

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

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

**NINE MONTHS ENDED SEPTEMBER 30, 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

PWCR23000154

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 September 30, 2023 and 2022, 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" 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.

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, 2023 and 2022, 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” that came into effect as endorsed by the Financial Supervisory Commission.

Hsieh, Chih-Cheng

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 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
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
1100	Cash and cash equivalents	\$ 1,139,605	26	\$ 1,102,816	24	\$ 827,464	18
1136	Current financial assets at amortised cost	121,039	3	119,999	3	119,999	3
1150	Notes receivable, net	157,772	4	196,930	4	204,078	4
1170	Accounts receivable, net	509,849	12	438,156	10	485,017	11
1180	Accounts receivable - related parties, net	62,918	1	41,389	1	68,268	1
1200	Other receivables	27,037	1	24,528	-	23,509	1
130X	Inventories	642,386	14	781,404	17	853,266	19
1410	Prepayments	63,805	1	98,198	2	107,274	2
1470	Other current assets	8,461	-	1,235	-	12,265	-
11XX	Total current assets	<u>2,732,872</u>	<u>62</u>	<u>2,804,655</u>	<u>61</u>	<u>2,701,140</u>	<u>59</u>
Non-current assets							
1535	Non-current financial assets at amortised cost	6,926	-	6,926	-	6,926	-
1600	Property, plant and equipment	1,178,938	27	1,240,482	27	1,312,796	29
1755	Right-of-use assets	200,908	4	195,305	4	198,499	5
1760	Investment property, net	104,512	2	106,428	2	107,066	2
1780	Intangible assets	171,999	4	189,877	4	189,816	4
1840	Deferred income tax assets	17,468	-	18,509	1	14,838	-
1900	Other non-current assets	24,821	1	22,833	1	16,369	1
15XX	Total non-current assets	<u>1,705,572</u>	<u>38</u>	<u>1,780,360</u>	<u>39</u>	<u>1,846,310</u>	<u>41</u>
1XXX	Total assets	<u>\$ 4,438,444</u>	<u>100</u>	<u>\$ 4,585,015</u>	<u>100</u>	<u>\$ 4,547,450</u>	<u>100</u>

(Continued)

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	September 30, 2023		December 31, 2022		September 30, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 462,883	11	\$ 508,933	11	\$ 379,390	8
2130	Current contract liabilities	6(16)	7,363	-	9,522	-	9,568	-
2150	Notes payable		43,523	1	50,666	1	63,522	2
2170	Accounts payable		178,423	4	173,287	4	185,675	4
2200	Other payables	6(9)	269,755	6	293,322	7	272,959	6
2230	Current income tax liabilities		39,441	1	52,119	1	40,311	1
2280	Current lease liabilities		8,836	-	8,527	-	9,209	-
2320	Long-term liabilities, current portion	6(10)	263,644	6	-	-	-	-
2399	Other current liabilities, others		8,014	-	12,638	-	28,413	1
21XX	Total current liabilities		<u>1,281,882</u>	<u>29</u>	<u>1,109,014</u>	<u>24</u>	<u>989,047</u>	<u>22</u>
Non-current liabilities								
2530	Bonds payable	6(10)	-	-	260,504	6	259,465	5
2580	Non-current lease liabilities		188,416	4	182,350	4	184,424	4
2600	Other non-current liabilities		40,590	1	39,719	1	39,513	1
25XX	Total non-current liabilities		<u>229,006</u>	<u>5</u>	<u>482,573</u>	<u>11</u>	<u>483,402</u>	<u>10</u>
2XXX	Total liabilities		<u>1,510,888</u>	<u>34</u>	<u>1,591,587</u>	<u>35</u>	<u>1,472,449</u>	<u>32</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(12)	856,453	19	856,453	19	856,453	19
Capital surplus								
3200	Capital surplus	6(13)	582,735	14	625,558	13	625,558	14
Retained earnings								
3310	Legal reserve	6(14)	618,454	14	609,426	13	609,426	14
3320	Special reserve		13,449	-	82,092	2	82,092	2
3350	Unappropriated retained earnings		546,389	12	470,887	10	466,113	10
Other equity interest								
3400	Other equity interest	6(15)	10,130	-	(13,449)	-	14,332	-
31XX	Equity attributable to owners of parent		<u>2,627,610</u>	<u>59</u>	<u>2,630,967</u>	<u>57</u>	<u>2,653,974</u>	<u>59</u>
36XX	Non-controlling interests		<u>299,946</u>	<u>7</u>	<u>362,461</u>	<u>8</u>	<u>421,027</u>	<u>9</u>
3XXX	Total equity		<u>2,927,556</u>	<u>66</u>	<u>2,993,428</u>	<u>65</u>	<u>3,075,001</u>	<u>68</u>
Significant contingent liabilities and unrecognised contract commitments 9								
Significant events after the reporting period 11								
3X2X	Total liabilities and equity		<u>\$ 4,438,444</u>	<u>100</u>	<u>\$ 4,585,015</u>	<u>100</u>	<u>\$ 4,547,450</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
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 759,870	100	\$ 734,954	100	\$ 2,138,196	100	\$ 2,257,455	100
5000 Operating costs	6(3)	(528,588)	(69)	(583,983)	(80)	(1,602,012)	(75)	(1,861,170)	(83)
5950 Net operating margin		<u>231,282</u>	<u>31</u>	<u>150,971</u>	<u>20</u>	<u>536,184</u>	<u>25</u>	<u>396,285</u>	<u>17</u>
Operating expenses	6(21)(22)								
6100 Selling and marketing expenses		(68,629)	(9)	(45,496)	(6)	(173,704)	(8)	(142,424)	(6)
6200 General and administrative expenses		(81,711)	(11)	(77,460)	(11)	(228,319)	(11)	(243,425)	(11)
6300 Research and development expenses		(56,494)	(7)	(47,193)	(6)	(170,652)	(8)	(132,326)	(6)
6450 Expected credit (losses) gains	12(2)	(3,849)	(1)	173	-	(5,208)	-	(278)	-
6000 Total operating expenses		(210,683)	(28)	(169,976)	(23)	(577,883)	(27)	(518,453)	(23)
6900 Operating profit (loss)		<u>20,599</u>	<u>3</u>	<u>(19,005)</u>	<u>(3)</u>	<u>(41,699)</u>	<u>(2)</u>	<u>(122,168)</u>	<u>(6)</u>
Non-operating income and expenses									
7100 Interest income	6(17)	2,864	1	1,111	-	8,569	1	4,586	-
7010 Other income	6(18)	25,698	3	22,497	3	113,423	5	76,079	3
7020 Other gains and losses	6(19)	8,328	1	26,897	4	4,887	-	54,232	3
7050 Finance costs	6(20)	(6,163)	(1)	(2,949)	-	(22,192)	(1)	(8,685)	-
7000 Total non-operating income and expenses		<u>30,727</u>	<u>4</u>	<u>47,556</u>	<u>7</u>	<u>104,687</u>	<u>5</u>	<u>126,212</u>	<u>6</u>
7900 Profit (loss) before income tax		<u>51,326</u>	<u>7</u>	<u>28,551</u>	<u>4</u>	<u>62,988</u>	<u>3</u>	<u>4,044</u>	<u>-</u>
7950 Income tax expense	6(23)	(25,550)	(4)	(21,295)	(3)	(41,222)	(2)	(66,623)	(3)
8200 Profit (loss) for the period		<u>\$ 25,776</u>	<u>3</u>	<u>\$ 7,256</u>	<u>1</u>	<u>\$ 21,766</u>	<u>1</u>	<u>(\$ 62,579)</u>	<u>(3)</u>
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)	<u>\$ 60,263</u>	<u>8</u>	<u>\$ 67,972</u>	<u>9</u>	<u>\$ 40,830</u>	<u>2</u>	<u>\$ 145,240</u>	<u>7</u>
8360 Components of other comprehensive (loss) income that may be subsequently reclassified to profit or loss		<u>60,263</u>	<u>8</u>	<u>67,972</u>	<u>9</u>	<u>40,830</u>	<u>2</u>	<u>145,240</u>	<u>7</u>
8300 Other comprehensive (loss) income for the period, net of income tax		<u>\$ 60,263</u>	<u>8</u>	<u>\$ 67,972</u>	<u>9</u>	<u>\$ 40,830</u>	<u>2</u>	<u>\$ 145,240</u>	<u>7</u>
8500 Total comprehensive (loss) income for the period		<u>\$ 86,039</u>	<u>11</u>	<u>\$ 75,228</u>	<u>10</u>	<u>\$ 62,596</u>	<u>3</u>	<u>\$ 82,661</u>	<u>4</u>
Profit (loss) attributable to:									
8610 Owners of parent		\$ 57,934	7	\$ 42,561	6	\$ 101,532	5	\$ 85,507	4
8620 Non-controlling interests		(32,158)	(4)	(35,305)	(5)	(79,766)	(4)	(148,086)	(7)
Total		<u>\$ 25,776</u>	<u>3</u>	<u>\$ 7,256</u>	<u>1</u>	<u>\$ 21,766</u>	<u>1</u>	<u>(\$ 62,579)</u>	<u>(3)</u>
Total comprehensive income (loss) attributable to:									
8710 Owners of parent		\$ 105,771	14	\$ 84,984	11	\$ 125,111	6	\$ 181,931	8
8720 Non-controlling interests		(19,732)	(3)	(9,756)	(1)	(62,515)	(3)	(99,270)	(4)
Total		<u>\$ 86,039</u>	<u>11</u>	<u>\$ 75,228</u>	<u>10</u>	<u>\$ 62,596</u>	<u>3</u>	<u>\$ 82,661</u>	<u>4</u>
9750 Basic earnings per share (in dollars)	6(24)	<u>\$ 0.68</u>		<u>\$ 0.50</u>		<u>\$ 1.19</u>		<u>\$ 1.00</u>	
9850 Diluted earnings per share (in dollars)	6(24)	<u>\$ 0.66</u>		<u>\$ 0.49</u>		<u>\$ 1.17</u>		<u>\$ 0.99</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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent														
Notes	Common stock	Additional paid-in capital	Treasury stock transactions	Capital surplus			Retained earnings			Other equity	Total	Non-controlling interests	Total equity	
				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				
<u>Nine months ended September 30, 2022</u>														
	Balance at January 1, 2022	\$ 856,453	\$ 562,539	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 558,243	\$ 70,304	\$ 807,570	(\$ 82,092)	\$ 2,836,036	\$ 520,297	\$ 3,356,333
	Profit for the period	-	-	-	-	-	-	-	-	85,507	-	85,507	(148,086)	(62,579)
6(15)	Other comprehensive income	-	-	-	-	-	-	-	-	-	96,424	96,424	48,816	145,240
	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	85,507	96,424	181,931	(99,270)	82,661
6(14)	Distribution of 2021 earnings:													
	Legal reserve	-	-	-	-	-	51,183	-	(51,183)	-	-	-	-	-
	Special reserve	-	-	-	-	-	-	11,788	(11,788)	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	-	(363,993)	-	(363,993)	-	(363,993)	-
	Balance at September 30, 2022	\$ 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
<u>Nine months ended September 30, 2023</u>														
	Balance at January 1, 2023	\$ 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
	Profit for the period	-	-	-	-	-	-	-	-	101,532	-	101,532	(79,766)	21,766
6(15)	Other comprehensive income	-	-	-	-	-	-	-	-	-	23,579	23,579	17,251	40,830
	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	101,532	23,579	125,111	(62,515)	62,596
6(14)	Distribution of 2022 earnings:													
	Legal reserve	-	-	-	-	-	9,028	-	(9,028)	-	-	-	-	-
	Special reserve	-	-	-	-	-	-	(68,643)	68,643	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	-	(85,645)	-	(85,645)	-	(85,645)	-
6(14)	Cash distributed from capital surplus	-	(42,823)	-	-	-	-	-	-	-	-	(42,823)	-	(42,823)
	Balance at September 30, 2023	\$ 856,453	\$ 519,716	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 618,454	\$ 13,449	\$ 546,389	\$ 10,130	\$ 2,627,610	\$ 299,946	\$ 2,927,556

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 62,988	\$ 4,044
Adjustments			
Adjustments to reconcile (profit) loss			
Expected credit losses	12(2)	5,208	278
Depreciation	6(21)	152,727	144,057
Amortisation	6(21)	31,517	33,753
Interest expense	6(20)	22,192	8,685
Interest income	6(17)	(8,569)	(4,586)
Losses on disposal of property, plant and equipment	6(19)	403	857
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		39,158	4,057
Accounts receivable		(76,901)	7,868
Accounts receivable - related parties		(21,529)	29,115
Other receivables		(2,509)	(8,283)
Inventories		139,018	71,651
Prepayments		34,393	(21,608)
Other current assets		(7,226)	22,786
Changes in operating liabilities			
Current contract liabilities		(2,159)	7,943
Notes payable		(7,143)	3,406
Accounts payable		5,136	(127,126)
Other payables		(23,317)	(94,069)
Other current liabilities		(4,624)	16,184
Defined benefit liabilities		871	(601)
Cash inflow generated from operations		339,634	98,411
Interest received		8,569	4,586
Interest paid		(20,068)	(5,595)
Income tax paid		(52,859)	(117,277)
Net cash flows from (used in) operating activities		<u>275,276</u>	<u>(19,875)</u>

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>Nine months ended September 30</u>	
		<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 28,140)	(\$ 321,805)
Disposal of financial assets at amortised cost		27,100	711,169
Acquisition of property, plant and equipment	6(25)	(62,871)	(124,955)
Acquisition of intangible assets		(6,165)	(5,551)
Decrease (increase) in refundable deposits		<u>100</u>	<u>(962)</u>
Net cash flows (used in) from investing activities		<u>(69,976)</u>	<u>257,896</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	1,094,005	1,077,389
Repayment of short-term borrowings	6(26)	(1,132,203)	(1,529,527)
Repayment of lease liabilities	6(26)	(8,518)	(7,481)
Cash dividends paid (including cash distributed from capital surplus)	6(14)	<u>(128,468)</u>	<u>(363,993)</u>
Net cash flows used in financing activities		<u>(175,184)</u>	<u>(823,612)</u>
Effect of exchange rate		<u>6,673</u>	<u>68,015</u>
Net increase (decrease) in cash and cash equivalents		36,789	(517,576)
Cash and cash equivalents at beginning of period	6(1)	<u>1,102,816</u>	<u>1,345,040</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,139,605</u>	<u>\$ 827,464</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, 2023 AND 2022

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

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 November 6, 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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	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.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

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 MATERIAL 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
			September 30, 2023	December 31, 2022	September 30, 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	
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	85	85	85	
TCLAD Technology Corporation	Suzhou TCLAD Electronic Technology Co., Ltd.	Manufacturing of the thermal conductive board	100	-	-	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: Established and registered by the Company on November 23, 2022.

Note 2: Established and registered by the Company on March 16, 2023.

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, 2023, December 31, 2022 and September 30, 2022, the non-controlling interests amounted to \$299,946, \$362,461 and \$421,027, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests September 30, 2023		Description
		Amount	Ownership (%)	
TCLAD Technology Corporation	Taiwan	\$ 299,946	43.73%	

Name of subsidiary	Principal place of business	Non-controlling interests December 31, 2022		Description
		Amount	Ownership (%)	
TCLAD Technology Corporation	Taiwan	\$ 362,461	43.73%	

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

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 593,761	\$ 584,844	\$ 711,138
Non-current assets	521,959	549,841	584,968
Current liabilities	(430,296)	(308,384)	(335,228)
Non-current liabilities	(349)	-	(303)
Total net assets	\$ 685,075	\$ 826,301	\$ 960,575

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	July 1, 2023 to September 30, 2023	July 1, 2022 to September 30, 2022
Revenue	\$ 257,913	\$ 267,101
Loss before income tax	(72,286)	(81,189)
Income tax benefit (expense)	(85)	(113)
Loss for the period	(72,371)	(81,302)
Other comprehensive income (loss), net of income tax	28,411	58,404
Total comprehensive loss	(\$ 43,960)	(\$ 22,898)
Total comprehensive loss attributable to non-controlling interests	\$ 387	\$ 55
Dividends paid to non-controlling interests	\$ -	\$ -

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2023 to September 30, 2023	January 1, 2022 to September 30, 2022
Revenue	\$ 794,389	\$ 810,389
Loss before income tax	(180,366)	(339,108)
Income tax benefit (expense)	(236)	(188)
Loss for the period	(180,602)	(339,296)
Other comprehensive income (loss), net of income tax	39,376	111,637
Total comprehensive loss	(\$ 141,226)	(\$ 227,659)
Total comprehensive loss attributable to non-controlling interests	(\$ 59)	\$ -
Dividends paid to non-controlling interests	\$ -	\$ -

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2023 to September 30, 2023	January 1, 2022 to September 30, 2022
Net cash used in operating activities	(\$ 113,362)	(\$ 385,002)
Net cash (used in) provided by investing activities	(15,183)	439,252
Net cash provided by (used in) financing activities	142,200	(317,262)
Effect of exchange rates	15,030	50,464
Increase (decrease) in cash and cash equivalents	28,685	(212,548)
Cash and cash equivalents, beginning of period	117,030	343,476
Cash and cash equivalents, end of period	<u>\$ 145,715</u>	<u>\$ 130,928</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, 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and revolving funds	\$ 174	\$ 97	\$ 97
Checking accounts and demand deposits	523,010	591,959	627,365
Time deposits	<u>616,421</u>	<u>510,760</u>	<u>200,002</u>
	<u>\$ 1,139,605</u>	<u>\$ 1,102,816</u>	<u>\$ 827,464</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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 157,772	\$ 196,930	\$ 204,078
Accounts receivable	\$ 515,160	\$ 457,360	\$ 504,242
Accounts receivable-related parties	62,918	41,389	68,268
Less: Loss allowance	(5,311)	(19,204)	(19,225)
	<u>\$ 572,767</u>	<u>\$ 479,545</u>	<u>\$ 553,285</u>

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

	<u>September 30, 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	\$ 511,408	\$ 157,772	\$ 441,153	\$ 196,930
Up to 30 days	29,942	-	28,167	-
31 to 90 days	26,761	-	6,216	-
91 to 180 days	4,388	-	950	-
Over 180 days	<u>5,579</u>	<u>-</u>	<u>22,263</u>	<u>-</u>
	<u>\$ 578,078</u>	<u>\$ 157,772</u>	<u>\$ 498,749</u>	<u>\$ 196,930</u>

	<u>September 30, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 502,180	\$ 204,078
Up to 30 days	22,650	-
31 to 90 days	15,435	-
91 to 180 days	4,551	-
Over 180 days	<u>27,694</u>	<u>-</u>
	<u>\$ 572,510</u>	<u>\$ 204,078</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2023, December 31, 2022 and September 30, 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 September 30, 2023, December 31, 2022 and September 30, 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 \$157,772, \$196,930 and \$204,078, respectively, and accounts receivable were \$572,767, \$479,545 and \$553,285, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(3) Inventories

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Raw materials	\$ 253,032	\$ 293,244	\$ 349,288
Work-in-progress	175,654	200,399	201,544
Finished goods	213,700	287,761	302,434
	<u>\$ 642,386</u>	<u>\$ 781,404</u>	<u>\$ 853,266</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 523,410	\$ 570,337
Loss on decline in market value	5,178	13,646
	<u>\$ 528,588</u>	<u>\$ 583,983</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 1,570,376	\$ 1,822,832
Loss on decline in market value	31,636	38,338
	<u>\$ 1,602,012</u>	<u>\$ 1,861,170</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	-	30,205	24,717	489	-	1,713	-	3,682	744	61,550
Disposals	-	-	(326)	(5)	(64)	-	-	(8)	-	(403)
Reclassifications	-	-	4,069	-	-	-	-	-	-	4,069
Depreciation	-	(31,719)	(89,874)	(975)	(1,118)	(3,029)	(394)	(14,399)	-	(141,508)
Net exchange differences	120	8,294	5,282	77	180	205	-	571	19	14,748
Closing net book amount	<u>\$ 2,465</u>	<u>\$ 648,159</u>	<u>\$ 479,612</u>	<u>\$ 4,323</u>	<u>\$ 3,225</u>	<u>\$ 7,830</u>	<u>\$ 821</u>	<u>\$ 31,740</u>	<u>\$ 763</u>	<u>\$ 1,178,938</u>
At September 30										
Cost	\$ 2,465	\$ 1,071,305	\$ 1,106,554	\$ 14,719	\$ 12,927	\$ 25,816	\$ 15,001	\$ 213,934	\$ 763	\$ 2,463,484
Accumulated depreciation and impairment	-	(423,146)	(626,942)	(10,396)	(9,702)	(17,986)	(14,180)	(182,194)	-	(1,284,546)
	<u>\$ 2,465</u>	<u>\$ 648,159</u>	<u>\$ 479,612</u>	<u>\$ 4,323</u>	<u>\$ 3,225</u>	<u>\$ 7,830</u>	<u>\$ 821</u>	<u>\$ 31,740</u>	<u>\$ 763</u>	<u>\$ 1,178,938</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	-	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>

- A. For the nine months ended September 30, 2023 and 2022, there was no capitalisation of borrowing costs attributable to property, plant and equipment.
- B. Information about property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. 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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 185,574	\$ 189,639	\$ 191,118
Buildings	13,673	3,032	4,270
Transportation equipment	1,661	2,634	3,111
	<u>\$ 200,908</u>	<u>\$ 195,305</u>	<u>\$ 198,499</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,433	\$ 1,357
Buildings	1,393	1,238
Transportation equipment	336	509
	<u>\$ 3,162</u>	<u>\$ 3,104</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 4,070	\$ 4,072
Buildings	4,128	3,714
Transportation equipment	1,105	1,412
	<u>\$ 9,303</u>	<u>\$ 9,198</u>

- C. For the three months and nine months ended September 30, 2023 and 2022, the additions to right-of-use assets were \$170, \$787, \$14,901 and \$3,861, respectively.
- D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 718	\$ 666

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,124	\$ 2,058

E. For the nine months ended September 30, 2023 and 2022, the Group's total cash outflow for leases were \$10,642 and \$9,539, 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, 2023 and 2022, the Group recognised rent income in the amounts of \$12,755, \$12,412, \$39,414 and \$39,122, 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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
2022	\$ -	\$ -	\$ 11,983
2023	9,326	44,177	44,177
2024	16,849	16,469	16,469
2025	3,168	2,788	2,788
2026	2,316	1,936	1,936
2027	380	-	-
	<u>\$ 32,039</u>	<u>\$ 65,370</u>	<u>\$ 77,353</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	(1,916)	(1,916)
Closing net book amount	<u>\$ 104,512</u>	<u>\$ 107,066</u>
At September 30		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(25,726)	(23,172)
	<u>\$ 104,512</u>	<u>\$ 107,066</u>

A. Rental income from investment property and direct operating expenses arising from investment

property are shown below:

	Three months ended September 30,	
	2023	2022
Rental income from investment property	\$ 12,511	\$ 12,412
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 638	\$ 638
	Nine months ended September 30,	
	2023	2022
Rental income from investment property	\$ 38,677	\$ 39,122
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 2,840	\$ 2,738

B. The fair value of investment property held by the Group as of September 30, 2023, December 31, 2022 and September 30, 2022 were all \$265,364. 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

Type of borrowings	September 30, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 31,870	6.160%	None
Secured borrowings	431,013	3.255%	Buildings and time deposits
	<u>\$ 462,883</u>		

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 208,933	5.026%	None
Secured borrowings	300,000	1.617%	Buildings and time deposits
	<u>\$ 508,933</u>		

Type of borrowings	September 30, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 79,390	2.474%	None
Secured borrowings	300,000	1.277%	Buildings and time deposits
	<u>\$ 379,390</u>		

Interest expense recognised in profit or loss amounted to \$5,068, \$2,181, \$9,738 and \$3,537 for the

three months and nine months ended September 30, 2023 and 2022, respectively.

(9) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Wages and salaries payable	\$ 87,381	\$ 87,038	\$ 77,007
Employee bonus and directors' remuneration payable	25,902	42,000	16,000
Payables on machinery and equipment	6,583	5,816	17,876
Others	149,889	158,468	162,076
	<u>\$ 269,755</u>	<u>\$ 293,322</u>	<u>\$ 272,959</u>

(10) Bonds payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Bonds payable			
The Company's first unsecured convertible bonds	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>
	360,000	360,000	360,000
Less: Conversion option amount exercised	(95,300)	(95,300)	(95,300)
Less: Discount on bonds payable	(1,056)	(4,196)	(5,235)
	263,644	260,504	259,465
Less: Current portion	(263,644)	-	-
	<u>\$ -</u>	<u>\$ 260,504</u>	<u>\$ 259,465</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, 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, \$380, \$975 and \$1,140 for the three months and nine months ended September 30, 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 and nine months ended September 30, 2023 and 2022, were \$9,311, \$9,994, \$26,206 and \$30,231, respectively.

(12) Share capital

As of September 30, 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):

	2023	2022
At January 1 / At September 30	<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 and 2021 had been resolved at shareholders' meeting on June 21, 2023 and 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
	<u>\$ 26,030</u>		<u>\$ 426,964</u>	

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 was reported at the shareholders' meeting on June 21, 2023.

(15) Other equity items

	<u>Financial statements translation difference of foreign operations</u>
At January 1, 2023	(\$ 13,449)
Currency translation differences	23,579
At September 30, 2023	<u>\$ 10,130</u>
	<u>Financial statements translation difference of foreign operations</u>
At January 1, 2022	(\$ 82,092)
Currency translation differences	96,424
At September 30, 2022	<u>\$ 14,332</u>

(16) Operating revenue

	<u>Three months ended September 30,</u>	
	2023	2022
Sales revenue	<u>\$ 759,870</u>	<u>\$ 734,954</u>
	<u>Nine months ended September 30,</u>	
	2023	2022
Sales revenue	<u>\$ 2,138,196</u>	<u>\$ 2,257,455</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:

<u>Three months ended September 30, 2023</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 354,071</u>	<u>\$ 65,841</u>	<u>\$ 226,124</u>	<u>\$ 113,834</u>	<u>\$ 759,870</u>
<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>
<u>Nine months ended September 30, 2023</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 969,176</u>	<u>\$ 189,870</u>	<u>\$ 619,008</u>	<u>\$ 360,142</u>	<u>\$ 2,138,196</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>

B. Contract assets and liabilities

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:				
– Advance sales receipts	<u>\$ 7,363</u>	<u>\$ 9,522</u>	<u>\$ 9,568</u>	<u>\$ 1,625</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>2023</u>	<u>2022</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ -</u>	<u>\$ -</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ 8,536</u>	<u>\$ 1,477</u>

(17) Interest income

	Three months ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 2,391	\$ 876
Interest income from financial assets at amortised cost	473	235
	<u>\$ 2,864</u>	<u>\$ 1,111</u>

	Nine months ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 7,335	\$ 4,220
Interest income from financial assets at amortised cost	1,234	366
	<u>\$ 8,569</u>	<u>\$ 4,586</u>

(18) Other income

	Three months ended September 30,	
	2023	2022
Rental income	\$ 12,755	\$ 12,412
Subsidy income	7,210	-
Other income, others	5,733	10,085
	<u>\$ 25,698</u>	<u>\$ 22,497</u>

	Nine months ended September 30,	
	2023	2022
Rental income	\$ 39,414	\$ 39,122
Subsidy income	7,210	-
Other income, others	66,799	36,957
	<u>\$ 113,423</u>	<u>\$ 76,079</u>

(19) Other gains and losses

	Three months ended September 30,	
	2023	2022
Losses on disposals of property, plant and equipment	(\$ 1,342)	(\$ 113)
Net currency exchange gains	9,763	28,296
Depreciation-investment property	(639)	(638)
Other gains (losses)	546	(648)
	<u>\$ 8,328</u>	<u>\$ 26,897</u>

	Nine months ended September 30,	
	2023	2022
Losses on disposals of property, plant and equipment	(\$ 403)	(\$ 857)
Net currency exchange gains	11,498	57,736
Depreciation-investment property	(1,916)	(1,916)
Other losses	(4,292)	(731)
	<u>\$ 4,887</u>	<u>\$ 54,232</u>

(20) Finance costs

	Three months ended September 30,	
	2023	2022
Interest expense	<u>\$ 6,163</u>	<u>\$ 2,949</u>

	Nine months ended September 30,	
	2023	2022
Interest expense	<u>\$ 22,192</u>	<u>\$ 8,685</u>

(21) Expenses by nature

	Three months ended September 30,	
	2023	2022
Employee benefit expenses	\$ 254,155	\$ 261,594
Depreciation on property, plant and equipment (Note)	50,570	48,750
Amortisation on intangible assets	9,208	11,681

	Nine months ended September 30,	
	2023	2022
Employee benefit expenses	\$ 731,027	\$ 790,737
Depreciation on property, plant and equipment (Note)	152,727	144,057
Amortisation on intangible assets	31,517	33,753

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

(22) Employee benefit expenses

	Three months ended September 30,	
	2023	2022
Wages and salaries	\$ 199,846	\$ 206,171
Labor and health insurance fees	12,417	12,979
Pension costs	9,636	10,374
Other personnel expenses	32,256	32,070
	<u>\$ 254,155</u>	<u>\$ 261,594</u>

	Nine months ended September 30,	
	2023	2022
Wages and salaries	\$ 574,597	\$ 614,345
Labor and health insurance fees	41,949	46,085
Pension costs	27,181	31,371
Other personnel expenses	87,300	98,936
	<u>\$ 731,027</u>	<u>\$ 790,737</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 and nine months ended September 30, 2023 and 2022, employees' compensation were accrued at \$10,400, \$6,067, \$22,012 and \$13,867, respectively; while directors' remuneration were accrued at \$1,600, \$933, \$2,411 and \$2,133, 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 13.29% and 1.46%, 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 September 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 24,113	\$ 17,687
Prior year income tax overestimation	-	-
Total current tax	<u>24,113</u>	<u>17,687</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,437</u>	<u>3,608</u>
Total deferred tax	<u>1,437</u>	<u>3,608</u>
Income tax expense	<u>\$ 25,550</u>	<u>\$ 21,295</u>

	Nine months ended September 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 49,875	\$ 63,544
Prior year income tax overestimation	(9,694)	-
Total current tax	<u>40,181</u>	<u>63,544</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,041</u>	<u>3,079</u>
Total deferred tax	<u>1,041</u>	<u>3,079</u>
Income tax expense	<u>\$ 41,222</u>	<u>\$ 66,623</u>

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

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Three months ended September 30, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 57,934	85,645	\$ 0.68
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	57,934	85,645	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	841	2,621	
Employees' compensation	-	192	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 58,775	88,458	\$ 0.66
	Three months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 42,561	85,645	\$ 0.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	42,561	85,645	
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	\$ 43,389	88,375	\$ 0.49

Nine months ended September 30, 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	\$ 101,532	85,645	\$ 1.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	101,532	85,645	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,512	2,621	
Employees' compensation	-	551	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 104,044	88,817	\$ 1.17
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>			
Profit attributable to ordinary shareholders of the parent	85,507	85,645	
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

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2023	2022
Acquisition of property, plant and equipment	\$ 61,550	\$ 196,620
Net change of payable on machinery and equipment	(767)	23,634
Net change of prepayments on machinery and equipment	2,088	(95,299)
Cash paid during the period	<u>\$ 62,871</u>	<u>\$ 124,955</u>

(26) Changes in liabilities from financing activities

	2023				
	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in	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	(38,198)	(8,518)	-	-	(46,716)
Interest expense	-	2,124	3,140	-	5,264
Interest paid	-	(2,124)	-	-	(2,124)
Changes in other non-cash items	(7,852)	14,893	-	-	7,041
At September 30	<u>\$ 462,883</u>	<u>\$ 197,252</u>	<u>\$ 263,644</u>	<u>\$ 11,043</u>	<u>\$ 934,822</u>
	2022				
	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in	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	(452,138)	(7,481)	-	-	(459,619)
Interest expense	-	2,058	3,090	-	5,148
Interest paid	-	(2,058)	-	-	(2,058)
Changes in other non-cash items	25,545	3,146	-	-	28,691
At September 30	<u>\$ 379,390</u>	<u>\$ 193,633</u>	<u>\$ 259,465</u>	<u>\$ 10,663</u>	<u>\$ 843,151</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,	
	2023	2022
Sales of goods:		
Other related parties	\$ 61,711	\$ 65,075
	Nine months ended September 30,	
	2023	2022
Sales of goods:		
Other related parties	\$ 162,611	\$ 246,450

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

B. Accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable			
Other related parties	\$ 62,918	\$ 41,389	\$ 68,268

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,	
	2023	2022
Short-term employee benefits	\$ 17,590	\$ 5,981
Post-employment benefits	478	380
	\$ 18,068	\$ 6,361
	Nine months ended September 30,	
	2023	2022
Short-term employee benefits	\$ 50,539	\$ 42,021
Post-employment benefits	1,239	1,129
	\$ 51,778	\$ 43,150

8. PLEGDED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2023	December 31, 2022	September 30, 2022	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 121,039	\$ 119,999	\$ 119,999	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	184,501	187,876	189,002	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, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	\$ 12,485	\$ 9,996	\$ 13,745

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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,139,605	\$ 1,102,816	\$ 827,464
Financial assets at amortised cost	127,965	126,925	126,925
Notes receivable	157,772	196,930	204,078
Accounts receivable (including related parties)	572,767	479,545	553,285
Other receivables	27,037	24,528	23,509
Refundable deposits	11,030	11,130	11,388
	<u>\$ 2,036,176</u>	<u>\$ 1,941,874</u>	<u>\$ 1,746,649</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 462,883	\$ 508,933	\$ 379,390
Notes payable	43,523	50,666	63,522
Accounts payable	178,423	173,287	185,675
Other payables	269,755	293,322	272,959
Bond payable (including current portion)	263,644	260,504	259,465
Deposits-in	11,043	11,043	10,663
	<u>\$ 1,229,271</u>	<u>\$ 1,297,755</u>	<u>\$ 1,171,674</u>
Lease liabilities	<u>\$ 197,252</u>	<u>\$ 190,877</u>	<u>\$ 193,633</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, 2023		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	14,061	32.27	\$ 453,748
USD:RMB	USD	174	7.3002	5,610
RMB:NTD	RMB	609	4.415	2,689
EUR:NTD	EUR	1,563	33.91	53,017
<u>Non-monetary items: None.</u>				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	246	32.27	\$ 7,938
USD:RMB	USD	142	7.3002	4,566
<u>Non-monetary items: None.</u>				

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.				

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
<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.				

- 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 and nine months ended September 30, 2023 and 2022, amounted to \$9,763 \$28,296, \$11,498 and \$57,736, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Nine months ended September 30, 2023			
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%	\$ 4,537	\$ -
USD:RMB	1%	56	-
RMB:NTD	1%	27	-
EUR:NTD	1%	530	
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 79)	\$ -
USD:RMB	1%	(46)	-
<u>Non-monetary items:</u> None.			

Nine months ended September 30, 2022			
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%	\$ 5,361	\$ -
USD:RMB	1%	1,121	-
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 51)	\$ -
<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, 2023, December 31, 2022 and September 30, 2022, the provision matrix is as follows:

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>91~180 days past due</u>	<u>Over 180 days</u>	<u>Total</u>
<u>At September 30, 2023</u>						
Expected loss rate	0.01%	0.06%~1.06%	0.76%~19.44%	1.77%~29.76%	9.16%~100%	
Total book value	\$ 511,408	\$ 29,942	\$ 26,761	\$ 4,388	\$ 5,579	\$ 578,078
Loss allowance	\$ -	\$ -	\$ 47	\$ 4,139	\$ 1,125	\$ 5,311

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>91~180 days past due</u>	<u>Over 180 days</u>	<u>Total</u>
<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

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>91~180 days past due</u>	<u>Over 180 days</u>	<u>Total</u>
<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

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

	<u>2023</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 19,204	\$ -
Provision for impairment	5,208	-
Write-offs	(18,532)	-
Effect of foreign exchange	(569)	-
At September 30	<u>\$ 5,311</u>	<u>\$ -</u>
	<u>2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 18,366	\$ -
Provision for impairment	278	-
Effect of foreign exchange	581	-
At September 30	<u>\$ 19,225</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, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Floating rate:			
Expiring within one year	<u>\$ 2,089,958</u>	<u>\$ 647,495</u>	<u>\$ 944,267</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:

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
September 30, 2023					
Short-term borrowings	\$ 341,870	\$ 121,013	\$ -	\$ -	\$ -
Notes payable	43,523	-	-	-	-
Accounts payable	-	178,423	-	-	-
Lease liabilities	3,466	8,068	10,025	27,985	199,276
Other payables	-	269,755	-	-	-
Bonds payable	-	264,700	-	-	-
Deposits-in	-	-	11,043	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over
December 31, 2022	months	months	and 2 years	and 5 years	5 years
		and 1 year			
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
September 30, 2022	months	months	and 2 years	and 5 years	5 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	-	-	-

(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, 2023			
		Fair value			
		Book value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable		\$ 263,644	\$ -	\$ 255,171	\$ -
		December 31, 2022			
		Fair value			
		Book value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable		\$ 260,504	\$ -	\$ 255,171	\$ -
		September 30, 2022			
		Fair value			
		Book value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable		\$ 259,465	\$ -	\$ 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: 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 China: 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,	
	2023	2022
Revenue from external customers	\$ 2,138,196	\$ 2,257,455
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 62,988	\$ 4,044
Segment assets	\$ 4,438,444	\$ 4,547,450

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

None.

Polytronics Technology Corp. and Subsidiaries

Loans to others
Nine months ended September 30, 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 nine-month period ended	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)	Footnote
					September 30, 2023	September 30, 2023							Item	Value			
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Other receivables - related party	Y	\$ 88,900	\$ 88,300	\$ -	4.35%	Short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 1,051,044	\$ 1,051,044	
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	129,080	129,080	96,810	5.05%~5.21%	Short-term financing	-	Operational need	-	-	-	1,051,044	1,051,044	
0	Polytronics Technology Corp.	PolyTCB Electronics Corporation	Other receivables - related party	Y	15,000	15,000	-	1.86%	Short-term financing	-	Operational need	-	-	-	1,051,044	1,051,044	
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	243,840	32,270	-	5.92%	Short-term financing	-	Operational need	-	-	-	273,756	273,756	
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	62,280	32,270	25,816	6.36%	Short-term financing	-	Operational need	-	-	-	273,756	273,756	

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

Polytronics Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
Nine months ended September 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2023	Outstanding endorsement/ guarantee amount at September 30, 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)
		Company name	Relationship with the endorser/ guarantor										
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	100% owned subsidiary	\$ 2,627,610	\$ 171,031	\$ 171,031	\$ 24,203	\$ -	6.51	\$ 3,941,415	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests directly owned by the Company	\$ 2,627,610	742,220	546,810	110,000	100,000	20.81	3,941,415	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company	\$ 2,627,610	435,645	435,645	145,215	-	16.58	3,941,415	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, 2023

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	(\$ 162,611)	7.61%	Net 90 days	Note	Note	\$ 62,918	8.61%		
Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Subsidiary	Sales	(196,088)	9.17%	Net 60 days	Note	Note	39,482	5.40%		
TCLAD Technology Corporation	TCLAD Inc.	Subsidiary	Purchases	107,150	20.25%	Net 30 days	Note	Note	15,617	7.03%		

Note : With the general payment term.

Polytronics Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2023

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	\$ 196,088	Net 60 days	9%
0	"	"	1	Purchases	60,924	Net 45 days	3%
0	"	"	1	Processing charges	34,364	Net 45 days	2%
0	"	"	1	Accounts receivable	39,482	Net 60 days	1%
0	"	"	1	Accounts payable	72,885	Net 45 days	2%
0	"	TCLAD INC.	1	Sales	19,294	Net 90 days	1%
0	"	"	1	Accounts receivable	23,734	Net 90 days	1%
0	"	"	1	Payment on behalf of others	4,288	Net 90 days	0%
0	"	TCLAD Technology Corporation	1	Other receivables	98,337	Net 30 days	2%
0	"	"	1	Interest Revenue	3,389	Collection and payment based on an agreed time	0%
0	"	PolyTCB Electronics Corporation	1	Sales	5,835	Net 30 days	0%
0	"	"	1	Accounts receivable	6,126	Net 30 days	0%
0	"	"	1	Purchases	1,284	Net 30 days	0%
0	"	"	1	Accounts payable	1,348	Net 30 days	0%
1	TCLAD Technology Corporation	TCLAD Europe GmbH	3	Accounts receivable	3,018	Collection and payment based on an agreed time	0%
1	"	"	3	Other receivables	26,122	Collection and payment based on an agreed time	1%
1	"	"	3	Sales	14,916	Net 90 days	1%
1	"	TCLAD INC.	3	Purchases	107,150	Net 30 days	5%
1	"	"	3	Accounts payable	15,617	Collection and payment based on an agreed time	0%
2	TCLAD Inc.	TCLAD Europe GmbH	3	Accounts receivable	25,783	Collection and payment based on an agreed time	1%
2	"	"	3	Sales	54,233	Net 90 days	3%
3	PolyTCB Electronics Corporation	Kunshan Polystar Electronics Co., Ltd.	3	Accounts receivable	10,707	Net 30 days	0%
3	"	"	3	Sales	10,653	Collection and payment based on an agreed time	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: Only transactions above NT\$1 million are disclosed. Transactions of related parties are not further disclosed here.

Note 4: 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, 2023

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, 2023			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at September 30, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	of the investee for the nine months period ended September 30, 2023	recognised by the Company for the nine months period ended September 30, 2023	
Polytronics Technology Corp.	Polytronics (B.V.I.) Corporation	British Virgin Islands	Investment and general business operations	\$ 255,004	\$ 255,004	2,644	100	\$ 1,067,517	\$ 9,109	\$ 9,109	Subsidiary
Polytronics Technology Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	16,882	56.27	385,129 (179,189) (100,836)	Subsidiary
Polytronics Technology Corp.	PolyTCB Electronics Corporation	Taiwan	Electronic Parts and Components Manufacturing; Wholesale of Electronic Materials	69,000	1,000	6,900	100	71,898	2,915	2,915	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,286,736	1,286,736	-	100	781,891 (143,999) (147,482)	Subsidiary
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	5,732	5,732	170	85	3,881 (7,997) (8,004)	Subsidiary

Table 5

Polytronics Technology Corp. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2023

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, 2023 (Note 2)	Amount remitted from Taiwan to mainland China/ amount remitted back to Taiwan for the nine months period ended September 30, 2023		Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2023	Net income of investee for the nine months period ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months period ended September 30, 2023 (Note 3)	Book value of investments in mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Kunshan Polystar Electronics Co., Ltd. (Note 2)	Production and sale of varistor and potentiometer	\$ 698,787	2	\$ 208,464	\$ -	\$ -	\$ 208,464	\$ 8,804	100	\$ 8,804	\$ 1,051,172	\$ -	
PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	88,408	3	-	-	-	-	1,110	100	1,110	91,709	-	
Suzhou TCLAD Electronic Technology Co., Ltd	Manufacturing of the thermal conductive board	4,305	1	4,305	-	-	4,305	-	56.27	1	4,416	-	
Company name	Accumulated amount of remittance from Taiwan to mainland China as of September 30, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA										
Polytronics Technology Corp.	\$ 208,464	\$ 698,787	\$ 1,576,607										

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 = 1:30.955 and RMB:TWD = 1:4.395 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:32.270 and RMB:TWD = 1:4.420.

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, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in mainland China	Sales (purchase)		Accounts receivable (payable)		Maximum balance during the nine months period ended September 30, 2023	Financing			Others-processing charges	
	Amount	%	Balance at September 30, 2023	%		Balance at September 30, 2023	Interest rate	Interest during the nine months period ended September 30, 2023	Balance at September 30, 2023	%
Kunshan Polystar Electronics Co., Ltd.	\$ 196,088	9.17%	\$ 39,482	5.40%	\$ -	\$ -	4.35%	\$ -	\$ -	-
Kunshan Polystar Electronics Co., Ltd.	(60,924)	11.52%	(72,885)	31.42%	-	-	-	-	(34,364)	19.30%

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

September 30, 2023

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%