

**TONG HSING ELECTRONIC INDUSTRIES, LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2020 and 2019**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of Tong Hsing Electronic Industries, Ltd.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. ("the Company") and its subsidiaries ("the Group") as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the 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" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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 and the review report of other auditor (please refer to Other Matter paragraph), 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 of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Other Matter**

We did not review the financial statements of KINGPAK Technology Inc. (KINGPAK), a subsidiary of the Group. Those financial statements were reviewed by other auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for KINGPAK, is based solely on the review report of other auditor. The financial statements of KINGPAK reflect the total assets amounting to \$3,470,481 thousand, constituting 13.60% of the consolidated total assets as of June 30, 2020; and the total net sales revenue amounting to \$63,467 thousand, constituting 1.58% of the consolidated total net sales revenue for the twelve days ended June 30, 2020.

The engagement partners on the reviews resulting in this independent auditors' review report are Szu-Chuan Chien and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)

August 11, 2020

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

## Consolidated Balance Sheets

**June 30, 2020, December 31, and June 30, 2019**

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		For the three months ended June 30,				For the six months ended June 30,			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Sales revenue	\$ 2,072,656	100	1,867,596	102	4,034,787	100	3,494,852	102
4170	Less: sales returns and allowances	10,003	-	45,234	2	18,929	-	57,164	2
4100	Net sales revenue (notes 6(s) and 14)	2,062,653	100	1,822,362	100	4,015,858	100	3,437,688	100
5110	Cost of sales (notes 6(d) and 12)	1,484,812	72	1,430,466	78	2,956,320	74	2,755,547	80
5900	Gross profit	577,841	28	391,896	22	1,059,538	26	682,141	20
6000	Operating expenses: (note 12)								
6100	Selling expenses	45,119	2	39,982	2	81,093	2	76,769	2
6200	Administrative expenses	106,804	5	108,594	6	217,636	5	210,922	6
6300	Research and development expenses	34,715	2	26,769	2	64,791	1	54,354	2
6450	Expected credit gains	(6,181)	-	(1,765)	-	(11,066)	-	(8,284)	-
		180,457	9	173,580	10	352,454	8	333,761	10
6900	Net operating income	397,384	19	218,316	12	707,084	18	348,380	10
	Non-operating income and expenses:								
7100	Interest income	5,673	-	9,647	-	8,904	-	18,099	-
7190	Other income	7,949	1	3,946	-	9,277	-	9,460	-
7230	Foreign exchange (losses) gains, net (note 6(u))	(33,835)	(2)	13,570	1	(3,370)	-	23,092	1
7235	Gains on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	1,121	-	127	-	1,239	-	254	-
7510	Finance cost—interest expense	(592)	-	(2,260)	-	(1,166)	-	(4,735)	-
7590	Miscellaneous disbursements	-	-	-	-	(540)	-	(5,406)	-
		(19,684)	(1)	25,030	1	14,344	-	40,764	1
7900	Profit before tax	377,700	18	243,346	13	721,428	18	389,144	11
7950	Less: tax expenses (note 6(o))	79,897	4	51,112	2	151,277	4	81,675	2
	Profit	297,803	14	192,234	11	570,151	14	307,469	9
	Other comprehensive income: (note 6(o))								
	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(23,614)	(1)	9,978	-	(13,740)	-	14,486	-
8399	Income tax on items that may be reclassified to profit or loss	6,067	-	(2,447)	-	3,569	-	(3,518)	-
	Other comprehensive income	(17,547)	(1)	7,531	-	(10,171)	-	10,968	-
8500	Comprehensive income	\$ 280,256	13	199,765	11	559,980	14	318,437	9
	Earnings per share (note 6(r))								
9750	Basic earnings per share	\$ 1.70		1.16		3.35		1.86	
9850	Diluted earnings per share	\$ 1.70		1.16		3.34		1.85	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2019	\$ 1,653,575	5,063,801	1,234,484	105,549	2,432,168	3,772,201	(40,892)	10,448,685
Consolidated net income for the six months ended June 30, 2019	-	-	-	-	307,469	307,469	-	307,469
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	10,968	10,968
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	307,469	307,469	10,968	318,437
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	101,360	-	(101,360)	-	-	-
Special reserve appropriated	-	-	-	(30,957)	30,957	-	-	-
Cash dividends of ordinary share	-	-	-	-	(925,532)	(925,532)	-	(925,532)
Cash dividends from capital surplus	-	(66,613)	-	-	-	-	-	(66,613)
Balance on June 30, 2019	\$ 1,653,575	4,997,188	1,335,844	74,592	1,743,702	3,154,138	(29,924)	9,774,977
Balance on January 1, 2020	\$ 1,653,575	4,997,188	1,335,844	74,592	2,179,238	3,589,674	(63,711)	10,176,726
Consolidated net income for the six months ended June 30, 2020	-	-	-	-	570,151	570,151	-	570,151
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(10,171)	(10,171)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	570,151	570,151	(10,171)	559,980
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	74,300	-	(74,300)	-	-	-
Special reserve appropriated	-	-	-	22,819	(22,819)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(578,751)	(578,751)	-	(578,751)
Shares issued for business combination	712,901	10,087,542	-	-	-	-	-	10,800,443
Share-based payments	758	2,056	-	-	-	-	-	2,814
Balance on June 30, 2020	\$ 2,367,234	15,086,786	1,410,144	97,411	2,073,519	3,581,074	(73,882)	20,961,212

See accompanying notes to consolidated financial statements.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 721,428	389,144
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	382,041	373,457
Amortization expense	12,298	3,631
Expected credit gains	(11,066)	(8,284)
Net gain on financial assets or liabilities at fair value through profit or loss	(1,239)	(254)
Interest expense	1,166	4,735
Interest income	(8,904)	(18,099)
Loss on disposal of property, plant and equipment	-	5,406
Gain on disposal of intangible assets	(2,573)	-
Other	(1,153)	1,702
Total adjustments to reconcile profit (loss)	370,570	362,294
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(1,200,000)	-
Increase in contract assets	(55,408)	(19,880)
Decrease in notes and accounts receivables	144,795	58,220
Decrease in other receivables	5,985	5,509
(Increase) decrease in inventories	(32,079)	55,867
Decrease in prepayments	26,732	13,052
Decrease in other current assets	1,517	476
Increase (decrease) in notes and accounts payable	87,168	(18,401)
Increase (decrease) in other payables	128,126	(43,401)
Increase (decrease) in other current liabilities	9,119	5,088
Decrease in contract liabilities - current and non - current	(9,623)	-
Increase (decrease) in net deferred benefit liabilities	(794)	265
	(894,462)	56,795
Cash inflow generated from operations	197,536	808,233
Interest received	10,885	18,308
Interest paid	(1,136)	(4,735)
Income taxes paid	(118,548)	(54,935)
<b>Net cash flows from operating activities</b>	<b>88,737</b>	<b>766,871</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(465,563)	(337,123)
Increase in prepayments of land	-	(142,353)
Proceeds from disposal of property, plant and equipment	5,779	1,669
Decrease in refundable deposits	4	1,471
Acquisition of intangible assets	(2,057)	(8,904)
Proceeds from disposal of intangible assets	2,573	-
Cash inflows due to business combination	1,212,741	-
(Increase) decrease in other financial assets	24	(21,512)
<b>Net cash flows from (used in) investing activities</b>	<b>753,501</b>	<b>(506,752)</b>
<b>Cash flows from (used in) financing activities:</b>		
(Increase) decrease in short-term borrowings	140,000	(59,853)
Increase in short-term notes and bills payable	60,000	-
Payments of lease liabilities	(4,171)	(4,708)
Exercise of employee share options	2,814	-
<b>Net cash flows from (used in) financing activities</b>	<b>198,643</b>	<b>(64,561)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(8,027)</b>	<b>9,748</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,032,854</b>	<b>205,306</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,704,146</b>	<b>5,168,430</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,737,000</b>	<b>5,373,736</b>

See accompanying notes to consolidated financial statements.



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Reviewed only, not audited in accordance with generally accepted auditing standards

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Six Months Ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Tong Hsing Electronic Industries, Ltd. (“the Company”) was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is at 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The Company acquired 100% of KINGPAK Technology Inc.’s (KINGPAK) issued and outstanding shares through stock exchange on June 19, 2020 (the effective date of merger). The consolidated financial statements of the Company as at and for the six months ended June 30, 2020 comprised the Company and its subsidiaries (together referred to as the “Group”). The Group primarily is involved in the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors.

**(2) Approval date and procedures of the consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2020.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

Those which may be relevant to the Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Summary of significant accounting policies**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Sales and manufacturing of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors	100 %	100 %	100 %	-
"	KINGPAK Technology Inc. (KINGPAK)	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	100 %	-	-	Note

Note: In December 2019, a resolution was approved by the board of directors to acquire 100% of KINGPAK's issued and outstanding shares through stock exchange. After the effective date of the merger (June 19, 2020), KINGPAK became a fully owned subsidiary of the Company and was delisted on the Taipei Exchange. The related registration procedures were completed on August 4, 2020.

(c) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(d) Income taxes

The income tax expense have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rate that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost interest expense.

(f) Employee benefits

The pension cost in the interim period was calculated and disclosed 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.

(g) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

- (5) **Significant accounting assumptions and judgments, and major sources of estimation uncertainty** The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

(6) **Explanation of significant accounts**

Except for the following disclosures, there were no significant differences in the disclosures between the consolidated financial statements for the year ended December 31, 2019 and those for the six months ended June 30, 2020. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Petty cash and foreign currency on hand	\$ 815	403	332
Checking accounts and demand deposits	4,316,258	2,321,497	1,967,661
Time deposits	377,918	1,382,246	3,405,743
Cash equivalents-bonds under repurchase agreements	42,009	-	-
	<b>\$ 4,737,000</b>	<b>3,704,146</b>	<b>5,373,736</b>

Refer to note (6)(u) for the exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Financial assets and liabilities at fair value through profit or loss

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Open-end mutual funds	\$ <u>1,302,176</u>	<u>100,937</u>	<u>100,648</u>

(c) Notes and accounts receivable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts receivable – measured at amortized cost	\$ 1,657,884	1,402,772	1,289,116
Less: allowance for impairment	<u>(55,822)</u>	<u>(65,471)</u>	<u>(70,996)</u>
	<u>\$ 1,602,062</u>	<u>1,337,301</u>	<u>1,218,120</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including overall economic environment and related industrial information. The loss allowance provision was determined as follows:

(i) Credit rate A

	<u>June 30, 2020</u>		
<u>Aging interval</u>	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted- average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 77,837	-	-
31 to 60 days	49,226	0.50%	246
61 to 90 days	9,907	1.50%	149
91 to 120 days	5,228	5.00%	261
121 to 180 days	1,826	10.00%	183
181 to 360 days	<u>211</u>	50.00%	<u>105</u>
	<u>\$ 144,235</u>		<u>944</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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<b>December 31, 2019</b>			
<b>Aging interval</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 74,852	-	-
31 to 60 days	44,397	0.50%	222
61 to 90 days	11,672	1.50%	175
91 to 120 days	1,310	5.00%	65
121 to 180 days	6,506	10.00%	651
181 to 360 days	134	50.00%	67
	<b>\$ 138,871</b>		<b>1,180</b>

<b>June 30, 2019</b>			
<b>Aging interval</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 55,596	-	-
31 to 60 days	54,978	0.50%	275
61 to 90 days	12,624	1.50%	189
91 to 120 days	2,963	5.00%	148
121 to 180 days	1,651	10.00%	165
	<b>\$ 127,812</b>		<b>777</b>

(ii) Credit rate B

<b>June 30, 2020</b>			
<b>Aging interval</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 737,363	1.23%	9,103
31 to 60 days	609,921	3.34%	20,370
61 to 90 days	89,549	7.96%	7,124
91 to 120 days	70,204	19.32%	13,564
121 to 180 days	3,790	50.00%	1,895
181 to 360 days	1,334	100.00%	1,334
More than 361 days	1,488	100.00%	1,488
	<b>\$ 1,513,649</b>		<b>54,878</b>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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<b>December 31, 2019</b>			
<b>Aging interval</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 587,911	1.50%	8,912
31 to 60 days	464,517	5.00%	23,226
61 to 90 days	130,908	10.00%	13,091
91 to 120 days	73,258	20.00%	14,652
121 to 180 days	5,794	50.00%	2,897
181 to 360 days	1,496	100.00%	1,496
More than 361 days	17	100.00%	17
	<b>\$ 1,263,901</b>		<b>64,291</b>

  

<b>June 30, 2019</b>			
<b>Aging interval</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 478,541	1.50%	7,313
31 to 60 days	412,941	5.00%	20,647
61 to 90 days	163,052	10.00%	16,305
91 to 120 days	96,155	20.00%	19,231
121 to 180 days	7,785	50.00%	3,893
More than 181 days	2,830	100.00%	2,830
	<b>\$ 1,161,304</b>		<b>70,219</b>

The movement in the allowance for notes and accounts receivable were as follows:

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
The beginning of period	\$ 65,471	79,464
Acquisition through business combination	626	-
Impairment loss reversed	(10,266)	(8,518)
Effect of movements in exchange rates	(9)	50
The end of period	<b>\$ 55,822</b>	<b>70,996</b>

As of the reporting date, the Group did not provide any notes and accounts receivable as collateral for its loans.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Finished goods	\$ 153,896	164,870	188,070
Semi-finished goods	211,489	166,665	211,123
Work in progress	247,143	187,561	233,205
Raw materials	729,064	500,460	465,724
Indirect materials	233,384	188,126	187,578
	<u>\$ 1,574,976</u>	<u>1,207,682</u>	<u>1,285,700</u>

- (i) The Group recognized the inventory losses because of the write-down of the net realizable value. It also reversed its allowance for inventory valuation and obsolescence loss because the net realizable value was no longer lower than the cost after the disposal of obsolete inventories.

The details of the cost of sales were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current operating cost for write-downs (recoveries) on inventory valuation and obsolescence	\$ <u>(1,135)</u>	<u>4,562</u>	<u>(10,195)</u>	<u>20,798</u>

- (ii) As of the reporting date, the Group did not provide any inventories as collateral for its loans.
- (e) Business combination

Acquisition of subsidiary

On June 19, 2020, the Group obtained control over KINGPAK by acquiring 100% of its issued and outstanding shares through stock exchange. The major business activities of KINGPAK are the sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.

Taking control over KINGPAK will not only integrate the customers, product lines, and technology of the Group and KINGPAK, it will also improve their production resource efficiency. The Group continuously enhances the technology of CMOS image sensor in order to expand the application of smartphones, internet usage for logistics and vehicles, unmanned vehicles, market on virtual and augmented reality to provide more complete CMOS image sensor packaging testing services to customers and lead the market on electronic parts and components manufacturing.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

From the date of the merger to June 30, 2020, KINGPAK contributed the net sales revenue of \$63,467 and the profit of \$9,019 to the Group. If the acquisition had occurred on January 1, 2020, the management estimates that the consolidated net sales revenue would have been \$5,075,349 and the consolidated profit would have been \$340,211. In determining these amounts, the management has assumed that the fair value adjustments that arose on the acquisition date would have been the same.

The acquisition-related costs amounted to \$1,500 on accountant and attorney's fees, and printing fees, etc. These costs have been recognized as operating expenses in the consolidated statements of comprehensive income.

The following table summarizes the consideration transferred, the assets acquired and the liabilities assumed at the acquisition date.

(i) Consideration transferred

Equity instruments issued	\$ <u><b>10,800,443</b></u>
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71,290,049 ordinary shares, with fair value of \$10,800,443, were issued as the consideration transferred for the purchase of KINGPAK based on the listed share price of the Company on June 19, 2020.

(ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$ 1,212,741
Notes and accounts receivable, net	399,290
Other receivables	13,718
Other financial assets	5,903
Inventories	335,215
Prepayments	15,999
Other current assets	1,256
Property, plant and equipment	1,456,247
Right-of-use assets	4,374
Intangible assets	1,204,287
Deferred tax assets	46,880
Other non-current assets	10,154
Short-term borrowings	(280,000)
Short-term notes and bills payable	(50,000)
Contract liabilities	(47,307)
Notes and accounts payable	(296,533)
Other payables	(356,074)
Current tax liabilities	(124,271)
Current provisions	(139,124)
Lease liabilities	(4,208)
Accrued pension liabilities	(4,980)
	<u><b>\$ 3,403,567</b></u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of August 11, 2020, the fair values of the recognized net assets have been measured on a provisional basis which may be subject to adjustments upon completion of independent valuation.

The Company will continue to review the aforesaid matters during the measurement period. If there is any new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above amounts, or any additional provisions as at the acquisition date, a reversal on the accounting for the acquisition will be made.

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 10,800,443
Less: Fair value of identifiable net assets	<u>3,403,567</u>
	<u><u>\$ 7,396,876</u></u>

Goodwill is mainly derived from control premium, synergies, sales increase, market trend and employee value. However, the benefits resulting from those items mentioned above failed to meet the conditions of identifiable intangible assets; therefore, they cannot be recognized separately.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2020	\$ 1,850,862	2,583,318	4,001,748	379,311	1,994	121,224	8,938,457
Acquisition through business combination	543,768	257,053	1,009,362	9,654	-	220,269	2,040,106
Additions	-	17,174	264,400	12,868	-	187,483	481,925
Transferred in (out)	-	452	58,477	255	-	(59,184)	-
Disposals	-	(3,329)	(106,770)	(3,429)	-	(5,779)	(119,307)
Effects of movements in exchange rates	-	(5,348)	(19,414)	(2,603)	(23)	(190)	(27,578)
Balance on June 30, 2020	<u><u>\$ 2,394,630</u></u>	<u><u>2,849,320</u></u>	<u><u>5,207,803</u></u>	<u><u>396,056</u></u>	<u><u>1,971</u></u>	<u><u>463,823</u></u>	<u><u>11,313,603</u></u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

						Unfinished construction and equipment under acceptance	
	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements		Total
Balance on January 1, 2019	\$ 413,719	2,606,047	4,358,883	373,410	6,704	144,618	7,903,381
Additions	-	6,890	126,790	26,622	-	141,341	301,643
Transferred in (out)	-	540	72,550	2,262	-	(77,048)	(1,696)
Disposals	(2,401)	(15,930)	(367,610)	(6,798)	-	-	(392,739)
Effects of movements in exchange rates	-	6,068	19,472	2,551	76	648	28,815
Balance on June 30, 2019	<u>\$ 411,318</u>	<u>2,603,615</u>	<u>4,210,085</u>	<u>398,047</u>	<u>6,780</u>	<u>209,559</u>	<u>7,839,404</u>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2020	\$ -	551,651	2,520,521	281,395	798	-	3,354,365
Acquisition through business combination	-	75,549	503,812	4,498	-	-	583,859
Depreciation for the six months ended June 30, 2020	-	71,082	279,301	26,635	40	-	377,058
Disposals	-	(3,329)	(106,770)	(3,429)	-	-	(113,528)
Effects of movements in exchange rates	-	(2,000)	(17,643)	(2,282)	(10)	-	(21,935)
Balance on June 30, 2020	<u>\$ -</u>	<u>692,953</u>	<u>3,179,221</u>	<u>306,817</u>	<u>828</u>	<u>-</u>	<u>4,179,819</u>
Balance on January 1, 2019	\$ -	522,260	2,894,616	285,658	3,731	-	3,706,265
Depreciation for the six months ended June 30, 2019	-	65,676	280,781	21,666	108	-	368,231
Disposals	-	(15,930)	(362,935)	(6,799)	-	-	(385,664)
Effects of movements in exchange rates	-	2,519	16,362	2,468	43	-	21,392
Balance on June 30, 2019	<u>\$ -</u>	<u>574,525</u>	<u>2,828,824</u>	<u>302,993</u>	<u>3,882</u>	<u>-</u>	<u>3,710,224</u>
<b>Book value:</b>							
Balance on January 1, 2020	<u>\$ 1,850,862</u>	<u>2,031,667</u>	<u>1,481,227</u>	<u>97,916</u>	<u>1,196</u>	<u>121,224</u>	<u>5,584,092</u>
Balance on June 30, 2020	<u>\$ 2,394,630</u>	<u>2,156,367</u>	<u>2,028,582</u>	<u>89,239</u>	<u>1,143</u>	<u>463,823</u>	<u>7,133,784</u>
Balance on January 1, 2019	<u>\$ 413,719</u>	<u>2,083,787</u>	<u>1,464,267</u>	<u>87,752</u>	<u>2,973</u>	<u>144,618</u>	<u>4,197,116</u>
Balance on June 30, 2019	<u>\$ 411,318</u>	<u>2,029,090</u>	<u>1,381,261</u>	<u>95,054</u>	<u>2,898</u>	<u>209,559</u>	<u>4,129,180</u>

Considering the Group's future growth and production, the board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyuan City with a purchase consideration of \$1,413,316. The above payments had been fully paid and the legal procedures of transaction had been completed.

June 30, 2020, December 31, 2019 and June 30, 2019, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Right-of-use assets

The Group leases many assets including land, staff dormitories and office equipment. Information about leases for which the Group as a lessee is presented below:

	<b>Land</b>	<b>Buildings and structures</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost:</b>				
Balance on January 1, 2020	\$ 97,756	16,823	19,949	134,528
Acquisition through business combination	4,956	1,671	2,958	9,585
Additions	-	-	509	509
Reductions	(23,061)	-	-	(23,061)
Balance on June 30, 2020	<u>\$ 79,651</u>	<u>18,494</u>	<u>23,416</u>	<u>121,561</u>
Balance on January 1, 2019	\$ 97,756	18,004	11,996	127,756
Additions	-	9,992	-	9,992
Reductions	-	(4,055)	-	(4,055)
Balance on June 30, 2019	<u>\$ 97,756</u>	<u>23,941</u>	<u>11,996</u>	<u>133,693</u>
<b>Depreciation and impairment loss:</b>				
Balance on January 1, 2020	\$ 2,715	3,685	1,608	8,008
Acquisition through business combination	4,361	529	321	5,211
Depreciation for the six months ended June 30, 2020	1,316	2,199	1,468	4,983
Reductions	(3,394)	-	-	(3,394)
Balance on June 30, 2020	<u>\$ 4,998</u>	<u>6,413</u>	<u>3,397</u>	<u>14,808</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the six months ended June 30, 2019	1,358	2,899	969	5,226
Reductions	-	(435)	-	(435)
Balance on June 30, 2019	<u>\$ 1,358</u>	<u>2,464</u>	<u>969</u>	<u>4,791</u>
<b>Book value:</b>				
Balance on January 1, 2020	<u>\$ 95,041</u>	<u>13,138</u>	<u>18,341</u>	<u>126,520</u>
Balance on June 30, 2020	<u>\$ 74,653</u>	<u>12,081</u>	<u>20,019</u>	<u>106,753</u>
Balance on January 1, 2019	<u>\$ 97,756</u>	<u>18,004</u>	<u>11,996</u>	<u>127,756</u>
Balance on June 30, 2019	<u>\$ 96,398</u>	<u>21,477</u>	<u>11,027</u>	<u>128,902</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Intangible Assets

The cost and amortization of intangible assets of the Group were as follows:

	Goodwill	Patents and others	Cost of computer software	Customer relationship	Total
<b>Cost:</b>					
Balance on January 1, 2020	\$ 51,936	25,462	29,242	41,776	148,416
Acquisition through business combination	7,396,876	925,504	6,754	371,800	8,700,934
Additions	-	-	2,057	-	2,057
Disposals	-	-	(668)	-	(668)
Balance on June 30, 2020	<u>\$ 7,448,812</u>	<u>950,966</u>	<u>37,385</u>	<u>413,576</u>	<u>8,850,739</u>
Balance on January 1, 2019	\$ 51,936	25,462	17,640	41,776	136,814
Additions	-	-	8,904	-	8,904
Disposals	-	-	(520)	-	(520)
Balance on June 30, 2019	<u>\$ 51,936</u>	<u>25,462</u>	<u>26,024</u>	<u>41,776</u>	<u>145,198</u>
<b>Amortization and impairment loss:</b>					
Balance on January 1, 2020	\$ -	25,462	12,238	41,776	79,476
Acquisition through business combination	-	97,404	2,367	-	99,771
Amortization for the six months ended June 30, 2020	-	3,336	5,052	3,910	12,298
Disposals	-	-	(668)	-	(668)
Balance on June 30, 2020	<u>\$ -</u>	<u>126,202</u>	<u>18,989</u>	<u>45,686</u>	<u>190,877</u>
Balance on January 1, 2019	\$ -	25,462	4,336	41,776	71,574
Amortization for the six months ended June 30, 2019	-	-	3,631	-	3,631
Disposals	-	-	(520)	-	(520)
Balance on June 30, 2019	<u>\$ -</u>	<u>25,462</u>	<u>7,447</u>	<u>41,776</u>	<u>74,685</u>
<b>Book value:</b>					
Balance on January 1, 2020	\$ 51,936	-	17,004	-	68,940
Balance on June 30, 2020	<u>\$ 7,448,812</u>	<u>824,764</u>	<u>18,396</u>	<u>367,890</u>	<u>8,659,862</u>
Balance on January 1, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>13,304</u>	<u>-</u>	<u>65,240</u>
Balance on June 30, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>18,577</u>	<u>-</u>	<u>70,513</u>

(i) Short-term borrowings

Details of short-term borrowings were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Secured loans	\$ -	-	192,622
Unsecured loans	420,000	-	-
Total	<u>\$ 420,000</u>	<u>-</u>	<u>192,622</u>
Unused short-term credit lines	<u>\$ 3,363,829</u>	<u>2,036,614</u>	<u>1,408,897</u>
Range of interest rates	<u>0.90%~1.10%</u>	<u>-</u>	<u>2.85%~3.60%</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Issuance and repayment of loans

The Group increased its short-term borrowings of \$280,000 through business combination. For the six months ended June 30, 2020 and 2019, the Group increased its short-term borrowings by \$173,237 and \$246,238, respectively. The short-term borrowings were due in June 2021 and December 2019, respectively, and the repayment amounted to \$33,237 and \$306,091 for the six months ended June 30, 2020 and 2019, respectively.

(ii) Collateral for loans

- 1) Part of the Group's short-term borrowings and credit lines were guaranteed by the key management personnel. Please refer to note (7).
- 2) Please refer to note (8) for the information about the Group providing assets as collateral for part of its borrowings and credit lines.

(iii) Please refer to note (6)(u) for the exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(j) Long-term borrowings

Details of long-term borrowings were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Secured loans	\$ -	-	-
Unused long-term credit lines	\$ <b>3,200,000</b>	<b>1,565,000</b>	<b>65,000</b>

(i) Issuance and repayment of loans

There were no significant issues, repurchases and repayments of long-term borrowings for the six months ended June 30, 2020 and 2019. Please refer to note(6)(j) of the 2019 annual consolidated financial statements for other related information.

(ii) Collateral for loans

- 1) Part of the Group's long-term borrowings and the credit lines were guaranteed by the key management personnel. Please refer to note (7).
- 2) Please refer to note (8) for the information about the Group providing assets as collateral for part of its long-term borrowings.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(k) Other payables

Details of other payables were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Salaries, employees' compensation and directors' and supervisors' remuneration	\$ 546,168	321,713	320,316
Payable on machinery and equipment	108,615	92,253	33,905
Accrued employee benefit liabilities	44,923	42,278	42,023
Accrued expenses	<u>584,265</u>	<u>327,135</u>	<u>296,993</u>
	<b><u>\$ 1,283,971</u></b>	<b><u>783,379</u></b>	<b><u>693,237</u></b>

The accrued expenses included professional service fees, commission, labor insurance and health insurance, etc.

(l) Provision

	<b>June 30, 2020</b>
Compensation	<b><u>\$ 139,124</u></b>

The Group increased its provision of \$139,124 through business combination. The provision for compensation losses was due to product defects. The Group has determined the most likely outcome of the compensation in accordance with the best estimation expenditure required for the obligation to recognize the compensation liabilities.

(m) Lease liabilities

The details of lease liabilities were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Current	<b><u>\$ 11,254</u></b>	<b><u>8,973</u></b>	<b><u>9,773</u></b>
Non-current	<b><u>\$ 95,959</u></b>	<b><u>118,514</u></b>	<b><u>119,639</u></b>

For the maturity analysis, please refer to note (6)(u).

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>471</u>	<u>586</u>	<u>1,041</u>	<u>1,159</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>22,849</u>	<u>27,226</u>	<u>58,933</u>	<u>54,656</u>
Expenses relating to short-term leases	\$ <u>2,257</u>	<u>953</u>	<u>4,698</u>	<u>2,082</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>12</u>	<u>-</u>	<u>23</u>	<u>-</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	For the six months ended June 30,	
	2020	2019
Total cash outflow for leases	\$ <u>68,866</u>	<u>62,605</u>

(i) Real estate leases

The Group leases land, buildings and structures for its factory, staffs' dormitories, parking lots and office. The leases typically run for a period of one to twenty years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases office equipment, with lease terms of two to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some lease payments are based on actual usage in the period.

The Group also leases vehicles, copying machines and office equipment with lease terms of one to five years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, material reimbursement and settlement, or other material one-time event since the prior fiscal year. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

The expenses recognized in profit or loss for the Group amounted to \$4,771 and \$3,456 for the three months ended June 30, 2020 and 2019, respectively, and \$9,529 and \$6,883 for the six months ended June 30, 2020 and 2019, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$13,029 and \$10,617 for the three months ended June 30, 2020 and 2019, respectively, and \$24,810 and \$21,638 for the six months ended June 30, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(o) Income Taxes

(i) The amount of income tax expense was follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current tax expense	\$ <u>79,897</u>	<u>51,112</u>	<u>151,277</u>	<u>81,675</u>

(ii) The amounts of income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ <u>(6,067)</u>	<u>2,447</u>	<u>(3,569)</u>	<u>3,518</u>

(iii) The Group's income tax returns are calculated and filed based on the local tax law of the Company, KINGPAK and THEPI.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Examination and approval

The ROC tax authorities have examined of income tax returns the Company and KINGPAK through 2016 and 2015, respectively.

(p) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the six months ended June 30, 2020 and 2019. Please refer to note (6)(p) of the consolidated financial statements for the year ended December 31, 2019.

(i) Ordinary shares

As of June 30, 2020, the number of authorized ordinary shares were 400,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$4,000,000, of which \$200,000 were reserved for the issuance of employee stock options. As of the date, 236,723 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

As of December 31 and June 30, 2019, the number of authorized ordinary shares were 200,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$2,000,000, of which \$100,000 were reserved for the issuance of employee stock options. The issuance of ordinary shares were 165,357 thousand shares as of both dates. All issued shares were paid up upon issuance.

As of June 19, 2020, the Company issued 71,290 thousand ordinary shares as the consideration transferred for acquiring 100% ownership of KINGPAK through stock exchange. Please refer to note 6(e) for the information on business combination.

The employee stock options were exercised due to business combination for the six months ended June 30, 2020 amounted to \$758, resulting in a capital surplus of \$2,056. The registration procedures of the employee stock options have yet to be completed as of the above date.

The annual stockholders' meeting resolved to conduct a capital reduction by cash amounting to \$578,751 on June 5, 2020, whereby 57,875 thousand ordinary shares were cancelled, resulting in the capital to decrease by 24.4%. The capital reduction is still pending for effective registration with the competent authority.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Capital surplus—additional paid-in capital	\$ 15,030,567	4,940,969	4,940,969
Other	56,219	56,219	56,219
	<b><u>\$ 15,086,786</u></b>	<b><u>4,997,188</u></b>	<b><u>4,997,188</u></b>

Cash dividends from capital surplus amounting to \$66,613, representing \$0.40284293 per share, was approved during the annual meeting of the shareholders held on June 21, 2019.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, the Company's net earnings shall first defray tax due, and offset the prior years' deficit. Of the remaining balance, 10% is to be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital, and an amount equal to a net debit balance of stockholders' equity is appropriated as a special reserve. The remaining balance and the accumulated unappropriated earnings of prior years, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors, and be distributed as dividends to stockholders after the approval of the annual stockholders' meeting. Based on the policy on stock dividends and in accordance with such factors as the development plan, investment environment, capital requirements, competitive environment, and benefits to stockholders, the cash dividends, the Group shall appropriate 60% or more of the appropriated earnings, and the cash dividends shall not be less than 30% of the total amount of dividends. After considering the actual profit and capital situation, the amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting.

1) Earnings distribution

Earnings distribution for 2019 and 2018 were approved via the annual meeting of shareholders held on June 5, 2020 and June 21, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>2019</b>		<b>2018</b>	
	<b><u>Amount per share</u></b>	<b><u>Total amount</u></b>	<b><u>Amount per share</u></b>	<b><u>Total amount</u></b>
Dividends distributed to ordinary shareholders				
Cash	\$ 2.44484149	<b><u>578,751</u></b>	5.59715707	<b><u>925,532</u></b>

The related information about earnings distribution can be accessed from the Market Observation Post System Website.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Shares-based payment

(i) Employee stock options

- 1) The Company assumed all of the employee stock options granted by KINGPAK prior to the merger effective date. The terms of exercise procedures and requirements are the same except for the exercise price and the number of shares which will be adjusted based on the stock exchange ratio and the exercise subject that will be changed into the Company's ordinary shares.

<u>Option holding period</u>	<u>Exercised percentage (cumulative)</u>
2 years	100 %

- 2) The information on the option issued which were granted by KINGPAK for the six months ended June 30, 2020 was as follows:

<u>Approval date</u>	<u>Issue date</u>	<u>Number of units issued</u>	<u>Subscription period</u>	<u>Period in which subscription is restricted</u>	<u>Original subscription price per share (NTD)</u>	<u>Adjustment subscription price per share (NTD)</u>
2015.8.5	2015.8.10	1,117	2015.8.10~ 2021.8.10	2015.8.10~ 2017.8.10	60.5	37.1

- 3) The information about the employee stock options was as follows:

	<u>For the six months ended June 30, 2020</u>	
	<u>Units</u>	<u>Weighted-average exercise price (NTD)</u>
Original number of units issued	1,117	\$ 60.5
Outstanding units at beginning period	61	46.1
Adjustment due to business combination	15	-
Current units abandoned	-	-
Current units exercised	76	37.1
Outstanding units at ended period	-	
Exercisable shares at ended period	-	

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Employee restricted shares

At the meeting held on May 30, 2019, the KINGPAK's shareholders adopted a resolution to issue 500 thousand employee restricted shares, with a par value of \$10 per share, amounting to \$5,000. The terms of issuance and vested requirements of the shares are the same as of the merger effective date, except for the shares which were changed into the Company's ordinary shares according to the exchange ratio. The terms of the employee restricted shares were as follows:

- 1) Employees who work for KINGPAK from the issuance dates (the effective date of the share issuance) to the following vested periods, having met KINGPAK's financial and personal performance, without violating the KINGPAK's working policy, will receive the vested shares as below:
  - a) 1 year service: 30% of the restricted shares will be vested
  - b) 2 year service: 30% of the restricted shares will be vested
  - c) 3 year service: 40% of the restricted shares will be vested
- 2) The restricted rights before the vesting period are as follows:
  - a) The restricted shares are kept by a trust which is appointed by KINGPAK. Also, employees should comply with all procedures and sign the related documents accordingly.
  - b) Except for inheritance, employees may not sell, pledge, transfer, gift, or dispose, by any other means, to third parties.
  - c) The rights of restricted share plan for employees, including dividends, bonuses, the distribution rights of legal reserve and capital surplus, the voting rights at the shareholders' meeting, etc., are the same as those of KINGPAK's issued ordinary shares except for the new shares which could be subscribed in proportion to their original shareholding. The right of attendance, proposal, speech, voting, etc. of the shareholders are exercised according to the agreement which was entered into by the trust.
  - d) Employees may not demand KINGPAK or the trust appointed by KINGPAK to return the restricted shares in any ways.
- 3) The shares of the employees who fail to meet the vesting conditions will be retrieved and cancelled. The related guidelines on restricted stocks should be complied accordingly if the employees retire, succumb to any unfortunate events, voluntarily resign, have been dismissed or transferred to another post, or abandon their restricted shares.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Information on restricted stock to employee was as follows:

	<b>For the six months ended Jun 30, 2020</b>
	<b>Units (thousand)</b>
Outstanding units at beginning period	500
Adjustment due to business combination	122
Current units forfeited	-
Outstanding units at ended period	<b>622</b>

After the restricted shares plan was approved with Rule No.1080333428 issued by the FSC on October 22, 2019, KINGPAK issued 500 thousand shares on November 1, 2019, the effective date.

(r) Earnings per share

The Company's basic and diluted earning per share were calculated as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Basic earnings per share (NTD):</b>				
Profit attributable to ordinary stockholders of the Company	\$ <u>297,803</u>	<u>192,234</u>	<u>570,151</u>	<u>307,469</u>
Weighted-average number of ordinary shares (thousands)	<u>174,686</u>	<u>165,357</u>	<u>170,022</u>	<u>165,357</u>
Basic earnings per share (NTD)	\$ <u>1.70</u>	<u>1.16</u>	<u>3.35</u>	<u>1.86</u>
<b>Diluted earnings per share (NTD):</b>				
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>297,803</u>	<u>192,234</u>	<u>570,151</u>	<u>307,469</u>
Weighted-average number of ordinary shares (thousands)	174,686	165,357	170,022	165,357
Effect of employee remuneration (thousands)	443	303	732	641
Effect of employee restricted shares (thousands)	<u>88</u>	<u>-</u>	<u>88</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) (thousands)	<u>175,217</u>	<u>165,660</u>	<u>170,842</u>	<u>165,998</u>
Diluted earnings per share (NTD)	\$ <u>1.70</u>	<u>1.16</u>	<u>3.34</u>	<u>1.85</u>

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

<b>For the three months ended June 30, 2020</b>					
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 70,330	2,129	681,409	13,209	767,077
Malaysia	105,524	142,885	16,874	100	265,383
United States	36,322	16,650	229,169	17,381	299,522
Hong Kong	17,479	1,009	279,211	713	298,412
China	49,940	59,736	30,041	286	140,003
Others	40,997	92,596	140,497	18,166	292,256
	<b>\$ 320,592</b>	<b>315,005</b>	<b>1,377,201</b>	<b>49,855</b>	<b>2,062,653</b>
Major products/services lines:					
Metalized ceramic substrates	\$ 319,955	-	178,388	-	498,343
Image sensors	-	81,739	864,543	-	946,282
Hybrid integrated circuits	637	219,388	174,867	-	394,892
RF modules	-	13,878	159,403	-	173,281
Others	-	-	-	49,855	49,855
	<b>\$ 320,592</b>	<b>315,005</b>	<b>1,377,201</b>	<b>49,855</b>	<b>2,062,653</b>
<b>For the three months ended June 30, 2019</b>					
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 71,734	6,679	373,723	7,560	459,696
Malaysia	167,113	185,553	18,292	1,343	372,301
United States	50,702	28,458	164,612	7,371	251,143
Hong Kong	32,760	241	244,049	407	277,457
China	84,111	24,750	57,314	6	166,181
Others	78,393	43,225	149,197	24,769	295,584
	<b>\$ 484,813</b>	<b>288,906</b>	<b>1,007,187</b>	<b>41,456</b>	<b>1,822,362</b>
Major products/services lines:					
Metalized ceramic substrates	\$ 484,813	-	196,693	-	681,506
Image sensors	-	29,262	483,734	-	512,996
Hybrid integrated circuits	-	243,351	254,788	-	498,139
RF modules	-	16,293	71,972	-	88,265
Others	-	-	-	41,456	41,456
	<b>\$ 484,813</b>	<b>288,906</b>	<b>1,007,187</b>	<b>41,456</b>	<b>1,822,362</b>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>For the six months ended June 30, 2020</b>					
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 127,828	2,129	1,270,947	21,617	1,422,521
Malaysia	267,218	331,541	35,483	100	634,342
United States	62,261	35,272	441,461	36,408	575,402
Hong Kong	44,585	1,307	514,147	1,380	561,419
China	101,361	104,464	84,052	403	290,280
Others	102,664	121,794	275,463	31,973	531,894
	<u><b>\$ 705,917</b></u>	<u><b>596,507</b></u>	<u><b>2,621,553</b></u>	<u><b>91,881</b></u>	<u><b>4,015,858</b></u>
Major products/services lines:					
Metalized ceramic substrates	\$ 705,071	-	356,621	-	1,061,692
Image sensors	-	92,988	1,561,360	-	1,654,348
Hybrid integrated circuits	846	476,752	378,054	-	855,652
RF modules	-	26,767	325,518	-	352,285
Others	-	-	-	91,881	91,881
	<u><b>\$ 705,917</b></u>	<u><b>596,507</b></u>	<u><b>2,621,553</b></u>	<u><b>91,881</b></u>	<u><b>4,015,858</b></u>
<b>For the six months ended June 30, 2019</b>					
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 163,489	12,857	706,620	10,385	893,351
Malaysia	324,818	345,274	39,725	1,419	711,236
United States	85,809	56,902	298,932	16,065	457,708
Hong Kong	56,491	585	403,713	765	461,554
China	181,475	40,870	114,152	6	336,503
Others	153,592	89,995	281,347	52,402	577,336
	<u><b>\$ 965,674</b></u>	<u><b>546,483</b></u>	<u><b>1,844,489</b></u>	<u><b>81,042</b></u>	<u><b>3,437,688</b></u>
Major products/services lines:					
Metalized ceramic substrates	\$ 965,672	-	356,759	-	1,322,431
Image sensors	-	60,454	888,085	-	948,539
Hybrid integrated circuits	-	446,575	466,925	-	913,500
RF modules	2	39,454	132,720	-	172,176
Others	-	-	-	81,042	81,042
	<u><b>\$ 965,674</b></u>	<u><b>546,483</b></u>	<u><b>1,844,489</b></u>	<u><b>81,042</b></u>	<u><b>3,437,688</b></u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balances

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Accounts receivable	\$ 1,657,884	1,402,772	1,289,116
Contract assets – image sensors product (recorded under other current assets)	85,313	29,905	49,896
Less: allowance for impairment	<u>(55,822)</u>	<u>(65,471)</u>	<u>(70,996)</u>
Total	<u><u>\$ 1,687,375</u></u>	<u><u>1,367,206</u></u>	<u><u>1,268,016</u></u>
Contract liabilities – advance sales receipts (including current and non-current portion)	<u><u>\$ 339,280</u></u>	<u><u>301,596</u></u>	<u><u>1,165</u></u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(c).

The amounts of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liabilities balance at the beginning of the period were \$180 and \$0, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Employee compensation and directors' remuneration

Based on the Company's articles of incorporation, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' and supervisors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors and supervisors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

Based on the Company's articles of incorporation which were amended during the annual meeting of shareholders held on June 21, 2019, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The employee compensation amounted to \$32,447 and \$21,761 for the three months ended June 30, 2020 and 2019, respectively, and \$62,057 and \$33,327 for the six months ended June 30, 2020 and 2019, respectively. The remuneration of directors and supervisors amounted to \$8,112 and \$5,441 for the three months ended June 30, 2020 and 2019, respectively, and \$15,514 and \$8,332 for the six months ended June 30, 2020 and 2019, respectively. These amounts were calculated using the Company's net income before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating costs or operating expenses for each period. The differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares on the day before the date of the meeting of the board of directors.

For the years ended December 31, 2019 and 2018, the employee compensation amounted to \$66,728 and \$88,970, respectively, and remuneration of directors and supervisors amounted to \$18,938 and \$7,600, respectively, for both periods, which had no difference from the actual distribution. Related information would be available on the Market Observation Post System Website.

(u) Financial Instruments

Except for those described below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For related information, please refer to note (6)(t) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) The concentration of credit risk

The Group caters to a wide variety of customers and has a diverse market distribution, therefore, the Group does not have a significant credit risk concentration. In order to reduce the credit risk, the Group monitors the financial conditions of customers regularly. However, the Group usually does not require customers to provide any collateral.

3) Receivables credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(c). Other financial assets at amortized cost, including other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g).

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The allowance for impairment of other receivables for the six months ended June 30, 2020 and 2019 were as follows:

	<b>Other receivables</b>
Balance on January 1, 2020	\$ 1,504
Impairment loss reversed	(800)
Effects of movements in exchange rates	(6)
Balance on June 30, 2020	<u>\$ 698</u>
Balance on January 1, 2019	\$ 312
Impairment loss recognized	234
Effects of movements in exchange rates	1
Balance on June 30, 2019	<u>\$ 547</u>

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>Over a year</b>
<b>June 30, 2020</b>				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 420,000	(420,000)	(420,000)	-
Short-term notes and bills payable	110,000	(110,000)	(110,000)	-
Notes and accounts payable	867,325	(867,325)	(867,325)	-
Other payables	692,880	(692,880)	(692,880)	-
Dividends payable	578,751	(578,751)	(578,751)	-
Lease liabilities (including current and non-current portion)	107,213	(134,260)	(13,067)	(121,193)
	<u>\$ 2,776,169</u>	<u>(2,803,216)</u>	<u>(2,682,023)</u>	<u>(121,193)</u>
<b>December 31, 2019</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 483,624	(483,624)	(483,624)	-
Other payables	419,388	(419,388)	(419,388)	-
Lease liabilities (including current and non-current portion)	127,487	(162,651)	(11,194)	(151,457)
	<u>\$ 1,030,499</u>	<u>(1,065,663)</u>	<u>(914,206)</u>	<u>(151,457)</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
<b>June 30, 2019</b>				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 192,622	(192,622)	(192,622)	-
Notes and accounts payable	479,866	(479,866)	(479,866)	-
Other payables	330,898	(330,898)	(330,898)	-
Dividends payable	992,145	(992,145)	(992,145)	-
Lease liabilities (including current and non-current portion)	<u>129,412</u>	<u>(165,173)</u>	<u>(12,022)</u>	<u>(153,151)</u>
	<u><b>\$ 2,124,943</b></u>	<u><b>(2,160,704)</b></u>	<u><b>(2,007,553)</b></u>	<u><b>(153,151)</b></u>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

	<u>June 30, 2020</u>			<u>December 31, 2019</u>			<u>June 30, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>Financial assets</b>									
Monetary items									
USD	\$ 132,782	USD/NTD =29.630	3,934,331	75,796	USD/NTD =29.980	2,272,364	53,003	USD/NTD =31.060	1,646,273
<b>Financial liabilities</b>									
Monetary items									
USD	15,985	USD/NTD =29.630	473,636	11,967	USD/NTD =29.980	358,771	14,693	USD/NTD =31.060	456,365
JPY	621,702	JPY/NTD =0.2751	171,030	457,295	JPY/NTD =0.2760	126,213	438,920	JPY/NTD =0.2886	126,672

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the six months ended June 30, 2020 and 2019 would have increased or decreased the net profit before tax as follows:

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	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
USD (against the NTD)		
Strengthening 5%	\$ 173,035	59,495
Weakening 5%	(173,035)	(59,495)
JPY (against the NTD)		
Strengthening 5%	(8,552)	(6,334)
Weakening 5%	8,552	6,334

Gains or losses on foreign exchange of the Group's monetary items from the translation of functional currency, including realized and unrealized portion, and the information about the exchange rate of the translation to NTD, which is the presentation currency of the Company, were as follows:

	<b>For the three months ended June 30,</b>				<b>For the six months ended June 30,</b>			
	<b>2020</b>		<b>2019</b>		<b>2020</b>		<b>2019</b>	
	<b>Foreign exchange gains or losses</b>	<b>Average rate</b>	<b>Foreign exchange gains or losses</b>	<b>Average rate</b>	<b>Foreign exchange gains or losses</b>	<b>Average rate</b>	<b>Foreign exchange gains or losses</b>	<b>Average rate</b>
NTD	\$ (32,528)	-	14,963	-	(4,331)	-	24,605	-
USD	(1,307)	USD/NTD	(1,393)	USD/NTD	961	USD/NTD	(1,513)	USD/NTD
	29.895		31.137		30.001		30.983	

2) Interest rate risk

The exposure to interest rate risk for financial assets and liabilities refers to the management of liquidity risk in this note.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group's management assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$4,867 and \$2,395 for the six months ended June 30, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(iv) Fair value

1) The categories and the fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

		June 30, 2020			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	\$ 1,302,176	1,302,176	-	-	1,302,176
Financial assets measured at amortized cost					
Cash and cash equivalents	4,737,000	-	-	-	-
Notes and accounts receivable, net	1,602,062	-	-	-	-
Other receivables	10,965	-	-	-	-
Other financial assets – current	45,097	-	-	-	-
Other financial assets – non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets))	9,954	-	-	-	-
Subtotal	6,410,078				
Total	\$ 7,712,254				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 420,000	-	-	-	-
Short-term notes and bills payable	110,000	-	-	-	-
Notes and accounts payable	867,325	-	-	-	-
Other payables	692,880	-	-	-	-
Dividends payable	578,751	-	-	-	-
Lease liabilities (including current and non-current portion)	107,213	-	-	-	-
Total	\$ 2,776,169				

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	<b>December 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	\$ <u>100,937</u>	100,937	-	-	100,937
Financial assets measured at amortized cost					
Cash and cash equivalents	3,704,146	-	-	-	-
Notes and accounts receivable, net	1,337,301	-	-	-	-
Other receivables	9,984	-	-	-	-
Other financial assets -- current	39,218	-	-	-	-
Other financial assets -- non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>8,230</u>	-	-	-	-
Subtotal	<u>5,103,879</u>				
Total	<u><b>\$ 5,204,816</b></u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 483,624	-	-	-	-
Other payables	419,388	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>127,487</u>	-	-	-	-
Total	<u><b>\$ 1,030,499</b></u>				

(Continued)



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		June 30, 2019			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	\$ <u>100,648</u>	100,648	-	-	100,648
Financial assets measured at amortized cost					
Cash and cash equivalents	5,373,736	-	-	-	-
Notes and accounts receivable, net	1,218,120	-	-	-	-
Other receivables	38,373	-	-	-	-
Other financial assets—current	92,140	-	-	-	-
Other financial assets—non-current	5,000	-	-	-	-
Refundable deposits	<u>10,323</u>	-	-	-	-
Subtotal	<u>6,737,692</u>				
Total	<u>\$ 6,838,340</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 192,622	-	-	-	-
Notes and accounts payable	479,866	-	-	-	-
Other payables	330,898	-	-	-	-
Dividends payable	992,145	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>129,412</u>	-	-	-	-
Total	<u>\$ 2,124,943</u>				

There were no transfers of financial instruments between any levels for the six months ended June 30, 2020 and 2019.

- 2) Valuation techniques for financial instruments measured at fair value —Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices. The market prices from the main exchanges and government bond exchanges are the basis of the fair value of the listed company's equity instruments and debt instruments.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair values of the Group's financial instruments in an active market for each category and attribute were as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions traded in active liquid markets are determined with reference to the quoted market prices, including open-end mutual funds.

(v) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(u) to the consolidated financial statements for the year ended December 31, 2019.

(w) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2019. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2019. For further information, please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2019.

(x) Investing and financing activities not affecting current cash flow

(i) The Group's investing and financing activities, which did not affect the current cash flow in the six months ended June 30, 2020 and 2019, were as follows:

- 1) The acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(g).
- 2) The acquisition of 100% shares of KINGPAK through stock exchange. For related information, please refer to note (6)(e).

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>June 30, 2020</b>
Short-term borrowings	\$ -	140,000	280,000	420,000
Short-term notes and bill payable	-	60,000	50,000	110,000
Lease liabilities (including current and non-current portion)	<u>127,487</u>	<u>(4,171)</u>	<u>(16,103)</u>	<u>107,213</u>
Total liabilities from financing activities	<u>\$ 127,487</u>	<u>195,829</u>	<u>313,897</u>	<u>637,213</u>

  

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>Foreign exchange movement</b>	<b>June 30, 2019</b>
Short-term borrowings	\$ 249,859	(59,853)	-	2,616	192,622
Lease liabilities (including current and non-current portion)	<u>127,756</u>	<u>(4,708)</u>	<u>6,364</u>	<u>-</u>	<u>129,412</u>
Total liabilities from financing activities	<u>\$ 377,615</u>	<u>(64,561)</u>	<u>6,364</u>	<u>2,616</u>	<u>322,034</u>

**(7) Related-party transactions**

**(a) Name and relationship with related parties**

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements.

<b>Name of related party</b>	<b>Relationship with the Group</b>
Multi-field	Other related party
Hwi-Jie, Yang	The former chairman of the Company, who was discharged on December 17, 2018

**(b) Other transaction with related party**

For operational needs, THEPI acquired land for \$57,713 (91,110 thousand Philippine pesos) beginning in 2004, which was recorded as property, plant and equipment. Because the Philippine regulations prohibit foreigners from owning land, therefore, the Group paid for the land, under the title deed of Multi-field to assure the right to the land. THEPI also entered into an agreement with Multi-field to reserve its right to sell, or dispose the property.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Transactions with key management personnel

(i) Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 27,532	10,225	60,991	38,687
Post-employment benefits	226	108	378	2,616
	<u>\$ 27,758</u>	<u>10,333</u>	<u>61,369</u>	<u>41,303</u>

(ii) Provide guarantees

Part of the Group's long-term and short-term borrowings and credit lines were guaranteed by the chairman, Hwi-Jie, Yang, as of June 30, 2019.

There were no guarantees provided by related parties as of June 30, 2020 and December 31, 2019.

**(8) Pledged assets**

Pledged assets	Subject	June 30, 2020	December 31, 2019	June 30, 2019
Other financial assets – current – time deposits	Credit lines for letters of credit, short-term borrowings and short-term borrowings	\$ 40,878	36,301	89,212
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	5,000	5,000	5,000
Property, plant and equipment – land, buildings, machinery and equipment	Long-term and short-term borrowings and credit lines	692,846	380,748	390,077
Other financial assets – non-current – reserve account	Customs duty guarantee	903	-	-
		<u>\$ 739,627</u>	<u>422,049</u>	<u>484,289</u>

**(9) Commitments and contingencies**

(a) The Group's unrecognized contractual commitments were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Future payments for the purchase of equipment and construction in progress	\$ 294,314	95,522	78,259

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**Notes to the Consolidated Financial Statements**

- (b) The Group's unused and outstanding letters of credit and the deposit for the Group's customs duties were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Unused and outstanding letters of credit and the deposit for customs duties	\$ <u>82,701</u>	<u>22,726</u>	<u>26,641</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

- (a) A summary of employee benefits, depreciation and amortization, categorized by function, is as follows:

	For the three months ended June 30,					
By function	2020			2019		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	356,214	93,670	449,884	298,641	79,912	378,553
Labor and health insurance	27,236	4,143	31,379	23,111	3,624	26,735
Pension	14,602	3,198	17,800	10,955	3,118	14,073
Other employee benefits	27,340	3,435	30,775	17,531	5,173	22,704
Depreciation	188,465	11,712	200,177	176,068	10,019	186,087
Amortization	869	8,941	9,810	571	1,474	2,045

		For the six months ended June 30,					
By function		2020			2019		
By item		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salaries		693,367	180,547	873,914	582,317	150,836	733,153
Labor and health insurance		53,884	8,312	62,196	48,728	7,961	56,689
Pension		28,101	6,238	34,339	21,887	6,634	28,521
Other employee benefits		49,682	5,896	55,578	34,714	10,208	44,922
Depreciation		358,851	23,190	382,041	353,927	19,530	373,457
Amortization		1,664	10,634	12,298	869	2,762	3,631

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

- (c) In August 2014, Mr. Zhang, who was the former director of KINGPAK, filed a lawsuit to the Taipei District Court against KINGPAK, demanding KINGPAK to pay him the outstanding payment of \$25,058. However, the Taipei District Court denied his request on October 1, 2015. Therefore, Mr. Zhang appealed to the Taiwan High Court, who ruled in his favor on August 31, 2016. KINGPAK disagreed with the decision made by the Taiwan High Court; hence, filed an appeal to the Supreme Court, who, on November 8, 2018, handed the case back to the Taiwan High Court for reconsideration. On October 16, 2019, the Taiwan High Court ordered KINGPAK to pay Mr. Zhang the amount of \$5,428, plus, an annual interest rate of 5% from the day following the service of the complaint to the repayment day. The Group had assessed the damages and recorded them under other payables.
- (d) On March 14, 2014, Boschman Technologies BV (Boschman) filed a lawsuit to the Hsinchu District Court against KINGPAK for breach of contract. On September 22, 2014, Hsinchu District Court ruled in favor of Boschman, requesting KINGPAK to pay Boschman the amount of USD \$249, plus, a monthly interest rate of 0.75% from March 17, 2013. In October 2014, KINGPAK was dissatisfied with the decision made by Hsinchu District Court; thus, filed an appeal to the Taiwan High Court, who ruled in its favor on June 30, 2020.

**(13) Other disclosures**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2020:

(i) Loans to other parties:

Unit: In Thousands of New Taiwan Dollars

Number (Note 1)	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 3)
												Item	Value		
0	The Company	THEPI	Other receivable s-related parties	300,000	300,000	-	1%	2	-	Business turnover	-	None	-	2,096,121	8,384,484

Note1: The companies are coded as follows:

1.0 represents the parent company.

2.1 represents the subsidiaries.

Note2: 1.Represents entities with business dealings. 2.Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note3: The total amount available for financing purposes shall not exceed 40% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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Note4: When funds are loaned to a company for reasons of business dealings, the total amount of loans shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed the total amount of trading between the two companies. The trading amount refers to the year preceding the date of occurrence of the amount of purchase or sale between the parties, whichever is higher. When funds are loaned to a company with short-term financial need, the total amount of loans shall not exceed 30% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account title	Ending balance				Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Open-end mutual funds: Paradigm Pion Money Market Fund	None	Financial assets at fair value through profit or loss-current	8,702	101,148	-	101,148	
"	Jih Sun Money Market Fund	"	"	60,381	900,728	-	900,728	
"	Taishin 1699 Money Market Fund	"	"	22,050	300,300	-	300,300	
KINGPAK	eGran Corporation	"	"	21,900	-	-	-	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand units/ thousand shares

Company holding securities	Category and name of security	Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note 1)	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Open-end mutual funds: Jin Sun Money Market Fund	Financial assets at fair value through profit or loss-current	-	None	-	-	60,381	900,728 (Note 1)	-	-	-	-	60,381	900,728
"	Taishin 1699 Money Market Fund	"	-	"	-	-	22,050	300,300 (Note 1)	-	-	-	-	22,050	300,300
"	KINGPAK Technology Inc.	Investment accounted for using equity method	Note 2	"	-	-	57,307	10,626,398 (Note 3)	-	-	-	-	57,307	10,626,398

Note 1 : Included the adjustments on financial assets value.

Note 2 : On June 19, 2020, the Company acquired 100% of KINGPAK's issued and outstanding shares through stock exchange.

Note 3 : Included the consideration transferred for the stock exchange, share of profit (loss) accounted for using equity method and cash dividends.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	505,338	35 %	Monthly closing and paid by cash	-	-	Accounts payable (92,307) Note 1	(16)%	(Note 2)
"	"	"	Manufacturing fee	151,048	10 %	"	-	-	"	- %	"
THEPI	The Company	Parent Company	Sale	(505,338)	(76)%	Monthly closing and received by cash	-	-	Accounts receivable 92,307	80 %	"
"	"	"	Manufacturing revenue	(151,048)	(23)%	"	-	-	Accounts receivable 15,673	14 %	"

Note 1 : The other receivables (payables) amounted to \$15,673 as of June 30, 2020.

Note 2 : The transactions have been eliminated in the consolidated financial statements.

- (viii) Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the Company's paid-in capital: None.
- (ix) Information regarding trading in derivative financial instruments: None.
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the six months ended June 30, 2020:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Trading terms	
1	THEPI	The Company	2	Sale	505,338	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	12.58 %
1	"	"	2	Manufacturing Revenue	151,048	"	3.76 %
1	"	"	2	Accounts Receivable	92,307	"	0.36 %

Note 1: The numbers filled in as follows:

1. 0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1 represents the transactions from the parent company to its subsidiaries.

2 represents the transactions between the subsidiaries and the parent company.

3 represents the transactions between subsidiaries.

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(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of the investee	Share of profit (losses) of investee	Note
				June 30, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensors	2,016,853	2,016,853	28,793	100 %	1,208,456	(33,646)	(34,981) (Note 1)	Note 4
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	10,800,443 (Note 3)	-	57,307	100 %	10,626,398	(220,921)	1,974 (Note 2)	"

Note 1 : The investment income (losses) recognized is based on the financial statements reviewed by the independent auditor of the Company.

Note 2 : The investment income (losses) recognized is based on the financial statements reviewed by other auditor.

Note 3 : The invested amount was based on the 71,290,049 ordinary shares, which were issued for the stock exchange, and the listed price of the Company on June 19, 2020 (date of merger).

Note 4 : The transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
KINGMAX Semiconductor Inc.		14,250,742	6.01 %
Capital Investment In Custody For Low Labor Pension Fund (2018. II)		13,024,602	5.50 %
KAIMEI Electronic Corp.		12,509,882	5.28 %

Note: A summary of the information on major shareholders, who held over 5% shares (round down to the third decimal place) on the last business date of each quarter, was provided by the Taiwan Depository & Clearing Corporation.

**(14) Segment information**

The Group's operating segment information and reconciliation are as follows:

	For the three months ended June 30, 2020					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 320,592	315,005	1,377,201	49,855	-	2,062,653
Inter-segment revenues	-	268,050	-	-	(268,050)	-
Total revenue	\$ 320,592	583,055	1,377,201	49,855	(268,050)	2,062,653
Reportable segment profit (loss)	\$ 41,392	(1,558)	343,013	14,537	(19,684)	377,700

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the three months ended June 30, 2019						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 484,813	288,906	1,007,187	41,456	-	1,822,362
Inter-segment revenues	-	426,582	-	-	(426,582)	-
Total revenue	<u>\$ 484,813</u>	<u>715,488</u>	<u>1,007,187</u>	<u>41,456</u>	<u>(426,582)</u>	<u>1,822,362</u>
Reportable segment profit (loss)	<u>\$ 86,899</u>	<u>(3,279)</u>	<u>116,581</u>	<u>18,115</u>	<u>25,030</u>	<u>243,346</u>
For the six months ended June 30, 2020						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 705,917	596,507	2,621,553	91,881	-	4,015,858
Inter-segment revenues	-	656,386	-	-	(656,386)	-
Total revenue	<u>\$ 705,917</u>	<u>1,252,893</u>	<u>2,621,553</u>	<u>91,881</u>	<u>(656,386)</u>	<u>4,015,858</u>
Reportable segment profit (loss)	<u>\$ 81,168</u>	<u>17,260</u>	<u>576,352</u>	<u>32,304</u>	<u>14,344</u>	<u>721,428</u>
For the six months ended June 30, 2019						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 965,674	546,483	1,844,489	81,042	-	3,437,688
Inter-segment revenues	-	757,076	-	-	(757,076)	-
Total revenue	<u>\$ 965,674</u>	<u>1,303,559</u>	<u>1,844,489</u>	<u>81,042</u>	<u>(757,076)</u>	<u>3,437,688</u>
Reportable segment profit (loss)	<u>\$ 156,642</u>	<u>(18,034)</u>	<u>172,658</u>	<u>37,114</u>	<u>40,764</u>	<u>389,144</u>