u>	<u>\$ 202,453</u>

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,357	\$ 1,275
Buildings	1,342	1,238
Transportation equipment	403	453
	<u>\$ 3,102</u>	<u>\$ 2,966</u>

- C. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets were \$14,731 and \$0, respectively.
- D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 699</u>	<u>\$ 695</u>

- E. For the three months ended March 31, 2023 and 2022, the Group's total cash outflow for leases were \$3,465 and \$3,400, respectively.
- F. Extension and termination options

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

(6) Leasing arrangements – lessor

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

B. For the three months ended March 31, 2023 and 2022, the Group recognised rent income in the amounts of \$14,210 and \$14,277, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
2022	\$ -	\$ -	\$ 31,115
2023	32,194	44,177	34,810
2024	16,469	16,469	16,469
2025	2,788	2,788	2,788
2026	1,936	1,936	1,936
	<u>\$ 53,387</u>	<u>\$ 65,370</u>	<u>\$ 87,118</u>

(7) Investment property

	<u>2023</u>	<u>2022</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(23,810)	(21,256)
	<u>\$ 106,428</u>	<u>\$ 108,982</u>
Opening net book amount	\$ 106,428	\$ 108,982
Depreciation	(639)	(639)
Closing net book amount	<u>\$ 105,789</u>	<u>\$ 108,343</u>
At March 31		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(24,449)	(21,895)
	<u>\$ 105,789</u>	<u>\$ 108,343</u>

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

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	<u>\$ 13,976</u>	<u>\$ 13,958</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 639</u>	<u>\$ 639</u>

B. The fair value of investment property held by the Group as of March 31, 2023, December 31, 2022 and March 31, 2022 all were \$265,364, respectively. The fair value is estimated using the valuation method frequently used by market participants which is categorised with Level 3 in the fair value hierarchy. The valuation is based on evidence of similar trading prices.

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

(8) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 176,613	5.560%	None
Secured borrowings	391,350	2.840%	Buildings and time deposits
	<u>\$ 567,963</u>		

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 208,723	5.026%	None
Secured borrowings	300,000	1.617%	Buildings and time deposits
	<u>\$ 508,723</u>		

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

Interest expense recognised in profit or loss amounted to \$3,610 and \$674 for the three months ended March 31, 2023 and 2022, respectively.

(9) Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Wages and salaries payable	\$ 53,296	\$ 87,038	\$ 66,628
Employee bonus and directors' remuneration payable	47,415	42,000	77,831
Payables on machinery and equipment	4,688	5,816	11,636
Dividends payable (including cash distributed from capital surplus)	128,468	-	363,993
Others	110,215	158,468	143,896
	<u>\$ 344,082</u>	<u>\$ 293,322</u>	<u>\$ 663,984</u>

(10) Bonds payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	(3,153)	(4,196)	(7,299)
	<u>261,547</u>	<u>260,504</u>	<u>257,401</u>
Less: Current portion	(261,547)	-	-
	<u>\$ -</u>	<u>\$ 260,504</u>	<u>\$ 257,401</u>

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

- (a) Total issuance amount: \$360 million.
- (b) The issuance price: The face value was \$100,000 (in dollars) and was issued at 101% of face value.
- (c) Issuance duration: 3 years (from January 18, 2021 to January 18, 2024).
- (d) Coupon rate of bonds: 0%.
- (e) Payback date and method: Except for converting into common shares during conversion period or repurchased and retired by the Company in advance, the bonds will be repaid at once in cash at face value on maturity date.
- (f) Conversion period: From three months after the issuance date (April 19, 2021) and ending on the maturity date (January 18, 2024), the creditor may request conversion at any time, except during the legal suspension of the transfer period.
- (g) Conversion price and adjustment: The conversion price was \$107 (in dollars) per share at issuance. However, if the ex-rights and ex-dividends occur after the issuance, the applicable conversion price was subject to adjustments based on the conversion price adjustment formula.
- (h) The rights and obligations of the new shares after conversion are the same as those of the Company's ordinary shares.
- (i) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (j) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$16,374 were separated from the liability component and were recognised in "Capital surplus – share options" in accordance with IAS 32. The effective interest rates of the bonds payable after such separation ranged 1.5989%.

- (k) Through March 31, 2023, the convertible corporate bonds with face value of \$95,300 have been converted into 944 thousand ordinary shares.

(11) 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 \$325 and \$380 for the three months ended March 31, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for next year amount to \$3,434.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's Mainland China subsidiary, Polystar Electronics Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

- (c) The Group’s US subsidiary has established a 401(K) pension plan in accordance with Section 401(K) of the Internal Revenue Code (IRC). All eligible employees can elect to have a certain portion of their salaries contributed to their individual pension accounts according to the contribution limit. The US subsidiary makes a matching contribution of no higher than 8% of each employee’s salary to their individual pension accounts.
- (d) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2023 and 2022, were \$9,398 and \$10,598, respectively.

(12) Share capital

As of March 31, 2023, 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):

	<u>2023</u>	<u>2022</u>
At January 1 / At March 31	<u>85,646</u>	<u>85,646</u>

(13) 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.

(14) 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 2022 earnings proposed by the Board of Directors on March 16, 2023, and the appropriations of 2021 earnings had been resolved at shareholders' meeting on June 23, 2022 are as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 9,028		\$ 51,183	
Special reserve	(68,643)		11,788	
Cash dividends	85,645	\$ 1.00	363,993	\$ 4.25
	\$ 26,030		\$ 426,964	

The distribution of 2022 earnings, except cash dividends were resolved by the Board of Directors on March 16, 2023, others were pending for approval by the shareholders' meeting.

- G. The Company adopted the resolution of the Board of Directors on March 16, 2023 to distribute cash of \$42,823 (\$0.5 per share) in proportion to the ownership interest of shareholders using capital surplus, which will be reported at the shareholders' meeting in 2023.

(15) Other equity items

	Financial statements translation difference of foreign operations	
At January 1, 2023	(\$	13,449)
Currency translation differences	(	814)
At March 31, 2023	(\$	<u>14,263</u>)
	Financial statements translation difference of foreign operations	
At January 1, 2022	(\$	82,092)
Currency translation differences		52,808
At March 31, 2022	(\$	<u>29,284</u>)

(16) Operating revenue

	Three months ended March 31,	
	2023	2022
Sales revenue	\$ <u>662,142</u>	\$ <u>788,550</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 and geographical regions:

Three months ended March 31, 2023	China	Taiwan	USA	Others	Total
Sales revenue	\$ <u>295,654</u>	\$ <u>61,678</u>	\$ <u>177,579</u>	\$ <u>127,231</u>	\$ <u>662,142</u>
Three months ended March 31, 2022	China	Taiwan	USA	Others	Total
Sales revenue	\$ <u>336,686</u>	\$ <u>100,409</u>	\$ <u>226,869</u>	\$ <u>124,586</u>	\$ <u>788,550</u>

B. Contract assets and liabilities

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

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Contract liabilities:				
– Advance sales receipts	\$ <u>5,458</u>	\$ <u>9,522</u>	\$ <u>7,395</u>	\$ <u>1,625</u>

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

	Three months ended March 31,	
	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	\$ <u>8,228</u>	\$ <u>1,638</u>

(17) Interest income

	Three months ended March 31,	
	2023	2022
Interest income from bank deposits	\$ 998	\$ 1,592
Interest income from financial assets at amortised cost	290	64
	<u>\$ 1,288</u>	<u>\$ 1,656</u>

(18) Other income

	Three months ended March 31,	
	2023	2022
Rental income	\$ 14,210	\$ 14,277
Other income, others	38,122	8,997
	<u>\$ 52,332</u>	<u>\$ 23,274</u>

(19) Other gains and losses

	Three months ended March 31,	
	2023	2022
Net currency exchange (losses) gains	(\$ 281)	\$ 15,630
Depreciation-investment property	(639)	(639)
Other losses	(2,309)	(460)
	<u>(\$ 3,229)</u>	<u>\$ 14,531</u>

(20) Finance costs

	Three months ended March 31,	
	2023	2022
Interest expense	\$ 9,089	\$ 3,177

(21) Expenses by nature

	Three months ended March 31,	
	2023	2022
Employee benefit expenses	\$ 237,789	\$ 280,801
Depreciation on property, plant and equipment (Note)	55,260	49,480
Amortisation on intangible assets	12,400	10,090

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

(22) Employee benefit expenses

	Three months ended March 31,	
	2023	2022
Wages and salaries	\$ 183,379	\$ 216,550
Labor and health insurance fees	15,700	18,321
Pension costs	9,723	10,978
Other personnel expenses	28,987	34,952
	<u>\$ 237,789</u>	<u>\$ 280,801</u>

A. In accordance with Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on a ratio of distributable profit of the current year, after covering accumulated losses. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.

B. For the three months ended March 31, 2023 and 2022, employees' compensation were accrued at \$4,693 and \$9,325, respectively; while directors' remuneration were accrued at \$341 and \$1,435, 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 19.67% and 1.43%, respectively.

Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 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."

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 13,976	\$ 22,342
Total current tax	<u>13,976</u>	<u>22,342</u>
Deferred tax:		
Origination and reversal of temporary differences	266	1,865
Total deferred tax	<u>266</u>	<u>1,865</u>
Income tax expense	<u>\$ 14,242</u>	<u>\$ 24,207</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.

(24) Earnings per share

	Three months ended March 31, 2023		
	<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	\$ 5,242	85,645	<u>\$ 0.06</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	558	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,242</u>	<u>86,203</u>	<u>\$ 0.06</u>
	Three months ended March 31, 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	\$ 79,693	85,645	<u>\$ 0.93</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	821	2,621	
Employees' compensation	-	620	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 80,514</u>	<u>88,886</u>	<u>\$ 0.91</u>

The convertible bonds were not included in the three months ended March 31, 2023 calculation of diluted earnings per share due to anti-dilution effect.

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three months ended March 31,	
	2023	2022
Acquisition of property, plant and equipment	\$ 8,787	\$ 32,623
Net change of payable on machinery and equipment	1,128	29,874
Net change of prepayments on machinery and equipment	1,213	(3,328)
Cash paid during the period	<u>\$ 11,128</u>	<u>\$ 59,169</u>

B. Financing activities with no cash flow effects:

	Three months ended March 31,	
	2023	2022
Dividends payable	<u>\$ 128,468</u>	<u>\$ 363,993</u>

(26) Changes in liabilities from financing activities

	2023					
	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in	Dividends payable (including cash distributed from capital surplus)	Total liabilities from financing activities
At January 1	\$ 508,933	\$ 190,877	\$ 260,504	\$ 11,043	\$ -	\$ 971,357
Changes in cash flow from financing activities	74,733	(2,766)	-	-	-	71,967
Interest expense	-	699	1,043	-	-	1,742
Interest paid	-	(699)	-	-	-	(699)
Declaration of the cash dividends	-	-	-	-	128,468	128,468
Changes in other non-cash items	(15,703)	14,731	-	-	-	(972)
At March 31	<u>\$ 567,963</u>	<u>\$ 202,842</u>	<u>\$ 261,547</u>	<u>\$ 11,043</u>	<u>\$ 128,468</u>	<u>\$ 1,171,863</u>

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended March 31,	
	2023	2022
Sales of goods:		
Other related parties	\$ 46,183	\$ 91,746

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

B. Accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable			
Other related parties	\$ 46,208	\$ 41,389	\$ 93,741

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

(3) Key management personnel compensation

	Three months ended March 31,	
	2023	2022
Short-term employee benefits	\$ 17,184	\$ 14,426
Post-employment benefits	380	369
	<u>\$ 17,564</u>	<u>\$ 14,795</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 120,013	\$ 119,999	\$ 39,181	Guarantee for customs and bond, performance guarantee and company card guarantee
Time deposit (shown as "Non-current financial assets at amortised cost")	6,926	6,926	6,926	Guarantee for land lease in science park
Buildings and investment property	186,751	187,876	191,252	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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Property, plant and equipment	<u>\$ 12,657</u>	<u>\$ 9,996</u>	<u>\$ 47,910</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,131,256	\$ 1,102,816	\$ 1,252,953
Financial assets at amortised cost	126,939	126,925	46,107
Notes receivable	207,841	196,930	184,084
Accounts receivable (including related parties)	517,371	479,545	626,983
Other receivables	19,320	24,528	15,751
Refundable deposits	10,567	11,130	10,663
	<u>\$ 2,013,294</u>	<u>\$ 1,941,874</u>	<u>\$ 2,136,541</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 567,963	\$ 508,933	\$ 365,872
Notes payable	46,667	50,666	61,877
Accounts payable	138,949	173,287	207,272
Other payables	344,082	293,322	663,984
Bond payable (including current portion)	261,547	260,504	257,401
Deposits-in	11,043	11,043	10,663
	<u>\$ 1,370,251</u>	<u>\$ 1,297,755</u>	<u>\$ 1,567,069</u>
Lease liabilities	<u>\$ 202,842</u>	<u>\$ 190,877</u>	<u>\$ 196,846</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Foreign exchange forward contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2023

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	7,204	30.450	\$ 219,348
USD:RMB	USD	1,152	6.8713	35,070
RMB:NTD	RMB	8,045	4.431	35,649
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	81	30.450	\$ 2,473
<u>Non-monetary items:</u> None.				

December 31, 2022

Foreign currency				
	amount		Exchange	Book value
	(in thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	7,814	30.710	\$ 239,962
USD:RMB	USD	336	6.9514	10,283
RMB:NTD	RMB	11,813	4.408	52,073
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	124	30.710	\$ 3,804
JPY:NTD	JPY	5,635	0.2324	1,309
<u>Non-monetary items:</u> None.				

March 31, 2022				
Foreign currency				
	amount		Exchange	Book value
	(in thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	15,581	28.625	\$ 446,005
USD:RMB	USD	126	6.3433	3,590
RMB:NTD	RMB	11,201	4.506	50,471
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	388	28.625	\$ 11,093
JPY:NTD	JPY	17,500	0.2353	4,118
<u>Non-monetary items:</u> None.				

- iv. The total exchange (losses) gain, including realised and unrealised arising from significant foreign exchange variations on the monetary items held by the Group for the three months ended March 31, 2023 and 2022, amounted to (\$281) and \$15,630, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Three months ended March 31, 2023				
Sensitivity analysis				
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 2,193	\$	-
USD:RMB	1%	351		-
RMB:NTD	1%	356		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 25)	\$	-
<u>Non-monetary items:</u> None.				

Three months ended March 31, 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%	\$ 4,460	\$ -
USD:RMB	1%	36	-
RMB:NTD	1%	505	-
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 111)	\$ -
JPY:NTD	1%	(41)	-
<u>Non-monetary items:</u> None.			

Price risk

The Group's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On March 31, 2023, December 31, 2022 and March 31, 2022, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At March 31, 2023</u>						
Expected loss rate	0.01%	0.31%~1.10%	2.32%~20.25%	14.19%~30.97%	95.49%~100%	
Total book value	\$ 450,379	\$ 36,332	\$ 24,708	\$ 6,894	\$ 18,840	\$ 537,153
Loss allowance	\$ -	\$ -	\$ 48	\$ 894	\$ 18,840	\$ 19,782

	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, 2022</u>						
Expected loss rate	0.01%	0.32%~1.07%	2.35%~20.27%	14.33%~30.06%	93.61%~100%	
Total book value	\$ 441,153	\$ 28,167	\$ 6,216	\$ 950	\$ 22,263	\$ 498,749
Loss allowance	\$ -	\$ -	\$ 18	\$ 19	\$ 19,167	\$ 19,204

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At March 31, 2022</u>						
Expected loss rate	0.01%	0.33%~0.78%	2.39%~17.56%	14.45%~20.42%	87.07%~100%	
Total book value	\$ 603,976	\$ 18,690	\$ 7,141	\$ 523	\$ 15,747	\$ 646,077
Loss allowance	\$ -	\$ -	\$ 3,257	\$ 90	\$ 15,747	\$ 19,094

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

	2023	
	Accounts receivable	Notes receivable
At January 1	\$ 19,204	\$ -
Provision for impairment	520	-
Effect of foreign exchange	58	-
At March 31	<u>\$ 19,782</u>	<u>\$ -</u>
	2022	
	Accounts receivable	Notes receivable
At January 1	\$ 18,366	\$ -
Reversal of impairment loss	(1)	-
Effect of foreign exchange	729	-
At March 31	<u>\$ 19,094</u>	<u>\$ -</u>

(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:

	March 31, 2023	December 31, 2022	March 31, 2022
Floating rate:			
Expiring within one year	<u>\$ 484,950</u>	<u>\$ 647,495</u>	<u>\$ 954,342</u>

The facilities expiring within one year are annual facilities subject to review and renegotiation at various dates during 2023.

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
	months	months	and 2 years	and 5 years	years
March 31, 2023	months	and 1 year	and 2 years	and 5 years	years
Short-term borrowings	\$376,613	\$ 191,350	\$ -	\$ -	\$ -
Notes payable	46,667	-	-	-	-
Accounts payable	133,064	5,885	-	-	-
Lease liabilities	3,482	9,766	10,451	28,787	202,609
Other payables	-	344,082	-	-	-
Bonds payable	-	264,700	-	-	-
Deposits-in	-	11,043	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
	months	months	and 2 years	and 5 years	years
December 31, 2022	months	and 1 year	and 2 years	and 5 years	years
Short-term borrowings	\$408,933	\$ 100,000	\$ -	\$ -	\$ -
Notes payable	50,666	-	-	-	-
Accounts payable	-	173,287	-	-	-
Lease liabilities	2,659	6,959	6,665	19,996	204,275
Other payables	-	293,322	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	11,043	-	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over 5
	months	months	and 2 years	and 5 years	years
March 31, 2022	months	and 1 year	and 2 years	and 5 years	years
Short-term borrowings	\$285,908	\$ 79,964	\$ -	\$ -	\$ -
Notes payable	61,877	-	-	-	-
Accounts payable	178,828	28,444	-	-	-
Lease liabilities	3,400	9,291	8,673	19,913	208,414
Other payables	363,993	299,991	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	10,663	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

	March 31, 2023			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 261,547	\$ -	\$ 255,171	\$ -
	December 31, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 260,504	\$ -	\$ 255,171	\$ -
	March 31, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 257,401	\$ -	\$ 255,171	\$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to table 3.

(2) Information on investees

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

(3) Information on investments in mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the mainland China: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group mainly operates in a single industry. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has only one reportable segment.

(2) Segment information

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

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

	Three months ended March 31,	
	2023	2022
Revenue from external customers	\$ 662,142	\$ 788,550
Inter-segment revenue	\$ -	\$ -
Segment income	(\$ 5,884)	\$ 86,399
Segment assets	\$ 4,521,785	\$ 5,046,554

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

None.

Polytronics Technology Corp. and Subsidiaries

Loans to others
Three months ended March 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended	Balance at March 31, 2023	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)	Footnote
					March 31, 2023								Item	Value			
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Other receivables - related party	Y	\$ 88,900	\$ 88,620	\$ -	4.35%	Short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 1,002,771	\$ 1,002,771	
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	121,920	121,800	91,350	5.05%~5.21%	Short-term financing	-	Operational need	-	-	-	1,002,771	1,002,771	
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	243,840	121,800	30,450	5.92%	Short-term financing	-	Operational need	-	-	-	1,002,771	1,002,771	
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	30,480	30,450	24,360	2.25%	Short-term financing	-	Operational need	-	-	-	1,002,771	1,002,771	

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

Polytronics Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
Three months ended March 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2023	Outstanding endorsement/ guarantee amount at March 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note)	Provision of endorsements/ guarantees by parent company to subsidiary (Note)	Provision of endorsements /guarantees by subsidiary to parent company (Note)	Provision of endorsements/ guarantees to the party in mainland China (Note)
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	100% owned subsidiary	\$ 2,506,927	\$ 161,385	\$ 161,385	\$ 54,810	-	6.44	\$ 3,760,390	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests directly owned by the Company	2,506,927	741,350	741,350	100,000	100,000	29.57	3,760,390	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company	2,506,927	137,160	137,025	137,025	-	5.47	3,760,390	Y	N	N

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

Polytronics Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	1	Sales	\$ 62,157	Net 60 days	9%
0	"	"	1	Purchases	23,283	Net 45 days	4%
0	"	"	1	Processing charges	7,294	Net 45 days	1%
0	"	"	1	Accounts receivable	32,560	Net 60 days	1%
0	"	"	1	Accounts payable	64,984	Net 45 days	1%
0	"	TCLAD Technology Corporation	1	Other receivables	91,350	Collection and payment based on an agreed time	1%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Other receivables	30,465	Collection and payment based on an agreed time	1%
1	"	"	3	Purchases	38,231	Net 30 days	6%
1	"	TCLAD Europe GmbH	3	Other receivables	24,723	Collection and payment based on an agreed time	1%
1	"	"	3	Accounts receivable	12,932	Net 30 days	0%
1	"	"	3	Sales	8,570	Net 30 days	1%
2	TCLAD Inc.	TCLAD Europe GmbH	3	Sales	16,082	Net 30 days	2%
2	"	"	3	Accounts receivable	20,058	Net 30 days	0%

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

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

Note 2: Relationship between transaction company and counterparty is classified into the following six categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Polytronics Technology Corp. and Subsidiaries

Information on investees

Three months ended March 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	of the investee for the three month period ended March 31, 2023	recognised by the Company for the three month period ended March 31, 2023	
Polytronics Technolgy Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	\$ 255,004	\$ 255,004	2,644	100	\$ 1,060,618	\$ 573	\$ 573	Subsidiary
Polytronics Technolgy Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	16,882	56.27	427,122 (	58,310) (	32,813)	Subsidiary
Polytronics Technolgy Corp.	PolyTCB Electronics Corporation	Taiwan	Electronic Parts and Components Manufacturing; Wholesale of Electronic	1,000	1,000	100,000	100	984	-	-	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,286,736	1,286,736	-	100	754,880 (	52,328) (	53,468)	Subsidiary
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	5,732	5,732	170	85	25,979	856	727	Subsidiary

Table 4

Polytronics Technology Corp. and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of January 1, 2023	Amount remitted from Taiwan to mainland China/ amount remitted back to Taiwan for the three month period ended March 31, 2023		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2023	Net income of investee for the three month period ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three month period ended March 31, 2023 (Note 3)	Book value of investments in mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	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	\$ 687,042	2	\$ 196,707	\$ -	\$ -	\$ 196,707	(\$ 1,643)	100	(\$ 1,643)	\$ 1,045,500	\$ -	
PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	88,630	3	-	-	-	-	469	100	469	91,228	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2023</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.	\$ 196,707	\$ 687,042	\$ 1,504,156										

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', ceiling of accumulated investment in mainland China may not exceed 60% of the net assets .

Note 5: Mainland China's investees information are translated using the exchange rates of USD:NTD = 1:30.402 and RMB:TWD = 1:4.442 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:30.450 and RMB:TWD = 1:4.431.

Polytronics Technology Corp. and Subsidiaries

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

Three months ended March 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Sales (purchase)		Accounts receivable (payable)		Maximum balance during the three month period ended March 31, 2023	Financing		Interest during the three month period ended March 31, 2023	Others-processing charges	
	Amount	%	Balance at March 31, 2023	%		Balance at March 31, 2023	Interest rate		Balance at March 31, 2023	%
Kunshan Polystar Electronics Co., Ltd.	\$ 62,157	9.39%	\$ 32,560	4.49%	\$ -	\$ -	4.35%	\$ -	\$ 7,294	20.84%
Kunshan Polystar Electronics Co., Ltd.	23,283	5.03%	64,984	46.84%	-	-	-	-	-	-

Table 6

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

March 31, 2023

Table 7

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 7