

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 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.:

Opinion

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 concluded 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, 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 Tong Hsing Electronic Industries, Ltd. and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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 Commissions of the Republic of China.

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)

April 22, 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 statement, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020 and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31,2021		December 31, 2020		March 31,2020		Liabilities and Equity		March 31,2021		December 31, 2020		March 31,2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 3,589,953	14	3,791,174	15	4,228,319	33	2100	Short-term borrowings (note 6(j))	\$ 273,000	1	269,000	1	-	-
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,187,717	5	615,940	3	101,055	1	2110	Short-term notes and bills payable	50,000	-	50,000	-	-	-
1170	Notes and accounts receivable, net (note 6(d))	2,021,569	8	1,820,573	7	1,268,643	10	2130	Contract liabilities—current (note 6(t))	339,938	1	339,573	1	301,423	2
1200	Other receivables	71,971	-	57,024	-	48,217	1	2170	Notes and accounts payable	984,482	4	948,815	4	518,572	4
1310	Inventories (note 6(e))	1,559,473	6	1,519,181	6	1,173,051	9	2200	Other payables (notes 6(l) and 12)	1,372,505	6	1,495,648	6	755,466	6
1410	Prepayments	28,486	-	38,892	-	21,030	-	2230	Current tax liabilities	591,309	2	487,857	2	282,932	2
1470	Other current assets (note 6(t))	100,595	-	82,892	-	33,417	-	2250	Current provisions (note 6(m))	140,100	1	140,808	1	-	-
1476	Other financial assets—current (note 8)	31,914	-	36,857	-	39,538	-	2280	Lease liabilities—current (note 6(n))	14,265	-	13,189	-	8,863	-
		<u>8,591,678</u>	<u>33</u>	<u>7,962,533</u>	<u>31</u>	<u>6,913,270</u>	<u>54</u>	2300	Other current liabilities	56,051	-	56,760	-	48,720	1
										<u>3,821,650</u>	<u>15</u>	<u>3,801,650</u>	<u>15</u>	<u>1,915,976</u>	<u>15</u>
Non-current assets:								Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	463,895	2	452,443	2	-	-	2570	Deferred tax liabilities (note 6(p))	106,398	-	106,398	1	111,486	1
1535	Non-current financial assets at amortized cost (note 6(c))	228,280	1	227,840	1	-	-	2580	Lease liabilities—non-current (note 6(n))	94,404	-	96,175	-	116,396	1
1600	Property, plant and equipment (notes 6(g), 7 and 8)	7,714,428	30	7,825,277	31	5,525,123	43	2640	Net defined benefit liability—non-current (note 6(o))	214,085	1	219,287	1	178,536	1
1755	Right-of-use assets (note 6(h))	107,782	-	108,648	-	124,052	1	2645	Guarantee deposits received	3,542	-	4,130	-	-	-
1780	Intangible assets (note 6(i))	8,584,692	33	8,614,290	34	67,436	1			<u>418,429</u>	<u>1</u>	<u>425,990</u>	<u>2</u>	<u>406,418</u>	<u>3</u>
1840	Deferred tax assets (note 6(p))	215,984	1	219,233	1	135,612	1	Total liabilities							
1900	Other non-current assets (note 6(o))	22,380	-	21,504	-	8,351	-			<u>4,240,079</u>	<u>16</u>	<u>4,227,640</u>	<u>17</u>	<u>2,322,394</u>	<u>18</u>
1980	Other financial assets—non-current (note 8)	5,405	-	5,405	-	5,000	-	Equity:							
		<u>17,342,846</u>	<u>67</u>	<u>17,474,640</u>	<u>69</u>	<u>5,865,574</u>	<u>46</u>	Equity attributable to owners of parent: (note 6(q))							
								3100	Ordinary shares	1,787,083	7	1,787,083	7	1,653,575	13
								3200	Capital surplus	15,120,168	58	15,120,168	59	4,997,188	39
								3310	Legal reserve	1,410,144	6	1,410,144	5	1,335,844	10
								3320	Special reserve	97,411	-	97,411	-	74,592	1
								3350	Unappropriated retained earnings	3,404,559	13	2,925,436	12	2,451,586	19
								3400	Other equity interest	(124,920)	-	(130,709)	-	(56,335)	-
										<u>21,694,445</u>	<u>84</u>	<u>21,209,533</u>	<u>83</u>	<u>10,456,450</u>	<u>82</u>
								Total equity							
										<u>21,694,445</u>	<u>84</u>	<u>21,209,533</u>	<u>83</u>	<u>10,456,450</u>	<u>82</u>
Total assets		<u>\$25,934,524</u>	<u>100</u>	<u>25,437,173</u>	<u>100</u>	<u>12,778,844</u>	<u>100</u>	Total liabilities and equity		<u>\$ 25,934,524</u>	<u>100</u>	<u>25,437,173</u>	<u>100</u>	<u>12,778,844</u>	<u>100</u>

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 ended March 31, 2021 and 2020

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

		<u>For the three months ended March 31</u>			
		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenue	\$ 3,160,412	101	1,962,131	100
4170	Less: sales returns and allowances	19,150	1	8,926	-
4100	Net sales revenue (notes 6(t) and 14)	3,141,262	100	1,953,205	100
5110	Cost of sales (notes 6(e) and 12)	2,307,755	73	1,471,508	75
5900	Gross profit	833,507	27	481,697	25
6000	Operating expenses: (note 12)				
6100	Selling expenses	50,547	1	35,974	2
6200	Administrative expenses	143,326	5	110,832	6
6300	Research and development expenses	61,907	2	30,076	1
6450	Expected credit losses (gains)	19,408	1	(4,885)	-
		275,188	9	171,997	9
6900	Net operating income	558,319	18	309,700	16
	Non-operating income and expenses:				
7100	Interest income	4,399	-	3,231	-
7190	Other income	7,183	-	1,328	-
7230	Foreign exchange (losses) gains, net (note 6(v))	15,187	1	30,465	1
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	6,238	-	118	-
7510	Finance cost – interest expense	(1,370)	-	(574)	-
7590	Miscellaneous disbursements	(4,820)	-	(540)	-
		26,817	1	34,028	1
7900	Profit before tax	585,136	19	343,728	17
7950	Less: tax expenses (note 6(p))	106,013	4	71,380	3
	Profit	479,123	15	272,348	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	2,690	-	9,874	-
8399	Income tax on items that may be reclassified to profit or loss	(969)	-	(2,498)	-
	Other comprehensive income	1,721	-	7,376	-
8500	Comprehensive income	<u>\$ 480,844</u>	<u>15</u>	<u>279,724</u>	<u>14</u>
	Earnings per share (note 6(s))				
9750	Basic earnings per share	<u>\$ 2.68</u>		<u>1.65</u>	
9850	Diluted earnings per share	<u>\$ 2.67</u>		<u>1.64</u>	

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 Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest				Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total 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 three months ended March 31, 2020	-	-	-	-	272,348	272,348	-	-	-	272,348
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	-	7,376	-	7,376	7,376
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	272,348	272,348	7,376	-	7,376	279,724
Balance on March 31, 2020	\$ 1,653,575	4,997,188	1,335,844	74,592	2,451,586	3,862,022	(56,335)	-	(56,335)	10,456,450
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 three months ended March 31, 2021	-	-	-	-	479,123	479,123	-	-	-	479,123
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	1,721	-	1,721	1,721
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	479,123	479,123	1,721	-	1,721	480,844
Share based payments	-	-	-	-	-	-	-	4,068	4,068	4,068
Balance on March 31, 2021	\$ 1,787,083	15,120,168	1,410,144	97,411	3,404,559	4,912,114	(105,720)	(19,200)	(124,920)	21,694,445

See accompanying notes to consolidated financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 585,136	343,728
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	369,009	181,864
Amortization expense	29,417	2,488
Expected credit losses(gains)	19,408	(4,885)
Net gain on financial assets or liabilities at fair value through profit or loss	(6,238)	(118)
Interest expense	1,370	574
Interest income	(4,399)	(3,231)
Compensation cost of share-based payments	4,068	-
Gain on disposal of property, plant and equipment	(1,038)	-
Gain on disposal of intangible assets	(730)	-
Other	(11,248)	-
Total adjustments to reconcile profit (loss)	<u>399,619</u>	<u>176,692</u>
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(560,750)	-
Increase in contract assets	(16,744)	(2,522)
(Increase) decrease in notes and accounts receivable	(220,432)	72,428
Increase in other receivables	(10,548)	(8,493)
(Increase) decrease in inventories	(40,292)	34,631
Decrease in prepayments	10,406	9,615
(Increase) decrease in other current assets	(959)	1,202
Increase in notes and accounts payable	35,667	34,948
Increase (decrease) in other payables	(91,886)	4,552
Decrease in provisions	(708)	-
Increase (decrease) in other current liabilities	(709)	266
Increase (decrease) in contract liabilities - current	365	(173)
Increase (decrease) in net deferred benefit liabilities	(5,202)	2,404
	<u>(901,792)</u>	<u>148,858</u>
Cash inflow generated from operations	82,963	669,278
Interest received	28	4,495
Interest paid	(1,370)	(574)
Income taxes paid	(195)	(2,363)
Net cash flows from operating activities	<u>81,426</u>	<u>670,836</u>
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(5,926)	-
Acquisition of property, plant and equipment	(284,854)	(154,406)
Proceeds from disposal of property, plant and equipment	1,520	5,779
Increase in refundable deposits	(876)	(121)
Acquisition of intangible assets	-	(984)
Proceeds from disposal of intangible assets	837	-
(Increase) decrease in other financial assets	4,943	(320)
Net cash flows from (used in) investing activities	<u>(284,356)</u>	<u>(150,052)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	4,000	-
Decrease in guarantee deposits received	(588)	-
Payments of lease liabilities	(3,560)	(2,228)
Net cash flows from (used in) financing activities	<u>(148)</u>	<u>(2,228)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,857</u>	<u>5,617</u>
Net increase (decrease) in cash and cash equivalents	(201,221)	524,173
Cash and cash equivalents at beginning of period	3,791,174	3,704,146
Cash and cash equivalents at end of period	<u>\$ 3,589,953</u>	<u>4,228,319</u>

See accompanying notes to consolidated financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 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 three months ended March 31, 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 issue by the Board of Directors on April 22, 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 assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- 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”

(b) 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	January 1, 2023

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

clarifying the classification requirements for debt a company might settle by converting it into equity.

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

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 16 “Property, Plant and Equipment – Proceeds Before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Amendments to IFRS 16 “A One-year Extension to the Practical Expedient for COVID-19 Related Rent Concessions”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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 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 for 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 the note (4) of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Nature of Operation	Shareholding			Note
			March 31, 2021	December 31, 2020	March 31, 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%	-	% 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) Income Taxes

The income tax expense have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting. Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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

(d) 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.

(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 the related information, please refer to note (4) 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 significant differences in the disclosures between the consolidated financial statements for the year ended December 31, 2020 and those for the three months ended March 31, 2021. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Petty cash and foreign currency on hand	\$ 490	516	583
Checking accounts and demand deposits	3,284,284	3,583,676	2,999,733
Time deposits	305,179	206,982	1,185,453
Cash equivalents – bonds under repurchase agreements	-	-	42,550
	<u>\$ 3,589,953</u>	<u>3,791,174</u>	<u>4,228,319</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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Open-end mutual funds	\$ 331,316	331,054	101,055
Structured deposits	856,401	284,886	-
Stock listed in domestic markets	270,046	272,946	-
Foreign private funds	193,849	179,497	-
	<u>\$ 1,651,612</u>	<u>1,068,383</u>	<u>101,055</u>
Current	\$ 1,187,717	615,940	101,055
Non-current	463,895	452,443	-
	<u>\$ 1,651,612</u>	<u>1,068,383</u>	<u>101,055</u>

The Group did not provide any aforementioned financial assets as collaterals for its loans as of March 31, 2021, December 31, 2020 and March 31, 2020.

(c) Financial assets at amortized cost

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Foreign corporate bonds	<u>\$ 228,280</u>	<u>227,840</u>	<u>-</u>

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%.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) Please refer to note (6)(v) for credit risk.
- (iii) The Group did not provide any aforementioned financial assets as collaterals for its loans as of March 31, 2021, December 31, 2020 and March 31, 2020.
- (d) Notes and accounts receivable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable – measured at amortized Cost	\$ 2,092,138	1,871,703	1,330,373
Less: allowance for impairment	<u>(70,569)</u>	<u>(51,130)</u>	<u>(61,730)</u>
	<u>\$ 2,021,569</u>	<u>1,820,573</u>	<u>1,268,643</u>

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

- (i) Credit rate A

<u>Aging interval</u>	<u>March 31, 2021</u>		
	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 120,257	-	-
31 to 60 days	34,179	0.50%	171
61 to 90 days	13,701	1.50%	206
91 to 120 days	2,675	5.00%	134
121 to 180 days	538	10.00%	54
181 to 360 days	165	50.00%	81
More than 361 days	<u>211</u>	100.00%	<u>211</u>
	<u>\$ 171,726</u>		<u>857</u>

<u>Aging interval</u>	<u>December 31, 2020</u>		
	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 69,930	-	-
31 to 60 days	74,494	0.50%	373
61 to 90 days	21,013	1.50%	315

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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	<u>211</u>	100.00%	<u>211</u>
	<u>\$ 169,567</u>		<u>1,689</u>

March 31, 2020			
Aging interval	Carrying amount of notes and accounts receivable	Weighted average expected loss rate	Loss allowance provision
1 to 30 days	\$ 94,912	-	-
31 to 60 days	46,794	0.50%	234
61 to 90 days	24,159	1.50%	362
91 to 120 days	2,181	5.00%	109
121 to 180 days	1,642	10.00%	164
181 to 360 days	<u>211</u>	50.00%	<u>106</u>
	<u>\$ 169,899</u>		<u>975</u>

(ii) Credit Rate B

March 31, 2021			
Aging interval	Carrying amount of notes and accounts receivable	Weighted average expected loss rate	Loss allowance provision
1 to 30 days	\$ 916,033	1.20%	11,022
31 to 60 days	760,799	3.64%	27,661
61 to 90 days	159,807	8.46%	13,525
91 to 120 days	81,908	20.11%	16,475
121 to 180 days	1,672	50.00%	836
181 to 360 days	77	100.00%	77
More than 361 days	<u>116</u>	100.00%	<u>116</u>
	<u>\$ 1,920,412</u>		<u>69,712</u>

December 31, 2020			
Aging interval	Carrying amount of notes and accounts receivable	Weighted average 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

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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
	<u>\$ 1,702,136</u>		<u>49,441</u>

Aging interval	March 31, 2020		
	Carrying amount of notes and accounts receivable	Weighted average expected loss rate	Loss allowance provision
1 to 30 days	\$ 567,404	1.50%	8,582
31 to 60 days	389,110	5.00%	19,456
61 to 90 days	127,400	10.00%	12,740
91 to 120 days	65,203	20.00%	13,041
121 to 180 days	8,841	50.00%	4,420
181 to 360 days	2,490	100.00%	2,490
More than 361 days	26	100.00%	26
	<u>\$ 1,160,474</u>		<u>60,755</u>

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

	For the three months ended March 31,	
	2021	2020
The beginning of period	\$ 51,130	65,471
Impairment loss recognized(reversed)	19,436	(3,770)
Effect of movements in exchange rates	3	29
The end of period	<u>\$ 70,569</u>	<u>61,730</u>

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

(e) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Finished Goods	\$ 182,884	197,628	148,563
Semi-Finished Goods	192,552	182,700	157,105
Work in Progress	376,224	299,637	232,373
Raw Materials	587,054	619,627	442,470

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Indirect Materials	220,759	219,589	192,540
	\$ 1,559,473	1,519,181	1,173,051

(i) The details of the cost of sales were as follows:

	For the three months ended March 31,	
	2021	2020
Costs for write-downs(recoveries) on Inventory Valuation and Obsolescence	\$ 7,884	(9,060)

(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 from January 1, 2020 to March 31, 2020 would have been \$2,588,055 and the consolidated profit from January 1, 2020 to March 31, 2020 would have been \$360,977 . 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	\$ 10,800,443
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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.

(Continued)

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><u>\$ 3,403,767</u></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	<u>3,403,767</u>
	<u><u>\$ 7,396,676</u></u>

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

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

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	-	18,962	54,080	31,617	-	148,938	253,597
Transferred in (out)	-	5,730	50,647	18,385	-	(77,599)	(2,837)
Disposals	-	(26,722)	(269,728)	(2,980)	-	-	(299,430)
Effects of movements in exchange rates	-	841	2,281	500	4	(94)	3,532
Balance on March 31, 2021	<u>\$ 2,394,630</u>	<u>2,961,590</u>	<u>5,936,291</u>	<u>368,471</u>	<u>1,898</u>	<u>421,484</u>	<u>12,084,364</u>
Balance on January 1, 2020	\$ 1,850,862	2,583,318	4,001,748	379,311	1,994	121,224	8,938,457
Additions	-	5,919	44,134	5,219	-	66,669	121,941
Transferred in (out)	-	-	45,868	105	-	(45,973)	-
Disposals	-	(2,500)	(56,214)	(2,451)	-	(5,779)	(66,944)
Effects of movements in exchange rates	-	3,740	13,555	1,818	17	73	19,203
Balance on March 31, 2020	<u>\$ 1,850,862</u>	<u>2,590,477</u>	<u>4,049,091</u>	<u>384,002</u>	<u>2,011</u>	<u>136,214</u>	<u>9,012,657</u>
Depreciation and impairment loss:							
Balance on January 1, 2021	\$ -	752,181	3,304,846	246,364	834	-	4,304,225
Depreciation for the three months ended March 31, 2021	-	43,682	309,257	12,296	19	-	365,254
Impairment Loss	-	-	(3,380)	-	-	-	(3,380)
Disposals	-	(26,722)	(269,246)	(2,980)	-	-	(298,948)
Effects of movements in exchange rates	-	359	2,043	382	1	-	2,785
Balance on March 31, 2021	<u>\$ -</u>	<u>769,500</u>	<u>3,343,520</u>	<u>256,062</u>	<u>854</u>	<u>-</u>	<u>4,369,936</u>
Balance on January 1, 2020	\$ -	551,651	2,520,521	281,395	798	-	3,354,365
Depreciation for the three months ended March 31, 2020	-	35,005	131,208	13,163	20	-	179,396
Disposals	-	(2,500)	(56,214)	(2,451)	-	-	(61,165)
Effects of movements in exchange rates	-	1,335	12,037	1,560	6	-	14,938
Balance on March 31, 2020	<u>\$ -</u>	<u>585,491</u>	<u>2,607,552</u>	<u>293,667</u>	<u>824</u>	<u>-</u>	<u>3,487,534</u>
Book value:							
Balance on January 1, 2021	<u>\$ 2,394,630</u>	<u>2,210,598</u>	<u>2,794,165</u>	<u>74,585</u>	<u>1,060</u>	<u>350,239</u>	<u>7,825,277</u>
Balance on March 31, 2021	<u>\$ 2,394,630</u>	<u>2,192,090</u>	<u>2,592,771</u>	<u>112,409</u>	<u>1,044</u>	<u>421,484</u>	<u>7,714,428</u>
Balance on January 1, 2020	<u>\$ 1,850,862</u>	<u>2,031,667</u>	<u>1,481,227</u>	<u>97,916</u>	<u>1,196</u>	<u>121,224</u>	<u>5,584,092</u>
Balance on March 31, 2020	<u>\$ 1,850,862</u>	<u>2,004,986</u>	<u>1,441,539</u>	<u>90,335</u>	<u>1,187</u>	<u>136,214</u>	<u>5,525,123</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group had provided property, plant and equipment as collateral for its loans as of March 31, 2021, December 31, 2020 and March 31, 2020. 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	-	4,250	-	4,250
Deductions	-	(2,139)	-	(2,139)
Balance on March 31, 2021	<u>\$ 84,620</u>	<u>18,095</u>	<u>19,216</u>	<u>121,931</u>
Balance on March 31, 2020 and January 1, 2020	<u>\$ 97,756</u>	<u>16,823</u>	<u>19,949</u>	<u>134,528</u>
Depreciation and impairment loss:				
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the three months ended March 31, 2021	1,364	1,401	990	3,755
Deductions	-	(778)	-	(778)
Balance on March 31, 2021	<u>\$ 4,079</u>	<u>5,560</u>	<u>4,510</u>	<u>14,149</u>
Balance on January 1, 2020	\$ 2,715	3,685	1,608	8,008
Depreciation for the three months ended March 31, 2020	679	1,085	704	2,468
Balance on March 31, 2020	<u>\$ 3,394</u>	<u>4,770</u>	<u>2,312</u>	<u>10,476</u>
Book value:				
Balance on January 1, 2021	<u>\$ 81,905</u>	<u>11,047</u>	<u>15,696</u>	<u>108,648</u>
Balance on March 31, 2021	<u>\$ 80,541</u>	<u>12,535</u>	<u>14,706</u>	<u>107,782</u>
Balance on January 1, 2020	<u>\$ 95,041</u>	<u>13,138</u>	<u>18,341</u>	<u>126,520</u>
Balance on March 31, 2020	<u>\$ 94,362</u>	<u>12,053</u>	<u>17,637</u>	<u>124,052</u>

(i) Intangible Assets

	Goodwill	Patents and others	Cost of computer software	Customer relationship	Total
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 March 31, 2021	<u>\$ 7,448,612</u>	<u>775,151</u>	<u>18,333</u>	<u>342,596</u>	<u>8,584,692</u>
Balance on January 1, 2020	<u>\$ 51,936</u>	-	<u>17,004</u>	-	<u>68,940</u>
Balance on March 31, 2020	<u>\$ 51,936</u>	-	<u>15,500</u>	-	<u>67,436</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

There were no significant changes on additions, deductions, or impairments of the intangible assets during the three months ended March 31, 2021 and 2020, and please refer to note 12(a) for amortization expense detail. Please refer to note 6(i) of the consolidated financial statement for the year ended December 31, 2020 for other related information.

(j) Short-Term Borrowings

Details of short-term borrowings were as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Credit loans	\$ 173,000	269,000	-
Secured loans	100,000	-	-
Total	<u>\$ 273,000</u>	<u>269,000</u>	<u>-</u>
Unused short term credit lines	<u>\$ 3,810,208</u>	<u>3,262,545</u>	<u>2,047,925</u>
Range of interest rates	<u>0.89%~0.9%</u>	<u>0.89%~0.9%</u>	<u>-</u>

(i) Issuance and Repayment of Loans:

For the three months ended March 31, 2021, the Groups increased its short-term borrowings by \$473,000, which were due in March 2022, and the repayment amounted to \$469,000. For the three months ended March 31, 2020, the Group increased its short-term borrowings by \$3,237, and the repayment amounted to \$3,237.

(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:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Secured Loans	\$ -	-	-
Unused long term credit lines	<u>\$ 9,320,000</u>	<u>5,300,000</u>	<u>1,565,000</u>

(i) Issuance and repayment of loans

There were no significant issues, repurchases and repayments of long-term borrowings for the three months ended March 31, 2021 and 2020. Please refer to note (6)(k) of the 2020 annual consolidated financial statements for other related information.

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

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Other Payables

Details of other payables were as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Salaries, employees' compensation and directors' and supervisors' remuneration	\$ 615,035	724,361	310,686
Payable on machinery and equipment	94,555	125,812	59,788
Accrued employee benefit liabilities	49,560	47,484	43,630
Accrued expenses	613,355	597,991	341,362
	<u>\$ 1,372,505</u>	<u>1,495,648</u>	<u>755,466</u>

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

(m) Provision

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Compensation	<u>\$ 140,100</u>	<u>140,808</u>	<u>-</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:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	<u>\$ 14,265</u>	<u>13,189</u>	<u>8,863</u>
Non-current	<u>\$ 94,404</u>	<u>96,175</u>	<u>116,396</u>

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

The amounts recognized in profit or loss were as follows :

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on Lease Liabilities	<u>\$ 477</u>	<u>570</u>
Variable Lease Payments not Included in the Measurement of Lease Liabilities	<u>\$ 30,808</u>	<u>36,084</u>
Expenses Relating to Short-Term Leases	<u>\$ 2,302</u>	<u>2,441</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Expenses Relating to Leases of Low-Value Assets, Excluding Short-Term Leases of Low-Value Assets	\$	12	11
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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the three months ended March 31,	
	2021	2020
Total cash outflow for leases	\$ 37,159	41,334

(i) Real estate leases

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

(ii) Other Leases

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

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

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

(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 for the Group amounted to \$5,316 and \$4,758 for the three months ended March 31, 2021 and 2020, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$18,127 and \$11,781 for the three months ended March 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Income Taxes

(i) Income Tax Expenses

- 1) The amount of income tax expense was as follows:

	For the three months ended March 31,	
	2021	2020
Current tax expense	<u>\$ 106,013</u>	<u>71,380</u>

- 2) The amounts of income tax expense recognized in other comprehensive income were as follows:

	For the three months ended March 31,	
	2021	2020
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u>\$ 969</u>	<u>2,498</u>

- (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 the Company and KINGPAK's income tax returns through 2018 and 2016, respectively.

(q) Capital and other equity

There were no significant changes on the capital and other equities during the three months ended March 31, 2021 and 2020, respectively. 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 three months ended 2021 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

	March 31, 2021	December 31, 2020	March 31, 2020
Capital surplus – additional paid in capital	\$ 15,002,891	15,002,891	4,940,969
Employment restricted shares	61,058	61,058	-
Other	56,219	56,219	56,219
	<u>\$ 15,120,168</u>	<u>15,120,168</u>	<u>4,997,188</u>

(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.

i) Earnings Distribution

Earnings distribution for 2020 and 2019 were approved via the annual meeting of shareholders held on March 11, 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Shares-Based Payment

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

As of March 31, 2021, the unearned employee compensation was \$19,200. The compensation cost for KINGPAK related to the restricted shares amounted to \$4,068 from January 1 to March 31, 2021.

(s) Earnings per Share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the three months ended March 31,	
	2021	2020
Basic earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company	<u>\$ 479,123</u>	<u>272,348</u>
Weighted-Average Number of Ordinary Shares (thousands)	<u>178,474</u>	<u>165,357</u>
Basic earnings per share (NTD)	<u>\$ 2.68</u>	<u>1.65</u>
Diluted earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company(Diluted)	<u>\$ 479,123</u>	<u>272,348</u>
Weighted average number of ordinary shares (basic) (thousands)	178,474	165,357
Effect of employee remuneration (thousands)	602	851
Effect of employee restricted shares (thousands)	<u>127</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) (thousands)	<u>179,203</u>	<u>166,208</u>
Diluted Earnings Per Share (NTD)	<u>\$ 2.67</u>	<u>1.64</u>

(t) Revenue from Contracts with Customers

(i) Disaggregation of Revenue

	For the three months ended March 31, 2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 76,400	40,878	667,687	11,162	796,127
Malaysia	227,536	253,079	7,612	323	488,550

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Switzerland	211	434,067	11,326	1,728	447,332
Hong Kong	42,712	754	306,763	756	350,985
United States	45,381	18,384	232,860	15,574	312,199
Japan	1,266	248,873	5,614	1,116	256,869
China	68,658	120,444	36,240	1,919	227,261
Others	83,256	29,221	120,951	28,511	261,939
	\$ 545,420	1,145,700	1,389,053	61,089	3,141,262

Major products/services lines:

Image sensors	\$ -	735,397	907,428	13,248	1,656,073
Metalized ceramic substrates	545,420	-	191,284	911	737,615
Hybrid integrated circuits	-	404,494	175,393	3,575	583,462
RF modules	-	5,809	114,948	891	121,648
Others	-	-	-	42,464	42,464
	\$ 545,420	1,145,700	1,389,053	61,089	3,141,262

For the three months ended March 31, 2020

	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 57,498	-	589,538	8,408	655,444
Malaysia	161,694	188,656	18,609	-	368,959
Switzerland	-	11,249	6,372	37	17,658
Hong Kong	27,106	298	234,936	667	263,007
United States	25,939	18,622	212,292	19,027	275,880
Japan	815	-	9,134	312	10,261
China	51,421	44,728	54,011	117	150,277
Others	60,852	17,949	119,460	13,458	211,719
	\$ 385,325	281,502	1,244,352	42,026	1,953,205
Major products/services lines:					
Image sensors	\$ -	11,249	696,817	-	708,066
Metalized ceramic substrates	385,116	-	178,233	-	563,349
Hybrid integrated circuits	209	257,364	203,187	-	460,760
RF modules	-	12,889	166,115	-	179,004
Others	-	-	-	42,026	42,026
	\$ 385,325	281,502	1,244,352	42,026	1,953,205

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Accounts receivable	\$ 2,092,138	1,871,703	1,330,373
Contract assets – image sensors product (recorded under other current assets)	99,088	82,344	32,427
Less: allowance for impairment	<u>(70,569)</u>	<u>(51,130)</u>	<u>(61,730)</u>
Total	<u>\$ 2,120,657</u>	<u>1,902,917</u>	<u>1,301,070</u>
Contract liabilities – advance sales receipts	<u>\$ 339,938</u>	<u>339,573</u>	<u>301,423</u>

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

The amounts of revenue recognized for the three months ended March 31, 2021 and 2020 that were included in the contract liabilities balance at the beginning of the period were \$8,097 and \$173 , 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' and supervisors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors and supervisors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

For the three months ended March 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$39,093 and \$29,610, respectively, and directors' and supervisors' remuneration amounting to \$9,773 and \$7,402, respectively, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating costs or operating expenses 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.

The amounts of employee remuneration amounting were to \$106,720 and \$66,728, respectively, and directors' and supervisors' remuneration amounting were to \$38,354 and \$18,938, respectively, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2020 and 2019. Related information would be available on the Market Observation Post System Website.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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. Please refer to note 6(v) of the 2020 consolidated financial statements for related information.

(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).

The allowance for impairment of other receivables for the three months ended March 31, 2021 and 2020 were as follows:

	Other Receivables
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(28)
Effects of movements in exchange rates	<u>1</u>
Balance on March 31, 2021	<u>\$ 612</u>
Balance on January 1, 2020	\$ 1,504
Impairment loss reversed	(1,115)
Effects of movements in exchange rates	<u>8</u>
Balance on March 31, 2020	<u>\$ 397</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity Risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a Year</u>	<u>Over a Year</u>
March 31, 2021				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 273,000	(273,000)	(273,000)	-
Short-term notes and bills payable	50,000	(50,000)	(50,000)	-
Notes and accounts payable	984,482	(984,482)	(984,482)	-
Other payables	1,372,505	(1,372,505)	(1,372,505)	-
Lease liabilities (including current and non-current portion)	108,669	(134,326)	(16,036)	(118,290)
Guarantee deposits received	3,542	(3,542)	-	(3,542)
	<u>\$ 2,792,198</u>	<u>(2,817,855)</u>	<u>(2,696,023)</u>	<u>(121,832)</u>
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)
	<u>\$ 2,876,957</u>	<u>(2,903,024)</u>	<u>(2,778,436)</u>	<u>(124,588)</u>
March 31, 2020				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 518,572	(518,572)	(518,572)	-
Other payables	755,466	(755,466)	(755,466)	-
Lease liabilities (including current and non-current portion)	125,259	(159,853)	(11,044)	(148,809)
	<u>\$ 1,399,297</u>	<u>(1,433,891)</u>	<u>(1,285,082)</u>	<u>(148,809)</u>

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

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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:

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary Items									
USD	\$ 157,663	USD/NTD =28.535	4,498,914	163,774	USD/NTD =28.480	4,664,284	76,503	USD/NTD =30.225	2,312,303
Financial liabilities									
Monetary Items									
USD	10,815	USD/NTD =28.535	308,606	15,618	USD/NTD =28.480	444,801	9,960	USD/NTD =30.225	301,041
JPY	942,391	JPY/NTD =0.2577	242,854	792,829	JPY/NTD =0.2763	219,059	568,604	JPY/NTD =0.2788	158,527

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the three months ended March 31, 2021 and 2020 would have increased or decreased the net profit before tax as follows:

	For the three months ended March 31,	
	2021	2020
USD (against the NTD)		
Strengthening 5%	\$ 209,515	100,563
Weakening 5%	(209,515)	(100,563)
JPY (against the NTD)		
Strengthening 5%	(12,143)	(7,926)
Weakening 5%	12,143	7,926

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 March 31, 2021 and 2020. The foreign exchange gains, including realized and unrealized portion, amounted to \$15,187 and \$30,465, respectively.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 \$1,879 and \$1,874 for the three months ended March 31, 2021 and 2020, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) 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:

	March 31, 2021				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Bonds investment –					
Open-end mutual funds	\$ 331,316	331,316	-	-	331,316
Structured deposits	856,401	-	856,401	-	856,401
Stock listed in domestic markets	270,046	270,046	-	-	270,046
Foreign private funds	<u>193,849</u>	-	-	193,849	193,849
Subtotal	<u>1,651,612</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,589,953	-	-	-	-

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Notes and accounts receivable, net	2,021,569	-	-	-	-
Other receivables	7,984	-	-	-	-
Other financial assets – current	31,914	-	-	-	-
Foreign corporate bonds	228,280	-	-	-	-
Other financial assets – non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>11,589</u>	-	-	-	-
Subtotal	<u>5,896,694</u>				
Total	<u>\$ 7,548,306</u>				

Financial liabilities measured at amortized cost

Short-term borrowings	\$ 273,000	-	-	-	-
Short-term notes and bills payable	50,000	-	-	-	-
Notes and accounts payable	984,482	-	-	-	-
Other payables	1,372,505	-	-	-	-
Lease liabilities (including current and non-current portion)	108,669	-	-	-	-
Guarantee deposits received	<u>3,542</u>	-	-	-	-
Total	<u>\$ 2,792,198</u>				

December 31, 2020

	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Bonds investment –					
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>				

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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>				
Financial liabilities measured at amortized cost					
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	<u>4,130</u>	-	-	-	-
Total	<u>\$ 2,876,957</u>				

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	March 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss					
Bonds investment –					
Open-end mutual funds	\$ <u>101,055</u>	101,055	-	-	101,055
Financial assets measured at amortized cost					
Cash and cash equivalents	4,228,319	-	-	-	-
Notes and accounts receivable, net	1,268,643	-	-	-	-
Other receivables	5,076	-	-	-	-
Other financial assets – current	39,538	-	-	-	-
Other financial assets – non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>8,351</u>	-	-	-	-
Subtotal	<u>5,554,927</u>				
Total	<u>\$ 5,655,982</u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 518,572	-	-	-	-
Other payables	755,466	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>125,259</u>	-	-	-	-
Total	<u>\$ 1,399,297</u>				

There were no transfers of financial instruments between any levels for the three months ended March 31, 2021 and 2020.

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

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

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

3) Statement of Changes In Level 3

	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	8,426
Purchased	<u>5,926</u>
Balance on March 31, 2021	<u>\$ 193,849</u>

Total gains were included in gains (losses) on current assets (liabilities) at fair value through profit or loss.

4) 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 funds used the Net Assets Value Method.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss— investment in private funds	Net Asset Value Method	• Net Asset Value	Not Applicable

(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 processes 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 2020. Please refer to note 6(x) of the 2020 consolidated financial statements.

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

(i) The Group's investing and financing activities did not affect the current cash flow in the three months ended March 31, 2021 and 2020, please refer to note 6(h).

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

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u> <u>Other</u>	<u>March 31, 2021</u>
	Short-term borrowings	\$ 269,000	4,000	-
Lease liabilities (including current and non-current portion)	109,364	(3,560)	2,865	108,669
Guarantee deposits received	4,130	(588)	-	3,542
Total liabilities from financing activities	<u>\$ 382,494</u>	<u>(148)</u>	<u>2,865</u>	<u>385,211</u>
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>March 31, 2020</u>	
Lease liabilities (including current and non-current portion)	<u>\$ 127,487</u>	<u>(2,228)</u>	<u>125,259</u>	

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

Name of Related Party	Relationship with the Group
Multi-field	Other related party

(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 March 31,	
	2021	2020
Short-term employee benefits	\$ 38,880	33,459
Post-employment benefits	189	152
	\$ 39,069	33,611

(8) Pledged Assets

Pledged Assets	Subject	March 31, 2021	December 31, 2020	March 31, 2020
Other financial assets – current – time deposits	Credit lines for letters of credit, short-term borrowings and short-term borrowings	\$ 29,750	34,695	36,598
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
"	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	664,586	674,024	375,668
Other financial assets – current – reserve account	Customs duty guarantee	903	903	-
		\$ 700,644	715,027	417,266

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Commitments and Contingencies

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

	March 31, 2021	December 31, 2020	March 31, 2020
Future payments for the purchase of equipment and construction in progress	\$ 960,399	877,983	158,864

(b) The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City. As of March 31, 2021, the payment amounting to \$3,088,000 has not been paid.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Unused and outstanding letters of credit and the deposit for customs duties	\$ 30,167	30,455	19,500

(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:

By Function	For the three months ended March 31,					
	2021			2020		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
By Item						
Employee Benefits						
Salaries	498,231	131,930	630,161	337,153	86,877	424,030
Labor and health insurance	44,192	6,625	50,817	26,648	4,169	30,817
Pension	19,785	3,658	23,443	13,499	3,040	16,539
Other employee benefits	29,445	3,656	33,101	22,342	2,461	24,803
Depreciation	354,987	14,022	369,009	170,386	11,478	181,864
Amortization	1,332	28,085	29,417	795	1,693	2,488

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Seasonality of operations

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

- (c) In August 2014, Mr. Zhang, who was the former director of KINGPAK, filed a lawsuit to the Taipei District Court against KINGPAK, demanding KINGPAK to pay him the outstanding payment of \$25,058. However, the Taipei District Court denied his request on October 1, 2015. Therefore, Mr. Zhang appealed to the Taiwan High Court, who ruled in his favor on August 31, 2016. KINGPAK disagreed with the decision made by the Taiwan High Court; hence, filed an appeal to the Supreme Court, 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 \$13,338 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. The Group had assessed the damages amounting to \$13,077 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 three months ended March 31, 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	-	2,169,444	8,677,778

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.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 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: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	22,144	331,316	-	331,316	
"	Structured Deposit: President Securities 1346 DSU 100% Principal Guaranteed Note	"	"	-	285,578	-	285,578	
KINGPAK	"	"	"	-	570,823	-	570,823	
The Company	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss – non-current	Note	193,849	1.93%	193,849	
"	Stock: Shin Kong Financial Holding Co., Ltd. Preferred Shares B	"	"	6,445	270,046	-	270,046	
"	Bond: Chailease International Bond	"	Financial assets at amortized cost – non-current	-	228,280	-	228,280	
KINGPAK	Stock: eGtran Corporation	"	Financial assets at fair value through other comprehensive income – non-current	22	-	-	-	

Note: The amount of investment is USD 6,626 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 Note	Financial Assets at fair value through profit or loss-current	-	None	-	284,886	-	563,542 (Note)	-	567,506	562,850	4,656	-	285,578
KINGPAK	"	"	-	"	-	-	-	1,422,123 (Note)	-	849,279	851,300	(2,021)	-	570,823

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 112,000	Chung-Lin General Contractors, LTD.	None	N/A	N/A	N/A	-	Open bid	Extension of the Plant	None

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (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	366,902	36 %	Monthly Closing and Paid by Cash	-	-	Accounts Payable (65,076) Note 1	(10) %	(Note 2)
"	"	"	Manufacturing Fee	125,614	12 %	"	-	-	"	"	"
THEPI	The Company	Parent Company	Sale	(366,902)	(72) %	Monthly Closing and Received by Cash	-	-	Accounts Receivable 65,076	48 %	"
"	"	"	Manufacturing Revenue	(125,614)	(25) %	"	-	-	Accounts Receivable 55,323	41 %	"

Note 1: The other payables amounted to \$55,323 as of March 31, 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: None.
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 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	366,902	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.	11.68%
1	"	"	2	Manufacturing Revenue	125,614	"	4.00%
1	"	"	2	Accounts Receivable	65,076	"	0.25%
1	"	"	2	Other Receivable	55,323	"	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.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 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
				March 31, 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%	1,276,143	71,628	63,837	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%	10,849,825	134,762	110,054	"

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:

Shareholder's Name	Shareholding	Shares	Percentage
KAIMEI Electronic Corp.		9,357,414	5.23%

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

(14) Segment information

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

	For the three months ended March 31, 2021					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & Elimination	Total
Revenue						
Revenue from external customers	\$ 545,420	1,145,700	1,389,053	61,089	-	3,141,262
Inter-segment revenues	-	492,626	-	-	(492,626)	-
Total revenue	<u>\$ 545,420</u>	<u>1,638,326</u>	<u>1,389,053</u>	<u>61,089</u>	<u>(492,626)</u>	<u>3,141,262</u>
Reportable segment profit (loss)	<u>\$ 84,565</u>	<u>181,761</u>	<u>285,499</u>	<u>6,494</u>	<u>26,817</u>	<u>585,136</u>
	For the three months ended March 31, 2020					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & Elimination	Total
Revenue						
Revenue from external customers	\$ 385,325	281,502	1,244,352	42,026	-	1,953,205
Inter-segment revenues	-	388,336	-	-	(388,336)	-
Total revenue	<u>\$ 385,325</u>	<u>669,838</u>	<u>1,244,352</u>	<u>42,026</u>	<u>(388,336)</u>	<u>1,953,205</u>
Reportable segment profit (loss)	<u>\$ 39,776</u>	<u>18,818</u>	<u>233,339</u>	<u>17,767</u>	<u>34,028</u>	<u>343,728</u>