

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. (“the Company”) and its subsidiaries (“the Group”) as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)
April 26, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2022 and 2021**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2022, December 31, and March 31, 2021****(Expressed in Thousands of New Taiwan Dollars)**

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 4,802,954	17	4,383,697	16	3,589,953	14	2100	Short-term borrowings (note 6(j))	\$ -	-	-	-	273,000	1
1110	Current financial assets at fair value through profit or loss (note 6(b))	299,186	1	239,277	1	1,187,717	5	2110	Short-term notes and bills payable	-	-	-	-	50,000	-
1170	Accounts receivable, net (note 6(e))	2,365,184	9	2,226,478	8	2,021,569	8	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	10,354	-	4,609	-	-	-
1200	Other receivables	81,392	-	49,178	-	71,971	-	2130	Contract liabilities – current (note 6(t))	79,957	-	365,436	1	339,938	1
1310	Inventories (note 6(f))	1,916,592	7	1,830,269	7	1,559,473	6	2170	Notes and accounts payable	955,435	3	1,013,128	4	984,482	4
1410	Prepayments	32,298	-	49,979	-	28,486	-	2200	Other payables (notes 6(l) and 12)	2,068,606	7	1,784,976	6	1,372,505	6
1470	Other current assets (note 6(t))	87,090	-	70,913	-	100,595	-	2230	Current tax liabilities	872,794	3	693,088	3	591,309	2
1476	Other financial assets – current (note 8)	<u>35,005</u>	-	<u>34,024</u>	-	<u>31,914</u>	-	2250	Current provisions (note 6(m))	133,606	1	127,873	1	140,100	1
		<u>9,619,701</u>	<u>34</u>	<u>8,883,815</u>	<u>32</u>	<u>8,591,678</u>	<u>33</u>	2280	Lease liabilities – current (note 6(n))	18,696	-	19,431	-	14,265	-
								2300	Other current liabilities	<u>75,330</u>	-	<u>78,346</u>	-	<u>56,051</u>	-
										<u>4,214,778</u>	<u>14</u>	<u>4,086,887</u>	<u>15</u>	<u>3,821,650</u>	<u>15</u>
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	530,746	2			463,895	2		Non-Current liabilities:						
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	350,563	1	455,389	2	-	-	2540	Long-term borrowings (note 6(k))	62,513	-	62,500	-	-	-
1535	Non-current financial assets at amortized cost (note 6(d))	229,000	1	350,563	1	228,280	1	2570	Deferred tax liabilities	114,939	1	114,939	1	106,398	-
1600	Property, plant and equipment (notes 6(g), 7 and 8)	8,928,244	31	221,440	1	228,280	1	2580	Lease liabilities – non-current (note 6(n))	81,196	-	85,416	-	94,404	-
1755	Right-of-use assets (note 6(h))	98,380	-	8,740,923	32	7,714,428	30	2600	Other non-current liabilities (note 6(k))	5,546	-	5,546	-	3,542	-
1780	Intangible assets (note 6(i))	8,533,815	30	103,487	-	107,782	-	2640	Net defined benefit liability – non-current (note 6(o))	<u>201,195</u>	<u>1</u>	<u>199,627</u>	<u>1</u>	<u>214,085</u>	<u>1</u>
1840	Deferred tax assets	231,593	1	8,502,072	31	8,584,692	33			<u>465,389</u>	<u>2</u>	<u>468,028</u>	<u>2</u>	<u>418,429</u>	<u>1</u>
1900	Other non-current assets (note 7)	87,703	-	23,252	-	22,380	-		Total liabilities	<u>4,680,167</u>	<u>16</u>	<u>4,554,915</u>	<u>17</u>	<u>4,240,079</u>	<u>16</u>
1980	Other financial assets – non-current (note 8)	<u>5,405</u>	-	<u>5,405</u>	-	<u>5,405</u>	-		Equity:						
		<u>18,995,449</u>	<u>66</u>	<u>18,654,041</u>	<u>68</u>	<u>17,342,846</u>	<u>67</u>		Equity attributable to owners of parent: (note 6(q))						
								3100	Ordinary shares	1,786,904	6	1,786,979	6	1,787,083	7
								3200	Capital surplus	15,117,148	53	15,118,420	55	15,120,168	58
								3310	Legal reserve	1,552,352	5	1,552,352	6	1,410,144	6
								3320	Special reserve	141,141	1	141,141	1	97,411	-
								3350	Unappropriated retained earnings	5,434,371	19	4,526,534	16	3,404,559	13
								3400	Other equity interest	<u>(96,933)</u>	-	<u>(142,485)</u>	<u>(1)</u>	<u>(124,920)</u>	-
									Total equity	<u>23,934,983</u>	<u>84</u>	<u>22,982,941</u>	<u>83</u>	<u>21,694,445</u>	<u>84</u>
									Total liabilities and equity	<u>\$ 28,615,150</u>	<u>100</u>	<u>\$ 27,537,856</u>	<u>100</u>	<u>\$ 25,934,524</u>	<u>100</u>
	Total assets	<u>\$ 28,615,150</u>	<u>100</u>	<u>27,537,856</u>	<u>100</u>	<u>25,934,524</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenue	\$ 3,494,621	101	3,160,412	101
4170	Less: sales returns and allowances	29,040	1	19,150	1
4100	Net sales revenue (notes 6(t) and 14)	3,465,581	100	3,141,262	100
5110	Cost of sales (notes 6(f) and 12)	<u>2,294,703</u>	<u>66</u>	<u>2,307,755</u>	<u>73</u>
5900	Gross profit	<u>1,170,878</u>	<u>34</u>	<u>833,507</u>	<u>27</u>
6000	Operating expenses: (note 12)				
6100	Selling expenses	83,508	2	50,547	1
6200	Administrative expenses	229,008	7	143,326	5
6300	Research and development expenses	97,303	3	61,907	2
6450	Expected credit losses (gains)	<u>(91,025)</u>	<u>(3)</u>	<u>19,408</u>	<u>1</u>
		<u>318,794</u>	<u>9</u>	<u>275,188</u>	<u>9</u>
6900	Net operating income	<u>852,084</u>	<u>25</u>	<u>558,319</u>	<u>18</u>
	Non-operating income and expenses:				
7100	Interest income	5,313	-	4,399	-
7190	Other income	11,492	-	7,183	-
7230	Foreign exchange (losses) gains, net (note 6(v))	133,708	4	15,187	1
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	107,579	3	6,238	-
7510	Finance cost— interest expense	(639)	-	(1,370)	-
7590	Miscellaneous disbursements	<u>(227)</u>	<u>-</u>	<u>(4,820)</u>	<u>-</u>
		<u>257,226</u>	<u>7</u>	<u>26,817</u>	<u>1</u>
7900	Profit before tax	1,109,310	32	585,136	19
7950	Less: tax expenses (note 6(p))	<u>201,473</u>	<u>6</u>	<u>106,013</u>	<u>4</u>
	Profit	<u>907,837</u>	<u>26</u>	<u>479,123</u>	<u>15</u>
	Other comprehensive income: (note 6(p))				
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	53,044	1	2,690	-
8399	Income tax that may be reclassified to profit or loss	<u>(9,636)</u>	<u>-</u>	<u>(969)</u>	<u>-</u>
	Other comprehensive income	<u>43,408</u>	<u>1</u>	<u>1,721</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 951,245</u>	<u>27</u>	<u>480,844</u>	<u>15</u>
	Earnings per share (note 6(s))				
9750	Basic earnings per share	<u>\$ 5.08</u>		<u>2.68</u>	
9850	Diluted earnings per share	<u>\$ 5.06</u>		<u>2.67</u>	

See accompanying notes to consolidated financial statements.

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2022 and 2021
(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	
Balance on January 1, 2021	\$ 1,787,083	15,120,168	1,410,144	97,411	2,925,436	4,432,991	(107,441)	-	(23,268)	(130,709)	21,209,533
Consolidated net income for the three months ended March 31, 2021	-	-	-	-	479,123	479,123	-	-	-	-	479,123
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	1,721	-	-	1,721	1,721
Total comprehensive income for the three months ended March 31, 2021	-	-	-	-	479,123	479,123	1,721	-	-	1,721	480,844
Share-based payments	-	-	-	-	-	-	-	-	4,068	4,068	4,068
Balance on March 31, 2021	\$ 1,787,083	15,120,168	1,410,144	97,411	3,404,559	4,912,114	(105,720)	-	(19,200)	(124,920)	21,694,445
Balance on January 1, 2022	\$ 1,786,979	15,118,420	1,552,352	141,141	4,526,534	6,220,027	(136,291)	583	(6,777)	(142,485)	22,982,941
Consolidated net income for the three months ended March 31, 2022	-	-	-	-	907,837	907,837	-	-	-	-	907,837
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	43,408	-	-	43,408	43,408
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	907,837	907,837	43,408	-	-	43,408	951,245
Share-based payments	(75)	(1,272)	-	-	-	-	-	-	2,144	2,144	797
Balance on March 31, 2022	\$ 1,786,904	15,117,148	1,552,352	141,141	5,434,371	7,127,864	(92,883)	583	(4,633)	(96,933)	23,934,983

See accompanying notes to consolidated financial statements.

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,109,310	585,136
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	370,302	369,009
Amortization expense	31,027	29,417
Expected credit losses (gains)	(91,025)	19,408
Net gain on financial assets or liabilities at fair value through profit or loss	(107,579)	(6,238)
Interest expense	639	1,370
Interest income	(5,313)	(4,399)
Compensation cost of share-based payments	797	4,068
Gain on disposal of property, plant and equipment	-	(1,038)
Gain on disposal of intangible assets	-	(730)
Other	(13,290)	(11,248)
Total adjustments to reconcile profit (loss)	<u>185,558</u>	<u>399,619</u>
Changes in operating assets and liabilities:		
Increase in current financial assets and liabilities at fair value through profit or loss	(16,059)	(560,750)
Increase in contract assets	(15,391)	(16,744)
Increase in accounts receivable	(47,879)	(220,432)
increase in other receivables	(30,915)	(10,548)
Increase in inventories	(86,323)	(40,292)
Decrease in prepayments	17,681	10,406
Increase in other current assets	(786)	(959)
Increase (decrease) in notes and accounts payable	(57,693)	35,667
Increase (decrease) in other payables	311,730	(91,886)
Increase (decrease) in provisions	5,733	(708)
Decrease in other current liabilities	(3,016)	(709)
Increase (decrease) in contract liabilities - current	(285,479)	365
Increase (decrease) in net deferred benefit liabilities	1,568	(5,202)
	<u>(206,829)</u>	<u>(901,792)</u>
Cash inflow generated from operations	1,088,039	82,963
Interest received	4,193	28
Interest paid	(632)	(1,370)
Income taxes paid	(11,332)	(195)
Net cash flows from operating activities	<u>1,080,268</u>	<u>81,426</u>
Cash flows from (used in) investing activities:		
Acquisition of non - current financial assets at fair value through profit or loss	-	(5,926)
Acquisition of property, plant and equipment	(562,924)	(284,854)
Proceeds from disposal of property, plant and equipment	54	1,520
Increase in refundable deposits	(885)	(876)
Acquisition of intangible assets	(62,287)	-
Proceeds from disposal of intangible assets	-	837
(Increase) decrease in other financial assets	(981)	4,943
Prepaid acquisition of land and buildings	(64,048)	-
Net cash used in investing activities	<u>(691,071)</u>	<u>(284,356)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	-	4,000
Decrease in guarantee deposits received	-	(588)
Payments of lease liabilities	(4,955)	(3,560)
Net cash used in financing activities	<u>(4,955)</u>	<u>(148)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>35,015</u>	<u>1,857</u>
Net increase (decrease) in cash and cash equivalents	419,257	(201,221)
Cash and cash equivalents at beginning of period	4,383,697	3,791,174
Cash and cash equivalents at end of period	<u>\$ 4,802,954</u>	<u>3,589,953</u>

See accompanying notes to consolidated financial statements.

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

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

(1) Company history

Tong Hsing Electronic Industries, Ltd. (“the Company”) was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is at 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The consolidated financial statements of the Company as at and for the three months ended March 31, 2022 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 April 26, 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, 2022:

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

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<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

- (a) Statement of compliance

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

(Continued)

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Sales and manufacturing of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors	100 %	100 %	100 %	-
//	KINGPAK Technology Inc. (KINGPAK)	Automobile related packing field and safety monitoring related CMOS image sensor.	100 %	100 %	100 %	-

The board of directors of the Company approved to conduct the short-form merger with the 100%-owned 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.

(c) Income taxes

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

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

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

(Continued)

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

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statement of the current period and the 2021 consolidated financial statements. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Petty cash and foreign currency on hand	\$ 188	391	490
Checking accounts and demand deposits	4,401,030	3,657,158	3,284,284
Time deposits	<u>401,736</u>	<u>726,148</u>	<u>305,179</u>
	<u>\$ 4,802,954</u>	<u>4,383,697</u>	<u>3,589,953</u>

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

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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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 66,524	3,556	-
Foreign exchange swaps contracts	1,226	4,429	-
Non-derivative financial assets			
Open-end mutual funds	231,436	231,292	331,316
Structured deposits	-	-	856,401
Stock listed in domestic markets	275,846	276,168	270,046
Foreign private funds	<u>254,900</u>	<u>179,221</u>	<u>193,849</u>
	<u>\$ 829,932</u>	<u>694,666</u>	<u>1,651,612</u>
Current	\$ 299,186	239,277	1,187,717
Non-current	<u>530,746</u>	<u>455,389</u>	<u>463,895</u>
	<u>\$ 829,932</u>	<u>694,666</u>	<u>1,651,612</u>
	<u>March 31,</u> <u>2022</u>	<u>December</u> <u>31, 2021</u>	<u>March 31,</u> <u>2021</u>
Hold-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 1,974	4,609	-
Foreign exchange swaps contracts	<u>8,380</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,354</u>	<u>4,609</u>	<u>-</u>

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 March 31, 2021, the Group did not hold any unsettled transaction associated with derivative financial instruments. As of March 31, 2022, and 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:

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	March 31, 2022			
	Amount (in thousands)	Currency	Maturity dates	
Derivative financial assets				
Forward exchange contracts				
Foreign exchange purchased	USD	67,000	USD to NTD	2022.04.27~2022.07.29
Foreign exchange sold	USD	11,000	USD to NTD	2022.04.14~2022.05.27
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	10,000	USD to NTD	2022.05.03
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	USD	8,000	USD to NTD	2022.04.27
Foreign exchange sold	EUR	1,000	EUR to USD	2022.04.07
Foreign exchange sold	USD	2,000	USD to JPY	2022.04.06
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	38,500	USD to NTD	2022.04.07~2022.04.27
December 31, 2021				
	Amount (in thousands)	Currency	Maturity dates	
Derivative financial assets				
Forward exchange contracts				
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
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	40,500	USD to NTD	2022.01.28~2022.03.21
Derivative financial liabilities				
Forward exchange contracts				
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)(v) for information relating to the credit risk management of financial instruments.

As of March 31, 2022, and December 31, 2021, 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
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(c) Financial assets at fair value through other comprehensive income

	March 31, 2022	December 31, 2021	March 31, 2021
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stock	\$ 350,563	350,563	-

- (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 for the three months ended March 31, 2022 and 2021.
- (iii) For credit risk and market risk, please refer to note (6)(v).
- (iv) As of March 31, 2022, and December 31, 2021, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

	March 31, 2022	December 31, 2021	March 31, 2021
Foreign corporate bonds	\$ 229,000	221,440	228,280

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

- (i) The Group purchased the bond with a face value of USD 8,000 thousand, in October 2020, with a coupon rate of 3.75%.
- (ii) Please refer to note (6)(v) for credit risk.
- (iii) As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(e) Accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable – measured at amortized cost	\$ 2,366,574	2,318,695	2,092,138
Less: allowance for impairment	(1,390)	(92,217)	(70,569)
	\$ 2,365,184	2,226,478	2,021,569

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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.

According to the management's assessment, to reflect the actual operation, the Group modified the basis for evaluating the expected credit losses of accounts receivable in March 2022. According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," changing in accounting estimate resulted to increase in the expected credit reversal gains amounted to \$79,455 for the three months ended March 31, 2022.

(i) As of March 31, 2022, the loss allowance provision was determined as follows:

<u>Aging interval</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted-average expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 2,265,255	-	-
Overdue 1 to 30 days	90,601	-	-
Overdue 31 to 60 days	8,437	10.00%	844
Overdue 61 to 90 days	2,168	20.00%	433
Overdue 181 to 365 days	1	100.00%	1
Overdue more than one year	112	100.00%	112
	<u>\$ 2,366,574</u>		<u>1,390</u>

(ii) As of December 31, 2021, the loss allowance provision was determined as follows:

1) Credit rate A

<u>Aging interval</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted-average expected loss rate</u>	<u>Loss allowance provision</u>
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 365 days	1	50.00%	-
	<u>\$ 186,462</u>		<u>1,345</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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2) Credit rate B

<u>Aging interval</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average expected loss rate</u>	<u>Loss allowance provision</u>
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 365 days	8	100.00%	8
More than one year	137	100.00%	137
	<u>\$ 2,132,233</u>		<u>90,872</u>

(iii) As of March 31, 2021, the loss allowance provision was determined as follows:

1) Credit rate A

<u>Aging interval</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 120,257	-	-
31 to 60 days	34,179	0.50%	171
61 to 90 days	13,701	1.50%	206
91 to 120 days	2,675	5.00%	134
121 to 180 days	538	10.00%	54
181 to 365 days	165	50.00%	81
More than one year	211	100.00%	211
	<u>\$ 171,726</u>		<u>857</u>

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

2) Credit rate B

<u>Aging interval</u>	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted- average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 916,033	1.20%	11,022
31 to 60 days	760,799	3.64%	27,661
61 to 90 days	159,807	8.46%	13,525
91 to 120 days	81,908	20.11%	16,475
121 to 180 days	1,672	50.00%	836
181 to 365 days	77	100.00%	77
More than one year	116	100.00%	116
	<u>\$ 1,920,412</u>		<u>69,712</u>

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

	For the three months ended March 31,	
	<u>2022</u>	<u>2021</u>
The beginning of period	\$ 92,217	51,130
Impairment loss recognized (reversed)	(90,832)	19,436
Effect of movements in exchange rates	5	3
The end of period	<u>\$ 1,390</u>	<u>70,569</u>

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

(f) Inventories

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Finished goods	\$ 248,846	224,628	182,884
Semi-finished goods	200,962	276,355	192,552
Work in progress	305,345	265,094	376,224
Raw materials	887,470	795,583	587,054
Indirect materials	273,969	268,609	220,759
	<u>\$ 1,916,592</u>	<u>1,830,269</u>	<u>1,559,473</u>

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- (i) The Group recognized the inventory losses because of the write-down of the net realizable value. The details of the cost of sales were as follows:

	For the three months ended	
	March 31,	
	2022	2021
Current operating cost for write-downs on inventory valuation and obsolescence	\$ 5,140	7,884

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

- (g) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 2,394,630	3,030,884	5,769,421	366,920	1,841	1,953,887	13,517,583
Additions	-	3,873	48,237	6,310	-	476,408	534,828
Transferred in (out)	-	3,042	28,488	2,282	-	(33,962)	(150)
Disposals	-	(3,930)	(220,491)	(398)	-	-	(224,819)
Effects of movements in exchange rates	-	14,457	52,834	7,716	63	636	75,706
Balance on March 31, 2022	\$ 2,394,630	3,048,326	5,678,489	382,830	1,904	2,396,969	13,903,148
Balance on January 1, 2021	\$ 2,394,630	2,962,779	6,099,011	320,949	1,894	350,239	12,129,502
Additions	-	18,962	54,080	31,617	-	148,938	253,597
Transferred in (out)	-	5,730	50,647	18,385	-	(77,599)	(2,837)
Disposals	-	(26,722)	(269,728)	(2,980)	-	-	(299,430)
Effects of movements in exchange rates	-	841	2,281	500	4	(94)	3,532
Balance on March 31, 2021	\$ 2,394,630	2,961,590	5,936,291	368,471	1,898	421,484	12,084,364
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	851,861	3,664,642	259,273	884	-	4,776,660
Depreciation for the three months ended March 31, 2022	-	46,181	305,172	13,823	19	-	365,195
Impairment loss	-	-	(50)	-	-	-	(50)
Disposals	-	(3,930)	(220,387)	(398)	-	-	(224,715)
Effects of movements in exchange rates	-	6,419	44,642	6,723	30	-	57,814
Balance on March 31, 2022	\$ -	900,531	3,794,019	279,421	933	-	4,974,904

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	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Balance on January 1, 2021	\$ -	752,181	3,304,846	246,364	834	-	4,304,225
Depreciation for the three months ended March 31, 2021	-	43,682	309,257	12,296	19	-	365,254
Impairment loss	-	-	(3,380)	-	-	-	(3,380)
Disposals	-	(26,722)	(269,246)	(2,980)	-	-	(298,948)
Effects of movements in exchange rates	-	359	2,043	382	1	-	2,785
Balance on March 31, 2021	<u>\$ -</u>	<u>769,500</u>	<u>3,343,520</u>	<u>256,062</u>	<u>854</u>	<u>-</u>	<u>4,369,936</u>
Book value:							
Balance on January 1, 2022	<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 March 31, 2022	<u>\$ 2,394,630</u>	<u>2,147,795</u>	<u>1,884,470</u>	<u>103,409</u>	<u>971</u>	<u>2,396,969</u>	<u>8,928,244</u>
Balance on January 1, 2021	<u>\$ 2,394,630</u>	<u>2,210,598</u>	<u>2,794,165</u>	<u>74,585</u>	<u>1,060</u>	<u>350,239</u>	<u>7,825,277</u>
Balance on March 31, 2021	<u>\$ 2,394,630</u>	<u>2,192,090</u>	<u>2,592,771</u>	<u>112,409</u>	<u>1,044</u>	<u>421,484</u>	<u>7,714,428</u>

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 March 31, 2022, December 31 and March 31, 2021, the amount of \$1,808,000, \$1,616,000 and \$112,000 had been paid.

As of March 31, 2022, December 31 and March 31, 2021, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(h) Right-of-use assets

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

Cost:	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Balance on January 1, 2022	\$ 84,620	22,901	20,669	128,190
Additions	-	-	-	-
Deductions	-	-	-	-
Balance on March 31, 2022	<u>\$ 84,620</u>	<u>22,901</u>	<u>20,669</u>	<u>128,190</u>
Balance on January 1, 2021	\$ 84,620	15,984	19,216	119,820
Additions	-	4,250	-	4,250
Deductions	-	(2,139)	-	(2,139)
Balance on March 31, 2021	<u>\$ 84,620</u>	<u>18,095</u>	<u>19,216</u>	<u>121,931</u>

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	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Depreciation and impairment loss:				
Balance on January 1, 2022	\$ 8,173	9,104	7,426	24,703
Depreciation for the three months ended March 31, 2022	1,365	2,554	1,188	5,107
Deductions	-	-	-	-
Balance on March 31, 2022	<u>\$ 9,538</u>	<u>11,658</u>	<u>8,614</u>	<u>29,810</u>
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the three months ended March 31, 2021	1,364	1,401	990	3,755
Deductions	-	(778)	-	(778)
Balance on March 31, 2021	<u>\$ 4,079</u>	<u>5,560</u>	<u>4,510</u>	<u>14,149</u>
Book value:				
Balance on January 1, 2022	\$ 76,447	13,797	13,243	103,487
Balance on March 31, 2022	<u>\$ 75,082</u>	<u>11,243</u>	<u>12,055</u>	<u>98,380</u>
Balance on January 1, 2021	<u>\$ 81,905</u>	<u>11,047</u>	<u>15,696</u>	<u>108,648</u>
Balance on March 31, 2021	<u>\$ 80,541</u>	<u>12,535</u>	<u>14,706</u>	<u>107,782</u>

(i) Intangible assets

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Book value:					
Balance on January 1, 2022	<u>\$ 7,448,612</u>	<u>717,036</u>	<u>14,033</u>	<u>322,391</u>	<u>8,502,072</u>
Balance on March 31, 2022	<u>\$ 7,448,612</u>	<u>697,665</u>	<u>71,882</u>	<u>315,656</u>	<u>8,533,815</u>
Balance on January 1, 2021	<u>\$ 7,448,612</u>	<u>794,714</u>	<u>21,632</u>	<u>349,332</u>	<u>8,614,290</u>
Balance on March 31, 2021	<u>\$ 7,448,612</u>	<u>775,151</u>	<u>18,333</u>	<u>342,596</u>	<u>8,584,692</u>

There were no significant purchase, disposal, impairment loss or reversal gain on intangible assets for the three months ended March 31, 2022 and 2021. Please refer to note (12)(a) for the amortized amount and (6)(j) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unsecured bank loans	\$ -	-	173,000
Secured bank loans	-	-	100,000
Total	<u>\$ -</u>	<u>-</u>	<u>273,000</u>
Unused short-term credit lines	<u>\$ 5,187,325</u>	<u>4,564,700</u>	<u>3,810,208</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>0.89%~0.9%</u>

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(i) Issuance and Repayment of Loans:

There were no increased and repayment of the Group's short-term borrowing for the three months ended March 31, 2022. For the three months ended March 31, 2021, the Group increased its short-term borrowings by \$473,000, and the repayment amounted to \$469,000. The short-term borrowings were due in March 2022.

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

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

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Secured bank loans	\$ 63,000	63,000	-
Less: Discounts on government grants	(487)	(500)	-
	<u>\$ 62,513</u>	<u>62,500</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 8,257,000</u>	<u>8,257,000</u>	<u>9,320,000</u>
Range of interest rates	<u>0.6%~0.8%</u>	<u>0.6%~0.8%</u>	<u>-</u>
Expiration	2031	2031	-

(i) In 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.

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(l) Other payables

Details of other payables were as follows:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Salaries, employees' compensation and directors' remuneration	\$ 1,000,888	1,002,752	615,035
Payable on machinery and equipment	86,002	114,098	94,555
Accrued employee benefit liabilities	55,543	51,461	49,560
Accrued expenses	<u>926,173</u>	<u>616,665</u>	<u>613,355</u>
	<u>\$ 2,068,606</u>	<u>1,784,976</u>	<u>1,372,505</u>

The accrued expenses included unearned sales revenue repayable, professional service fees, commission, labor insurance and health insurance, etc.

(m) Provision

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Compensation	<u>\$ 133,606</u>	<u>127,873</u>	<u>140,100</u>

The provision for compensation losses was due to product defects. The Group has determined the most likely outcome of the compensation in accordance with the best estimation expenditure required for the obligation to recognize the compensation liabilities.

(n) Lease liabilities

Details of lease liabilities were as follows:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Current	<u>\$ 18,696</u>	<u>19,431</u>	<u>14,265</u>
Non-current	<u>\$ 81,196</u>	<u>85,416</u>	<u>94,404</u>

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

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

	For the three months ended March 31,	
	2022	2021
Interest on lease liabilities	\$ <u>445</u>	<u>477</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>16,980</u>	<u>30,808</u>
Expenses relating to short-term leases	\$ <u>2,149</u>	<u>2,302</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>97</u>	<u>12</u>

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

	For the three months ended March 31,	
	2022	2021
Total cash outflow for leases	\$ <u>24,626</u>	<u>37,159</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.

(o) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, material reimbursement and settlement, or other material one-time event since the prior fiscal year. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

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The expenses recognized in profit or loss for the Group amounted to \$3,439 and \$5,316 for the three months ended March 31, 2022 and 2021, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$18,697 and \$18,127 for the three months ended March 31, 2022 and 2021, respectively.

(p) Income Taxes

(i) Details of income tax expense were as follows:

	For the three months ended March 31,	
	2022	2021
Current tax expense	\$ 233,792	106,013
Adjustment for prior periods	(32,319)	-
	\$ 201,473	106,013

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

	For the three months ended March 31,	
	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ 9,636	969

(iii) The Group entities' income tax returns are calculated and filed separately according to the local tax law and combined filing is not acceptable.

(iv) Examination and approval

The ROC tax authorities have assessed the income tax returns of the Company and KINGPAK through 2020.

(q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the three months ended March 31, 2022 and 2021. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2021.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(i) Ordinary shares

For the three months ended March 31, 2022 and 2021, the restricted stocks were cancelled due to the employees fail to meet the vesting conditions amounting to \$75 and \$0, respectively. The registration procedures has not been completed as of March 31, 2022.

The Board of Directors' meeting resolved to conduct a capital reduction by cash amounting to \$178,690 on March 17, 2022, whereby 17,869 thousand ordinary shares were cancelled, resulting in the capital to decrease by 10%. The capital reduction has yet to be approved by the annual stockholders' meeting.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Capital surplus—additional paid-in capital	\$ 15,002,891	15,002,891	15,002,891
Employment restricted shares	58,038	59,310	61,058
Other	<u>56,219</u>	<u>56,219</u>	<u>56,219</u>
	<u>\$ 15,117,148</u>	<u>15,118,420</u>	<u>15,120,168</u>

(iii) Retained earnings

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

1) Earnings distribution

Earnings distribution for 2021 was approved via the meeting of the Board of Directors held on March 17, 2022, and earnings distribution for 2020 was approved via the annual meeting of shareholders held on July 7, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

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

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 9.00	<u>1,608,214</u>	5.50	<u>982,896</u>

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

(r) Shares-based payment

There was no significant change on the share-based payment during the three months ended March 31, 2022 and 2021 respectively. Please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2021.

As of March 31, 2022 and 2021, the unearned employee compensation was \$4,633 and \$19,200, respectively. The compensation cost related to the restricted shares amounted to \$797 and \$4,068 for the three months ended March 31, 2022 and 2021.

(s) Earnings per share

Details of basic earnings per share and diluted earnings per share were as follows:

	For the three months ended March 31,	
	2022	2021
Basic earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company	\$ <u>907,837</u>	<u>479,123</u>
Weighted-average number of ordinary shares (thousands)	<u>178,570</u>	<u>178,474</u>
Basic earnings per share (NTD)	\$ <u>5.08</u>	<u>2.68</u>
Diluted earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>907,837</u>	<u>479,123</u>
Weighted-average number of ordinary shares (thousands)	178,570	178,474
Effect of employee remuneration (thousands)	853	602
Effect of employee restricted shares (thousands)	<u>105</u>	<u>127</u>
Weighted-average number of ordinary shares (diluted) (thousands)	<u>179,528</u>	<u>179,203</u>
Diluted earnings per share (NTD)	\$ <u>5.06</u>	<u>2.67</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2022				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 105,056	71,797	646,246	5,973	829,072
Switzerland	388	552,438	21,018	1,620	575,464
Malaysia	282,099	278,142	6,019	1,351	567,611
United States	70,616	39,336	286,275	11,697	407,924
Japan	309	327,770	5,791	14	333,884
China	93,039	144,703	44,061	1,172	282,975
Hong Kong	51,917	1,008	155,700	830	209,455
Others	64,120	59,387	117,205	18,484	259,196
	\$ 667,544	1,474,581	1,282,315	41,141	3,465,581
Major products/services lines:					
Image sensors	\$ -	975,588	790,382	7,256	1,773,226
Metalized ceramic substrates	667,544	5,814	151,501	384	825,243
Hybrid integrated circuits	-	484,371	233,913	5,137	723,421
RF modules	-	8,809	106,519	1,084	116,412
Others	-	-	-	27,279	27,279
	\$ 667,544	1,474,582	1,282,315	41,140	3,465,581
	For the three months ended March 31, 2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 76,400	40,878	667,687	11,162	796,127
Switzerland	211	434,067	11,326	1,728	447,332
Malaysia	227,536	253,079	7,612	323	488,550
United States	45,381	18,384	232,860	15,574	312,199
Japan	1,266	248,873	5,614	1,116	256,869
China	68,658	120,444	36,240	1,919	227,261
Hong Kong	42,712	754	306,763	756	350,985
Others	83,256	29,221	120,951	28,511	261,939
	\$ 545,420	1,145,700	1,389,053	61,089	3,141,262

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	For the three months ended March 31, 2021				
	BU1	BU2	BU3	Others	Total
Major products/services lines:					
Image sensors	\$ -	735,397	907,428	13,248	1,656,073
Metalized ceramic substrates	545,420	-	191,284	911	737,615
Hybrid integrated circuits	-	404,494	175,393	3,575	583,462
RF modules	-	5,809	114,948	891	121,648
Others	-	-	-	42,464	42,464
	\$ 545,420	1,145,700	1,389,053	61,089	3,141,262

(ii) Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable	\$ 2,366,574	2,318,695	2,092,138
Contract assets – image sensors product (recorded under other current assets)	85,012	69,621	99,088
Less: allowance for impairment	(1,390)	(92,217)	(70,569)
Total	\$ 2,450,196	2,296,099	2,120,657
Contract liabilities – advance sales receipts	\$ 79,957	365,436	339,938

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

The amounts of revenue recognized for the three months ended March 31, 2022 and 2021 that were included in the contract liabilities balance at the beginning of the period were \$9,423 and \$8,097, respectively.

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

(u) Employee compensation and directors' remuneration

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

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For the three months ended March 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$76,500 and \$39,093, respectively. The remuneration of directors amounted to \$23,200 and \$9,773 for the three months ended March 31, 2022 and 2021, 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 2022 and 2021. The differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the following year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

For the years ended December 31, 2021 and 2020, the employee compensation amounted to \$170,600 and \$106,720, respectively, and remuneration of directors amounted to \$68,200 and \$38,354, respectively, for both periods, which had no difference from the actual distribution. Related information would be available on the Market Observation Post System Website.

(v) Financial Instruments

Except for those described below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For related information, please refer to note (6)(w) of the consolidated financial statements for the year ended December 31, 2021.

(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) of the consolidated financial statements for the year ended December 31, 2021.

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The allowance for impairment of other receivables for the three months ended March 31, 2022 and 2021 were as follows:

	Other receivables
Balance on January 1, 2022	\$ 423
Impairment loss reversed	(193)
Effects of movements in exchange rates	11
Balance on March 31, 2022	\$ 241
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(28)
Effects of movements in exchange rates	1
Balance on March 31, 2021	\$ 612

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	Over a year
March 31, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 955,435	(955,435)	(955,435)	-
Other payables	2,068,606	(2,068,606)	(2,068,606)	-
Lease liabilities (including current and non-current portion)	99,892	(123,798)	(20,284)	(103,514)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	62,513	(63,000)	-	(63,000)
Derivative financial liabilities:				
Forward exchange contracts:	1,974			
Inflow		316,085	316,085	-
Outflow		(318,170)	(318,170)	-
Foreign exchange swaps contracts:	8,380			
Inflow		1,093,565	1,093,565	-
Outflow		(1,102,063)	(1,102,063)	-
	\$ 3,201,811	(3,226,433)	(3,054,908)	(171,525)

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
December 31, 2021				
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	-
	<u>\$ 2,975,071</u>	<u>(2,997,905)</u>	<u>(2,821,790)</u>	<u>(176,115)</u>
March 31, 2021				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 273,000	(273,262)	(273,262)	-
Short-term notes payable	50,000	(50,000)	(50,000)	-
Notes and accounts payable	984,482	(984,482)	(984,482)	-
Other payables	1,372,505	(1,372,505)	(1,372,505)	-
Lease liabilities (including current and non-current portion)	108,669	(134,326)	(16,036)	(118,290)
Guarantee deposits received	3,542	(3,542)	-	(3,542)
	<u>\$ 2,792,198</u>	<u>(2,818,117)</u>	<u>(2,696,285)</u>	<u>(121,832)</u>

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

(iii) Currency risk

1) Exposure to currency risk

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

	<u>March 31, 2022</u>			<u>December 31, 2021</u>			<u>March 31, 2021</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	
<u>Financial assets</u>										
Monetary items										
USD	\$	166,723	USD/NTD =28.625	4,772,446	189,065	USD/NTD =27.680	5,233,319	172,457	USD/NTD =28.535	4,921,060

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	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial liabilities</u>									
Monetary items									
USD	19,306	USD/NTD =28.625	552,634	19,565	USD/NTD =27.680	541,559	10,815	USD/NTD =28.535	308,606
JPY	433,567	JPY/NTD =0.2353	102,018	832,842	JPY/NTD =0.2405	200,299	942,391	JPY/NTD =0.2577	242,854

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, 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 three months ended March 31, 2022 and 2021 would have increased or decreased the net profit before tax as follows:

	For the three months ended March 31,	
	2022	2021
USD (against the NTD)		
Strengthening 5%	\$ 210,991	230,623
Weakening 5%	(210,991)	(230,623)
JPY (against the NTD)		
Strengthening 5%	(5,101)	(12,143)
Weakening 5%	5,101	12,143

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2022 and 2021 the foreign exchange gains, including realized and unrealized portion, amounted to \$133,708 and \$15,187, respectively.

2) Interest rate risk

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$2,748 and \$1,879 for the three months ended March 31, 2022 and 2021, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

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(iv) Fair value

1) The categories and the fair values of financial instruments

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

	March 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	67,750	-	67,750	-	67,750
Open-end mutual funds	231,436	231,436	-	-	231,436
Stock listed in domestic markets	275,846	275,846	-	-	275,846
Foreign private funds	<u>254,900</u>	-	-	254,900	254,900
Subtotal	<u>829,932</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets-preferred stocks	<u>350,563</u>	350,563	-	-	350,563
Financial assets measured at amortized cost					
Cash and cash equivalents	4,802,954	-	-	-	-
Accounts receivable, net	2,365,184	-	-	-	-
Other receivables	8,534	-	-	-	-
Other financial assets – current	35,005	-	-	-	-
Foreign corporate bonds	229,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	12,735	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>7,458,817</u>				
Total	<u><u>\$ 8,639,312</u></u>				

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	March 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>10,354</u>	-	10,354	-	10,354
Financial liabilities measured at amortized cost					
Notes and accounts payable	955,435	-	-	-	-
Other payables	2,068,606	-	-	-	-
Lease liabilities (including current and non-current portion)	99,892	-	-	-	-
Guarantee deposits received	5,011	-	-	-	-
Long-term borrowings	<u>62,513</u>	-	-	-	-
Subtotal	<u>3,191,457</u>				
Total	<u>\$ 3,201,811</u>				
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
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

(Continued)

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	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 4,609</u>	-	4,609	-	4,609
Financial liabilities measured at amortized cost					
Notes and accounts payable	1,013,128	-	-	-	-
Other payables	1,784,976	-	-	-	-
Lease liabilities (including current and non-current portion)	104,847	-	-	-	-
Guarantee deposits received	5,011	-	-	-	-
Long-term borrowing	<u>62,500</u>	-	-	-	-
Subtotal	<u>2,970,462</u>				
Total	<u>\$ 2,975,071</u>				

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	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Open-end mutual funds	\$ 331,316	331,316	-	-	331,316
Structured deposits	856,401	-	856,401	-	856,401
Stock listed in domestic markets	270,046	270,046	-	-	270,046
Foreign private funds	<u>193,849</u>	-	-	193,849	193,849
Subtotal	<u>1,651,612</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	3,589,953	-	-	-	-
Accounts receivable, net	2,021,569	-	-	-	-
Other receivables	7,984	-	-	-	-
Other financial assets—current	31,914	-	-	-	-
Foreign corporate bonds	228,280	-	-	-	-
Other financial assets—non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>11,589</u>	-	-	-	-
Subtotal	<u>5,896,694</u>				
Total	<u>\$ 7,548,306</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 273,000	-	-	-	-
Short-term notes and bills payable	50,000	-	-	-	-
Notes and accounts payable	984,482	-	-	-	-
Other payables	1,372,505	-	-	-	-
Lease liabilities (including current and non-current portion)	108,669	-	-	-	-
Guarantee deposits received	<u>3,542</u>	-	-	-	-
Total	<u>\$ 2,792,198</u>				

(Continued)

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

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

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

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

There were no transfers between fair value level for the three months ended March 31, 2022 and 2021.

(Continued)

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

4) Reconciliation of financial assets on Level 3 fair values

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2022	\$ 179,221
Total gains and losses recognized	
Total gains and losses recognized in profit or loss	75,679
Balance on March 31, 2022	<u>\$ 254,900</u>
Balance on January 1, 2021	\$ 179,497
Total gains and losses recognized	
Total gains and losses recognized in profit or loss	8,426
Purchased	5,926
Balance on March 31, 2021	<u>\$ 193,849</u>

For the three months ended March 31, 2022 and 2021, 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:

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

(Continued)

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

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(x) to the consolidated financial statements for the year ended December 31, 2021.

(x) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2021. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2021. For further information, please refer to note (6)(y) of the consolidated financial statements for the year ended December 31, 2021.

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

(i) The Group's investing and financing activities, which did not affect the current cash flow for the three months ended March 31, 2022 and 2021, were the acquisition of its right-of-use assets by lease, please refer to note (6)(h).

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

	January 1, 2022	Cash flows	Non-cash changes	March 31, 2022
			Other	
Lease liabilities (including current and non-current portion)	\$ 104,847	(4,955)	-	99,892
Guarantee deposits received	5,011	-	-	5,011
Long-term borrowings	62,500	-	13	62,513
Total liabilities from financing activities	<u>\$ 172,358</u>	<u>(4,955)</u>	<u>13</u>	<u>167,416</u>
			Non-cash changes	
	January 1, 2021	Cash flows	Other	March 31, 2021
Short-term borrowings	\$ 269,000	4,000	-	273,000
Lease liabilities (including current and non-current portion)	109,364	(3,560)	2,865	108,669
Guarantee deposits received	4,130	(588)	-	3,542
Total liabilities from financing activities	<u>\$ 382,494</u>	<u>(148)</u>	<u>2,865</u>	<u>385,211</u>

(Continued)

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

(7) Related-party transactions

(a) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Multi-field	Substantial related party
MAG. LAYERS Scientific Technics Co., Ltd. (MAG. LAYERS)	Substantial related party

(b) Other transaction with related party

- (i) For operational needs, THEPI acquired land for \$57,713 (91,110 thousand Philippine pesos) from Multi-field 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.
- (ii) For future expansion, pursuant to the resolution of the Board of Directors held on March 17, 2022, the Group signed the real estate transaction contract with MAG. LAYERS on March 24, 2022. The total price amounted to \$130,000. As of March 31, 2022, the ownership transfer procedure has not been completed, and the Group has paid \$64,048 (excluding relevant taxes), which is recognized as other non-current assets.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended	
	March 31,	
	2022	2021
Short-term employee benefits	\$ 58,489	38,880
Post-employment benefits	135	189
	\$ 58,624	39,069

(Continued)

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

(8) Assets pledged as security

<u>Pledged assets</u>	<u>Subject</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 28,339	27,403	29,750
"	Customs duty guarantee	5,300	5,300	-
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	5,000	5,000	5,000
"	Guarantee for cooperative education program	405	405	405
Property, plant and equipment – land, buildings, machinery and equipment	Long-term and short-term borrowings and credit lines	627,954	636,881	664,586
Other financial assets – current – reserve account	Customs duty guarantee	-	-	903
		<u>\$ 666,998</u>	<u>674,989</u>	<u>700,644</u>

(9) Commitments and contingencies

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Future payments for the purchase of property, equipment and construction in progress	<u>\$ 1,360,537</u>	<u>1,446,255</u>	<u>960,399</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 March 31, 2022, the payment amounting to \$1,392,000 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unused and outstanding letters of credit and the deposit for customs duties	<u>\$ 28,300</u>	<u>27,300</u>	<u>30,167</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

(12) Other

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

By function	For the three months ended March 31,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	527,116	285,851	812,967	498,231	131,930	630,161
Labor and health insurance	43,146	9,440	52,586	44,192	6,625	50,817
Pension	17,644	4,492	22,136	19,785	3,658	23,443
Other employee benefits	27,982	4,253	32,235	29,445	3,656	33,101
Depreciation	356,521	13,781	370,302	354,987	14,022	369,009
Amortization	1,604	29,423	31,027	1,332	28,085	29,417

- (b) Seasonality of operations

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

- (c) In August 2014, Mr. Zhang, who was the former director of KINGPAK, filed a lawsuit to the Taipei District Court against KINGPAK, demanding KINGPAK to pay him the outstanding payment of \$25,058. However, the Taipei District Court denied his request on October 1, 2015. Therefore, Mr. Zhang appealed to the Taiwan High Court, who ruled in his favor on August 31, 2016. KINGPAK disagreed with the decision made by the Taiwan High Court; hence, filed an appeal to the Supreme Court, on November 8, 2018, and the Supreme Court handed the case back to the Taiwan High Court for reconsideration. On October 16, 2019, the Taiwan High Court ordered KINGPAK to pay Mr. Zhang the amount of \$5,428, plus, an annual interest rate of 5% from the day following the service of the complaint to the repayment day. In November 2019, KINGPAK filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in December 2020. 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 during 2021.
- (d) On March 14, 2014, Boschman Technologies BV (Boschman) filed a lawsuit to the Hsinchu District Court against KINGPAK for breach of contract. On September 22, 2014, Hsinchu District Court ruled in favor of Boschman, requesting KINGPAK to pay Boschman the amount of USD \$249, plus, a monthly interest rate of 0.75% from March 17, 2013. In October 2014, KINGPAK was dissatisfied with the decision made by Hsinchu District Court; thus, filed an appeal to the Taiwan High Court, who ruled in its favor on June 30, 2020. On August 3, 2020, Boschman filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in June 2021. The Group had assessed the damages amounting to \$13,760 and recorded them under other payables.

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2022:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account title	Ending balance				Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Open-end mutual funds: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	15,433	231,436	-	231,436	
The Company	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss - non-current	Note	254,900	1.6%	254,900	
"	Stock: Shin Kong Financial Holding Co., Ltd.	"	"	6,445	275,846	-	275,846	
"	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	-	229,000	-	229,000	
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.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

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

- (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 1,808,000	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	448,487	46 %	Monthly closing and paid by cash	-	-	Accounts payable (115,586)	(18)%	Note 2
"	"	"	Manufacturing fee	148,095	15 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(448,487)	(76)%	Monthly closing and received by cash	-	-	Accounts receivable 115,586	72 %	"
"	"	"	Manufacturing revenue	(148,095)	(25)%	"	-	-	Accounts receivable 52,134	33 %	"

Note 1 : The other payables amounted to \$52,134 as of March 31, 2022.

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

- (viii) Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the Company's paid-in capital:

Units: In Thousands of New Taiwan Dollars

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts	Note
					Amount	Action taken			
THEPI	The Company	Parent company	115,586	18.85 %	-	-	115,586	-	Note 2
"	"	"	52,134	13.57 %	-	-	52,134	-	"

Note 1 : Information as of April 26, 2022.

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

- (ix) Information regarding trading in derivative financial instruments: Please refer to note (6)(b).

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

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2022:

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	448,487	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	12.94 %	
1	"	"	2	Manufacturing Revenue	148,095		"	4.27 %
1	"	"	2	Accounts Receivable	115,586		"	0.40 %
1	"	"	2	Accounts receivables	52,134		"	0.18 %

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 three months ended March 31, 2022 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of the investee	Share of profit (losses) of investee	Note
				March 31, 2022	December 31, 2021	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 %	1,661,815	90,563	75,951	Note 2
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	10,800,443 (Note 1)	10,800,443 (Note 1)	57,307	100 %	11,717,435	306,437	281,804	"

Note 1 : The invested amount was based on the 71,290,049 ordinary shares, which were issued for the stock exchange, and the listed price of the Company on June 19, 2020 (date of stock exchange).

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

- (c) Information on investment in mainland China: None.
- (d) Major shareholders: None.

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

(14) Segment information

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

For the three months ended March 31, 2022						
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 667,544	1,474,582	1,282,315	41,140	-	3,465,581
Inter-segment revenues	<u>-</u>	<u>596,582</u>	<u>-</u>	<u>-</u>	<u>(596,582)</u>	<u>-</u>
Total revenue	<u>\$ 667,544</u>	<u>2,071,164</u>	<u>1,282,315</u>	<u>41,140</u>	<u>(596,582)</u>	<u>3,465,581</u>
Reportable segment profit (loss)	<u>\$ 179,198</u>	<u>389,613</u>	<u>267,758</u>	<u>15,515</u>	<u>257,226</u>	<u>1,109,310</u>
For the three months ended March 31, 2021						
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 545,420	1,145,700	1,389,053	61,089	-	3,141,262
Inter-segment revenues	<u>-</u>	<u>492,626</u>	<u>-</u>	<u>-</u>	<u>(492,626)</u>	<u>-</u>
Total revenue	<u>\$ 545,420</u>	<u>1,638,326</u>	<u>1,389,053</u>	<u>61,089</u>	<u>(492,626)</u>	<u>3,141,262</u>
Reportable segment profit (loss)	<u>\$ 84,565</u>	<u>181,761</u>	<u>285,499</u>	<u>6,494</u>	<u>26,817</u>	<u>585,136</u>