

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of Tong Hsing Electronic Industries, Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tong Hsing Electronic Industries, Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tong Hsing Electronic Industries, Ltd.

Chairman: Tie-Min, Chen

Date: March 17, 2022



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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Tong Hsing Electronic Industries, Ltd. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tong Hsing Electronic Industries, Ltd. and its subsidiaries as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Tong Hsing Electronic Industries, Ltd. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of other auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of KINGPAK Technology Inc. ("KINGPAK"), a subsidiary of the Group. Those financial statements were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KINGPAK, is based solely on the report of other auditor. The financial statements of KINGPAK reflect the total assets amounting to \$3,200,464 thousand, constituting 12.58% of the consolidated total assets as of December 31, 2020 ; and the total net sales revenue amounting to \$1,358,600 thousand from the date of merger to December 31, 2020, constituting 13.35% of the consolidated total net sales for the year ended December 31, 2020.

Tong Hsing Electronic Industries, Ltd. has additionally prepared its parent company only financial statements for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with other matter paragraph.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

### 1. Valuation of inventories

Please refer to Note (4)(h) and Note (5)(a) of the consolidated financial statements for inventories accounting policy, and accounting assumptions and estimation uncertainty of inventory valuation, respectively. Information regarding inventory and related expenses are shown in Note (6)(f) of the consolidated financial statements.

Explanation to key audit matter:

Due to the impact of product life cycle and industrial competition in electronics industry, the price variability for the inventory of Tong Hsing Electronic Industries, Ltd. and its subsidiaries is expected. Therefore, the inventory valuation is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing control of inventory usage and storage management; inspecting the inventory aging statement, and analyzing the change of aging for different periods; performing sampling procedures and inspecting the rationality in order to verify the correctness of inventories aging statement; performing a retrospective review of historical accuracy of inventory valuation, considering the impact of COVID-19 pandemic, and reviewing the adequacy of the accounting policies.

### 2. Impairment evaluation of intangible assets:

Please refer to Note (4)(k) and Note (4)(l) “intangible assets“ and “Impairment of non-financial assets” of the consolidated financial statements for the accounting policy related to the impairment of intangible; Note (5)(b) for the uncertainty of accounting estimations and assumptions for goodwill impairment; Note (6)(j) “intangible assets” for details related to impairment of intangible assets.

Explanation to key audit matter:

Tong Hsing Electronic Industries, Ltd. fully acquired KINGPAK Technology Inc. by stock exchange on June 19,2020 (the effective date). Management periodically assesses if there is any indication of impairment. The amounts of investments are significant, and assessing intangible assets such as goodwill involves complex calculations. Thus, the Impairment evaluation of intangible assets is one of the most important evaluations in performing our audit procedures of Tong Hsing Electronic Industries, Ltd.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Understand and assess the cash-generating unit that the management has identified to impair and any indication of impairment, the reasonableness of the management's method of measuring the recoverable amount, and the accuracy of management's past forecasts.
- Evaluate the professional competence, objectivity, experience, and valuation of external experts.
- Reviewing the appropriateness and correctness of the variables from the external professional' s appraisal pertaining to the testing of the impairment of KINGPAK Technology Inc.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Tong Hsing Electronic Industries, Ltd. and its subsidiaries or to cease its operations, there is no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tong Hsing Electronic Industries, Ltd. and its subsidiaries's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tong Hsing Electronic Industries, Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tong Hsing Electronic Industries, Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Tong Hsing Electronic Industries, Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 17, 2022

#### **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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.





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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Sales revenue</b>	\$ 13,986,645	101	10,259,318	101
4170	Less: sales returns and allowances	<u>126,531</u>	<u>1</u>	<u>81,316</u>	<u>1</u>
4100	<b>Net sales revenue (notes 6(u) and 14)</b>	13,860,114	100	10,178,002	100
5110	<b>Cost of sales (notes 6(f), 6(j), 6(p) and 12)</b>	<u>9,245,318</u>	<u>67</u>	<u>7,282,206</u>	<u>72</u>
5900	<b>Gross profit</b>	<u>4,614,796</u>	<u>33</u>	<u>2,895,796</u>	<u>28</u>
6000	<b>Operating expenses: (notes 6(j), 6(p) and 12)</b>				
6100	Selling expenses	244,602	2	182,048	1
6200	Administrative expenses	648,840	4	517,253	5
6300	Research and development expenses	283,762	2	206,758	2
6450	Expected credit losses (gains)	<u>41,226</u>	<u>-</u>	<u>(15,710)</u>	<u>-</u>
		<u>1,218,430</u>	<u>8</u>	<u>890,349</u>	<u>8</u>
6900	<b>Net operating income</b>	<u>3,396,366</u>	<u>25</u>	<u>2,005,447</u>	<u>20</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	21,272	-	13,858	-
7190	Other income	32,372	-	33,795	-
7230	Foreign exchange (losses) gains, net (note 6(w))	(92,000)	(1)	(173,916)	(2)
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	45,799	-	(16,077)	-
7510	Finance cost—interest expense	(3,752)	-	(5,491)	-
7590	Miscellaneous disbursements (note 6(h))	<u>(18,132)</u>	<u>-</u>	<u>(8,811)</u>	<u>-</u>
		<u>(14,441)</u>	<u>(1)</u>	<u>(156,642)</u>	<u>(2)</u>
7900	<b>Profit before tax</b>	3,381,925	24	1,848,805	18
7950	<b>Less: tax expenses (note 6(q))</b>	<u>617,233</u>	<u>4</u>	<u>398,130</u>	<u>4</u>
	<b>Profit</b>	<u>2,764,692</u>	<u>20</u>	<u>1,450,675</u>	<u>14</u>
	<b>Other comprehensive income: (note 6(q))</b>				
	<b>Items that may not be reclassified to profit or loss</b>				
8311	Remeasurements of defined benefit plans	6,174	-	(35,396)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	583	-	-	-
8349	Income tax on items that may not be reclassified to profit or loss	<u>(934)</u>	<u>-</u>	<u>6,716</u>	<u>-</u>
		<u>5,823</u>	<u>-</u>	<u>(28,680)</u>	<u>-</u>
	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(36,599)	-	(59,433)	-
8399	Income tax that may be reclassified to profit or loss	<u>7,749</u>	<u>-</u>	<u>15,703</u>	<u>-</u>
		<u>(28,850)</u>	<u>-</u>	<u>(43,730)</u>	<u>-</u>
	<b>Other comprehensive income</b>	<u>(23,027)</u>	<u>-</u>	<u>(72,410)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 2,741,665</u>	<u>20</u>	<u>1,378,265</u>	<u>14</u>
	<b>Earnings per share (note 6(t))</b>				
9750	Basic earnings per share	<u>\$ 15.49</u>		<u>7.88</u>	
9850	Diluted earnings per share	<u>\$ 15.40</u>		<u>7.84</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity  
For the years ended December 31, 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	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee compensation	Total other equity interest	
<b>Balance on January 1, 2020</b>	\$ 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 year ended December 31, 2020	-	-	-	-	1,450,675	1,450,675	-	-	-	-	1,450,675
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(28,680)	(28,680)	(43,730)	-	-	(43,730)	(72,410)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,421,995	1,421,995	(43,730)	-	-	(43,730)	1,378,265
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	(642)	(21,636)	-	-	73	73	-	-	33,806	33,806	11,601
Balance on December 31, 2020	<u>1,787,083</u>	<u>15,120,168</u>	<u>1,410,144</u>	<u>97,411</u>	<u>2,925,436</u>	<u>4,432,991</u>	<u>(107,441)</u>	<u>-</u>	<u>(23,268)</u>	<u>(130,709)</u>	<u>21,209,533</u>
Consolidated net income for the year ended December 31, 2021	-	-	-	-	2,764,692	2,764,692	-	-	-	-	2,764,692
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	5,240	5,240	(28,850)	583	-	(28,267)	(23,027)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	2,769,932	2,769,932	(28,850)	583	-	(28,267)	2,741,665
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	(104)	(1,748)	-	-	-	-	-	-	16,491	16,491	14,639
<b>Balance on December 31, 2021</b>	<u>\$ 1,786,979</u>	<u>15,118,420</u>	<u>1,552,352</u>	<u>141,141</u>	<u>4,526,534</u>	<u>6,220,027</u>	<u>(136,291)</u>	<u>583</u>	<u>(6,777)</u>	<u>(142,485)</u>	<u>22,982,941</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 3,381,925	1,848,805
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,473,946	968,147
Amortization expense	116,299	67,379
Expected credit losses (gains)	41,226	(15,710)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(45,799)	16,077
Interest expense	3,752	5,491
Interest income	(21,272)	(13,858)
Dividend income	(3,867)	-
Compensation cost of share-based payments	14,639	8,714
Loss (gain) on disposal of property, plant and equipment	(3,762)	1,220
Impairment loss of property, plant and equipment recognized in profit or loss	-	3,380
Gain on disposal of intangible assets	(730)	(2,573)
Other	26,181	(2,238)
Total adjustments to reconcile profit (loss)	<u>1,600,613</u>	<u>1,036,029</u>
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets and liabilities at fair value through profit or loss	393,754	(510,814)
(Increase) decrease in contract assets	12,723	(52,439)
Increase in accounts receivable	(447,331)	(69,724)
(Increase) decrease in other receivables	11,227	(10,297)
(Increase) decrease in inventories	(311,088)	25,057
Increase in prepayments	(11,087)	(1,646)
(Increase) decrease in other current assets	(744)	2,413
Increase in net deferred benefit assets	(950)	(94)
Increase in notes and accounts payable	64,313	169,569
Increase in other payables	301,139	356,709
Increase (decrease) in provisions	(12,935)	1,684
Increase (decrease) in other current liabilities	21,586	(2,642)
Increase (decrease) in contract liabilities - current	25,863	(15,483)
Increase (decrease) in net deferred benefit liabilities	(11,611)	5,488
	<u>34,859</u>	<u>(102,219)</u>
Cash inflow generated from operations	5,017,397	2,782,615
Interest received	18,091	16,108
Dividends received	3,867	-
Interest paid	(3,814)	(5,579)
Income taxes paid	(428,481)	(265,498)
<b>Net cash flows from operating activities</b>	<u>4,607,060</u>	<u>2,527,646</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of non-current financial assets at fair value through profit or loss	(24,925)	(472,709)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	39,081	-
Acquisition of non-current financial assets at fair value through other comprehensive income	(349,980)	-
Acquisition of non-current financial assets at amortized cost	-	(227,840)
Acquisition of property, plant and equipment	(2,395,437)	(1,754,335)
Proceeds from disposal of property, plant and equipment	1,617	9,004
Increase in refundable deposits	(1,136)	(755)
Acquisition of intangible assets	(5,798)	(8,082)
Proceeds from disposal of intangible assets	837	2,573
Cash inflows due to business combination	-	1,211,838
Decrease in other financial assets	2,833	7,859
<b>Net cash flows from (used in) investing activities</b>	<u>(2,732,908)</u>	<u>(1,232,447)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(269,000)	(11,000)
Decrease in short-term notes and bills payable	(50,000)	-
Proceeds from long-term borrowings	63,000	-
Increase in guarantee deposits received	881	4,130
Payments of lease liabilities	(18,321)	(11,060)
Cash dividends paid	(982,896)	(578,678)
Capital reduction by cash	-	(578,751)
Exercise of employee share options	-	2,814
<b>Net cash flows from (used in) financing activities</b>	<u>(1,256,336)</u>	<u>(1,172,545)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(25,293)</u>	<u>(35,626)</u>
<b>Net increase in cash and cash equivalents</b>	592,523	87,028
<b>Cash and cash equivalents at beginning of period</b>	3,791,174	3,704,146
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,383,697</u>	<u>3,791,174</u>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 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 year ended December 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 issuance by the Board of Directors on March 17, 2022.

**(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”

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	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**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC (hereinafter referred to as “IFRS endorsed by the FSC”).

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (or assets) are recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(p).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Nature of operation	Shareholding		Note
			December 31, 2021	December 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 %	-
"	KINGPAK Technology Inc. (KINGPAK)	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.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at : amortized cost ; fair value through other comprehensive income-equity investment or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, and accounts receivable, other receivables, refundable deposits and other financial assets), equity instruments investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and structures: 3 ~ 50 years
- 2) Machinery and equipment: 2 ~10 years
- 3) Office equipment: 3 ~10 years
- 4) Leasehold improvements: 5 ~ 25 years
- 5) Building and equipment constitutes mainly building, air conditioning equipment and elevator engineering equipment and its related facilities. Each part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents the right-of-use asset that do not meet the definition of investment and the lease liability as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets, including copying machines. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Patents	5~11 years
3) Customer relationships	7~13.5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

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

(n) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells electronic components to electronic manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. For certain image sensors product contracts, the customer controls all of the work in progress as the products are being manufactured. In such case, revenue will be recognized as the products are being manufactured.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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The Group often offers trade discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that is highly probable that a significant reversal will not occur. A contract liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 90 days, which is consistent with the market practice.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) 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.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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The surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(s) Business combination

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

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

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

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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**(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 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and have been updated to reflect the impact of COVID-19 pandemic is as follows:

(a) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Due to the impact of product life cycle and industrial competition in electronic industry, which tends to devalue the inventories, the Group evaluates the costs of inventories using the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to note (6)(f) of the consolidated financial statement for inventory valuation.

(b) Assessment of goodwill impairment from investment in subsidiaries

The assessment of impairment of goodwill requires the Group's to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Please refer to Note (6)(g) for the assessment of goodwill impairment.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Petty cash and foreign currency on hand	\$ 391	516
Checking accounts and demand deposits	3,657,158	3,583,676
Time deposits	<u>726,148</u>	<u>206,982</u>
	<b><u>\$ 4,383,697</u></b>	<b><u>3,791,174</u></b>

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

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 3,556	-
Foreign exchange swaps contracts	4,429	-
Non-derivative financial assets		
Open-end mutual funds	231,292	331,054
Structured deposits	-	284,886
Stock listed in domestic markets	276,168	272,946
Foreign private funds	179,221	179,497
	<b>\$ 694,666</b>	<b>1,068,383</b>
Current	\$ 239,277	615,940
Non-current	455,389	452,443
	<b>\$ 694,666</b>	<b>1,068,383</b>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Hold-for-trading financial liabilities:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 4,609	-

The Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating activities. As of December 31, 2020, the Group did not hold any unsettled transaction associated with derivative financial instruments. As of December 31, 2021, 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:

	<b>December 31, 2021</b>			
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	
<b>Derivative financial assets</b>				
<b>Forward exchange contracts</b>				
Foreign exchange purchased	USD	29,000	USD to NTD	2022.02.25~2022.04.27
Foreign exchange sold	EUR	1,000	EUR to USD	2022.01.06
<b>Foreign exchange swaps contracts</b>				
Foreign exchange swaps	USD	40,500	USD to NTD	2022.01.28~2022.03.21

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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	<b>December 31, 2021</b>		
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>
<b>Derivative financial liabilities</b>			
<b>Forward exchange contracts</b>			
Foreign exchange purchased	USD 24,000	USD to NTD	2022.01.20~2022.06.30
Foreign exchange sold	USD 4,000	USD to JPY	2022.01.05

Refer to Note (6)(w) for information relating to the credit risk management of financial instruments.

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

(c) Financial assets at fair value through other comprehensive income

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Equity investments at fair value through other comprehensive income:		
Stock listed on domestic market - preferred stock	<b>\$ 350,563</b>	<b>-</b>

(i) The Group's investment equity instruments are long-term strategic investments not held-for-trading purpose. The Group designated as equity investment at fair value through other comprehensive income.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2021 and 2020.

(iii) For credit risk and market risk, please refer to note (6)(w).

(iv) As of December 31, 2021, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Foreign corporate bonds	<b>\$ 221,440</b>	<b>227,840</b>

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)(w) for credit risk.

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

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

## (e) Accounts receivable

	<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Accounts receivable – measured at amortized cost	\$ 2,318,695	1,871,703
Less: allowance for impairment	<u>(92,217)</u>	<u>(51,130)</u>
	<b><u>\$ 2,226,478</u></b>	<b><u>1,820,573</u></b>

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

<b>December 31, 2021</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted-average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 102,579	-	-
31 to 60 days	59,285	0.50%	296
61 to 90 days	10,276	1.44%	148
91 to 120 days	10,624	5.00%	531
121 to 180 days	3,697	10.00%	370
181 to 360 days	<u>1</u>	50.00%	<u>-</u>
	<b><u>\$ 186,462</u></b>		<b><u>1,345</u></b>
<b>December 31, 2020</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted-average expected loss rate</b>	<b>Loss allowance provision</b>
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	<u>211</u>	100.00%	<u>211</u>
	<b><u>\$ 169,567</u></b>		<b><u>1,689</u></b>

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## (ii) Credit rate B

<b>December 31, 2021</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted-average expected loss rate</b>	<b>Loss allowance provision</b>
1 to 30 days	\$ 857,800	1.12%	9,572
31 to 60 days	875,731	3.77%	33,038
61 to 90 days	283,029	8.72%	24,677
91 to 120 days	114,411	20.00%	22,882
121 to 180 days	1,117	50.00%	558
181 to 360 days	8	100.00%	8
More than 361 days	137	100.00%	137
	<b>\$ 2,132,233</b>		<b>90,872</b>

  

<b>December 31, 2020</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted-average expected loss rate</b>	<b>Loss allowance provision</b>
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
	<b>\$ 1,702,136</b>		<b>49,441</b>

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

	<b>2021</b>	<b>2020</b>
The beginning of period	\$ 51,130	65,471
Acquisition through business combination	-	626
Impairment loss recognized (reversed)	41,426	(14,884)
Amounts written off	(319)	-
Effect of movements in exchange rates	(20)	(83)
The end of period	<b>\$ 92,217</b>	<b>51,130</b>

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

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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## (f) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 224,628	197,628
Semi-finished goods	276,355	182,700
Work in progress	265,094	299,637
Raw materials	795,583	619,627
Indirect materials	<u>268,609</u>	<u>219,589</u>
	<u>\$ 1,830,269</u>	<u>1,519,181</u>

(i) The details of costs of sales for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Cost of sales and expense	\$ 9,212,180	7,280,676
Cost for write-downs on inventory valuation and obsolescence	<u>33,138</u>	<u>1,530</u>
	<u>\$ 9,245,318</u>	<u>7,282,206</u>

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

## (g) 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 year ended December 31, 2020 would have been \$11,237,494 and \$1,220,255, 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.

- (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 income 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	<u>3,403,767</u>
	<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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(h) 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
<b>Cost or deemed cost:</b>							
Balance on January 1, 2021	\$ 2,394,630	2,962,779	6,099,011	320,949	1,894	350,239	12,129,502
Additions	-	72,910	404,770	68,641	-	1,851,129	2,397,450
Transferred in (out)	-	81,247	129,683	18,468	-	(246,737)	(17,339)
Disposals	-	(73,821)	(823,827)	(35,008)	-	-	(932,656)
Effects of movements in exchange rates	-	(12,231)	(40,216)	(6,130)	(53)	(744)	(59,374)
Balance on December 31, 2021	<u>\$ 2,394,630</u>	<u>3,030,884</u>	<u>5,769,421</u>	<u>366,920</u>	<u>1,841</u>	<u>1,953,887</u>	<u>13,517,583</u>
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	-	166,040	1,416,059	22,968	-	178,753	1,783,820
Transferred in (out)	-	604	157,403	(622)	-	(163,276)	(5,891)
Disposals	-	(21,317)	(402,700)	(79,254)	-	(5,779)	(509,050)
Effects of movements in exchange rates	-	(22,919)	(82,861)	(11,108)	(100)	(952)	(117,940)
Balance on December 31, 2020	<u>\$ 2,394,630</u>	<u>2,962,779</u>	<u>6,099,011</u>	<u>320,949</u>	<u>1,894</u>	<u>350,239</u>	<u>12,129,502</u>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2021	\$ -	752,181	3,304,846	246,364	834	-	4,304,225
Depreciation for the year	-	178,545	1,222,889	53,355	74	-	1,454,863
Disposals	-	(73,821)	(825,972)	(35,008)	-	-	(934,801)
Effects of movements in exchange rates	-	(5,044)	(37,121)	(5,438)	(24)	-	(47,627)
Balance on December 31, 2021	<u>\$ -</u>	<u>851,861</u>	<u>3,664,642</u>	<u>259,273</u>	<u>884</u>	<u>-</u>	<u>4,776,660</u>
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 year	-	155,103	752,302	48,402	79	-	955,886
Impairment loss	-	-	3,380	-	-	-	3,380
Disposals	-	(21,317)	(399,449)	(78,060)	-	-	(498,826)
Effects of movements in exchange rates	-	(8,805)	(75,720)	(9,871)	(43)	-	(94,439)
Balance on December 31, 2020	<u>\$ -</u>	<u>752,181</u>	<u>3,304,846</u>	<u>246,364</u>	<u>834</u>	<u>-</u>	<u>4,304,225</u>
<b>Book value:</b>							
Balance on December 31, 2021	<u>\$ 2,394,630</u>	<u>2,179,023</u>	<u>2,104,779</u>	<u>107,647</u>	<u>957</u>	<u>1,953,887</u>	<u>8,740,923</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 December 31, 2020	<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>

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The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August, 2020. The total amount of contract is \$3,200,000. As of December 31, 2021, the amount of \$1,616,000 had been paid.

The Group expected the reduction of part of the future cash flow of the equipment cause the carrying amount of the equipment exceeds its recoverable amount, and an impairment loss was recognized amounting to \$3,380 during 2020, which was included in miscellaneous disbursements.

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

(i) 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:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2021	\$ 84,620	15,984	19,216	119,820
Additions	-	17,263	3,022	20,285
Deductions	-	(10,346)	(1,569)	(11,915)
Balance on December 31, 2021	<u>\$ 84,620</u>	<u>22,901</u>	<u>20,669</u>	<u>128,190</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	5,200	5,120	20,246
Deductions	(28,018)	(7,710)	(8,811)	(44,539)
Balance on December 31, 2020	<u>\$ 84,620</u>	<u>15,984</u>	<u>19,216</u>	<u>119,820</u>
<b>Depreciation and impairment loss:</b>				
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the year	5,458	9,220	4,405	19,083
Deductions	-	(5,053)	(499)	(5,552)
Balance on December 31, 2021	<u>\$ 8,173</u>	<u>9,104</u>	<u>7,426</u>	<u>24,703</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 year	3,989	4,592	3,680	12,261
Deductions	(8,350)	(3,869)	(2,089)	(14,308)
Balance on December 31, 2020	<u>\$ 2,715</u>	<u>4,937</u>	<u>3,520</u>	<u>11,172</u>
<b>Book value:</b>				
Balance on December 31, 2021	<u>\$ 76,447</u>	<u>13,797</u>	<u>13,243</u>	<u>103,487</u>
Balance on January 1, 2020	<u>\$ 95,041</u>	<u>13,138</u>	<u>18,341</u>	<u>126,520</u>
Balance on December 31, 2020	<u>\$ 81,905</u>	<u>11,047</u>	<u>15,696</u>	<u>108,648</u>

(Continued)

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

## (j) Intangible assets

## (i) Goodwill from a business combination

- 1) The Group merged with Impac Technology Co., Ltd. in 2009 in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 25 “Business Combinations”, and the cost of acquisition was allocated to the fair value of the assets acquired and the liabilities assumed within one year of acquisition date. The cost of investment exceeds the fair value of identifiable net assets is recognized as goodwill. The goodwill recognized for the aforesaid transaction was \$51,936.
- 2) On June 19, 2020, the Group obtained control over KINGPAK and recognized goodwill and other intangible assets, please refer to note (6)(g) for detail.

## (ii) The cost and amortization of intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
<b>Cost:</b>					
Balance on January 1, 2021	\$ 7,448,612	958,013	43,949	405,476	8,856,050
Additions	-	-	4,261	-	4,261
Transferred in (out)	-	(290)	-	-	(290)
Disposals	-	(259)	(13,212)	-	(13,471)
Balance on December 31, 2021	<u>\$ 7,448,612</u>	<u>957,464</u>	<u>34,998</u>	<u>405,476</u>	<u>8,846,550</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	-	-	8,082	-	8,082
Transferred in (out)	-	(1,253)	3,780	-	2,527
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ 7,448,612</u>	<u>958,013</u>	<u>43,949</u>	<u>405,476</u>	<u>8,856,050</u>
<b>Amortization and impairment loss:</b>					
Balance on January 1, 2021	\$ -	163,299	22,317	56,144	241,760
Amortization for the year	-	77,498	11,860	26,941	116,299
Transferred in (out)	-	(217)	-	-	(217)
Disposals	-	(152)	(13,212)	-	(13,364)
Balance on December 31, 2021	<u>\$ -</u>	<u>240,428</u>	<u>20,965</u>	<u>83,085</u>	<u>344,478</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 year	-	41,390	11,621	14,368	67,379
Transferred in (out)	-	(957)	-	-	(957)
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ -</u>	<u>163,299</u>	<u>22,317</u>	<u>56,144</u>	<u>241,760</u>
<b>Book value:</b>					
Balance on December 31, 2021	<u>\$ 7,448,612</u>	<u>717,036</u>	<u>14,033</u>	<u>322,391</u>	<u>8,502,072</u>
Balance on January 1, 2020	<u>\$ 51,936</u>	<u>-</u>	<u>17,004</u>	<u>-</u>	<u>68,940</u>
Balance on December 31, 2021	<u>\$ 7,448,612</u>	<u>794,714</u>	<u>21,632</u>	<u>349,332</u>	<u>8,614,290</u>

(Continued)

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

(iii) Amortization recognized

As of December 31, 2021 and 2020, the amortization expenses of intangible assets in the statement of comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Operating costs	\$ <u>5,024</u>	<u>4,156</u>
Operating expenses	\$ <u>111,275</u>	<u>63,223</u>

(iv) Test of goodwill impairment

For the purpose of impairment test, goodwill was mainly allocated to the cash-generating units – BU2 and BU3.

The recoverable amount is determined based on the value in use, which was calculated based on the cash flow forecast from the financial budgets covering the future one-year period, and the Group used the annual discount rates of 9.30% to 11.16% and of 11.51% to 11.60%, respectively, in its impairment test for the years ended December 31, 2021 and 2020. The estimation of discount rate was based on the weighted-average capital cost.

Based on the result of impairment test, the recoverable amounts determined by the value in use were both higher than the carrying amounts as of December 31, 2021 and 2020. Therefore, the Group did not recognize any impairment loss on goodwill.

(v) Collateral

As of December 31, 2021 and 2020, the Group did not provide intangible assets as collaterals for its loans.

(k) Short-term borrowings

Details of short-term borrowings were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	\$ -	<u>269,000</u>
Unused short-term credit lines	\$ <u>4,564,700</u>	<u>3,262,545</u>
Range of interest rates	<u>-</u>	<u>0.89%~0.9%</u>

(i) Please refer to note (8) for the information about the Group providing assets as collateral for part of its borrowings and credit lines.

(ii) Please refer to note (6)(w) for the exchange rate risk, interest risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)



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

(l) Long-term borrowings

Details of long-term borrowings were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured bank loans	\$ 63,000	-
Less: Discounts on government grants	<u>(500)</u>	<u>-</u>
	<u>\$ 62,500</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 8,257,000</u>	<u>5,300,000</u>
Range of interest rates	<u>0.6%~0.8%</u>	<u>-</u>
Expiration	2031	-

(i) As of December 31, 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 period of loans.

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

(m) Other payables

Details of other payables were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries, employees' compensation and directors' remuneration	\$ 1,002,752	724,361
Payable on machinery and equipment	114,098	125,812
Accrued employee benefit liabilities	51,461	47,484
Accrued expenses	<u>616,665</u>	<u>597,991</u>
	<u>\$ 1,784,976</u>	<u>1,495,648</u>

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

(n) Provision

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Compensation	<u>\$ 127,873</u>	<u>140,808</u>

(Continued)

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

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.

(o) Lease liabilities

The details of lease liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<u>\$ 19,431</u>	<u>13,189</u>
Non-current	<u>\$ 85,416</u>	<u>96,175</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u>\$ 1,928</u>	<u>1,995</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 77,872</u>	<u>114,082</u>
Expenses relating to short-term leases	<u>\$ 8,798</u>	<u>9,277</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 337</u>	<u>46</u>

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 107,256</u>	<u>136,460</u>

(i) Real estate leases

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

(ii) Other leases

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

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

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

(Continued)

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

(p) Employee benefits

(i) Defined benefit plans

- 1) Reconciliation of the defined benefit obligation at present value and plan assets at fair value of the Company were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ (374,059)	(335,236)
Fair value of plan assets	<u>225,832</u>	<u>226,024</u>
Net defined benefit liabilities	<u><b>\$ (148,227)</b></u>	<u><b>(109,212)</b></u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

- 2) Reconciliation of defined benefit obligations at present value and plan assets at fair value of THEPI were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ (69,659)	(118,316)
Fair value of plan assets	<u>18,259</u>	<u>8,241</u>
Net defined benefit liabilities	<u><b>\$ (51,400)</b></u>	<u><b>(110,075)</b></u>

THEPI makes defined benefit plan contributions to the pension fund account at local bank in Philippines. The plans entitle a retired employee to receive retirement benefits based on years of service and average salary prior to retirement.

- 3) Reconciliation of defined benefit obligations at present value and plan assets at fair value of KINGPAK were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ (30,994)	(33,227)
Fair value of plan assets	<u>40,860</u>	<u>44,018</u>
Net defined benefit assets	<u><b>\$ 9,866</b></u>	<u><b>10,791</b></u>

KINGPAK makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

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

4) Composition of plan assets

The Company and KINGPAK allocate their pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's and KINGPAK's Bank of Taiwan labor pension and appointed manager retirement fund reserve account balance amounted to \$266,692 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of labor.

The plan assets of THEPI is composed of cash, and is managed by local bank in Philippines. The plan assets balance amounted to \$18,280 at the end of the reporting period.

5) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	<b>2021</b>	<b>2020</b>
Defined benefit obligation on January 1	\$ (486,779)	(451,583)
Acquisition through business combinations	-	(34,019)
Current service costs and interest	(22,248)	(22,818)
Benefits paid by the plan	21,010	64,554
Re-measurement of the net defined benefit liability		
-Return on plan assets (excluding current interest income)	(620)	1,144
-Actuarial gains (losses) arose from changes in financial assumptions	14,226	(43,421)
-Actuarial gains (losses) arose from changes in demographic assumptions	(8,989)	-
Exchange difference on foreign plan	8,688	(636)
Defined benefit obligation on December 31	<u>\$ (474,712)</u>	<u>(486,779)</u>

(Continued)

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

6) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets on January 1	\$ 278,283	275,451
Acquisition through business combinations	-	42,445
Interest income	2,340	3,722
Benefits paid by the plan	(21,010)	(64,554)
Re-measurements of the net defined benefit asset		
-Return on plan assets (excluding current interest income)	1,557	6,882
Contributions paid by the employer	24,991	14,340
Exchange difference on foreign plan	(1,210)	(3)
Fair value of plan assets on December 31	<u>\$ 284,951</u>	<u>278,283</u>

7) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 14,889	13,634
Net interest on the net defined benefit liabilities	5,019	5,460
	<u>\$ 19,908</u>	<u>19,094</u>
Cost of sales	\$ 17,041	15,945
Selling expense	232	251
Administrative expense	2,354	2,666
Research and development expense	281	232
	<u>\$ 19,908</u>	<u>19,094</u>

8) Re-measurement of the net defined benefit liabilities recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount on January 1	\$ 150,743	115,347
Recognized during the period	(6,174)	35,396
Accumulated amount on December 31	<u>\$ 144,569</u>	<u>150,743</u>

(Continued)

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

9) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2021			December 31, 2020		
	The Company	THEPI	KINGPAK	The Company	THEPI	KINGPAK
Discount rate	0.750 %	5.200 %	0.550 %	0.750 %	4.100 %	0.800 %
Future salary increasing rate	3.500 %	6.000 %	3.750 %	2.800 %	8.000 %	3.750 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$20,172.

The weighted-average lifetime of the defined benefit plan is 11.00 to 16.49 years.

10) Sensitivity analysis

As of December 31, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

A. The Company	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
<b>Actuarial assumption</b>		
December 31, 2021		
Discount rate	\$ (12,823)	13,426
Future salary increasing rate	12,855	(12,356)
December 31, 2020		
Discount rate	(11,703)	12,289
Future salary increasing rate	11,848	(11,359)
B. THEPI	Influences of defined benefit obligations	
	Increased 1.00%	Decreased 1.00%
<b>Actuarial assumption</b>		
December 31, 2021		
Discount rate	\$ (9,999)	12,297
Future salary increasing rate	11,600	(9,667)
December 31, 2020		
Discount rate	(19,516)	24,491
Future salary increasing rate	22,487	(18,485)

(Continued)

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

<b>C. KINGPAK</b>	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
<u>Actuarial assumption</u>		
Discount rate		
December 31, 2021	\$ (801)	830
December 31, 2020	(855)	888
	<b>Influences of defined benefit obligations</b>	
	<b>Increased 1.00%</b>	<b>Decreased 1.00%</b>
Future salary increasing rate		
December 31, 2021	\$ 3,384	(2,992)
December 31, 2020	3,631	(3,202)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method amounted to \$73,083 and \$61,119 for the years ended December 31, 2021 and 2020, respectively,

(Continued)

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

(q) Income Taxes

(i) Income tax expenses

- 1) The components of income tax expense in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 735,613	415,259
Adjustment for prior periods	<u>(101,459)</u>	<u>-</u>
	<u>634,154</u>	<u>415,259</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(16,921)</u>	<u>(17,129)</u>
Income tax expense	<u>\$ 617,233</u>	<u>398,130</u>

- 2) The amount of income tax expense (benefit) recognized in other comprehensive income for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Items that may not be reclassified to profit or loss:		
Re-measurement of the defined benefit plans	\$ 934	(6,716)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>(7,749)</u>	<u>(15,703)</u>
	<u>\$ (6,815)</u>	<u>(22,419)</u>

- 3) Reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Profit before income tax	\$ 3,381,925	1,848,805
Income tax using the Company's domestic tax rate	676,385	369,761
Effect of tax rates in foreign jurisdiction	(39,929)	2,056
Tax-exempt income	(962)	3,215
Over provision in prior periods	(101,459)	-
Others	<u>83,198</u>	<u>23,098</u>
	<u>\$ 617,233</u>	<u>398,130</u>

(Continued)



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

(ii) Deferred tax assets and liabilities

The Group has no unrecognized deferred tax assets and liabilities. Changes in the amount of recognized deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Defined benefit plans	Provision for the land value increment tax	Investments income recognized under the equity method	Others	Total	
<b>Deferred tax liabilities:</b>						
Balance on January 1, 2021	\$ -	80,950	-	25,448	106,398	
Recognized in profit or loss	-	-	7,818	723	8,541	
Balance on December 31, 2021	<u>\$ -</u>	<u>80,950</u>	<u>7,818</u>	<u>26,171</u>	<u>114,939</u>	
Balance on January 1, 2020	\$ -	80,950	-	30,536	111,486	
Acquisition through business combination	217	-	-	-	217	
Recognized in profit or loss	-	-	-	(5,088)	(5,088)	
Recognized in other comprehensive income	(217)	-	-	-	(217)	
Balance on December 31, 2020	<u>\$ -</u>	<u>80,950</u>	<u>-</u>	<u>25,448</u>	<u>106,398</u>	
	Foreign currency translation adjustment	Defined benefit plans	Investments loss recognized under the equity method	Adjustment of depreciation of fixed assets for tax purposes	Others	Total
<b>Deferred tax assets:</b>						
Balance on January 1, 2021	\$ 25,203	37,646	54,049	19,066	83,269	219,233
Recognized in profit or loss	-	(1,110)	(54,049)	71,403	9,218	25,462
Recognized in other comprehensive income	7,749	(934)	-	-	-	6,815
Balance on December 31, 2021	<u>\$ 32,952</u>	<u>35,602</u>	<u>-</u>	<u>90,469</u>	<u>92,487</u>	<u>251,510</u>
Balance on January 1, 2020	\$ 9,500	32,227	63,595	-	32,788	138,110
Acquisition through business combination	-	-	-	-	46,880	46,880
Recognized in profit or loss	-	(1,080)	(9,546)	19,066	3,601	12,041
Recognized in other comprehensive income	15,703	6,499	-	-	-	22,202
Balance on December 31, 2020	<u>\$ 25,203</u>	<u>37,646</u>	<u>54,049</u>	<u>19,066</u>	<u>83,269</u>	<u>219,233</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 of income tax returns the Company and KINGPAK through 2019.

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

(r) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares was 400,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$4,000,000, of which \$200,000 were reserved for the issuance of employee stock options. As of the date, 178,698 thousand and 178,708 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

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

As of June 19, 2020, the employee stock options were exercised due to business combination 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 for the year ended 2020 amounting to \$1,400, and registration procedures were completed on January 15, 2021, and January 21, 2021, respectively.

The restricted stocks were cancelled due to the employees fail to meet the vesting conditions for the year ended 2021 amounting to \$104. As of December 31, 2021, the registration procedure has not been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Capital surplus—additional paid-in capital	\$ 15,002,891	15,002,891
Employment restricted shares	59,310	61,058
Other	56,219	56,219
	<b><u>\$ 15,118,420</u></b>	<b><u>15,120,168</u></b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

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

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company shall reclassify its unrealized revaluation gains amounting to \$161,156 as retained earnings. According to the Rule No. 1010012865 issued by FSC on April 6, 2012, the company is able to reclassify its net increasing retained earnings as special earnings reserve which resulted from the first-time adoption of the IFRS after the adoption date. When the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve both amounted to \$33,700 on December 31, 2021 and 2020.

In accordance with the guidelines of the above Rule, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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3) 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	982,896	2.44484149	578,751

Earnings distribution for 2021 was approved by the board of directors of the Company held on March 17, 2022. The relevant dividend distributions was as follow:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders from unappropriated earnings	\$ 9.00	1,608,214

The related information about earnings distribution approved by the shareholders' meeting can be accessed from the Market Observation Post System Website.

(s) Shares-based payment

(i) Employee stock options

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

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

- 2) The information on the option issued which were granted by KINGPAK was as follows:

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

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- 3) The information about the employee stock options was as follows:

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

The aforementioned employee stock options was all expired after the expiry of the period validity on August 10, 2021.

- (ii) Employee restricted shares

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

- 1) Employees who work for KINGPAK from the issuance dates (the effective date of the share issuance) to the following vested periods, having met KINGPAK's financial and personal performance, without violating the KINGPAK's working policy, will receive the vested shares as below:
  - a) 1-year service: 30% of the restricted shares will be vested
  - b) 2-year service: 30% of the restricted shares will be vested
  - c) 3-year service: 40% of the restricted shares will be vested
- 2) The restricted rights before the vesting period are as follows:
  - a) The restricted shares are kept by a trust which is appointed by KINGPAK. Also, employees should comply with all procedures and sign the related documents accordingly.
  - b) Except for inheritance, employees may not sell, pledge, transfer, gift, or dispose, by any other means, to third parties.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- c) The rights of restricted share plan for employees, including dividends, bonuses, the distribution rights of legal reserve and capital surplus, the voting rights at the shareholders' meeting, etc., are the same as those of KINGPAK's issued ordinary shares except for the new shares which could be subscribed in proportion to their original shareholding. The right of attendance, proposal, speech, voting, etc. of the shareholders are exercised according to the agreement which was entered into by the trust.
- d) Employees may not demand KINGPAK or the trust appointed by KINGPAK to return the restricted shares in any ways.
- 3) The shares of the employees who fail to meet the vesting conditions will be retrieved and cancelled. The related guidelines on restricted stocks should be complied accordingly if the employees retire, succumb to any unfortunate events, voluntarily resign, have been dismissed or transferred to another post, or abandon their restricted shares.

Information on restricted stock to employee was as follows:

	<u>2021</u>	<u>2020</u>
	<u>Units (thousand)</u>	<u>Units (thousand)</u>
Outstanding units at beginning period	234	500
Adjustments due to business combination	-	122
Share adjustments due to capital reduction	-	(152)
Vested during the year	(96)	(96)
Current units forfeited	<u>(10)</u>	<u>(140)</u>
Outstanding units at ended period	<u><u>128</u></u>	<u><u>234</u></u>

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

As of December 31, 2021 and 2020, the unearned employee compensation was \$6,777 and \$23,268, respectively.

For the years ended December 31, 2021 and June 19 to December 31, 2020, the expenses arising from KINGPAK issued employee restrict shares were \$14,639 and \$8,714, respectively.

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

(t) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2021 and 2020 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>2,764,692</u>	<u>1,450,675</u>

2) Weighted-average number of ordinary shares (thousands)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares	<u>178,490</u>	<u>184,001</u>

3) Basic earnings per share (NTD)

	<u>2021</u>	<u>2020</u>
Basic earnings per share	\$ <u>15.49</u>	<u>7.88</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2021 and 2020 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>2,764,692</u>	<u>1,450,675</u>

2) Weighted-average number of ordinary shares (diluted) (thousands)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares (basic) (thousands)	178,490	184,001
Effect of employee remuneration (thousands)	927	1,010
Effect of employee restricted shares (thousands)	<u>100</u>	<u>99</u>
Weighted-average number of ordinary shares (diluted) on December 31	<u>179,517</u>	<u>185,110</u>

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

3) Diluted earnings per share (NTD)

	2021	2020
Diluted earnings per share	\$ 15.40	7.84

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 375,523	230,284	2,705,989	167,460	3,479,256
Switzerland	211	2,012,344	52,070	15,240	2,079,865
Malaysia	1,023,671	949,317	45,331	1,829	2,020,148
United States	273,717	112,519	1,150,989	72,803	1,610,028
Japan	4,939	1,169,809	25,807	1,399	1,201,954
Hong Kong	194,162	8,912	973,878	2,245	1,179,197
China	373,152	552,067	209,428	3,638	1,138,285
Others	332,875	166,513	556,924	95,069	1,151,381
	<b>\$ 2,578,250</b>	<b>5,201,765</b>	<b>5,720,416</b>	<b>359,683</b>	<b>13,860,114</b>
Major products/services lines:					
Image sensors	\$ -	3,506,455	3,344,168	152,672	7,003,295
Metalized ceramic substrates	2,578,250	11,045	949,061	20,885	3,559,241
Hybrid integrated circuits	-	1,659,587	814,356	20,942	2,494,885
RF modules	-	24,678	612,831	11,803	649,312
Others	-	-	-	153,381	153,381
	<b>\$ 2,578,250</b>	<b>5,201,765</b>	<b>5,720,416</b>	<b>359,683</b>	<b>13,860,114</b>
	2020				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 247,455	85,967	2,799,775	33,119	3,166,316
Switzerland	524	867,758	28,796	4,681	901,759
Malaysia	625,037	792,504	46,749	189	1,464,479
United States	141,084	75,342	1,055,314	83,708	1,355,448
Japan	2,688	412,471	23,770	1,257	440,186
Hong Kong	100,996	9,521	1,124,364	2,767	1,237,648
China	227,589	343,206	169,571	801	741,167
Others	204,675	85,291	490,783	90,250	870,999
	<b>\$ 1,550,048</b>	<b>2,672,060</b>	<b>5,739,122</b>	<b>216,772</b>	<b>10,178,002</b>

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	<b>2020</b>				
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Major products/services lines:					
Image sensors	\$ -	1,410,419	3,562,184	-	4,972,603
Metalized ceramic substrates	1,549,460	-	700,366	-	2,249,826
Hybrid integrated circuits	382	1,207,390	838,119	-	2,045,891
RF modules	206	54,251	638,453	-	692,910
Others	-	-	-	216,772	216,772
	<b><u>\$ 1,550,048</u></b>	<b><u>2,672,060</u></b>	<b><u>5,739,122</u></b>	<b><u>216,772</u></b>	<b><u>10,178,002</u></b>

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable	\$ 2,318,695	1,871,703	1,402,772
Contract assets – image sensors product (recorded under other current assets)	69,621	82,344	29,905
Less: allowance for impairment	(92,217)	(51,130)	(65,471)
Total	<b><u>\$ 2,296,099</u></b>	<b><u>1,902,917</u></b>	<b><u>1,367,206</u></b>
Contract liabilities – advance sales receipts	<b><u>\$ 365,436</u></b>	<b><u>339,573</u></b>	<b><u>301,596</u></b>

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

The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liabilities balance at the beginning of the period were \$25,288 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.

(v) 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 shall be paid in cash.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$170,600 and \$106,720, respectively. The remuneration of directors amounted to \$68,200 and \$38,354 for the years ended December 31, 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.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2020. Related information would be available on the Market Observation Post System Website.

(w) Financial Instruments

(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 trade receivables, please refer to note (6)(e). 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 years ended December 31, 2021 and 2020 were as follows:

	<b>Other receivables</b>
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(200)
Effects of movements in exchange rates	(16)
Balance on December 31, 2021	<b>\$ 423</b>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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	<b>Other receivables</b>
Balance on January 1, 2020	\$ 1,504
Impairment loss reversed	(826)
Effects of movements in exchange rates	(39)
Balance on December 31, 2020	<b>\$ 639</b>

(ii) Liquidity risk

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

	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>Over a year</b>
<b>December 31, 2021</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 1,013,128	(1,013,128)	(1,013,128)	-
Other payables	1,784,976	(1,784,976)	(1,784,976)	-
Lease liabilities (including current and non-current portion)	104,847	(129,199)	(21,095)	(108,104)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	62,500	(63,000)	-	(63,000)
Derivative financial liabilities:				
Forward exchange contracts:	4,609			
Outflow		(776,149)	(776,149)	-
Inflow		773,558	773,558	-
	<b>\$ 2,975,071</b>	<b>(2,997,905)</b>	<b>(2,821,790)</b>	<b>(176,115)</b>
<b>December 31, 2020</b>				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 269,000	(269,275)	(269,275)	-
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)
	<b>\$ 2,876,957</b>	<b>(2,903,299)</b>	<b>(2,778,711)</b>	<b>(124,588)</b>

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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## (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:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$ 189,065	USD/NTD =27.680	5,233,319	188,188	USD/NTD =28.480	5,171,406
<u>Financial liabilities</u>						
Monetary items						
USD	19,565	USD/NTD =27.680	541,559	15,618	USD/NTD =28.480	444,801
JPY	832,842	JPY/NTD =0.2405	200,299	792,829	JPY/NTD =0.2763	219,059

## 2) Sensitivity analysis

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 years ended December 31, 2021 and 2020 would have increased or decreased the net profit before tax as follows:

	2021	2020
USD (against the NTD)		
Strengthening 5%	\$ 234,588	236,330
Weakening 5%	(234,588)	(236,330)
JPY (against the NTD)		
Strengthening 5%	(10,015)	(10,953)
Weakening 5%	10,015	10,953

## (iv) Foreign exchange gains or losses on monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2021 and 2020 the foreign exchange losses, including realized and unrealized portion, amounted to \$92,000 and \$173,916, respectively.

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

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Fixed-rate instruments:		
Financial assets	\$ 987,017	477,084
Financial liabilities	(62,500)	(50,000)
	<b>\$ 924,517</b>	<b>427,084</b>
Variable-rate instruments:		
Financial assets	\$ 3,651,098	3,580,101
Financial liabilities	-	(269,000)
	<b>\$ 3,651,098</b>	<b>3,311,101</b>

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 \$9,128 and \$8,278 for the years ended December 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:

(Continued)

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	December 31, 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 \$	7,985	-	7,985	-	7,985
Open-end mutual funds	231,292	231,292	-	-	231,292
Stock listed in domestic markets	276,168	276,168	-	-	276,168
Foreign private funds	<u>179,221</u>	-	-	179,221	179,221
Subtotal	<u>694,666</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic market-preferred stocks	<u>350,563</u>	350,563	-	-	350,563
Financial assets measured at amortized cost					
Cash and cash equivalents	4,383,697	-	-	-	-
Accounts receivable, net	2,226,478	-	-	-	-
Other receivables	8,635	-	-	-	-
Other financial assets – current	34,024	-	-	-	-
Foreign corporate bonds	221,440	-	-	-	-
Refundable deposits (recorded under other non-current assets)	11,850	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>6,891,529</u>				
Total	<u>\$ 7,936,758</u>				

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	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	3,791,174	-	-	-	-
Accounts receivable, net	1,820,573	-	-	-	-
Other receivables	6,815	-	-	-	-
Other financial assets – current	36,857	-	-	-	-
Foreign corporate bonds	227,840	-	-	-	-
Refundable deposits (recorded under other non-current assets)	10,713	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>5,899,377</u>				
Total	<u><b>\$ 6,967,760</b></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><b>\$ 2,876,957</b></u>				

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.

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

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

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

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

b) Derivative financial instruments

There is based on valuation models commonly accepted by market participants such as the discounted cash flow method or option pricing models. The 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 in 2021 and 2020.

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4) Changes between Level 3

	<b>Non derivative financial assets mandatorily measured at fair value through profit or loss</b>
Balance on January 1, 2021	\$ 179,497
Total gains and losses recognized in profit or loss	13,880
Purchased	24,925
Disposal	<u>(39,081)</u>
Balance on December 31, 2021	<b><u>\$ 179,221</u></b>
Balance on January 1, 2020	\$ -
Total gains and losses recognized in profit or loss	(7,868)
Purchased	<u>187,365</u>
Balance on December 31, 2020	<b><u>\$ 179,497</u></b>

For the years ended December 31, 2021 and 2020, total gains and losses were included in gains (losses) on current 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:

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

(Continued)

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(x) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group minimizes the risk exposure by purchasing derivative financial instruments. The Board of Directors regulated the transaction of derivative and non-derivative financial instruments in accordance with the Group's procedures for acquisition and disposal of assets. The internal auditors of the Group continually review the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. The Group has no transactions in the financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group offers standard payment term and shipment term. New customers may transact with the Group only on a prepayment basis.

In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including listed company and unlisted company. In order to avoid the excess of credit limitation of the customer, the Group constantly monitors the status of the customers. The Group will stop trading with the customer who has no credit limits, unless, the payment has been paid or approved. Furthermore, credit limits of the customers will be assessed quarterly.

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The Group sets the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2021 and 2020, the Group did not provide any guarantees.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes (6)(k) and (6)(l) for unused short-term and long-term bank facilities as of December 31, 2021 and 2020.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily NTD and USD. The currencies used in these transactions are denominated in NTD, EUR, JPY, USD, and PHP.

2) Interest rate risk

Entities in the Group borrow funds with floating interest rates which results to risks of cash flows.

3) Other market price risk

The Group is exposed to equity price risk due to stocks listed in domestic markets and the quoted open-end fund at fair value.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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(y) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 4,554,915	4,227,640
Total equity	22,982,941	21,209,533
Debt-to-equity ratio	20 %	20 %

(z) 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 years ended December 31, 2021 and 2020, were as follows:

- 1) The acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(i).
- 2) The acquisition of 100% shares of KINGPAK through stock exchange. For related Information, please refer to note (6)(g) of the parent company only financial statements for the year ended December 31, 2021.

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

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>December 31, 2021</b>
			<b>Other</b>	
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	(18,321)	13,804	104,847
Guarantee deposits received	4,130	881	-	5,011
Long-term borrowings	-	63,000	(500)	62,500
Total liabilities from financing activities	<u>\$ 432,494</u>	<u>(273,440)</u>	<u>13,304</u>	<u>172,358</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2020</u>
			<u>Other</u>	<u>Acquisition through business combination</u>	
Short-term borrowings	\$ -	(11,000)	-	280,000	269,000
Short-term notes and bill payable	-	-	-	50,000	50,000
Lease liabilities (including current and non-current portion)	127,487	(11,060)	(11,271)	4,208	109,364
Guarantee deposits received	-	4,130	-	-	4,130
Total liabilities from financing activities	<u>\$ 127,487</u>	<u>(17,930)</u>	<u>(11,271)</u>	<u>334,208</u>	<u>432,494</u>

**(7) Related-party transactions**

- (a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

- (b) 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

- (c) 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.

- (d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 178,124	136,770
Post-employment benefits	666	738
	<u>\$ 178,790</u>	<u>137,508</u>

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

**(8) Pledged assets**

<u>Pledged assets</u>	<u>Subject</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 27,403	28,195
"	Customs duty guarantee	5,300	6,500
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	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	636,881	674,024
Other financial assets – current – reserve account	Customs duty guarantee	-	903
		<u>\$ 674,989</u>	<u>715,027</u>

**(9) Commitments and contingencies**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Future payments for the purchase of equipment and construction in progress	<u>\$ 1,446,255</u>	<u>877,983</u>

(b) The Group contracted with Chung-Lin General Contractors, LTD. for the construction of the plant in Bade District, Taoyuan City in August, 2020. As of Decemer 31, 2021, the payment amounting to \$1,584,000 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unused and outstanding letters of credit and the deposit for customs duties	<u>\$ 27,300</u>	<u>30,455</u>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events:**

(a) The board of directors of the Company approved to conduct the short-form merger with the 100% shareholding subsidiary-KINGPAK on March 17, 2022. The Company will be the surviving company, and KINGPAK will be the dissolved company. The reference date of the merger is set on June 30,2022. If the date is required to change due to the regulation, administrative guidance, or the actual needs, the Chairman of the Company is authorized to modify it according to the merger agreement and relevant laws.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (b) Considering the capital structure of future operation and enhancing shareholders' equity and profitability per share, The board of directors of the Company resolved to conduct a capital reduction by cash amounting to \$178,690 on March 17, 2022, which has not been approved during the annual stockholders' meeting, whereby 17,869 thousand common shares were cancelled, resulting in the capital to decrease by 10%.

**(12) Other**

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

By function By item	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	2,018,010	574,648	2,592,658	1,640,229	452,373	2,092,602
Labor and health insurance	166,387	28,504	194,891	129,179	19,662	148,841
Pension	77,652	15,339	92,991	66,579	13,634	80,213
Other employee benefits	118,446	14,985	133,431	109,289	12,267	121,556
Depreciation	1,415,081	58,865	1,473,946	918,292	49,855	968,147
Amortization	5,024	111,275	116,299	4,156	63,223	67,379

- (b) 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. In the continuation of the trial in the Taiwan High Court, the parties agreed to settle for \$16,330, and the Groups has paid the aforementioned amount as of the reporting date.
- (c) 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 \$13,589 and recorded them under other payables.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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**(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 years ended December 31, 2021:

(i) Loans to other parties: None.

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

(iii) Securities held as of December 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				Highest Percentage of ownership during the year	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	15,433	231,292	-	231,292	-	
The Company	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss - non -current	Note	179,221	1.6%	179,221	1.83%	
"	Stock: Shin Kong Financial Holding Co., Ltd.	"	"	6,445	276,168	-	276,168	-	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	Financial assets at fair value through other comprehensive income - non - current	3,383	203,318	-	203,318	-	
"	Bond: Chailease International Bond	"	Financial assets at amortized cost - non - current	-	221,440	-	221,440	-	
KINGPAK	Stock: eGtran Corporation	"	Financial assets at fair value through other comprehensive income - non - current	22	-	-	-	-	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	"	2,450	147,245	-	147,245	-	

Note: The amount of investment is USD 6,223 thousand.

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (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	-	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 1,616,000	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.
- (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	1,540,941	38 %	Monthly closing and paid by cash	-	-	Accounts payable (74,749)	(11)%	(Note 2)
"	"	"	Manufacturing fee	580,648	14 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(1,540,941)	(71)%	Monthly closing and received by cash	-	-	Accounts receivable 74,749	68 %	"
"	"	"	Manufacturing revenue	(580,648)	(27)%	"	-	-	Accounts receivable 35,155	32 %	"

Note 1 : The other payables amounted to \$35,155 as of June 30, 2021.

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

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (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 notes(6)(b)
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the years ended December 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	1,540,941	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.	11.02 %
1	"	"	2	Manufacturing Revenue	580,648	"	4.15 %
1	"	"	2	Accounts Receivable	74,749	"	0.27 %
1	"	"	2	Accounts receivables	35,155	"	0.13 %

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.

(b) Information on investees:

The following is the information on investees for the year ended December 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			Highest percentage during the year of Ownership	Net income (losses) of the investee	Share of profit (losses) of investee	Note
				December 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 %	1,532,819	100 %	313,680	307,189	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	57,307	100 %	11,434,834	100 %	784,355	685,748	"

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.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (c) Information on investment in mainland China: None.
- (d) Major shareholders: None

**(14) Segment information**

(a) General Information

The Group has three reportable segments: segment BU1, segment BU2, and segment BU3. Segment BU1 is responsible for the process of plating SF with gold. Segment BU2 is responsible for the packing process of subsidiaries. Segment BU3 is responsible for the process of non-plating SF with gold, SMT, AS, RW and CP.

The reportable segments are the Group's strategic divisions. Different technology and marketing strategies are required for the three segments to offer different products and services. Therefore, the above segments are managed separately.

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

	2021					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation &amp; elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 2,578,250	5,201,765	5,720,416	359,683	-	13,860,114
Inter-segment revenues	-	2,121,792	-	-	(2,121,792)	-
Total revenue	<u>\$ 2,578,250</u>	<u>7,323,557</u>	<u>5,720,416</u>	<u>359,683</u>	<u>(2,121,792)</u>	<u>13,860,114</u>
Reportable segment profit (loss)	<u>\$ 675,610</u>	<u>1,127,748</u>	<u>1,371,423</u>	<u>221,585</u>	<u>(14,441)</u>	<u>3,381,925</u>
	2020					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation &amp; elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 1,550,048	2,672,060	5,739,122	216,772	-	10,178,002
Inter-segment revenues	-	1,631,626	-	-	(1,631,626)	-
Total revenue	<u>\$ 1,550,048</u>	<u>4,303,686</u>	<u>5,739,122</u>	<u>216,772</u>	<u>(1,631,626)</u>	<u>10,178,002</u>
Reportable segment profit (loss)	<u>\$ 178,213</u>	<u>303,658</u>	<u>1,463,032</u>	<u>60,544</u>	<u>(156,642)</u>	<u>1,848,805</u>

The material reconciling items of the above reportable segments were as below:

The total segment revenue should deduct the inter-segments revenue amounting to \$2,121,792 and \$1,631,626 for 2021 and 2020, respectively.

(Continued)

**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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## (b) Product information

Revenue from the external customers of the Group was as follows:

<u>Products</u>	<u>2021</u>	<u>2020</u>
Metalized ceramic substrates	\$ 3,559,241	2,249,826
Image sensors	7,003,295	4,972,603
RF modules	649,312	692,910
Hybrid integrated circuits	2,494,885	2,045,891
Others	<u>153,381</u>	<u>216,772</u>
Total	<u><u>\$ 13,860,114</u></u>	<u><u>10,178,002</u></u>

## (c) Geographic information

Information on the geographical location of customers and segment assets are based on the geographical location of the assets.

## (i) Revenue from external customers:

<u>Country</u>	<u>2021</u>	<u>2020</u>
Singapore	\$ 3,479,256	3,166,316
United States	1,610,028	1,355,448
Malaysia	2,020,148	1,464,479
Hong Kong	1,179,197	1,237,648
China	1,138,285	741,167
Switzerland	2,079,865	901,759
Japan	1,201,954	440,186
Others	<u>1,151,381</u>	<u>870,999</u>
Total	<u><u>\$ 13,860,114</u></u>	<u><u>10,178,002</u></u>

## (ii) Non-current Assets:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Taiwan	\$ 16,880,493	16,074,367
Philippines	<u>479,376</u>	<u>489,966</u>
Total	<u><u>\$ 17,359,869</u></u>	<u><u>16,564,333</u></u>

Non-current assets include property, plant and equipment, intangible assets, refundable deposits and other non-current assets (excluding deferred tax assets, financial instruments and pension fund assets).

(Continued)

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

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income are summarized as follows:

	<u>2021</u>	<u>2020</u>
C2650	\$ 2,681,831	2,536,871
C2164	2,105,644	927,580
C1167	<u>1,532,691</u>	<u>1,192,013</u>
	<u>\$ 6,320,166</u>	<u>4,656,464</u>