

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 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 June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 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)  
August 11, 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 June 30, 2022 and 2021**

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

**Consolidated Balance Sheets**

**June 30, 2022, December 31, and June 30, 2021**

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>															
1100	Cash and cash equivalents (note 6(a))	\$ 4,787,070	16	4,383,697	16	4,273,453	16	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	4,308	-	4,609	-	-	-
1110	Current financial assets at fair value through profit or loss (note 6(b))	271,528	1	239,277	1	788,721	3	2130	Contract liabilities—current (note 6(t))	68,751	-	365,436	1	341,823	1
1170	Accounts receivable, net (note 6(e))	2,562,753	9	2,226,478	8	2,161,860	9	2170	Notes and accounts payable	969,886	3	1,013,128	4	979,602	4
1200	Other receivables	93,273	-	49,178	-	56,789	-	2200	Other payables (notes 6(l) and 12)	2,229,648	8	1,784,976	6	1,605,264	6
1310	Inventories (note 6(f))	2,136,603	7	1,830,269	7	1,576,072	6	2216	Dividends payable	1,608,214	5	-	-	-	-
1410	Prepayments	27,145	-	49,979	-	40,766	-	2230	Current tax liabilities	627,696	2	693,088	3	466,166	2
1470	Other current assets (note 6(t))	102,887	-	70,913	-	119,244	-	2250	Current provisions (note 6(m))	146,407	1	127,873	1	141,313	1
1476	Other financial assets—current (note 8)	36,183	-	34,024	-	31,314	-	2280	Lease liabilities—current (note 6(n))	16,744	-	19,431	-	18,876	-
		<u>10,017,442</u>	<u>33</u>	<u>8,883,815</u>	<u>32</u>	<u>9,048,219</u>	<u>34</u>	2300	Other current liabilities	<u>71,885</u>	<u>-</u>	<u>78,346</u>	<u>-</u>	<u>63,500</u>	<u>-</u>
										<u>5,743,539</u>	<u>19</u>	<u>4,086,887</u>	<u>15</u>	<u>3,616,544</u>	<u>14</u>
<b>Non-current assets:</b>															
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	1,080,907	4	455,389	2	463,048	2	2540	<b>Non-Current liabilities:</b>						
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	345,897	1	350,563	1	-	-	2570	Long-term borrowings (note 6(k))	1,043,758	4	62,500	-	62,474	-
1535	Non-current financial assets at amortized cost (note 6(d))	893,697	3	221,440	1	222,880	1	2580	Deferred tax liabilities	114,939	-	114,939	1	106,398	1
1600	Property, plant and equipment (notes 6(g), 7 and 8)	9,386,431	30	8,740,923	32	7,742,737	29	2640	Lease liabilities—non-current (note 6(n))	87,223	-	85,416	-	92,976	-
1755	Right-of-use assets (note 6(h))	103,503	-	103,487	-	110,853	1		Other non-current liabilities (note 6(k))	24,314	-	5,546	-	6,612	-
1780	Intangible assets (note 6(i))	8,505,842	28	8,502,072	31	8,556,845	32		Net defined benefit liability—non-current (note 6(o))	<u>195,921</u>	<u>1</u>	<u>199,627</u>	<u>1</u>	<u>210,944</u>	<u>1</u>
1840	Deferred tax assets	214,648	1	251,510	1	226,587	1			<u>1,466,155</u>	<u>5</u>	<u>468,028</u>	<u>2</u>	<u>479,404</u>	<u>2</u>
1900	Other non-current assets (note 7)	29,194	-	23,252	-	23,321	-		<b>Total liabilities</b>	<u>7,209,694</u>	<u>24</u>	<u>4,554,915</u>	<u>17</u>	<u>4,095,948</u>	<u>16</u>
1980	Other financial assets—non-current (note 8)	5,405	-	5,405	-	5,405	-		<b>Equity:</b>						
		<u>20,565,524</u>	<u>67</u>	<u>18,654,041</u>	<u>68</u>	<u>17,351,676</u>	<u>66</u>	3100	<b>Equity attributable to owners of parent: (note 6(q))</b>						
								3200	Ordinary shares	1,786,829	6	1,786,979	6	1,787,083	7
								3300	Capital surplus	15,115,876	49	15,118,420	55	15,120,168	57
								3310	Legal reserve	1,829,345	6	1,552,352	6	1,410,144	6
								3320	Special reserve	169,408	1	141,141	1	97,411	-
								3350	Unappropriated retained earnings	4,519,041	14	4,526,534	16	4,032,895	15
								3400	Other equity interest	<u>(47,227)</u>	<u>-</u>	<u>(142,485)</u>	<u>(1)</u>	<u>(143,754)</u>	<u>(1)</u>
									<b>Total equity</b>	<u>23,373,272</u>	<u>76</u>	<u>22,982,941</u>	<u>83</u>	<u>22,303,947</u>	<u>84</u>
<b>Total assets</b>		<u>\$ 30,582,966</u>	<u>100</u>	<u>27,537,856</u>	<u>100</u>	<u>26,399,895</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 30,582,966</u>	<u>100</u>	<u>27,537,856</u>	<u>100</u>	<u>26,399,895</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 and six months ended June 30, 2022 and 2021**

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

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Sales revenue</b>	\$ 3,625,115	101	3,465,515	101	7,119,736	101	6,625,927	101
4170	Less: sales returns and allowances	19,545	1	30,931	1	48,585	1	50,081	1
4100	<b>Net sales revenue (notes 6(t) and 14)</b>	3,605,570	100	3,434,584	100	7,071,151	100	6,575,846	100
5110	<b>Cost of sales (notes 6(f) and 12)</b>	2,244,076	62	2,345,202	68	4,538,779	64	4,652,957	71
5900	<b>Gross profit</b>	1,361,494	38	1,089,382	32	2,532,372	36	1,922,889	29
6000	<b>Operating expenses: (note 12)</b>								
6100	Selling expenses	68,909	2	58,730	2	152,417	2	109,277	2
6200	Administrative expenses	183,908	5	147,069	4	412,916	5	290,395	4
6300	Research and development expenses	90,075	2	64,966	2	187,378	3	126,873	2
6450	Expected credit losses (gains)	1,596	-	10,277	-	(89,429)	(1)	29,685	-
		344,488	9	281,042	8	663,282	9	556,230	8
6900	<b>Net operating income</b>	1,017,006	29	808,340	24	1,869,090	27	1,366,659	21
	<b>Non-operating income and expenses:</b>								
7100	Interest income	9,582	-	4,796	-	14,895	-	9,195	-
7190	Other income	14,248	-	6,920	-	25,740	-	14,103	-
7230	Foreign exchange (losses) gains, net (note 6(v))	165,964	5	(110,178)	(3)	299,672	5	(94,991)	(1)
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	4,130	-	(1,239)	-	111,709	1	4,999	-
7510	Finance cost—interest expense	(643)	-	(1,065)	-	(1,282)	-	(2,435)	-
7590	Miscellaneous disbursements	(413)	-	(4,807)	-	(640)	-	(9,627)	-
		192,868	5	(105,573)	(3)	450,094	6	(78,756)	(1)
7900	<b>Profit before tax</b>	1,209,874	34	702,767	21	2,319,184	33	1,287,903	20
7950	<b>Less: tax expenses (note 6(p))</b>	211,730	6	74,431	2	413,203	6	180,444	3
	<b>Profit</b>	998,144	28	628,336	19	1,905,981	27	1,107,459	17
	<b>Other comprehensive income: (note 6(p))</b>								
	<b>Items that may not be reclassified to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(4,666)	-	-	-	(4,666)	-	-	-
8349	Income tax on items that may not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(4,666)	-	-	-	(4,666)	-	-	-
	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	63,488	1	(29,783)	-	116,532	1	(27,093)	-
8399	Income tax on items that may be reclassified to profit or loss	(11,165)	-	6,882	-	(20,801)	-	5,913	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	52,323	1	(22,901)	-	95,731	1	(21,180)	-
	<b>Other comprehensive income</b>	47,657	1	(22,901)	-	91,065	1	(21,180)	-
8500	<b>Comprehensive income</b>	\$ 1,045,801	29	605,435	19	1,997,046	28	1,086,279	17
	<b>Earnings per share (note 6(s))</b>								
9750	Basic earnings per share	\$ 5.59		3.52		10.67		6.21	
9850	Diluted earnings per share	\$ 5.56		3.51		10.59		6.18	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 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	
<b>Balance on January 1, 2021</b>	\$ 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 six months ended June 30, 2021	-	-	-	-	1,107,459	1,107,459	-	-	-	-	1,107,459
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	(21,180)	-	-	(21,180)	(21,180)
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	1,107,459	1,107,459	(21,180)	-	-	(21,180)	1,086,279
Share-based payments	-	-	-	-	-	-	-	-	8,135	8,135	8,135
<b>Balance on June 30, 2021</b>	<u>\$ 1,787,083</u>	<u>15,120,168</u>	<u>1,410,144</u>	<u>97,411</u>	<u>4,032,895</u>	<u>5,540,450</u>	<u>(128,621)</u>	<u>-</u>	<u>(15,133)</u>	<u>(143,754)</u>	<u>22,303,947</u>
<b>Balance on January 1, 2022</b>	\$ 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 six months ended June 30, 2022	-	-	-	-	1,905,981	1,905,981	-	-	-	-	1,905,981
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	95,731	(4,666)	-	91,065	91,065
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	1,905,981	1,905,981	95,731	(4,666)	-	91,065	1,997,046
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	276,993	-	(276,993)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	28,267	(28,267)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,608,214)	(1,608,214)	-	-	-	-	(1,608,214)
Share-based payments	(150)	(2,544)	-	-	-	-	-	-	4,193	4,193	1,499
<b>Balance on June 30, 2022</b>	<u>\$ 1,786,829</u>	<u>15,115,876</u>	<u>1,829,345</u>	<u>169,408</u>	<u>4,519,041</u>	<u>6,517,794</u>	<u>(40,560)</u>	<u>(4,083)</u>	<u>(2,584)</u>	<u>(47,227)</u>	<u>23,373,272</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2022 and 2021**

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

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 2,319,184	1,287,903
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	728,869	740,181
Amortization expense	63,037	58,564
Expected credit losses (gains)	(89,429)	29,685
Net gain on financial assets or liabilities at fair value through profit or loss	(111,709)	(4,999)
Interest expense	1,282	2,435
Interest income	(14,895)	(9,195)
Compensation cost of share-based payments	1,499	8,135
Gain on disposal of property, plant and equipment	(2,763)	(1,047)
Gain on disposal of intangible assets	-	(730)
Other	(32,854)	13,226
Total adjustments to reconcile profit (loss)	<u>543,037</u>	<u>836,255</u>
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets and liabilities at fair value through profit or loss	22,336	(174,757)
Increase in contract assets	(26,971)	(35,233)
Increase in accounts receivable	(246,877)	(370,995)
(Increase) decrease in other receivables	(43,214)	2,293
Increase in inventories	(306,334)	(56,891)
(Increase) decrease in prepayments	22,834	(1,874)
Increase in other current assets	(5,003)	(1,119)
Increase (decrease) in contract liabilities– current	(71,497)	2,250
Increase (decrease) in notes and accounts payable	(43,242)	30,787
Increase in other payables	190,732	82,573
Increase in provisions	18,534	505
Increase (decrease) in other current liabilities	(6,461)	6,740
Decrease in net deferred benefit liabilities	(3,706)	(8,343)
	<u>(498,869)</u>	<u>(524,064)</u>
Cash inflow generated from operations	2,363,352	1,600,094
Interest received	13,345	7,160
Interest paid	(1,229)	(2,532)
Income taxes paid	(462,050)	(203,464)
<b>Net cash flows from operating activities</b>	<u>1,913,418</u>	<u>1,401,258</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of non-current financial assets at fair value through profit or loss	(556,016)	(21,933)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	-	9,514
Acquisition of non-current financial assets at amortized cost	(652,377)	-
Acquisition of property, plant and equipment	(1,307,781)	(630,961)
Proceeds from disposal of property, plant and equipment	12,681	1,625
Increase in refundable deposits	(6,424)	(1,817)
Acquisition of intangible assets	(66,325)	(1,300)
Proceeds from disposal of intangible assets	-	837
(Increase) decrease in other financial assets	(2,159)	5,543
<b>Net cash used in investing activities</b>	<u>(2,578,401)</u>	<u>(638,492)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	-	(269,000)
Decrease in short-term notes and bills payable	-	(50,000)
Proceeds from long-term borrowings	1,000,000	63,000
Increase in guarantee deposits received	-	1,947
Payments of lease liabilities	(9,752)	(8,294)
<b>Net cash from (used in) financing activities</b>	<u>990,248</u>	<u>(262,347)</u>
Effect of exchange rate changes on cash and cash equivalents	78,108	(18,140)
<b>Net increase in cash and cash equivalents</b>	<u>403,373</u>	<u>482,279</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>4,383,697</u>	<u>3,791,174</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,787,070</u>	<u>4,273,453</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**

**Notes to the Consolidated Financial Statements**

**For the six months ended June 30, 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. In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged with its subsidiary, KINGPAK TECHNOLOGY INC.( “KINGPAK”), pursuant to the resolutions of the Board of Directors on March 17, 2022 with the Company as the surviving company, and KINGPAK as the dissolved company. The reference date of the merger is June 30, 2022. The consolidated financial statements of the Company as at and for the six months ended June 30, 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 module, ceramic metalized substrate, hybrid modules & specialty packaging and image products.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 11, 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”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

**(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
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Sales and manufacturing of RF module, ceramic metalized substrate, hybrid modules & specialty packaging and image products	100 %	100 %	100 %	-
//	KINGPAK Technology Inc. (KINGPAK)	Automobile related packing field and safety monitoring related CMOS image sensor	-	100 %	100 %	Note

Note: The Company conducted the short-form merger with the 100%-owned subsidiary – KINGPAK on June 30, 2022. The Company was the surviving company, and KINGPAK was the dissolved company.

(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.

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**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

	<b>June 30,</b> <b>2022</b>	<b>December 31,</b> <b>2021</b>	<b>June 30,</b> <b>2021</b>
Petty cash and foreign currency on hand	\$ 137	391	411
Checking accounts and demand deposits	4,140,542	3,657,158	3,919,831
Time deposits	<u>646,391</u>	<u>726,148</u>	<u>353,211</u>
	<b><u>\$ 4,787,070</u></b>	<b><u>4,383,697</u></b>	<b><u>4,273,453</u></b>

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**  
**Notes to the Consolidated Financial Statements**

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

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 39,586	3,556	-
Foreign exchange swaps contracts	287	4,429	-
Non-derivative financial assets			
Open-end mutual funds	231,655	231,292	231,047
Structured deposits	-	-	557,674
Structured investment	551,876	-	-
Stock listed in domestic markets	261,989	276,168	262,956
Foreign private funds	<u>267,042</u>	<u>179,221</u>	<u>200,092</u>
	<u>\$ 1,352,435</u>	<u>694,666</u>	<u>1,251,769</u>
Current	\$ 271,528	239,277	788,721
Non-current	<u>1,080,907</u>	<u>455,389</u>	<u>463,048</u>
	<u>\$ 1,352,435</u>	<u>694,666</u>	<u>1,251,769</u>
	<u>June 30,</u> <u>2022</u>	<u>December</u> <u>31, 2021</u>	<u>June 30,</u> <u>2021</u>
Hold-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 290	4,609	-
Foreign exchange swaps contracts	<u>4,018</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,308</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 June 30, 2021, the Group did not hold any unsettled transaction associated with derivative financial instruments. As of June 30, 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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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>June 30, 2022</b>				
	<b>Amount</b>		<b>Currency</b>	<b>Maturity dates</b>
	<b>(in thousands)</b>			
<b>Derivative financial assets</b>				
<b>Forward exchange contracts</b>				
Foreign exchange purchased	USD	29,000	USD to NTD	2022.07.29~2022.09.30
Foreign exchange sold	EUR	1,000	EUR to USD	2022.07.07
<b>Foreign exchange swaps contracts</b>				
Foreign exchange swaps	USD	19,500	USD to NTD	2022.07.13~2022.07.29
<b>Derivative financial liabilities</b>				
<b>Forward exchange contracts</b>				
Foreign exchange sold	USD	8,000	USD to NTD	2022.07.11~2022.07.29
<b>Foreign exchange swaps contracts</b>				
Foreign exchange swaps	USD	18,000	USD to NTD	2022.07.06~2022.07.21
<b>December 31, 2021</b>				
	<b>Amount</b>		<b>Currency</b>	<b>Maturity dates</b>
	<b>(in thousands)</b>			
<b>Derivative financial assets</b>				
<b>Forward exchange contracts</b>				
Foreign exchange purchased	USD	29,000	USD to NTD	2022.02.25~2022.04.27
Foreign exchange sold	EUR	1,000	EUR to USD	2022.01.06
<b>Foreign exchange swaps contracts</b>				
Foreign exchange swaps	USD	40,500	USD to NTD	2022.01.28~2022.03.21
<b>Derivative financial liabilities</b>				
<b>Forward exchange contracts</b>				
Foreign exchange purchased	USD	24,000	USD to NTD	2022.01.20~2022.06.30
Foreign exchange sold	USD	4,000	USD to JPY	2022.01.05

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

As of June 30, 2022, December 31 and June 30, 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**  
**Notes to the Consolidated Financial Statements**

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stock	\$ <u>345,897</u>	<u>350,563</u>	<u>-</u>

- (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 and six months ended June 30, 2022 and 2021.
- (iii) For credit risk and market risk, please refer to note (6)(v).
- (iv) As of June 30, 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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Foreign corporate bonds	\$ <u>893,697</u>	<u>221,440</u>	<u>222,880</u>

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

- (i) For the six months ended June 30, 2022, the Group purchased the bond with a face value of USD 22,048 thousand with a coupon rate of 1.750%~3.522%. There was no significant purchase and disposal on financial assets at amortized cost for the six months ended June 30, 2021. For other related information, please refer to note 6(d) of the consolidated financial statements for the year ended December 31, 2021.
- (ii) Please refer to note (6)(v) for credit risk.
- (iii) As of June 30, 2022, December 31 and June 30, 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**  
**Notes to the Consolidated Financial Statements**

(e) Accounts receivable

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Accounts receivable – measured at amortized cost	\$ 2,565,572	2,318,695	2,242,358
Less: allowance for impairment	<u>(2,819)</u>	<u>(92,217)</u>	<u>(80,498)</u>
	<b><u>\$ 2,562,753</u></b>	<b><u>2,226,478</u></b>	<b><u>2,161,860</u></b>

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

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 \$15,378 and \$94,833 for the three months and six months ended June 30, 2022, respectively.

(i) As of June 30, 2022, the loss allowance provision was determined as follows:

<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,344,361	-	-
Overdue 1 to 30 days	198,823	-	-
Overdue 31 to 60 days	19,749	10.00%	1,975
Overdue 61 to 90 days	2,148	20.00%	430
Overdue 91 to 120 days	5	50.00%	3
Overdue 121 to 180 days	376	80.00%	301
Overdue more than one year	<u>110</u>	100.00%	<u>110</u>
	<b><u>\$ 2,565,572</u></b>		<b><u>2,819</u></b>

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

(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>

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 June 30, 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	\$ 121,865	-	-
31 to 60 days	72,570	0.49%	354
61 to 90 days	21,538	1.50%	323
91 to 120 days	8,603	5.00%	430
121 to 180 days	1,578	10.00%	158
	<u>\$ 226,154</u>		<u>1,265</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 accounts receivable</u>	<u>Weighted- average expected loss rate</u>	<u>Loss allowance provision</u>
1 to 30 days	\$ 996,039	1.14%	11,358
31 to 60 days	721,377	3.89%	28,078
61 to 90 days	183,969	8.44%	15,533
91 to 120 days	111,257	19.95%	22,195
121 to 180 days	3,424	56.40%	1,931
181 to 365 days	130	100.00%	130
More than one year	<u>8</u>	100.00%	<u>8</u>
	<u>\$ 2,016,204</u>		<u>79,233</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
The beginning of period	\$ 92,217	51,130
Impairment losses recognized (reversed)	(89,402)	29,708
Amounts written off	-	(319)
Effect of movements in exchange rates	<u>4</u>	<u>(21)</u>
The end of period	<u>\$ 2,819</u>	<u>80,498</u>

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

(f) Inventories

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Finished goods	\$ 271,270	224,628	143,719
Semi-finished goods	168,706	276,355	190,546
Work in progress	366,926	265,094	378,465
Raw materials	1,050,750	795,583	626,206
Indirect materials	<u>278,951</u>	<u>268,609</u>	<u>237,136</u>
	<u>\$ 2,136,603</u>	<u>1,830,269</u>	<u>1,576,072</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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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		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Current operating cost for write-downs on inventory valuation and obsolescence	\$ 19,307	4,962	24,447	12,846

- (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
<b>Cost or deemed cost:</b>							
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	90,000	48,882	119,326	19,902	-	1,058,396	1,336,506
Transferred in (out)	-	58,403	74,234	2,282	-	(135,163)	(244)
Disposals	-	(33,746)	(478,067)	(9,255)	-	-	(521,068)
Effects of movements in exchange rates	-	31,209	114,134	16,670	136	1,348	163,497
Balance on June 30, 2022	\$ 2,484,630	3,135,632	5,599,048	396,519	1,977	2,878,468	14,496,274
Balance on January 1, 2021	\$ 2,394,630	2,962,779	6,099,011	320,949	1,894	350,239	12,129,502
Additions	-	29,022	148,486	54,533	-	426,069	658,110
Transferred in (out)	-	52,594	102,843	18,280	-	(176,618)	(2,901)
Disposals	-	(32,307)	(479,286)	(4,358)	-	-	(515,951)
Effects of movements in exchange rates	-	(9,478)	(31,148)	(4,748)	(41)	(437)	(45,852)
Balance on June 30, 2021	\$ 2,394,630	3,002,610	5,839,906	384,656	1,853	599,253	12,222,908
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2022	\$ -	851,861	3,664,642	259,273	884	-	4,776,660
Depreciation for the six months ended June 30, 2022	-	92,817	597,779	28,176	38	-	718,810
Disposals	-	(33,746)	(469,189)	(8,215)	-	-	(511,150)
Effects of movements in exchange rates	-	13,965	96,928	14,564	66	-	125,523
Balance on June 30, 2022	\$ -	924,897	3,890,160	293,798	988	-	5,109,843

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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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 six months ended June 30, 2021	-	87,474	617,861	26,113	38	-	731,486
Impairment loss reversed	-	-	(3,380)	-	-	-	(3,380)
Disposals	-	(32,307)	(478,708)	(4,358)	-	-	(515,373)
Effects of movements in exchange rates	-	(3,840)	(28,759)	(4,169)	(19)	-	(36,787)
Balance on June 30, 2021	<u>\$ -</u>	<u>803,508</u>	<u>3,411,860</u>	<u>263,950</u>	<u>853</u>	<u>-</u>	<u>4,480,171</u>
<b>Book value:</b>							
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 June 30, 2022	<u>\$ 2,484,630</u>	<u>2,210,735</u>	<u>1,708,888</u>	<u>102,721</u>	<u>989</u>	<u>2,878,468</u>	<u>9,386,431</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 June 30, 2021	<u>\$ 2,394,630</u>	<u>2,199,102</u>	<u>2,428,046</u>	<u>120,706</u>	<u>1,000</u>	<u>599,253</u>	<u>7,742,737</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 June 30, 2022, December 31 and June 30, 2021, the amount of \$1,984,000, \$1,616,000 and \$304,000 had been paid.

As of June 30, 2022, December 31 and June 30, 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:

<b>Cost:</b>	<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	79,996	-	700	80,696
Deductions	(74,694)	-	(2,924)	(77,618)
Balance on June 30, 2022	<u>\$ 89,922</u>	<u>22,901</u>	<u>18,445</u>	<u>131,268</u>
Balance on January 1, 2021	\$ 84,620	15,984	19,216	119,820
Additions	-	17,263	-	17,263
Deductions	-	(9,807)	(1,569)	(11,376)
Balance on June 30, 2021	<u>\$ 84,620</u>	<u>23,440</u>	<u>17,647</u>	<u>125,707</u>

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	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
<b>Depreciation and impairment loss:</b>				
Balance on January 1, 2022	\$ 8,173	9,104	7,426	24,703
Depreciation for the six months ended June 30, 2022	2,779	5,108	2,172	10,059
Deductions	(4,478)	-	(2,519)	(6,997)
Balance on June 30, 2022	<u>\$ 6,474</u>	<u>14,212</u>	<u>7,079</u>	<u>27,765</u>
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the six months ended June 30, 2021	2,729	4,022	1,944	8,695
Deductions	-	(4,514)	(499)	(5,013)
Balance on June 30, 2021	<u>\$ 5,444</u>	<u>4,445</u>	<u>4,965</u>	<u>14,854</u>
<b>Book value:</b>				
Balance on January 1, 2022	\$ 76,447	13,797	13,243	103,487
Balance on June 30, 2022	<u>\$ 83,448</u>	<u>8,689</u>	<u>11,366</u>	<u>103,503</u>
Balance on January 1, 2021	\$ 81,905	11,047	15,696	108,648
Balance on June 30, 2021	<u>\$ 79,176</u>	<u>18,995</u>	<u>12,682</u>	<u>110,853</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>
<b>Book value:</b>					
Balance on January 1, 2022	\$ 7,448,612	717,036	14,033	322,391	8,502,072
Balance on June 30, 2022	<u>\$ 7,448,612</u>	<u>678,335</u>	<u>69,975</u>	<u>308,920</u>	<u>8,505,842</u>
Balance on January 1, 2021	\$ 7,448,612	794,714	21,632	349,332	8,614,290
Balance on June 30, 2021	<u>\$ 7,448,612</u>	<u>755,776</u>	<u>16,596</u>	<u>335,861</u>	<u>8,556,845</u>

There were no significant purchase, disposal, impairment loss or reversal gain on intangible assets for the six months ended June 30, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unused short-term credit lines	<u>\$ 4,715,700</u>	<u>\$ 4,564,700</u>	<u>\$ 3,674,200</u>
Range of interest rates	-	-	-

(Continued)

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

(i) Issuance and Repayment of Loans:

There were no increased and repayment of the Group's short-term borrowing for the six months ended June 30, 2022. For the six months ended June 30, 2021, the Group increased its short-term borrowings by \$673,000, and the repayment amounted to \$942,000.

(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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Secured bank loans	\$ 1,063,000	63,000	63,000
Less: Discounts on government grants	<u>(19,242)</u>	<u>(500)</u>	<u>(526)</u>
	<u>\$ 1,043,758</u>	<u>62,500</u>	<u>62,474</u>
Unused long-term credit lines	<u>\$ 7,857,000</u>	<u>8,257,000</u>	<u>8,857,000</u>
Range of interest rates	<u>0.6%~1.175%</u>	<u>0.6%~0.8%</u>	<u>0.6%~0.8%</u>
Expiration	2031	2031	2031

(i) In 2022 and 2021, the Group received a preferential interest rate loan of \$1,000,000 and \$63,000 from the government's "Action Plan for Accelerating Investment of Rooted Taiwanese Enterprises". 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 1.35% and 0.75%, the fair value of the loan was estimated at \$981,232 and \$62,465 on initial recognition. The difference of \$18,768 and \$535 between the proceeds and the fair value of the loan was the benefit derived from the preferential interest rate loan, respectively, 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.

(Continued)

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

(l) Other payables

Details of other payables were as follows:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Salaries, employees' compensation and directors' remuneration	\$ 1,232,117	1,002,752	778,655
Payable on machinery and equipment	142,823	114,098	152,961
Accrued employee benefit liabilities	54,221	51,461	49,283
Others	<u>800,487</u>	<u>616,665</u>	<u>624,365</u>
	<u>\$ 2,229,648</u>	<u>1,784,976</u>	<u>1,605,264</u>

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

(m) Provision

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Compensation	<u>\$ 146,407</u>	<u>127,873</u>	<u>141,313</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>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current	<u>\$ 16,744</u>	<u>19,431</u>	<u>18,876</u>
Non-current	<u>\$ 87,223</u>	<u>85,416</u>	<u>92,976</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <u>452</u>	<u>500</u>	<u>897</u>	<u>977</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>16,457</u>	<u>16,908</u>	<u>33,437</u>	<u>47,716</u>
Expenses relating to short-term leases	\$ <u>3,240</u>	<u>2,110</u>	<u>5,389</u>	<u>4,412</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>99</u>	<u>127</u>	<u>196</u>	<u>139</u>

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	\$ <u>49,671</u>	<u>61,538</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 three 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 copying machines and office equipment with lease terms of three years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)



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

(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.

The expenses recognized in profit or loss for the Group amounted to \$3,458, \$5,251, \$6,897 and \$10,567 for the three months and six months ended June 30, 2022 and 2021, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$18,673, \$18,266, \$37,370 and \$36,393 for the three months and six months ended June 30, 2022 and 2021, respectively.

(p) Income Taxes

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

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax expense	<u>\$ 211,730</u>	<u>74,431</u>	<u>413,203</u>	<u>180,444</u>

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

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ 11,165</u>	<u>(6,882)</u>	<u>20,801</u>	<u>(5,913)</u>

(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.

(Continued)

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

(q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the six months ended June 30, 2022 and 2021. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

For the six months ended June 30, 2022 and 2021, the restricted stocks were cancelled due to the employees fail to meet the vesting conditions amounting to \$150 and \$0, respectively. Except of \$75 was registered on May 4, 2022, the registration procedures has not been completed as of June 30, 2022.

The annaul stockholders' meeting resolved to conduct a capital reduction by cash amounting to \$178,690 on June 8, 2022, whereby 17,869 thousand ordinary shares were cancelled, resulting in the capital to decrease by 10%. The capital reduction has yet to be reported to the authorities.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Capital surplus—additional paid-in capital	\$ 15,002,891	15,002,891	15,002,891
Employment restricted shares	56,766	59,310	61,058
Other	<u>56,219</u>	<u>56,219</u>	<u>56,219</u>
	<b><u>\$ 15,115,876</u></b>	<b><u>15,118,420</u></b>	<b><u>15,120,168</u></b>

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation amended on June 8, 2022, 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 Broad 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.

(Continued)

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

If the Company has no deficit, it shall distribute the legal reserve and the aggregate or a portion of the capital surplus to shareholders in cash in proportion to shareholdings pursuant to Article 241(i) of the Company Act, and such distribution shall be passed in a board meeting in majority with two-thirds of attendance and be reported to the stockholders' meeting.

The Company's earnings distribution or loss off-setting proposal may be proposed at the close of each half-year.

When the Company allocates its earnings for the first half of the financial year in accordance with the preceding paragraph, it shall first estimate and retain the amounts of taxable contributions, make up its deficits, employee remuneration, and provision for surplus reserve. However, the appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital.

In accordance with the Company's Articles of Incorporation before revised on June 8, 2022, 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 and 2020 was approved via the annual meeting of shareholders held on June 8, 2022, and July 7, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>2021</b>		<b>2020</b>	
	<b>Amount per share</b>	<b>Total amount</b>	<b>Amount per share</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders				
Cash	\$ 9.00037872	<u><u>1,608,214</u></u>	5.50	<u><u>982,896</u></u>

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

(Continued)

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

(r) Shares-based payment

There was no significant change on the share-based payment during the six months ended June 30, 2022 and 2021 respectively. Please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2021.

As of June 30, 2022 and 2021, the unearned employee compensation was \$2,584 and \$15,133, respectively. The compensation cost related to the restricted shares amounted to \$1,499 and \$8,135 for the six months ended June 30, 2022 and 2021.

(s) Earnings per share

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

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Basic earnings per share (NTD):</b>				
Profit attributable to ordinary stockholders of the Company	\$ <u>998,144</u>	<u>628,336</u>	<u>1,905,981</u>	<u>1,107,459</u>
Weighted-average number of ordinary shares (thousands)	<u>178,570</u>	<u>178,474</u>	<u>178,570</u>	<u>178,474</u>
Basic earnings per share (NTD)	\$ <u>5.59</u>	<u>3.52</u>	<u>10.67</u>	<u>6.21</u>
<b>Diluted earnings per share (NTD):</b>				
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>998,144</u>	<u>628,336</u>	<u>1,905,981</u>	<u>1,107,459</u>
Weighted-average number of ordinary shares (thousands)	178,570	178,474	178,570	178,474
Effect of employee remuneration (thousands)	776	382	1,359	586
Effect of employee restricted shares (thousands)	<u>104</u>	<u>139</u>	<u>106</u>	<u>139</u>
Weighted-average number of ordinary shares (diluted) (thousands)	<u>179,450</u>	<u>178,995</u>	<u>180,035</u>	<u>179,199</u>
Diluted earnings per share (NTD)	\$ <u>5.56</u>	<u>3.51</u>	<u>10.59</u>	<u>6.18</u>

(Continued)

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

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the three months ended June 30, 2022</b>				
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 127,704	83,607	769,451	5,642	986,404
Switzerland	-	630,201	30,991	550	661,742
Malaysia	237,616	259,077	5,437	59	502,189
United States	70,284	36,341	308,189	17,374	432,188
Japan	323	315,582	10,289	35	326,229
China	90,067	99,033	44,272	522	233,894
Hong Kong	46,439	4,449	152,013	379	203,280
Others	72,611	55,199	122,093	9,741	259,644
	<b>\$ 645,044</b>	<b>1,483,489</b>	<b>1,442,735</b>	<b>34,302</b>	<b>3,605,570</b>
Major products/services lines:					
Image products	\$ -	1,067,181	924,633	6,986	1,998,800
Ceramic metalized substrate	645,044	1,370	142,457	88	788,959
Hybrid modules & specialty packaging	-	405,898	192,727	3,058	601,683
RF module	-	9,039	182,918	935	192,892
Other	-	-	-	23,236	23,236
	<b>\$ 645,044</b>	<b>1,483,488</b>	<b>1,442,735</b>	<b>34,303</b>	<b>3,605,570</b>
	<b>For the three months ended June 30, 2021</b>				
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 81,694	56,997	548,256	141,792	828,739
Switzerland	-	497,262	18,252	2,590	518,104
Malaysia	250,355	252,182	14,463	558	517,558
United States	68,127	19,833	289,120	17,799	394,879
Japan	2,460	283,965	4,830	17	291,272
China	98,192	136,479	53,428	165	288,264
Hong Kong	45,407	1,722	239,757	709	287,595
Others	90,711	32,874	157,664	26,924	308,173
	<b>\$ 636,946</b>	<b>1,281,314</b>	<b>1,325,770</b>	<b>190,554</b>	<b>3,434,584</b>

(Continued)

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

	<b>For the three months ended June 30, 2021</b>				
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Major products/services lines:					
Image products	\$ -	852,232	711,743	129,486	1,693,461
Ceramic metalized substrate	636,946	-	242,733	13,847	893,526
Hybrid modules & specialty packaging	-	424,069	206,298	4,644	635,011
RF module	-	5,013	164,996	2,542	172,551
Other	-	-	-	40,035	40,035
	<b><u>\$ 636,946</u></b>	<b><u>1,281,314</u></b>	<b><u>1,325,770</u></b>	<b><u>190,554</u></b>	<b><u>3,434,584</u></b>
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 232,760	155,404	1,415,697	11,615	1,815,476
Switzerland	388	1,182,639	52,009	2,170	1,237,206
Malaysia	519,715	537,219	11,456	1,410	1,069,800
United States	140,900	75,677	594,464	29,071	840,112
Japan	632	643,352	16,080	49	660,113
China	183,106	243,736	88,333	1,694	516,869
Hong Kong	98,356	5,457	307,713	1,209	412,735
Others	136,731	114,586	239,298	28,225	518,840
	<b><u>\$ 1,312,588</u></b>	<b><u>2,958,070</u></b>	<b><u>2,725,050</u></b>	<b><u>75,443</u></b>	<b><u>7,071,151</u></b>
Major products/services lines:					
Image products	\$ -	2,042,769	1,715,015	14,242	3,772,026
Ceramic metalized substrate	1,312,588	7,184	293,958	472	1,614,202
Hybrid modules & specialty packaging	-	890,269	426,640	8,195	1,325,104
RF module	-	17,848	289,437	2,019	309,304
Other	-	-	-	50,515	50,515
	<b><u>\$ 1,312,588</u></b>	<b><u>2,958,070</u></b>	<b><u>2,725,050</u></b>	<b><u>75,443</u></b>	<b><u>7,071,151</u></b>

(Continued)

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

	<b>For the six months ended June 30, 2021</b>				
	<b>BU1</b>	<b>BU2</b>	<b>BU3</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:					
Singapore	\$ 158,094	97,875	1,215,943	152,954	1,624,866
Switzerland	211	931,329	29,578	4,318	965,436
Malaysia	477,891	505,261	22,075	881	1,006,108
United States	113,508	38,217	521,980	33,373	707,078
Japan	3,726	532,838	10,444	1,133	548,141
China	166,850	256,923	89,668	2,084	515,525
Hong Kong	88,119	2,476	546,520	1,465	638,580
Others	<u>173,967</u>	<u>62,095</u>	<u>278,615</u>	<u>55,435</u>	<u>570,112</u>
	<b><u>\$ 1,182,366</u></b>	<b><u>2,427,014</u></b>	<b><u>2,714,823</u></b>	<b><u>251,643</u></b>	<b><u>6,575,846</u></b>
Major products/services lines:					
Image products	\$ -	1,587,629	1,619,171	142,734	3,349,534
Ceramic metalized substrate	1,182,366	-	434,017	14,758	1,631,141
Hybrid modules & specialty packaging	-	828,563	381,691	8,219	1,218,473
RF module	-	10,822	279,944	3,433	294,199
Other	-	-	-	82,499	82,499
	<b><u>\$ 1,182,366</u></b>	<b><u>2,427,014</u></b>	<b><u>2,714,823</u></b>	<b><u>251,643</u></b>	<b><u>6,575,846</u></b>

## (ii) Contract balances

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Accounts receivable	\$ 2,565,572	2,318,695	2,242,358
Contract assets – image products (recorded under other current assets)	96,592	69,621	117,577
Less: allowance for impairment	<u>(2,819)</u>	<u>(92,217)</u>	<u>(80,498)</u>
Total	<b><u>\$ 2,659,345</u></b>	<b><u>2,296,099</u></b>	<b><u>2,279,437</u></b>
Contract liabilities – advance sales receipts	<b><u>\$ 68,751</u></b>	<b><u>365,436</u></b>	<b><u>341,823</u></b>

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

The amounts of revenue recognized for the six months ended June 30, 2022 and 2021 that were included in the contract liabilities balance at the beginning of the period were \$19,920 and \$17,201, 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

(Continued)

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

received.

(u) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended on June 8, 2022, once the Company has an annual profit, it should appropriate 3% or more of the profit to its employees and 3% 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.

Based on the Company's Articles of Incorporation before revised on June 8, 2022, 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.

For the three months and six months ended June 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$79,500, \$42,007, \$156,000 and \$81,100, respectively. The remuneration of directors amounted to \$24,800, \$15,339, \$48,000 and \$25,112 for the three months and six months ended June 30, 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, 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.

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

(i) Credit risk

1) Exposure to credit risk

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

2) The concentration of credit risk

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

3) Receivables credit risk

For credit risk exposure of 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.

The allowance for impairment of other receivables for the six months ended June 30, 2022 and 2021 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2022	\$ 423
Impairment loss reversed	(27)
Effects of movements in exchange rates	29
Balance on June 30, 2022	<u>\$ 425</u>
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(23)
Effects of movements in exchange rates	(15)
Balance on June 30, 2021	<u>\$ 601</u>

(Continued)

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

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
<b>June 30, 2022</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 969,886	(969,886)	(969,886)	-
Other payables	2,229,648	(2,229,648)	(2,229,648)	-
Dividends payable	1,608,214	(1,608,214)	(1,608,214)	-
Lease liabilities (including current and non-current portion)	103,967	(130,214)	(18,423)	(111,791)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	1,043,758	(1,063,000)	-	(1,063,000)
Derivative financial liabilities:				
Forward exchange contracts:	290			
Inflow		237,436	237,436	-
Outflow		(237,760)	(237,760)	-
Foreign exchange swaps contracts:	4,018			
Inflow		531,014	531,014	-
Outflow		(534,960)	(534,960)	-
	<u>\$ 5,964,792</u>	<u>(6,010,243)</u>	<u>(4,830,441)</u>	<u>(1,179,802)</u>
<b>December 31, 2021</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 1,013,128	(1,013,128)	(1,013,128)	-
Other payables	1,784,976	(1,784,976)	(1,784,976)	-
Lease liabilities (including current and non-current portion)	104,847	(129,199)	(21,095)	(108,104)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	62,500	(63,000)	-	(63,000)
Derivative financial liabilities:				
Forward exchange contracts:	4,609			
Inflow		773,558	773,558	-
Outflow		(776,149)	(776,149)	-
	<u>\$ 2,975,071</u>	<u>(2,997,905)</u>	<u>(2,821,790)</u>	<u>(176,115)</u>

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
<b>June 30, 2021</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 979,602	(979,602)	(979,602)	-
Other payables	1,605,264	(1,605,264)	(1,605,264)	-
Lease liabilities (including current and non-current portion)	111,852	(137,114)	(20,674)	(116,440)
Guarantee deposits received	6,077	(6,077)	-	(6,077)
Long-term borrowings	<u>62,474</u>	<u>(63,000)</u>	<u>-</u>	<u>(63,000)</u>
	<u>\$ 2,765,269</u>	<u>(2,791,057)</u>	<u>(2,605,540)</u>	<u>(185,517)</u>

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

(iii) Currency risk

1) Exposure to currency risk

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

	<u>June 30, 2022</u>			<u>December 31, 2021</u>			<u>June 30, 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	\$ 184,679	USD/NTD =29.720	5,488,660	189,065	USD/NTD =27.680	5,233,319	174,012	USD/NTD =27.860	4,847,974
<u>Financial liabilities</u>									
Monetary items									
USD	28,550	USD/NTD =29.720	848,506	19,565	USD/NTD =27.680	541,559	11,428	USD/NTD =27.860	318,384
JPY	324,466	JPY/NTD =0.2182	70,798	832,842	JPY/NTD =0.2405	200,299	974,109	JPY/NTD =0.2521	245,573

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 six months ended June 30, 2022 and 2021 would have increased or decreased the net profit before tax as follows:

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

	For the six months ended June 30,	
	2022	2021
USD (against the NTD)		
Strengthening 5%	\$ 232,008	226,480
Weakening 5%	(232,008)	(226,480)
JPY (against the NTD)		
Strengthening 5%	(3,540)	(12,279)
Weakening 5%	3,540	12,279

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2022 and 2021 the foreign exchange gains and losses, including realized and unrealized portion, amounted to a gain of \$165,964, a loss of \$110,178, a gain of \$299,672 and a loss of \$94,991, 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 \$3,843 and \$4,894 for the six months ended June 30, 2022 and 2021, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(iv) Fair value

1) The categories and the fair values of financial instruments

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

(Continued)

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

	<b>June 30, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	39,873	-	39,873	-	39,873
Open-end mutual funds	231,655	231,655	-	-	231,655
Structured investment	551,876	-	-	551,876	551,876
Stock listed in domestic markets	261,989	261,989	-	-	261,989
Foreign private funds	<u>267,042</u>	-	-	267,042	267,042
Subtotal	<u>1,352,435</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>345,897</u>	345,897	-	-	345,897
Financial assets measured at amortized cost					
Cash and cash equivalents	4,787,070	-	-	-	-
Accounts receivable, net	2,562,753	-	-	-	-
Other receivables	41,946	-	-	-	-
Other financial assets – current	36,183	-	-	-	-
Foreign corporate bonds	893,697	-	-	-	-
Refundable deposits (recorded under other non-current assets)	18,274	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>8,345,328</u>				
Total	<u><b>\$ 10,043,660</b></u>				

(Continued)

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

	June 30, 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	\$ 4,308	-	4,308	-	4,308
Financial liabilities measured at amortized cost					
Notes and accounts payable	969,886	-	-	-	-
Other payables	2,229,648	-	-	-	-
Dividends payable	1,608,214	-	-	-	-
Lease liabilities (including current and non-current portion)	103,967	-	-	-	-
Guarantee deposits received	5,011	-	-	-	-
Long-term borrowings	<u>1,043,758</u>	-	-	-	-
Subtotal	<u>5,960,484</u>				
Total	<u>\$ 5,964,792</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)

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

	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><b>\$ 7,936,758</b></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 borrowings	<u>62,500</u>	-	-	-	-
Subtotal	<u>2,970,462</u>				
Total	<u><b>\$ 2,975,071</b></u>				

(Continued)

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

	June 30, 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	\$ 231,047	231,047	-	-	231,047
Structured deposits	557,674	-	557,674	-	557,674
Stock listed in domestic markets	262,956	262,956	-	-	262,956
Foreign private funds	<u>200,092</u>	-	-	200,092	200,092
Subtotal	<u>1,251,769</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	4,273,453	-	-	-	-
Accounts receivable, net	2,161,860	-	-	-	-
Other receivables	8,422	-	-	-	-
Other financial assets—current	31,314	-	-	-	-
Foreign corporate bonds	222,880	-	-	-	-
Other financial assets—non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets)	<u>12,530</u>	-	-	-	-
Subtotal	<u>6,715,864</u>				
Total	<u>\$ 7,967,633</u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 979,602	-	-	-	-
Other payables	1,605,264	-	-	-	-
Lease liabilities (including current and non-current portion)	111,852	-	-	-	-
Guarantee deposits received	6,077	-	-	-	-
Long-term borrowings	<u>62,474</u>	-	-	-	-
Total	<u>\$ 2,765,269</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. Structured investments were calculated using the offer price.

3) Transfer between level

There were no transfers between fair value level for the six months ended June 30, 2022 and 2021.

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

4) Reconciliation of financial assets on Level 3 fair values

	<b>Non derivative financial assets mandatorily measured at fair value through profit or loss</b>
Balance on January 1, 2022	\$ 179,221
Total gains and losses	
Recognized in profit or loss	83,681
Purchased	<u>556,016</u>
Balance on June 30, 2022	<u><b>\$ 818,918</b></u>
Balance on January 1, 2021	\$ 179,497
Total gains and losses	
Recognized in profit or loss	8,176
Purchased	21,933
Disposal	<u>(9,514)</u>
Balance on June 30, 2021	<u><b>\$ 200,092</b></u>

For the six months ended June 30, 2022 and 2021, total gains and losses were included in gains (losses) on current financial assets (liabilities) at fair value through profit or loss.

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

The Company's financial instruments use Level 3 inputs to measure private equity and structured investments.

The quantified information of significant unobservable inputs was as follows:

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

The structured investments and funds of the fair value hierarchy are based on unadjusted quote price of trading partners. Therefore, the quantitative information and sensitivity analysis are not available.

(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 six months ended June 30, 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:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>June 30, 2022</b>
			<b>Other</b>	
Lease liabilities (including current and non-current portion)	\$ 104,847	(9,752)	8,872	103,967
Guarantee deposits received	5,011	-	-	5,011
Long-term borrowings	<u>62,500</u>	<u>1,000,000</u>	<u>(18,742)</u>	<u>1,043,758</u>
Total liabilities from financing activities	<u>\$ 172,358</u>	<u>990,248</u>	<u>(9,870)</u>	<u>1,152,736</u>
			<b>Non-cash changes</b>	
	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Other</b>	<b>June 30, 2021</b>
Long-term borrowings	\$ -	63,000	9	63,009
Short-term borrowings	269,000	(269,000)	-	-
Short-term notes and bill payable	50,000	(50,000)	-	-
Lease liabilities (including current and non-current portion)	109,364	(8,294)	10,782	111,852
Guarantee deposits received	<u>4,130</u>	<u>1,947</u>	<u>-</u>	<u>6,077</u>
Total liabilities from financing activities	<u>\$ 432,494</u>	<u>(262,347)</u>	<u>10,791</u>	<u>180,938</u>

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

**(7) Related-party transactions**

(a) Name and relationship with related parties

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

<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. The transfer procedure was completed on June 27, 2022. As of June 30, 2022, the aforementioned amount was paid.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 55,458	46,941	113,947	85,821
Post-employment benefits	135	189	270	378
	<u>\$ 55,593</u>	<u>47,130</u>	<u>114,217</u>	<u>86,199</u>

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**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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 29,423	27,403	29,081
"	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	619,213	636,881	655,290
Other financial assets – current – reserve account	Customs duty guarantee	-	-	903
		<u>\$ 659,341</u>	<u>674,989</u>	<u>690,679</u>

**(9) Commitments and contingencies**

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Future payments for the purchase of property, equipment and construction in progress	<u>\$ 1,745,986</u>	<u>1,446,255</u>	<u>1,158,503</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 June 30, 2022, the payment amounting to \$1,216,000 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unused and outstanding letters of credit and the deposit for customs duties	<u>\$ 27,300</u>	<u>27,300</u>	<u>25,300</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 June 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	540,172	221,759	761,931	486,548	143,318	629,866
Labor and health insurance	37,978	8,508	46,486	40,514	6,511	47,025
Pension	17,491	4,640	22,131	19,575	3,942	23,517
Other employee benefits	32,274	5,785	38,059	29,664	3,402	33,066
Depreciation	345,107	13,460	358,567	356,722	14,450	371,172
Amortization	1,884	30,126	32,010	1,314	27,833	29,147

By function	For the six months ended June 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,067,288	507,610	1,574,898	984,779	275,248	1,260,027
Labor and health insurance	81,124	17,948	99,072	84,706	13,136	97,842
Pension	35,135	9,132	44,267	39,360	7,600	46,960
Other employee benefits	60,256	10,038	70,294	59,109	7,058	66,167
Depreciation	701,628	27,241	728,869	711,709	28,472	740,181
Amortization	3,488	59,549	63,037	2,646	55,918	58,564

- (b) Seasonality of operations

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

(Continued)

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

- (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. In May 2022, Taiwan High Court ruled in favor of the subsidiary, KINGPAK, and Boschman filed an appeal again. The Group had assessed the damages amounting to \$13,930 and recorded them under other payables.

**(13) Other disclosures**

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2022:

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

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

- (iii) Securities held as of June 30, 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			Fair value	Note
				Shares /Units	Carrying amount	Percentage of ownership (%)		
The Company	Open-end mutual funds: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss - current	15,433	231,655	-	231,655	
"	Fund: SMART Growth Fund, L.P. (Note 1)	"	Financial assets at fair value through profit or loss - non-current	Note 2	267,042	1.6%	267,042	
"	Stock: Shin Kong Financial Holding Co., Ltd.	"	"	6,445	261,989	-	261,989	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	Financial assets at fair value through other comprehensive income - non-current	5,833	345,897	-	345,897	
"	eGtran Corporation	"	"	22	-	-	-	
"	Bond: Chailase International Bond	"	Financial assets at amortized cost - non-current	-	237,760	-	236,200	
"	Formosa Group Cayman LTD International Bond	"	"	-	235,286	-	232,501	
"	Nissan Motor Co. Ltd. International Bond	"	"	-	284,994	-	282,191	
"	TSMC Arizona Corp. International Bond	"	"	-	135,657	-	136,667	
"	Structured investments ENNOCONN CORPORATION 3rd Unsecured Convertible Bond	"	Financial assets at fair value through profit or loss - non-current	-	150,236	-	150,236	
"	SERCOMM CORP. 6th Unsecured Convertible Bond	"	"	-	200,989	-	200,989	
"	GIANT MANUFACTURING CO., LTD. 1st Unsecured Convertible Bond	"	"	-	200,651	-	200,651	

Note 1: Wise Road Industry Investment Fund I, L.P. was renamed SMART Growth Fund, L.P. on March 4, 2022.  
Note 2: The amount of investment is USD 6,425 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 1,984,000	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	825,812	44 %	Monthly closing and paid by cash	-	-	Accounts payable (33,331)	(6)%	Note 2
"	"	"	Manufacturing fee	313,010	17 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(825,812)	(73)%	Monthly closing and received by cash	-	-	Accounts receivable 33,331	34 %	"
"	"	"	Manufacturing revenue	(313,010)	(28)%	"	-	-	Accounts receivable 69,132	70 %	"

Note 1 : The other payables amounted to \$69,132 thousand as of June 30, 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	33,331	30.56 %	-	-	33,331	-	Note 2
"	"	"	69,132	12.01 %	-	-	69,132	-	"

Note 1 : Information as of August 11, 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 six months ended June 30, 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	825,812	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	11.68 %	
1	"	"	2	Manufacturing Revenue	313,010		"	4.43 %
1	"	"	2	Accounts Receivable	33,331		"	0.11 %
1	"	"	2	Accounts Receivable	69,132		"	0.23 %

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 six months ended June 30, 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
				June 30, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF module, hybrid modules & specialt packaging, ceramic metalized substrate and image products	2,016,853	2,016,853	28,793	100 %	1,796,807	159,730	147,455	Note 4
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	- (Note 2)	10,800,443 (Note 1)	-	-	-	690,757 (Note 3)	641,491	"

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 Company merged with its subsidiary, The reference date of the merger is June 30, 2022 with the Company as the surviving company, and KINGPAK as the dissolved company.

Note 3 : It was profit and loss before merger with the company for the six months ended June 30, 2022.

Note 4 : 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:

	<b>For the three months ended June 30, 2022</b>					
	<b>BU1 Segment</b>	<b>BU2 Segment</b>	<b>BU3 Segment</b>	<b>Other Segment</b>	<b>Reconciliation &amp; elimination</b>	<b>Total</b>
Revenue						
Revenue from external customers	\$ 645,044	1,483,489	1,442,734	34,303	-	3,605,570
Inter-segment revenues	-	542,240	-	-	(542,240)	-
Total revenue	<u>\$ 645,044</u>	<u>2,025,729</u>	<u>1,442,734</u>	<u>34,303</u>	<u>(542,240)</u>	<u>3,605,570</u>
Reportable segment profit (loss)	<u>\$ 155,828</u>	<u>365,409</u>	<u>393,881</u>	<u>101,888</u>	<u>192,868</u>	<u>1,209,874</u>
	<b>For the three months ended June 30, 2021</b>					
	<b>BU1 Segment</b>	<b>BU2 Segment</b>	<b>BU3 Segment</b>	<b>Other Segment</b>	<b>Reconciliation &amp; elimination</b>	<b>Total</b>
Revenue						
Revenue from external customers	\$ 636,946	1,281,314	1,325,770	190,554	-	3,434,584
Inter-segment revenues	-	525,631	-	-	(525,631)	-
Total revenue	<u>\$ 636,946</u>	<u>1,806,945</u>	<u>1,325,770</u>	<u>190,554</u>	<u>(525,631)</u>	<u>3,434,584</u>
Reportable segment profit (loss)	<u>\$ 171,125</u>	<u>237,911</u>	<u>229,982</u>	<u>169,322</u>	<u>(105,573)</u>	<u>702,767</u>
	<b>For the six months ended June 30, 2022</b>					
	<b>BU1 Segment</b>	<b>BU2 Segment</b>	<b>BU3 Segment</b>	<b>Other Segment</b>	<b>Reconciliation &amp; elimination</b>	<b>Total</b>
Revenue						
Revenue from external customers	\$ 1,312,588	2,958,071	2,725,049	75,443	-	7,071,151
Inter-segment revenues	-	1,138,822	-	-	(1,138,822)	-
Total revenue	<u>\$ 1,312,588</u>	<u>4,096,893</u>	<u>2,725,049</u>	<u>75,443</u>	<u>(1,138,822)</u>	<u>7,071,151</u>
Reportable segment profit (loss)	<u>\$ 335,026</u>	<u>755,022</u>	<u>661,639</u>	<u>117,403</u>	<u>450,094</u>	<u>2,319,184</u>
	<b>For the six months ended June 30, 2021</b>					
	<b>BU1 Segment</b>	<b>BU2 Segment</b>	<b>BU3 Segment</b>	<b>Other Segment</b>	<b>Reconciliation &amp; elimination</b>	<b>Total</b>
Revenue						
Revenue from external customers	\$ 1,182,366	2,427,014	2,714,823	251,643	-	6,575,846
Inter-segment revenues	-	1,018,257	-	-	(1,018,257)	-
Total revenue	<u>\$ 1,182,366</u>	<u>3,445,271</u>	<u>2,714,823</u>	<u>251,643</u>	<u>(1,018,257)</u>	<u>6,575,846</u>
Reportable segment profit (loss)	<u>\$ 255,690</u>	<u>419,672</u>	<u>515,481</u>	<u>175,816</u>	<u>(78,756)</u>	<u>1,287,903</u>