

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020**

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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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 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 \$3,503,023 thousand, constituting 13.81% of the consolidated total assets as of September 30, 2020; and the total net sales revenue amounting to \$626,666 thousand and 690,133 thousand, constituting 21.79% and 10.01% of the consolidated total net sales revenue for the three months ended September 30, 2020 and from the date of merger to September 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)
November 11, 2021

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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
 Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021, December 31, and September 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	September 30, 2021		December 31, 2020		September 30, 2020			Liabilities and Equity	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 4,046,436	15	3,791,174	15	3,680,910	15	2100 Short-term borrowings (note 6(j))	\$ -	-	269,000	1	498,000	2	
1110 Current financial assets at fair value through profit or loss (note 6(b))	239,505	1	615,940	3	1,393,140	5	2110 Short-term notes and bills payable	-	-	50,000	-	50,000	-	
1170 Notes and accounts receivable, net (note 6(d))	2,358,324	9	1,820,573	7	1,701,898	7	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	5,678	-	-	-	-	-	
1200 Other receivables	117,640	1	57,024	-	60,726	-	2130 Contract liabilities-current (note 6(t))	378,797	2	339,573	1	347,045	1	
1310 Inventories (note 6(e))	1,666,150	6	1,519,181	6	1,465,360	6	2170 Notes and accounts payable	971,671	3	948,815	4	843,165	3	
1410 Prepayments	41,338	-	38,892	-	24,496	-	2200 Other payables (notes 6(l) and 12)	1,673,872	6	1,495,648	6	1,902,682	8	
1470 Other current assets (note 6(t))	124,380	1	82,892	-	68,363	-	2230 Current tax liabilities	488,217	2	487,857	2	352,013	2	
1476 Other financial assets—current (note 8)	31,304	-	36,857	-	44,509	-	2250 Current provisions (note 6(m))	129,471	1	140,808	1	139,124	1	
	<u>8,625,077</u>	<u>33</u>	<u>7,962,533</u>	<u>31</u>	<u>8,439,402</u>	<u>33</u>	2280 Lease liabilities-current (note 6(n))	19,747	-	13,189	-	13,299	-	
Non-current assets:							2300 Other current liabilities	61,831	-	56,760	-	50,977	-	
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	482,975	2	452,443	2	394,798	2		<u>3,729,284</u>	<u>14</u>	<u>3,801,650</u>	<u>15</u>	<u>4,196,305</u>	<u>17</u>	
1535 Non-current financial assets at amortized cost (note 6(c))	222,800	1	227,840	1	-	-	Non-Current liabilities:							
1600 Property, plant and equipment (notes 6(g), 7 and 8)	8,229,277	31	7,825,277	31	7,550,733	30	2540 Long-term borrowings (note 6(k))	62,487	-	-	-	-	-	
1755 Right-of-use assets (note 6(h))	108,617	-	108,648	-	111,737	-	2570 Deferred tax liabilities	106,398	1	106,398	1	111,703	-	
1780 Intangible assets (note 6(i))	8,530,498	32	8,614,290	34	8,642,898	34	2580 Lease liabilities-non-current (note 6(n))	90,060	-	96,175	-	99,060	-	
1840 Deferred tax assets	223,829	1	219,233	1	198,503	1	2600 Other non-current liabilities (note 6(k))	6,200	-	4,130	-	4,130	-	
1900 Other non-current assets (note 6(o))	22,983	-	21,504	-	19,576	-	2640 Net defined benefit liability-non-current(note 6(o))	207,536	1	219,287	1	182,303	1	
1980 Other financial assets-non-current (note 8)	5,405	-	5,405	-	5,000	-		<u>472,681</u>	<u>2</u>	<u>425,990</u>	<u>2</u>	<u>397,196</u>	<u>1</u>	
	<u>17,826,384</u>	<u>67</u>	<u>17,474,640</u>	<u>69</u>	<u>16,923,245</u>	<u>67</u>	Total liabilities	<u>4,201,965</u>	<u>16</u>	<u>4,227,640</u>	<u>17</u>	<u>4,593,501</u>	<u>18</u>	
Total assets	\$ 26,451,461	100	25,437,173	100	25,362,647	100	Equity:							
							Equity attributable to owners of parent:							
							(note 6(q))							
							3100 Ordinary shares	1,787,083	7	1,787,083	7	1,788,483	7	
							3200 Capital surplus	15,120,168	57	15,120,168	59	15,143,860	60	
							3310 Legal reserve	1,552,352	6	1,410,144	5	1,410,144	5	
							3320 Special reserve	141,141	1	97,411	-	97,411	-	
							3350 Unappropriated retained earnings	3,788,826	14	2,925,436	12	2,463,563	10	
							3400 Other equity interest	(140,074)	(1)	(130,709)	-	(134,315)	-	
								<u>22,249,496</u>	<u>84</u>	<u>21,209,533</u>	<u>83</u>	<u>20,769,146</u>	<u>82</u>	
							Total equity							
							Total liabilities and equity	\$ 26,451,461	100	25,437,173	100	25,362,647	100	

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 nine months ended September 30, 2021 and 2020

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Sales revenue	\$ 3,810,546	101	2,894,751	101	10,436,473	101	6,929,538	101
4170	Less: sales returns and allowances	33,964	1	18,718	1	84,045	1	37,647	1
4100	Net sales revenue (notes 6(t) and 14)	3,776,582	100	2,876,033	100	10,352,428	100	6,891,891	100
5110	Cost of sales (notes 6(e) and 12)	2,358,794	62	2,023,629	70	7,011,751	68	4,979,949	72
5900	Gross profit	1,417,788	38	852,404	30	3,340,677	32	1,911,942	28
6000	Operating expenses: (note 12)								
6100	Selling expenses	65,869	2	47,327	2	175,146	2	128,420	2
6200	Administrative expenses	178,466	5	150,906	5	468,861	4	368,542	5
6300	Research and development expenses	74,077	2	67,370	3	200,950	2	132,161	2
6450	Expected credit losses (gains)	(8,630)	-	5,843	-	21,055	-	(5,223)	-
		309,782	9	271,446	10	866,012	8	623,900	9
6900	Net operating income	1,108,006	29	580,958	20	2,474,665	24	1,288,042	19
	Non-operating income and expenses:								
7100	Interest income	3,644	-	1,782	-	12,839	-	10,686	-
7190	Other income	11,068	-	10,011	1	25,171	-	19,288	-
7230	Foreign exchange gains (losses), net (note 6(v))	16,381	-	(76,299)	(3)	(78,610)	(1)	(79,669)	(1)
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	32,534	1	(7,530)	-	37,533	-	(6,291)	-
7510	Finance cost – interest expense	(608)	-	(2,255)	-	(3,043)	-	(3,421)	-
7590	Miscellaneous disbursements	(4,809)	-	-	-	(14,436)	-	(540)	-
		58,210	1	(74,291)	(2)	(20,546)	(1)	(59,947)	(1)
7900	Profit before tax	1,166,216	30	506,667	18	2,454,119	23	1,228,095	18
7950	Less: tax expenses (note 6(p))	241,451	6	116,623	4	421,895	4	267,900	4
	Profit	924,765	24	390,044	14	2,032,224	19	960,195	14
	Other comprehensive income: (note 6(p))								
	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(492)	-	(20,727)	(1)	(27,585)	-	(34,467)	(1)
8399	Income tax on items that may be reclassified to profit or loss	103	-	5,404	-	6,016	-	8,973	-
	Other comprehensive income	(389)	-	(15,323)	(1)	(21,569)	-	(25,494)	(1)
8500	Comprehensive income	\$ 924,376	24	374,721	13	2,010,655	19	934,701	13
	Earnings per share (note 6(s))								
9750	Basic earnings per share	\$ 5.18		1.80		11.39		5.17	
9850	Diluted earnings per share	\$ 5.16		1.79		11.33		5.14	

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 nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other equity interest			Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	Unearned employee compensation	Total other equity interest	
Balance on January 1, 2020	\$ 1,653,575	4,997,188	1,335,844	74,592	2,179,238	3,589,674	(63,711)	-	(63,711)	10,176,726
Consolidated net income for the nine months ended September 30, 2020	-	-	-	-	960,195	960,195	-	-	-	960,195
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(25,494)	-	(25,494)	(25,494)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	960,195	960,195	(25,494)	-	(25,494)	934,701
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)
Capital reduction	(578,751)	-	-	-	-	-	-	-	-	(578,751)
Shares issued for business combination	712,901	10,144,616	-	-	-	-	-	(57,074)	(57,074)	10,800,443
Share-based payments	758	2,056	-	-	-	-	-	11,964	11,964	14,778
Balance on September 30, 2020	\$ 1,788,483	15,143,860	1,410,144	97,411	2,463,563	3,971,118	(89,205)	(45,110)	(134,315)	20,769,146
Balance on January 1, 2021	\$ 1,787,083	15,120,168	1,410,144	97,411	2,925,436	4,432,991	(107,441)	(23,268)	(130,709)	21,209,533
Consolidated net income for the nine months ended September 30, 2021	-	-	-	-	2,032,224	2,032,224	-	-	-	2,032,224
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(21,569)	-	(21,569)	(21,569)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	2,032,224	2,032,224	(21,569)	-	(21,569)	2,010,655
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	142,208	-	(142,208)	-	-	-	-	-
Special reserve appropriated	-	-	-	43,730	(43,730)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(982,896)	(982,896)	-	-	-	(982,896)
Share-based payments	-	-	-	-	-	-	-	12,204	12,204	12,204
Balance on September 30, 2021	\$ 1,787,083	15,120,168	1,552,352	141,141	3,788,826	5,482,319	(129,010)	(11,064)	(140,074)	22,249,496

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 Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,454,119	1,228,095
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,107,277	630,084
Amortization expense	87,475	37,802
Expected credit loss (gain)	21,055	(5,223)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(37,533)	6,291
Interest expense	3,043	3,421
Interest income	(12,839)	(10,686)
Dividend income	(3,867)	-
Compensation cost of share-based payments	12,204	11,964
Gain on disposal of property, plant and equipment	(971)	(218)
Gain on disposal of intangible assets	(730)	(2,573)
Other	21,943	(2,522)
Total adjustments to reconcile profit (loss)	1,197,057	668,340
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets at fair value through profit or loss	384,882	(1,289,182)
Increase in contract assets	(40,470)	(37,647)
(Increase) decrease in notes and accounts receivable	(558,845)	39,157
Increase in other receivables	(56,375)	(14,307)
(Increase) decrease in inventories	(146,969)	78,878
(Increase) decrease in prepayments	(2,446)	12,750
(Increase) decrease in other current assets	(1,018)	2,150
Increase in notes and accounts payable	22,856	63,926
Increase in other payables	132,043	206,315
Decrease in provisions	(11,337)	-
Increase (decrease) in other current liabilities	5,071	(8,425)
Increase (decrease) in contract liabilities - current	39,224	(8,011)
Increase (decrease) in net deferred benefit liabilities	(11,751)	6,171
	(245,135)	(948,225)
Cash inflow generated from operations	3,406,041	948,210
Interest received	8,637	12,551
Dividends received	3,867	-
Interest paid	(3,127)	(3,412)
Income taxes paid	(419,713)	(258,349)
Net cash flows from operating activities	2,995,705	699,000
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(21,933)	(404,110)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	9,514	-
Acquisition of property, plant and equipment	(1,461,203)	(1,150,276)
Proceeds from disposal of property, plant and equipment	1,688	6,817
Increase in refundable deposits	(1,479)	(1,192)
Acquisition of intangible assets	(3,863)	(6,817)
Proceeds from disposal of intangible assets	837	2,573
Cash inflows due to business combination	-	1,211,838
Decrease in other financial assets	5,553	612
Net cash flows used in investing activities	(1,470,886)	(340,555)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(269,000)	218,000
Decrease in short-term notes and bills payable	(50,000)	-
Proceeds from long-term borrowings	63,000	-
Payments of lease liabilities	(13,361)	(7,546)
Increase in guarantee deposits received	1,535	4,130
Cash dividends paid	(982,896)	(578,751)
Exercise of employee share options	-	2,814
Net cash flows used in financing activities	(1,250,722)	(361,353)
Effect of exchange rate changes on cash and cash equivalents	(18,835)	(20,328)
Net increase(decrease) in cash and cash equivalents	255,262	(23,236)
Cash and cash equivalents at beginning of period	3,791,174	3,704,146
Cash and cash equivalents at end of period	\$ 4,046,436	3,680,910

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

Notes to the Consolidated Financial Statements

For the Nine months Ended September 30, 2021 and 2020

(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 consolidated financial statements of the Company as at and for the nine months ended September 30, 2021 comprised the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily 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 issuance by the Board of Directors on November 11, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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.	January 1, 2023

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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.

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, 2020. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2020.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
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%	100%	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 stock exchange (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) Government grants

A government grant is recognized in profit or loss only when there is reasonable assurance that the Group will comply with the conditions associated with the grant and that the grant will be received.

A government grant related to assets is initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; it is then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

A government grant is recognized in profit or loss in the period in which it becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group without future related costs.

(d) Income taxes

The income tax expense has 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 pre-tax income for the interim reporting period using 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) 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.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2020. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statement of the current period and the 2020 consolidated financial statements. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Petty cash and foreign currency on hand	\$ 394	516	840
Checking accounts and demand deposits	3,262,831	3,583,676	3,552,451
Time deposits	783,211	206,982	127,619
	<u>\$ 4,046,436</u>	<u>3,791,174</u>	<u>3,680,910</u>

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 8,332	-	-
Non-derivative financial assets			
Open-end mutual funds	231,173	331,054	1,101,994
Structured deposits	-	284,886	291,146
Stock listed in domestic markets	266,500	272,946	282,935
Foreign private funds	216,475	179,497	111,863
	<u>\$ 722,480</u>	<u>1,068,383</u>	<u>1,787,938</u>
Current	\$ 239,505	615,940	1,393,140
Non-current	482,975	452,443	394,798
	<u>\$ 722,480</u>	<u>1,068,383</u>	<u>1,787,938</u>

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 30, 2021	December 31, 2020	September 30, 2020
Held-for-trading financial liabilities			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 758	-	-
Cross currency swap contracts	4,920	-	-
	\$ 5,678	-	-

As of September 30, 2021, the Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

September 30, 2021				
		Amount (in thousands)	Currency	Maturity dates
Derivative financial assets				
Forward exchange contracts:				
Forward exchange purchased	USD	67,500	USD to NTD	2021.10.29~2022.04.27
Derivative financial liabilities				
Forward exchange contracts:				
Forward exchange purchased	USD	5,000	USD to NTD	2022.04.27
Forward exchange sold	USD	6,000	USD to JPY	2021.10.06
Cross currency swap contracts:				
Currency exchange	USD	32,000	USD to NTD	2021.10.12~2021.11.29

Refer to note (6)(v) for information relating to the credit risk management of Financial Instruments.

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(c) Financial assets at amortized cost

	September 30, 2021	December 31, 2020	September 30, 2020
Foreign corporate bonds	\$ 222,800	227,840	-

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) The Group purchased the bond with a face value of USD 8,000 thousand, in October 2020, with a coupon rate of 3.75%.
- (ii) Please refer to note (6)(v) for credit risk.
- (iii) As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any aforementioned financial assets as collaterals for its loans.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable – measured at amortized cost	\$ 2,430,210	1,871,703	1,762,871
Less: allowance for impairment	(71,886)	(51,130)	(60,973)
	<u>\$ 2,358,324</u>	<u>1,820,573</u>	<u>1,701,898</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

September 30, 2021			
Aging interval	Carrying amount of notes and accounts receivable	Weighted-aver age expected loss rate	Loss allowance provision
1 to 30 days	\$ 131,653	-	-
31 to 60 days	101,239	0.50%	506
61 to 90 days	29,092	1.48%	430
91 to 120 days	2,617	5.00%	131
121 to 180 days	1,037	10.00%	104
	<u>\$ 265,638</u>		<u>1,171</u>

December 31, 2020			
Aging interval	Carrying amount of notes and accounts receivable	Weighted-aver age expected loss rate	Loss allowance provision
1 to 30 days	\$ 69,930	-	-
31 to 60 days	74,494	0.50%	373
61 to 90 days	21,013	1.50%	315
91 to 120 days	1,725	5.00%	86
121 to 180 days	983	10.00%	99
181 to 360 days	1,211	50.00%	605
More than 361 days	211	100.00%	211
	<u>\$ 169,567</u>		<u>1,689</u>

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2020

Aging interval	Carrying amount of notes and accounts receivable	Weighted-aver age expected loss rate	Loss allowance provision
1 to 30 days	\$ 64,285	-	-
31 to 60 days	36,608	0.45%	166
61 to 90 days	11,134	1.50%	167
91 to 120 days	13,862	5.00%	693
121 to 180 days	1,358	10.00%	136
181 to 360 days	1,413	50.00%	706
More than 361 days	211	100.00%	211
	\$ 128,871		2,079

(ii) Credit rate B

September 30, 2021

Aging interval	Carrying amount of notes and accounts receivable	Weighted-aver age expected loss rate	Loss allowance provision
1 to 30 days	\$ 1,103,660	1.17%	12,881
31 to 60 days	794,654	3.60%	28,601
61 to 90 days	216,877	8.35%	18,104
91 to 120 days	45,448	20.00%	9,090
121 to 180 days	3,787	50.00%	1,893
181 to 360 days	63	100.00%	63
More than 361 days	83	100.00%	83
	\$ 2,164,572		70,715

December 31, 2020

Aging interval	Carrying amount of notes and accounts receivable	Weighted-aver age expected loss rate	Loss allowance provision
1 to 30 days	\$ 899,531	1.24%	11,143
31 to 60 days	620,275	3.41%	21,160
61 to 90 days	160,226	7.78%	12,469
91 to 120 days	21,471	20.00%	4,294
121 to 180 days	515	50.00%	257
181 to 360 days	1	100.00%	1
More than 361 days	117	100.00%	117
	\$ 1,702,136		49,441

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Aging interval	September 30, 2020		
	Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	\$ 907,423	1.25%	11,384
31 to 60 days	559,308	3.53%	19,764
61 to 90 days	131,569	8.01%	10,544
91 to 120 days	21,481	19.68%	4,228
121 to 180 days	2,490	50.00%	1,245
181 to 360 days	10,115	100.00%	10,115
More than 361 days	1,614	100.00%	1,614
	\$ 1,634,000		58,894

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

	For the nine months ended September 30,	
	2021	2020
The beginning of period	\$ 51,130	65,471
Acquisition through business combination	-	626
Impairment loss recognized (reversed)	21,094	(5,090)
Amounts written off	(319)	-
Effect of movements in exchange rates	(19)	(34)
The end of period	\$ 71,886	60,973

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

(e) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 153,258	197,628	124,917
Semi-finished goods	239,885	182,700	171,872
Work in progress	373,084	299,637	319,464
Raw materials	631,730	619,627	642,040
Indirect materials	268,193	219,589	207,067
	\$ 1,666,150	1,519,181	1,465,360

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Notes to the Consolidated Financial Statements

- (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		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Current operating cost for write-downs (recoveries) on inventory valuation and obsolescence	\$ 9,339	2,871	22,185	(7,324)

- (ii) As of the reporting date, the Group did not provide any inventories as collaterals for its loans.
- (f) 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.

If the acquisition had occurred on January 1, 2020, the management estimates that the consolidated net sales revenue and the consolidated profit for the nine months ended September 30, 2020 would have been \$7,951,382 and \$730,255 respectively. 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 following table summarizes the consideration transferred, the assets acquired and the liabilities assumed at the acquisition date.

- (i) Consideration transferred

Equity instruments issued	<u>\$ 10,800,443</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.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Cash and cash equivalents	\$	1,211,838
Notes and accounts receivable, net		398,664
Other receivables		7,176
Other financial assets		5,903
Inventories		335,215
Prepayments		6,601
Other current assets		769
Property, plant and equipment		1,456,247
Right-of-use assets		4,374
Intangible assets		1,204,487
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		(53,460)
Notes and accounts payable		(296,533)
Other payables		(347,754)
Current tax liabilities		(102,297)
Current provisions		(139,124)
Lease liabilities		(4,208)
Other current liabilities		(10,948)
Deferred tax liabilities		(217)
		<u>\$ 3,403,767</u>

- (iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$	10,800,443
Less: Fair value of identifiable net assets		3,403,767
		<u>\$ 7,396,676</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.

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Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:							
Balance on January 1, 2021	\$ 2,394,630	2,962,779	6,099,011	320,949	1,894	350,239	12,129,502
Additions	-	53,231	241,523	62,306	-	1,150,430	1,507,490
Transferred in (out)	-	69,089	104,435	18,503	-	(195,704)	(3,677)
Disposals	-	(46,520)	(582,812)	(15,876)	-	-	(645,208)
Effects of movements in exchange rates	-	(9,631)	(31,644)	(4,770)	(41)	(450)	(46,536)
Balance on September 30, 2021	\$ 2,394,630	3,028,948	5,830,513	381,112	1,853	1,304,515	12,941,571
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	-	69,724	404,212	20,141	-	664,264	1,158,341
Transferred in (out)	-	450	62,606	(704)	-	(68,152)	(5,800)
Disposals	-	(5,156)	(239,849)	(63,234)	-	(5,779)	(314,018)
Effects of movements in exchange rates	-	(13,443)	(48,729)	(6,519)	(58)	(535)	(69,284)
Balance on September 30, 2020	\$ 2,394,630	2,891,946	5,189,350	338,649	1,936	931,291	11,747,802
Depreciation and impairment loss:							
Balance on January 1, 2021	\$ -	752,181	3,304,846	246,364	834	-	4,304,225
Depreciation for the nine months ended September 30, 2021	-	132,754	920,656	39,858	56	-	1,093,324
Impairment loss reversed	-	-	(3,380)	-	-	-	(3,380)
Disposals	-	(46,520)	(582,095)	(15,876)	-	-	(644,491)
Effects of movements in exchange rates	-	(3,909)	(29,215)	(4,241)	(19)	-	(37,384)
Balance on September 30, 2021	\$ -	834,506	3,610,812	266,105	871	-	4,712,294
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 nine months ended September 30, 2020	-	111,916	471,424	38,136	60	-	621,536
Disposals	-	(5,156)	(239,288)	(62,975)	-	-	(307,419)
Effects of movements in exchange rates	-	(5,093)	(44,388)	(5,765)	(26)	-	(55,272)
Balance on September 30, 2020	\$ -	728,867	3,212,081	255,289	832	-	4,197,069
Book value:							
Balance on January 1, 2021	\$ 2,394,630	2,210,598	2,794,165	74,585	1,060	350,239	7,825,277
Balance on September 30, 2021	\$ 2,394,630	2,194,442	2,219,701	115,007	982	1,304,515	8,229,277
Balance on January 1, 2020	\$ 1,850,862	2,031,667	1,481,227	97,916	1,196	121,224	5,584,092
Balance on September 30, 2020	\$ 2,394,630	2,163,079	1,977,269	83,360	1,104	931,291	7,550,733

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The Group contracted with Chung-Lin General Contractors, LTD. for the construction of the plant in Bade District, Taoyuan City. The total amount of contract is \$3,200,000. As of September 30, 2021, the amount of \$960,000 had been paid.

As of September 30, 2021, December 31 and September 30, 2020, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(h) 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:

	Land	Buildings and structures	Office equipment	Total
Cost:				
Balance on January 1, 2021	\$ 84,620	15,984	19,216	119,820
Additions	-	17,263	3,022	20,285
Deductions	-	(9,807)	(1,569)	(11,376)
Balance on September 30, 2021	<u><u>\$ 84,620</u></u>	<u><u>23,440</u></u>	<u><u>20,669</u></u>	<u><u>128,729</u></u>
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	9,926	707	509	11,142
Deductions	(28,018)	(3,478)	-	(31,496)
Balance on September 30, 2020	<u><u>\$ 84,620</u></u>	<u><u>15,723</u></u>	<u><u>23,416</u></u>	<u><u>123,759</u></u>
Depreciation and impairment loss:				
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the nine months ended September 30, 2021	4,093	6,644	3,216	13,953
Deductions	-	(4,514)	(499)	(5,013)
Balance on September 30, 2021	<u><u>\$ 6,808</u></u>	<u><u>7,067</u></u>	<u><u>6,237</u></u>	<u><u>20,112</u></u>
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 nine months ended September 30, 2020	2,624	3,350	2,574	8,548
Deductions	(8,350)	(1,395)	-	(9,745)
Balance on September 30, 2020	<u><u>\$ 1,350</u></u>	<u><u>6,169</u></u>	<u><u>4,503</u></u>	<u><u>12,022</u></u>
Book value:				
Balance on January 1, 2021	<u><u>\$ 81,905</u></u>	<u><u>11,047</u></u>	<u><u>15,696</u></u>	<u><u>108,648</u></u>
Balance on September 30, 2021	<u><u>\$ 77,812</u></u>	<u><u>16,373</u></u>	<u><u>14,432</u></u>	<u><u>108,617</u></u>
Balance on January 1, 2020	<u><u>\$ 95,041</u></u>	<u><u>13,138</u></u>	<u><u>18,341</u></u>	<u><u>126,520</u></u>
Balance on September 30, 2020	<u><u>\$ 83,270</u></u>	<u><u>9,554</u></u>	<u><u>18,913</u></u>	<u><u>111,737</u></u>

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

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(i) 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
Cost:					
Balance on January 1, 2021	\$ 7,448,612	958,013	43,949	405,476	8,856,050
Additions	-	-	3,863	-	3,863
Transferred in (out)	-	(290)	(9,242)	-	(9,532)
Disposals	-	(259)	-	-	(259)
Balance on September 30, 2021	<u>\$ 7,448,612</u>	<u>957,464</u>	<u>38,570</u>	<u>405,476</u>	<u>8,850,122</u>
Balance on January 1, 2020	\$ 51,936	25,462	29,242	41,776	148,416
Acquisition through business combination	7,396,676	933,804	6,754	363,700	8,700,934
Additions	-	-	6,817	-	6,817
Transferred in (out)	-	-	3,780	-	3,780
Disposals	-	-	(852)	-	(852)
Balance on September 30, 2020	<u>\$ 7,448,612</u>	<u>959,266</u>	<u>45,741</u>	<u>405,476</u>	<u>8,859,095</u>
Amortization and impairment loss:					
Balance on January 1, 2021	\$ -	163,299	22,317	56,144	241,760
Amortization for the nine months ended September 30, 2021	-	58,128	9,141	20,206	87,475
Transferred in (out)	-	(217)	(9,242)	-	(9,459)
Disposals	-	(152)	-	-	(152)
Balance on September 30, 2021	<u>\$ -</u>	<u>221,058</u>	<u>22,216</u>	<u>76,350</u>	<u>319,624</u>
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 nine months ended September 30, 2020	-	21,993	8,176	7,633	37,802
Disposals	-	-	(852)	-	(852)
Balance on September 30, 2020	<u>\$ -</u>	<u>144,859</u>	<u>21,929</u>	<u>49,409</u>	<u>216,197</u>
Book value:					
Balance on January 1, 2021	<u>\$ 7,448,612</u>	<u>794,714</u>	<u>21,632</u>	<u>349,332</u>	<u>8,614,290</u>
Balance on September 30, 2021	<u>\$ 7,448,612</u>	<u>736,406</u>	<u>16,354</u>	<u>329,126</u>	<u>8,530,498</u>
Balance on January 1, 2020	<u>\$ 51,936</u>	<u>-</u>	<u>17,004</u>	<u>-</u>	<u>68,940</u>
Balance on September 30, 2020	<u>\$ 7,448,612</u>	<u>814,407</u>	<u>23,812</u>	<u>356,067</u>	<u>8,642,898</u>

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Credit loans	<u>\$ -</u>	<u>269,000</u>	<u>498,000</u>
Unused short-term credit lines	<u>\$ 4,070,950</u>	<u>3,262,545</u>	<u>3,109,460</u>
Range of interest rates	<u>-</u>	<u>0.89%~0.9%</u>	<u>0.89%~1.10%</u>

(i) Issuance and Repayment of Loans:

For the nine months ended September 30, 2021, the Group increased its short-term borrowings by \$673,000 and the repayment amounted to \$942,000. The Group increased its short-term borrowings by \$280,000 through business combination on September 30, 2020, for the nine months ended September 30, 2020, the Group increased its short-term borrowings by \$956,407, and the repayment amounted to \$738,407. The short-term borrowings were due in June 2021.

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Notes to the Consolidated Financial Statements

- (ii) 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)(v) for the exchange rate risk, interest risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Credit loans	\$ 63,000	-	-
Less: Discounts on government grants	513	-	-
	\$ 62,487	-	-
Unused long-term credit lines	\$ 9,257,000	5,300,000	5,297,000
Range of interest rates	0.6%~0.8%	-	-
Expiration	2031	-	-

(i) Issuance and repayment of loans

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

- (ii) As of September 30, 2021, the Group received a preferential interest rate loan of \$63,000 from the government's "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". The amount was used in capital expenditure and operating turnover. The loan was expected to be repaid until April 2031. Using the prevailing market interest rate at an equivalent loan rate of 0.75%, the fair value of the loan was estimated at \$62,465 on initial recognition. The difference of \$535 between the proceeds and the fair value of the loan was the benefit derived from the preferential interest rate loan, and had been recognized as deferred revenue recorded under other non-current liabilities, which is being amortized over the purpose of loans.

- (iii) Please refer to note (8) for the information about the Group providing assets as collateral for part of its long-term borrowings.

(l) Other payables

Details of other payables were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Salaries, employees' compensation and directors' and supervisors' remuneration	\$ 808,645	724,361	621,639
Payables for capital reduction	-	-	578,751
Payable on machinery and equipment	172,099	125,812	104,392
Accrued employee benefit liabilities	50,150	47,484	46,032
Accrued expenses	642,978	597,991	551,868
	\$ 1,673,872	1,495,648	1,902,682

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

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Notes to the Consolidated Financial Statements

(m) Provision

	September 30, 2021	December 31, 2020	September 30, 2020
Compensation	<u>\$ 129,471</u>	<u>140,808</u>	<u>139,124</u>

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.

(n) Lease liabilities

The details of lease liabilities were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Current	<u>\$ 19,747</u>	<u>13,189</u>	<u>13,299</u>
Non-current	<u>\$ 90,060</u>	<u>96,175</u>	<u>99,060</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 487</u>	<u>473</u>	<u>1,464</u>	<u>1,514</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 15,484</u>	<u>20,906</u>	<u>63,200</u>	<u>79,839</u>
Expenses relating to short-term leases	<u>\$ 2,091</u>	<u>2,361</u>	<u>6,503</u>	<u>7,059</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 96</u>	<u>12</u>	<u>235</u>	<u>35</u>

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

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	<u>\$ 84,763</u>	<u>95,993</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.

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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.

(o) 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, 2020 and 2019.

The expenses recognized in profit or loss for the Group amounted to \$5,151 and \$4,831 for the three months ended September 30, 2021 and 2020, respectively, and \$15,718 and \$14,360 for the nine months ended September 30, 2021 and 2020, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$18,292 and \$18,079 for the three months ended September 30, 2021 and 2020, respectively, and \$54,685 and \$42,889 for the nine months ended September 30, 2021 and 2020, respectively.

(p) Income Taxes

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Current tax expense	\$ 241,451	116,623	421,895	267,900

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ 103	5,404	6,016	8,973

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

(iv) Examination and approval

The ROC tax authorities have examined of income tax returns the Company and KINGPAK through 2018 and 2017, respectively.

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Notes to the Consolidated Financial Statements

(q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the nine months ended September 30, 2021 and 2020. Please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2020.

(i) Ordinary shares

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)(f) for the information on business combination.

The employee stock options were exercised due to business combination for the year ended 2020 amounted to \$758, resulting in a capital surplus of \$2,056. The registration procedure of the employee stock options was completed on October 23, 2020.

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 was approved by the authority on August 26, 2020. In addition, the effective date of capital reduction was September 1, 2020, and the registration procedure was completed on October 23, 2020.

The restricted stocks were cancelled due to the employees fail to meet the vesting conditions amounting to \$1,400, and registration procedures were completed on January 15, 2021, and January 21, 2021, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Capital surplus — additional paid-in capital	\$ 15,002,891	15,002,891	15,002,891
Employment restricted shares	61,058	61,058	84,750
Other	56,219	56,219	56,219
	\$ 15,120,168	15,120,168	15,143,860

(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 dividends to be distributed to shareholders 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.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Earnings distribution

Earnings distribution for 2020 and 2019 were approved via the annual meeting of shareholders held on July 7, 2021 and June 5, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 5.50	<u>982,896</u>	2.44484149	<u>578,751</u>

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

(r) Shares-based payment

There was no significant change on the share-based payment during the nine months ended September 30, 2021 and 2020 respectively. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2020.

As of September 30, 2021 and 2020, the unearned employee compensation was \$11,064 and 45,110. The compensation cost related to the restricted shares amounted to \$12,204 and 11,964 for the nine months ended September 30, 2021 and 2020.

(s) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Basic earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company	\$ 924,765	390,044	2,032,224	960,195
Weighted-average number of ordinary shares (thousands)	178,474	217,229	178,474	185,872
Basic earnings per share (NTD)	\$ 5.18	1.80	11.39	5.17
Diluted earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company (diluted)	\$ 924,765	390,044	2,032,224	960,195
Weighted-average number of ordinary shares (thousands)	178,474	217,229	178,474	185,872
Effect of employee remuneration (thousands)	575	759	711	951
Effect of employee restricted shares (thousands)	163	52	163	52
Weighted-average number of ordinary shares (diluted) (thousands)	179,212	218,040	179,348	186,875
Diluted earnings per share (NTD)	\$ 5.16	1.79	11.33	5.14

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Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 119,933	62,108	804,158	8,348	994,547
Malaysia	269,595	243,946	12,200	465	526,206
Switzerland	-	531,923	19,393	6,565	557,881
United States	73,114	32,982	308,908	16,015	431,019
Hong Kong	46,797	1,502	225,410	271	273,980
Japan	283	334,638	7,530	35	342,486
China	121,889	152,971	60,662	1,367	336,889
Others	88,526	51,285	151,354	22,409	313,574
	\$ 720,137	1,411,355	1,589,615	55,475	3,776,582

Major products/services lines:

Image sensors	\$ -	964,442	945,868	7,261	1,917,571
Metalized ceramic substrates	720,137	840	280,881	480	1,002,338
Hybrid integrated circuits	-	440,743	179,820	4,536	625,099
RF modules	-	5,330	183,046	3,338	191,714
Others	-	-	-	39,860	39,860
	\$ 720,137	1,411,355	1,589,615	55,475	3,776,582

	For the three months ended September 30, 2020				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 53,024	41,500	714,317	6,815	815,656
Malaysia	159,154	205,152	7,305	84	371,695
Switzerland	240	388,804	4,625	11	393,680
United States	35,218	24,635	308,636	20,697	389,186
Hong Kong	27,336	7,365	286,733	768	322,202
Japan	684	184,903	2,773	288	188,648
China	58,911	107,719	27,585	55	194,270
Others	38,441	25,949	108,008	28,298	200,696
	\$ 373,008	986,027	1,459,982	57,016	2,876,033

Major products/services lines:

Image sensors	\$ -	640,541	932,296	-	1,572,837
Metalized ceramic substrates	373,644	-	147,124	-	520,768
Hybrid integrated circuits	(637)	326,054	225,754	-	551,171
RF modules	1	19,432	154,808	-	174,241
Others	-	-	-	57,016	57,016
	\$ 373,008	986,027	1,459,982	57,016	2,876,033

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Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2021					
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 278,027	159,983	2,020,101	161,302	2,619,413
Malaysia	747,486	749,207	34,275	1,346	1,532,314
Switzerland	211	1,463,252	48,971	10,883	1,523,317
United States	186,622	71,199	830,888	49,388	1,138,097
Hong Kong	134,916	3,978	771,930	1,736	912,560
Japan	4,009	867,476	17,974	1,168	890,627
China	288,739	409,894	150,330	3,451	852,414
Others	262,493	113,380	429,969	77,844	883,686
	\$ 1,902,503	3,838,369	4,304,438	307,118	10,352,428
Major products/services lines:					
Image sensors	\$ -	2,552,071	2,565,039	149,995	5,267,105
Metalized ceramic substrates	1,902,503	840	714,898	15,238	2,633,479
Hybrid integrated circuits	-	1,269,306	561,511	12,755	1,843,572
RF modules	-	16,152	462,990	6,771	485,913
Others	-	-	-	122,359	122,359
	\$ 1,902,503	3,838,369	4,304,438	307,118	10,352,428
For the nine months ended September 30, 2020					
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 180,852	43,629	1,985,264	28,432	2,238,177
Malaysia	426,372	536,693	42,788	184	1,006,037
Switzerland	419	456,035	21,171	133	477,758
United States	97,479	59,907	750,097	57,105	964,588
Hong Kong	71,921	8,672	800,880	2,148	883,621
Japan	2,224	206,851	18,272	920	228,267
China	160,272	212,183	111,637	458	484,550
Others	139,386	58,564	351,426	59,517	608,893
	\$ 1,078,925	1,582,534	4,081,535	148,897	6,891,891
Major products/services lines:					
Image sensors	\$ -	733,529	2,493,656	-	3,227,185
Metalized ceramic substrates	1,078,715	-	503,745	-	1,582,460
Hybrid integrated circuits	209	802,806	603,808	-	1,406,823
RF modules	1	46,199	480,326	-	526,526
Others	-	-	-	148,897	148,897
	\$ 1,078,925	1,582,534	4,081,535	148,897	6,891,891

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Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$ 2,430,210	1,871,703	1,762,871
Contract assets – image sensors product (recorded under other current assets)	122,814	82,344	67,552
Less: allowance for impairment	(71,886)	(51,130)	(60,973)
Total	<u>\$ 2,481,138</u>	<u>1,902,917</u>	<u>1,769,450</u>
Contract liabilities – advance sales receipts	<u>\$ 378,797</u>	<u>339,573</u>	<u>347,045</u>

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

The amounts of revenue recognized for the nine months ended September 30, 2021 and 2020 that were included in the contract liabilities balance at the beginning of the period were \$21,888 and \$180, 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.

(u) 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' 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.

For the three months ended September 30, 2021 and 2020, the Company estimated its employee remuneration amounting to \$48,861 and \$38,902, respectively, and \$129,961 and \$100,959 for the nine months ended September 30, 2021 and 2020, respectively. The remuneration of directors amounted to \$24,294 and \$9,726 for the three months ended September 30, 2021 and 2020, respectively, and \$49,406 and \$25,240 for the nine months ended September 30, 2021 and 2020, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as determined by the management. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. 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 following year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

For the years ended December 31, 2020 and 2019, the employee compensation amounted to \$106,720 and \$66,728, respectively, and remuneration of directors amounted to \$38,354 and \$18,938, respectively, for both periods, which had no difference from the actual distribution. Related information would be available on the Market Observation Post System Website.

(v) 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)(v) of the consolidated financial statements for the year ended December 31, 2020.

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Notes to the Consolidated Financial Statements

(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)(d). Other financial assets at amortized cost, including other receivables and investment in bonds, 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) of the consolidated financial statements for the year ended December 31, 2020.

The allowance for impairment of other receivables for the nine months ended September 30, 2021 and 2020 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(39)
Effects of movements in exchange rates	(14)
Balance on September 30, 2021	<u>\$ 586</u>
Balance on January 1, 2020	\$ 1,504
Impairment loss reversed	(133)
Effects of movements in exchange rates	(39)
Balance on September 30, 2020	<u>\$ 1,332</u>

(ii) Liquidity risk

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

	<u>Carrying</u>	<u>Contractual</u>	<u>Within a</u>	<u>Over a year</u>
	<u>Amount</u>	<u>cash flows</u>	<u>year</u>	
September 30, 2021				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 971,671	(971,671)	(971,671)	-
Other payables	1,673,872	(1,673,872)	(1,673,872)	-
Lease liabilities (including current and non-current portion)	109,807	(134,623)	(21,484)	(113,139)
Guarantee deposits received	5,665	(5,665)	-	(5,665)
Long-term borrowings	62,487	(63,000)	-	(63,000)

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	Carrying Amount	Contractual cash flows	Within a year	Over a year
Derivative financial liabilities:				
Forward exchange contracts:	758			
Outflows		(167,125)	(167,125)	-
Inflows		166,414	166,414	-
Cross currency swap contracts:	4,920			
Outflows		(891,200)	(891,200)	-
Inflows		886,689	886,689	-
	\$ 2,829,180	(2,854,053)	(2,672,249)	(181,804)

December 31, 2020

Non-derivative financial liabilities:				
Short-term borrowings	\$ 269,000	(269,000)	(269,000)	-
Short-term notes and bills payable	50,000	(50,000)	(50,000)	-
Notes and accounts payable	948,815	(948,815)	(948,815)	-
Other payables	1,495,648	(1,495,648)	(1,495,648)	-
Lease liabilities (including current and non-current portion)	109,364	(135,431)	(14,973)	(120,458)
Guarantee deposits received	4,130	(4,130)	-	(4,130)
	\$ 2,876,957	(2,903,024)	(2,778,436)	(124,588)

September 30, 2020

Non-derivative financial liabilities:				
Short-term borrowings	\$ 498,000	(498,000)	(498,000)	-
Short-term notes and bills payable	50,000	(50,000)	(50,000)	-
Notes and accounts payable	843,165	(843,165)	(843,165)	-
Other payables	1,902,682	(1,902,682)	(1,902,682)	-
Lease liabilities (including current and non-current portion)	112,359	(139,053)	(15,131)	(123,922)
Guarantee deposits received	4,130	(4,130)	-	(4,130)
	\$ 3,410,336	(3,437,030)	(3,308,978)	(128,052)

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:

	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$ 163,049	USD/NTD =27.850	4,540,915	163,774	USD/NTD =28.480	4,664,284	158,361	USD/NTD =29.100	4,608,305
Financial liabilities									
Monetary items									
USD	15,318	USD/NTD =27.850	426,606	15,618	USD/NTD =28.480	444,801	15,906	USD/NTD =29.100	462,865
JPY	939,012	JPY/NTD = 0.2490	233,814	792,829	JPY/NTD =0.2763	219,059	447,012	JPY/NTD =0.2756	123,197

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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, 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 nine months ended September 30, 2021 and 2020 would have increased or decreased the net profit before tax as follows:

	For the nine months ended	
	September 30,	
	2021	2020
USD (against the NTD)		
Strengthening 5%	\$ 205,715	207,272
Weakening 5%	(205,715)	(207,272)
JPY (against the NTD)		
Strengthening 5%	(11,691)	(6,160)
Weakening 5%	11,691	6,160

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended September 30, 2021 and 2020 the foreign exchange gains (losses), including realized and unrealized portion, amounted to \$16,381 and \$(76,299), respectively, and \$(78,610) and \$(79,669) for nine months ended September 30, 2021 and 2020, respectively.

(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 \$6,111 and \$5,720 for the nine months ended September 30, 2021 and 2020, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(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:

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 30, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	8,332	-	8,332	-	8,332
Open-end mutual funds	231,173	231,173	-	-	231,173
Stock listed in domestic markets	266,500	266,500	-	-	266,500
Foreign private funds	<u>216,475</u>	-	-	216,475	216,475
Subtotal	<u>722,480</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	4,046,436	-	-	-	-
Notes and accounts receivable, net	2,358,324	-	-	-	-
Other receivables	16,986	-	-	-	-
Other financial assets –current	31,304	-	-	-	-
Foreign corporate bonds	222,800	-	-	-	-
Other financial assets –non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>12,192</u>	-	-	-	-
Subtotal	<u>6,693,447</u>				
Total	<u>\$ 7,415,927</u>				

	September 30, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities mandatorily measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 5,678</u>	-	5,678	-	5,678

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	September 30, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Notes and accounts payable	971,671	-	-	-	-
Other payables	1,673,872	-	-	-	-
Lease liabilities (including current and non-current portion)	109,807	-	-	-	-
Guarantee deposits received	5,665	-	-	-	-
Long-term borrowings	<u>62,487</u>				
Total	<u>\$ 2,829,180</u>				
	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Open-end mutual funds	\$ 331,054	331,054	-	-	331,054
Structured deposits	284,886	-	284,886	-	284,886
Stock listed in domestic markets	272,946	272,946	-	-	272,946
Foreign private funds	<u>179,497</u>	-	-	179,497	179,497
Subtotal	<u>1,068,383</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,791,174	-	-	-	-
Notes and accounts receivable, net	1,820,573	-	-	-	-
Other receivables	6,815	-	-	-	-
Other financial assets –current	36,857	-	-	-	-
Foreign corporate bonds	227,840	-	-	-	-
Other financial assets –non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>10,713</u>	-	-	-	-
Subtotal	<u>5,899,377</u>				
Total	<u>\$ 6,967,760</u>				

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

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		December 31, 2020			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Short-term borrowings	\$ 269,000	-	-	-	-
Short-term notes and bills payable	50,000	-	-	-	-
Notes and accounts payable	948,815	-	-	-	-
Other payables	1,495,648	-	-	-	-
Lease liabilities (including current and non-current portion)	109,364	-	-	-	-
Guarantee deposits received	4,130	-	-	-	-
Total	<u>\$ 2,876,957</u>				
		September 30, 2020			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss(including current and non-current portion)					
Open-end mutual funds	\$ 1,101,994	1,101,994	-	-	1,101,994
Structured deposits	291,146	-	291,146	-	291,146
Stock listed in domestic markets	282,935	282,935	-	-	282,935
Foreign private funds	<u>111,863</u>	-	-	111,863	111,863
Subtotal	<u>1,787,938</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,680,910	-	-	-	-
Notes and accounts receivable, net	1,701,898	-	-	-	-
Other receivables	4,512	-	-	-	-
Other financial assets— current	44,509	-	-	-	-
Other financial assets— non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>11,150</u>	-	-	-	-
Subtotal	<u>5,447,979</u>				
Total	<u>\$ 7,235,917</u>				

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		September 30, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	498,000	-	-	-	-
Short-term notes and bills payable		50,000	-	-	-	-
Notes and accounts payable		843,165	-	-	-	-
Other payables		1,902,682	-	-	-	-
Lease liabilities (including current and non-current portion)		112,359	-	-	-	-
Guarantee deposits received		4,130	-	-	-	-
Total		<u>\$ 3,410,336</u>				

There were no transfers of financial instruments between any levels for the nine months ended September 30, 2021 and 2020.

(2) Valuation techniques for financial instruments measured at fair value

(a) 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.

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 and stocks of listed company.

The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Derivative financial instruments

There is based on valuation models commonly accepted by market participants such as cash flow method and option pricing mode. The fair value of a forward exchange contract is usually determined by the forward exchange rate.

(3) Transfer between level

The Group were no transfers between fair value level for the nine months ended September 30, 2021 and 2020.

(4) Reconciliation of financial assets on Level 3 fair values

	Non-derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2021	\$ 179,497
Total gains and losses recognized in profit or loss	24,559
Purchased	21,933
Disposal	<u>(9,514)</u>
Balance on September 30, 2021	<u>\$ 216,475</u>
Balance on January 1, 2020	\$ -
Total gains and losses recognized in profit or loss	(3,830)
Purchased	<u>115,693</u>
Balance on September 30, 2020	<u>\$ 111,863</u>

For the nine months ended September 30, 2021 and 2020, total gains and losses were included in gains (losses) on financial assets (liabilities) at fair value through profit or loss.

(5) The quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – investment in private fund used the Net Assets Value Method.

The quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss – investment in private funds	Net Asset Value Method	• Net Asset Value	Not applicable

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Notes to the Consolidated Financial Statements

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(w) to the consolidated financial statements for the year ended December 31, 2020.

(x) 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, 2020. 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, 2020. For further information, please refer to note (6)(x) of the consolidated financial statements for the year ended December 31, 2020.

(y) 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 nine months ended September 30, 2021 and 2020, were the acquisition of its right-of-use assets by lease, please refer to note (6)(h).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes	
			Other	September 30, 2021
Long-term borrowings	\$ -	63,000	(513)	62,487
Short-term borrowings	269,000	(269,000)	-	-
Short-term notes and bill payable	50,000	(50,000)	-	-
Lease liabilities (including current and non-current portion)	109,364	(13,361)	13,804	109,807
Guarantee deposits received	4,130	1,535	-	5,665
Total liabilities from financing activities	<u>\$ 432,494</u>	<u>(267,826)</u>	<u>13,291</u>	<u>177,959</u>

	January 1, 2020	Cash flows	Non-cash changes	
			Other	September 30, 2020
Short-term borrowings	\$ -	218,000	280,000	498,000
Short-term notes and bill payable	-	-	50,000	50,000
Lease liabilities (including current and non-current portion)	127,487	(7,546)	(7,582)	112,359
Guarantee deposits received	-	4,130	-	4,130
Total liabilities from financing activities	<u>\$ 127,487</u>	<u>214,584</u>	<u>322,418</u>	<u>664,489</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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Multi-field	Other related party

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

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(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.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 45,737	31,548	131,558	92,539
Post-employment benefits	153	179	531	557
	\$ 45,890	31,727	132,089	93,096

(8) Pledged assets

Pledged assets	Subject	September 30, 2021	December 31, 2020	September 30, 2020
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 29,072	34,695	40,236
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
Other financial assets – non current – time deposits	Guarantee for cooperative education program	405	405	-
Property, plant and equipment – land, buildings, machinery and equipment	Long-term and short-term borrowings and credit lines	645,938	674,024	684,864
Other financial assets – current – reserve account	Customs duty guarantee	903	903	903
		\$ 681,318	715,027	731,003

(9) Commitments and contingencies

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

	September 30, 2021	December 31, 2020	September 30, 2020
Future payments for the purchase of equipment and construction in progress	\$ 1,146,839	877,983	332,337

(b) The Group contracted with Chung-Lin General Contractors, LTD. for the construction of the plant in Bade District, Taoyuan City. As of September 30, 2021, the payment amounting to \$2,240,000 has not been paid.

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Notes to the Consolidated Financial Statements

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unused and outstanding letters of credit and used the deposit for customs duties	\$ 25,300	30,455	69,640

(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 September 30,					
	2021			2020		
	By function	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses
By item						
Employee benefits						
Salaries	519,238	184,465	703,703	451,736	136,489	588,225
Labor and health insurance	41,964	7,553	49,517	37,707	5,902	43,609
Pension	19,231	4,212	23,443	19,154	3,756	22,910
Other employee benefits	29,709	3,766	33,475	29,221	3,193	32,414
Depreciation	352,024	15,072	367,096	234,472	13,571	248,043
Amortization	1,230	27,681	28,911	1,140	24,364	25,504

	For the nine months ended September 30,					
	2021			2020		
	By function	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses
By item						
Employee benefits						
Salaries	1,504,017	459,713	1,963,730	1,145,103	317,036	1,462,139
Labor and health insurance	126,670	20,689	147,359	91,591	14,214	105,805
Pension	58,591	11,812	70,403	47,255	9,994	57,249
Other employee benefits	88,818	10,824	99,642	78,903	9,089	87,992
Depreciation	1,063,733	43,544	1,107,277	593,323	36,761	630,084
Amortization	3,876	83,599	87,475	2,804	34,998	37,802

- (b) Seasonality of operations

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

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- (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, on November 8, 2018, and the Supreme Court 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. In November 2019, KINGPAK filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in December 2020. The Group had assessed the damages amounting to \$22,608 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. On August 3, 2020, Boschman filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in June 2021. The Group had assessed the damages amounting to \$13,418 and recorded them under other payables.

(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 nine months ended September 30, 2021:

- (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	KINGPAK	Other receivables- related parties	900,000	900,000	-	Note 5	2	-	Business turnover	-	None	-	2,224,949	8,899,798

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.

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.

Note5: The range of interest rates based on bank's published loan rates.

- (ii) Guarantees and endorsements for other parties: None.

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- (iii) Securities held as of September 30, 2021 (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: Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	15,433	231,173	-	231,173	
The Company	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss - non - current	Note	216,475	1.83%	216,475	
"	Stock: Shin Kong Financial Holding Co. ,Ltd. Preferred Shares B	"	"	6,445	266,500	-	266,500	
"	Bond: Chailease International Bond	"	Financial assets at amortized cost - non - current	-	222,800	-	222,800	
KINGPAK	Stock: eGran Corporation	"	Financial assets at fair value through other comprehensive income - non - current	22	-	-	-	

Note: The amount of investment is USD 7,124 thousand.

- (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	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Structured deposits: President Securities 1346 DSU 100% Principal Guaranteed	Financial assets at fair value through profit or loss-current	-	None	-	284,886	-	837,964 (Note)	-	1,126,697	1,122,851	3,846	-	-
KINGPAK	"	"	-	"	-	-	-	2,536,010 (Note)	-	2,524,486	2,536,010	(11,524)	-	-

Note : Included the adjustments on financial assets value.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Plant	August 31, 2020	3,200,000	Paid 960,000	Chung-Lin General Contractors, LTD.	None	N/A	N/A	N/A	-	Open bid	Extension of the plant	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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- (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	1,130,649	37 %	Monthly closing and paid by cash	-	-	Accounts payable (58,443)	(9) %	(Note 2)
"	"	"	Manufacturing fee	450,212	15 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(1,130,649)	(70) %	Monthly closing and received by cash	-	-	Accounts receivable 58,443	55 %	"
"	"	"	Manufacturing revenue	(450,212)	(28) %	"	-	-	Accounts receivable 54,762	52 %	"

Note 1 : The other payables amounted to \$54,762 as of September 30, 2021.

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: Please refer to note (6)(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the nine months ended September 30, 2021:

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	1,130,649	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.	10.92%
1	"	"	2	Manufacturing Revenue	450,212	"	4.35%
1	"	"	2	Accounts Receivable	58,443	"	0.22%
1	"	"	2	Other receivables	54,762	"	0.21%

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 nine months ended September 30, 2021 (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
				September 30, 2021	December 31, 2020	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%	1,418,562	243,585	236,531	Note 2
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	10,800,443 (Note 1)	10,800,443 (Note 1)	57,307	100%	11,209,265	535,333	461,359	"

Note 1 : 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 stock exchange).

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

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

(d) Major shareholders: None.

(14) Segment information

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

	For the three months ended September 30, 2021					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 720,137	1,411,355	1,589,615	55,475	-	3,776,582
Inter-segment revenues	-	562,808	-	-	(562,808)	-
Total revenue	\$ 720,137	1,974,163	1,589,615	55,475	(562,808)	3,776,582
Reportable segment profit (loss)	\$ 219,606	356,704	518,061	13,635	58,210	1,166,216
	For the three months ended September 30, 2020					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 373,008	986,027	1,459,982	57,016	-	2,876,033
Inter-segment revenues	-	389,086	-	-	(389,086)	-
Total revenue	\$ 373,008	1,375,113	1,459,982	57,016	(389,086)	2,876,033
Reportable segment profit (loss)	\$ 32,624	139,853	408,863	(382)	(74,291)	506,667

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For the nine months ended September 30, 2021						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 1,902,503	3,838,369	4,304,438	307,118	-	10,352,428
Inter-segment revenues	-	1,581,065	-	-	(1,581,065)	-
Total revenue	\$ 1,902,503	5,419,434	4,304,438	307,118	(1,581,065)	10,352,428
Reportable segment profit (loss)	\$ 475,296	776,376	1,033,542	189,451	(20,546)	2,454,119

For the nine months ended September 30, 2020						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 1,078,925	1,582,534	4,081,535	148,897	-	6,891,891
Inter-segment revenues	-	1,045,472	-	-	(1,045,472)	-
Total revenue	\$ 1,078,925	2,628,006	4,081,535	148,897	(1,045,472)	6,891,891
Reportable segment profit (loss)	\$ 113,792	157,113	985,215	31,922	(59,947)	1,228,095