

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

Address: 6F, No.83, Yanping S.Rd., Zhongzheng Dist., Taipei City.
Telephone: (02)2389-0432

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	11~42
(7) Related-party transactions	42~43
(8) Assets pledged as security	43
(9) Commitments and contingencies	43~44
(10) Losses due to major disasters	44
(11) Subsequent Events	44
(12) Other	44~45
(13) Other disclosures	
(a) Information on significant transactions	46~48
(b) Information on investees	48
(c) Information on investment in mainland China	48
(d) Major shareholders	48
(14) Segment information	49



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. (“the Company”) and its subsidiaries (“the Group”) as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 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)
November 10, 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 September 30, 2022 and 2021

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 4,476,016	15	4,383,697	16	4,046,436	15	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	2,323	-	4,609	-	5,678	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	232,351	1	239,277	1	239,505	1	2130	Contract liabilities—current (note (6)(t))	56,485	-	365,436	1	378,797	2
1170	Accounts receivable, net (note (6)(c))	2,535,718	8	2,226,478	8	2,358,324	9	2170	Notes and accounts payable	930,508	3	1,013,128	4	971,671	3
1200	Other receivables	117,921	-	49,178	-	117,640	1	2200	Other payables (notes (6)(l) and (12))	2,402,950	8	1,784,976	6	1,673,872	6
1310	Inventories (note (6)(f))	1,962,418	7	1,830,269	7	1,666,150	6	2230	Current tax liabilities	555,641	2	693,088	3	488,217	2
1410	Prepayments	32,857	-	49,979	-	41,338	-	2250	Current provisions (note (6)(m))	189,708	1	127,873	1	129,471	1
1470	Other current assets (note (6)(t))	101,820	-	70,913	-	124,380	1	2280	Lease liabilities—current (note (6)(n))	23,371	-	19,431	-	19,747	-
1476	Other financial assets—current (note (8))	38,327	-	34,024	-	31,304	-	2300	Other current liabilities	50,519	-	78,346	-	61,831	-
		<u>9,497,428</u>	<u>31</u>	<u>8,883,815</u>	<u>32</u>	<u>8,625,077</u>	<u>33</u>			<u>4,211,505</u>	<u>14</u>	<u>4,086,887</u>	<u>15</u>	<u>3,729,284</u>	<u>14</u>
Non-current assets:								Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	1,211,588	4	455,389	2	482,975	2	2540	Long-term borrowings (note (6)(k))	2,038,347	7	62,500	-	62,487	-
1518	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	332,481	1	350,563	1	-	-	2570	Deferred tax liabilities	114,939	-	114,939	1	106,398	1
1535	Non-current financial assets at amortized cost (note (6)(d))	1,451,438	4	221,440	1	222,800	1	2580	Lease liabilities—non-current (note (6)(n))	100,046	-	85,416	-	90,060	-
1600	Property, plant and equipment (notes (6)(g), (7) and (8))	9,613,761	31	8,740,923	32	8,229,277	31	2600	Other non-current liabilities (note (6)(k))	28,556	-	5,546	-	6,200	-
1755	Right-of-use assets (note (6)(h))	122,333	1	103,487	-	108,617	-	2640	Net defined benefit liability—non-current (note (6)(o))	196,723	1	199,627	1	207,536	1
1780	Intangible assets (note (6)(i))	8,476,131	27	8,502,072	31	8,530,498	32			<u>2,478,611</u>	<u>8</u>	<u>468,028</u>	<u>2</u>	<u>472,681</u>	<u>2</u>
1840	Deferred tax assets	181,260	1	251,510	1	223,829	1		Total liabilities	<u>6,690,116</u>	<u>22</u>	<u>4,554,915</u>	<u>17</u>	<u>4,201,965</u>	<u>16</u>
1900	Other non-current assets (note (7))	35,221	-	23,252	-	22,983	-		Equity:						
1980	Other financial assets—non-current (note (8))	5,405	-	5,405	-	5,405	-		Equity attributable to owners of parent: (note (6)(q))						
		<u>21,429,618</u>	<u>69</u>	<u>18,654,041</u>	<u>68</u>	<u>17,826,384</u>	<u>67</u>	3100	Ordinary shares	1,786,829	6	1,786,979	6	1,787,083	7
								3200	Capital surplus	15,115,876	48	15,118,420	55	15,120,168	57
								3310	Legal reserve	1,829,345	6	1,552,352	6	1,552,352	6
								3320	Special reserve	169,408	1	141,141	1	141,141	1
								3350	Unappropriated retained earnings	5,290,945	17	4,526,534	16	3,788,826	14
								3400	Other equity interest	44,527	-	(142,485)	(1)	(140,074)	(1)
									Total equity	<u>24,236,930</u>	<u>78</u>	<u>22,982,941</u>	<u>83</u>	<u>22,249,496</u>	<u>84</u>
Total assets		<u>\$ 30,927,046</u>	<u>100</u>	<u>27,537,856</u>	<u>100</u>	<u>26,451,461</u>	<u>100</u>	Total liabilities and equity		<u>\$ 30,927,046</u>	<u>100</u>	<u>27,537,856</u>	<u>100</u>	<u>26,451,461</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 nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Sales revenue	\$ 3,750,363	101	3,810,546	101	10,870,099	101	10,436,473	101
4170	Less: sales returns and allowances	39,471	1	33,964	1	88,056	1	84,045	1
4100	Net sales revenue (notes (6)(t) and (14))	3,710,892	100	3,776,582	100	10,782,043	100	10,352,428	100
5110	Cost of sales (notes (6)(f) and (12))	2,341,340	63	2,358,794	62	6,880,119	64	7,011,751	68
5900	Gross profit	1,369,552	37	1,417,788	38	3,901,924	36	3,340,677	32
6000	Operating expenses: (note (12))								
6100	Selling expenses	73,671	2	65,869	2	226,088	2	175,146	2
6200	Administrative expenses	173,800	5	178,466	5	586,716	5	468,861	4
6300	Research and development expenses	88,285	2	74,077	2	275,663	3	200,950	2
6450	Expected credit losses (gains)	1,182	-	(8,630)	-	(88,247)	(1)	21,055	-
		336,938	9	309,782	9	1,000,220	9	866,012	8
6900	Net operating income	1,032,614	28	1,108,006	29	2,901,704	27	2,474,665	24
	Non-operating income and expenses:								
7100	Interest income	15,511	-	3,644	-	30,406	-	12,839	-
7190	Other income	18,187	-	11,068	-	43,927	-	25,171	-
7230	Foreign exchange gains (losses), net (note (6)(w))	314,328	9	16,381	-	614,000	6	(78,610)	(1)
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note (6)(b))	(52,587)	(1)	32,534	1	59,122	1	37,533	-
7510	Finance cost— interest expense	(5,069)	-	(608)	-	(6,351)	-	(3,043)	-
7590	Miscellaneous disbursements (notes (6)(u) and (10))	(344,967)	(9)	(4,809)	-	(345,607)	(3)	(14,436)	-
		(54,597)	(1)	58,210	1	395,497	4	(20,546)	(1)
7900	Profit before tax	978,017	27	1,166,216	30	3,297,201	31	2,454,119	23
7950	Less: tax expenses (note (6)(p))	206,113	6	241,451	6	619,316	6	421,895	4
	Profit	771,904	21	924,765	24	2,677,885	25	2,032,224	19
	Other comprehensive income: (note (6)(p))								
	Items that may not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(13,416)	-	-	-	(18,082)	-	-	-
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	(13,416)	-	-	-	(18,082)	-	-	-
	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	123,931	3	(492)	-	240,463	2	(27,585)	-
8399	Income tax on items that may be reclassified to profit or loss	(20,698)	(1)	103	-	(41,499)	-	6,016	-
	Components of other comprehensive income that will be reclassified to profit or loss	103,233	2	(389)	-	198,964	2	(21,569)	-
	Other comprehensive income	89,817	2	(389)	-	180,882	2	(21,569)	-
8500	Comprehensive income	\$ 861,721	23	924,376	24	2,858,767	27	2,010,655	19
	Earnings per share (note (6)(s))								
9750	Basic earnings per share	\$ 4.32		5.18		15.00		11.39	
9850	Diluted earnings per share	\$ 4.29		5.16		14.87		11.33	

See accompanying notes to consolidated financial statements.

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the nine months ended September 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	
Balance on January 1, 2021	\$ 1,787,083	15,120,168	1,410,144	97,411	2,925,436	4,432,991	(107,441)	-	(23,268)	(130,709)	21,209,533
Consolidated net income for the nine months ended September 30, 2021	-	-	-	-	2,032,224	2,032,224	-	-	-	-	2,032,224
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(21,569)	-	-	(21,569)	(21,569)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	2,032,224	2,032,224	(21,569)	-	-	(21,569)	2,010,655
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	142,208	-	(142,208)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	43,730	(43,730)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(982,896)	(982,896)	-	-	-	-	(982,896)
Share-based payments	-	-	-	-	-	-	-	-	12,204	12,204	12,204
Balance on September 30, 2021	\$ 1,787,083	15,120,168	1,552,352	141,141	3,788,826	5,482,319	(129,010)	-	(11,064)	(140,074)	22,249,496
Balance on January 1, 2022	\$ 1,786,979	15,118,420	1,552,352	141,141	4,526,534	6,220,027	(136,291)	583	(6,777)	(142,485)	22,982,941
Consolidated net income for the nine months ended September 30, 2022	-	-	-	-	2,677,885	2,677,885	-	-	-	-	2,677,885
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	198,964	(18,082)	-	180,882	180,882
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	2,677,885	2,677,885	198,964	(18,082)	-	180,882	2,858,767
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)	-	-	-	-	-	-	6,130	6,130	3,436
Balance on September 30, 2022	\$ 1,786,829	15,115,876	1,829,345	169,408	5,290,945	7,289,698	62,673	(17,499)	(647)	44,527	24,236,930

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

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,297,201	2,454,119
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,078,413	1,107,277
Amortization expense	94,810	87,475
Expected credit losses (gains)	(88,247)	21,055
Net gain on financial assets or liabilities at fair value through profit or loss	(59,122)	(37,533)
Interest expense	6,351	3,043
Interest income	(30,406)	(12,839)
Dividend income	(13,528)	(3,867)
Compensation cost of share-based payments	3,436	12,204
Loss (gain) on disposal of property, plant and equipment	7,599	(971)
Impairment loss of property, plant and equipment recognized in profit or loss	132,476	-
Gain on disposal of intangible assets	-	(730)
Losses due to major disasters	204,090	-
Other	(136,151)	21,943
Total adjustments to reconcile profit (loss)	<u>1,199,721</u>	<u>1,197,057</u>
Changes in operating assets and liabilities:		
Decrease in current financial assets and liabilities at fair value through profit or loss	38,216	384,882
Increase in contract assets	(28,066)	(40,470)
Increase in accounts receivable	(221,395)	(558,845)
Increase in other receivables	(61,245)	(56,375)
Increase in inventories	(169,728)	(146,969)
(Increase) decrease in prepayments	17,122	(2,446)
Increase in other current assets	(2,841)	(1,018)
Increase (decrease) in contract liabilities– current	(8,701)	39,224
Increase (decrease) in notes and accounts payable	(82,620)	22,856
Increase in other payables	222,688	132,043
Increase (decrease) in provisions and other current liabilities	34,008	(6,266)
Decrease in net deferred benefit liabilities	(2,904)	(11,751)
	<u>(265,466)</u>	<u>(245,135)</u>
Cash inflow generated from operations	4,231,456	3,406,041
Interest received	18,545	8,637
Dividends received	13,528	3,867
Interest paid	(4,623)	(3,127)
Income taxes paid	(727,260)	(419,713)
Net cash flows from operating activities	<u>3,531,646</u>	<u>2,995,705</u>
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(902,088)	(21,933)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	198,129	9,514
Acquisition of non-current financial assets at amortized cost	(1,117,047)	-
Acquisition of property, plant and equipment	(2,087,156)	(1,461,203)
Proceeds from disposal of property, plant and equipment	12,845	1,688
Increase in refundable deposits	(12,452)	(1,479)
Acquisition of intangible assets	(68,386)	(3,863)
Proceeds from disposal of intangible assets	-	837
(Increase) decrease in other financial assets	(4,303)	5,553
Net cash used in investing activities	<u>(3,980,458)</u>	<u>(1,470,886)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	-	(269,000)
Decrease in short-term notes and bills payable	-	(50,000)
Proceeds from long-term borrowings	2,000,000	63,000
Increase (decrease) in guarantee deposits received	(1,598)	1,535
Payments of lease liabilities	(15,554)	(13,361)
Cash dividends paid	(1,608,214)	(982,896)
Net cash from (used in) financing activities	<u>374,634</u>	<u>(1,250,722)</u>
Effect of exchange rate changes on cash and cash equivalents	166,497	(18,835)
Net increase in cash and cash equivalents	92,319	255,262
Cash and cash equivalents at beginning of period	4,383,697	3,791,174
Cash and cash equivalents at end of period	<u>\$ 4,476,016</u>	<u>4,046,436</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 nine months ended September 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 nine months ended September 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 November 10, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

(Continued)

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

- (b) The impact of IFRS issued by 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”
- 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:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 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
			September 30, 2022	December 31, 2021	September 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.

(Continued)

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

(d) Employee benefits

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

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

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

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

(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Petty cash and foreign currency on hand	\$ 90	391	394
Checking accounts and demand deposits	3,739,232	3,657,158	3,262,831
Time deposits	<u>736,694</u>	<u>726,148</u>	<u>783,211</u>
	<u>\$ 4,476,016</u>	<u>4,383,697</u>	<u>4,046,436</u>

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

(Continued)

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ -	3,556	8,332
Foreign exchange swaps contracts	320	4,429	-
Non-derivative financial assets			
Open-end mutual funds	232,031	231,292	231,173
Structured investment	679,762	-	-
Stock listed in domestic markets	246,199	276,168	266,500
Foreign private funds	<u>285,627</u>	<u>179,221</u>	<u>216,475</u>
	<u>\$ 1,443,939</u>	<u>694,666</u>	<u>722,480</u>
Current	\$ 232,351	239,277	239,505
Non-current	<u>1,211,588</u>	<u>455,389</u>	<u>482,975</u>
	<u>\$ 1,443,939</u>	<u>694,666</u>	<u>722,480</u>
	September 30, 2022	December 31, 2021	September 30, 2021
Hold-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 769	4,609	758
Foreign exchange swaps contracts	<u>1,554</u>	<u>-</u>	<u>4,920</u>
	<u>\$ 2,323</u>	<u>4,609</u>	<u>5,678</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 September 30, 2022, December 31 and September 30, 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:

(Continued)

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

September 30, 2022				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	4,000	USD to NTD	2022.10.17
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	EUR	1,000	EUR to USD	2022.10.13
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	5,000	USD to NTD	2022.10.06
December 31, 2021				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange purchased	USD	29,000	USD to NTD	2022.02.25~2022.04.27
Foreign exchange sold	EUR	1,000	EUR to USD	2022.01.06
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	40,500	USD to NTD	2022.01.28~2022.03.21
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange purchased	USD	24,000	USD to NTD	2022.01.20~2022.06.30
Foreign exchange sold	USD	4,000	USD to JPY	2022.01.05
September 30, 2021				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange purchased	USD	67,500	USD to NTD	2021.10.29~2022.04.27
Derivative financial liabilities				
Foreign exchange contracts				
Foreign exchange purchased	USD	5,000	USD to NTD	2022.04.27
Foreign exchange sold	USD	6,000	USD to JPY	2021.10.06
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	32,000	USD to NTD	2021.10.12~2021.11.29

(Continued)

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

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

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stock	\$ <u>332,481</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 nine months ended September 30, 2022 and 2021.
- (iii) For credit risk and market risk, please refer to note (6)(w).
- (iv) As of September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Foreign corporate bonds	\$ <u>1,451,438</u>	<u>221,440</u>	<u>222,800</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 nine months ended September 30, 2022, the Group purchased the bond with a face value of USD 37,561 thousand with a coupon rate of 0.75%~3.522%. There was no significant purchase and disposal on financial assets at amortized cost for the nine months ended September 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)(w) for credit risk.
- (iii) As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(Continued)

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

(e) Accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable – measured at amortized cost	\$ 2,540,090	2,318,695	2,430,210
Less: allowance for impairment	<u>(4,372)</u>	<u>(92,217)</u>	<u>(71,886)</u>
	<u>\$ 2,535,718</u>	<u>2,226,478</u>	<u>2,358,324</u>

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

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 \$22,227 and \$72,606 for the three months and nine months ended September 30, 2022, respectively.

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

Aging interval	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance provision
Current	\$ 2,340,004	-	-
Overdue 1 to 30 days	164,596	-	-
Overdue 31 to 60 days	27,403	10.00%	2,740
Overdue 61 to 90 days	8,039	20.00%	1,608
Overdue 91 to 120 days	48	50.00%	24
	<u>\$ 2,540,090</u>		<u>4,372</u>

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

1) Credit rate A

Aging interval	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance provision
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>

(Continued)

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	\$ 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 September 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	\$ 131,653	-	-
31 to 60 days	101,239	0.50%	506
61 to 90 days	29,092	1.48%	430
91 to 120 days	2,617	5.00%	131
121 to 180 days	1,037	10.00%	104
	<u>\$ 265,638</u>		<u>1,171</u>

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	\$ 1,103,660	1.17%	12,881
31 to 60 days	794,654	3.60%	28,601
61 to 90 days	216,877	8.35%	18,104
91 to 120 days	45,448	20.00%	9,090
121 to 180 days	3,787	50.00%	1,893
181 to 365 days	63	100.00%	63
More than one year	83	100.00%	83
	<u>\$ 2,164,572</u>		<u>70,715</u>

(Continued)

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

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

	For the nine months ended September 30,	
	2022	2021
The beginning of period	\$ 92,217	51,130
Impairment losses recognized (reversed)	(87,858)	21,094
Amounts written off	-	(319)
Effect of movements in exchange rates	13	(19)
The end of period	<u>\$ 4,372</u>	<u>71,886</u>

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

(f) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Finished goods	\$ 313,826	224,628	153,258
Semi-finished goods	141,712	276,355	239,885
Work in progress	305,395	265,094	373,084
Raw materials	950,721	795,583	631,730
Indirect materials	250,764	268,609	268,193
	<u>\$ 1,962,418</u>	<u>1,830,269</u>	<u>1,666,150</u>

- (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 September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Current operating cost for write-downs on inventory valuation and obsolescence	\$ <u>3,587</u>	<u>9,339</u>	<u>28,034</u>	<u>22,185</u>

- (ii) For the nine months ended September 30, 2022, the derecognition of inventory by the Company due to fire incidents amounting to \$37,579 was recognized under miscellaneous disbursements; please refer to note (10) for details.
- (iii) As of the reporting date, the Group did not provide any inventories as collaterals for its loans.

(Continued)

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

(g) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 2,394,630	3,030,884	5,769,421	366,920	1,841	1,953,887	13,517,583
Additions	90,000	59,100	217,002	33,773	24,834	1,756,556	2,181,265
Transferred in (out)	-	59,453	79,918	2,282	-	(141,973)	(320)
Disposals	-	(123,686)	(836,055)	(13,133)	-	-	(972,874)
Effects of movements in exchange rates	-	62,265	224,811	33,526	271	2,912	323,785
Balance on September 30, 2022	<u>\$ 2,484,630</u>	<u>3,088,016</u>	<u>5,455,097</u>	<u>423,368</u>	<u>26,946</u>	<u>3,571,382</u>	<u>15,049,439</u>
Balance on January 1, 2021	\$ 2,394,630	2,962,779	6,099,011	320,949	1,894	350,239	12,129,502
Additions	-	53,231	241,523	62,306	-	1,150,430	1,507,490
Transferred in (out)	-	69,089	104,435	18,503	-	(195,704)	(3,677)
Disposals	-	(46,520)	(582,812)	(15,876)	-	-	(645,208)
Effects of movements in exchange rates	-	(9,631)	(31,644)	(4,770)	(41)	(450)	(46,536)
Balance on September 30, 2021	<u>\$ 2,394,630</u>	<u>3,028,948</u>	<u>5,830,513</u>	<u>381,112</u>	<u>1,853</u>	<u>1,304,515</u>	<u>12,941,571</u>
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	851,861	3,664,642	259,273	884	-	4,776,660
Depreciation for the nine months ended September 30, 2022	-	141,933	875,527	42,952	1,519	-	1,061,931
Impairment loss	-	99,425	32,933	118	-	-	132,476
Disposals	-	(56,133)	(719,033)	(10,753)	-	-	(785,919)
Effects of movements in exchange rates	-	28,422	192,600	29,373	135	-	250,530
Balance on September 30, 2022	<u>\$ -</u>	<u>1,065,508</u>	<u>4,046,669</u>	<u>320,963</u>	<u>2,538</u>	<u>-</u>	<u>5,435,678</u>
Balance on January 1, 2021	\$ -	752,181	3,304,846	246,364	834	-	4,304,225
Depreciation for the nine months ended September 30, 2021	-	132,754	920,656	39,858	56	-	1,093,324
Impairment loss reversed	-	-	(3,380)	-	-	-	(3,380)
Disposals	-	(46,520)	(582,095)	(15,876)	-	-	(644,491)
Effects of movements in exchange rates	-	(3,909)	(29,215)	(4,241)	(19)	-	(37,384)
Balance on September 30, 2021	<u>\$ -</u>	<u>834,506</u>	<u>3,610,812</u>	<u>266,105</u>	<u>871</u>	<u>-</u>	<u>4,712,294</u>
Book value:							
Balance on January 1, 2022	<u>\$ 2,394,630</u>	<u>2,179,023</u>	<u>2,104,779</u>	<u>107,647</u>	<u>957</u>	<u>1,953,887</u>	<u>8,740,923</u>
Balance on September 30, 2022	<u>\$ 2,484,630</u>	<u>2,022,508</u>	<u>1,408,428</u>	<u>102,405</u>	<u>24,408</u>	<u>3,571,382</u>	<u>9,613,761</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 September 30, 2021	<u>\$ 2,394,630</u>	<u>2,194,442</u>	<u>2,219,701</u>	<u>115,007</u>	<u>982</u>	<u>1,304,515</u>	<u>8,229,277</u>

(Continued)

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

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 September 30, 2022, December 31 and September 30, 2021, the amount of \$2,112,000, \$1,616,000 and \$960,000 had been paid, respectively.

For the nine months ended September 30, 2022, the carrying amount of certain buildings and structures, machinery and equipment, as well as office equipment, derecognized by the Company due to the fire incidents amounting to \$166,511 was recognized under miscellaneous disbursements; please refer to note (10) for details.

For the nine months ended September 30, 2022, the Group considered certain buildings and structures, machinery and equipment, as well as office equipment, as impaired, resulting in the recoverable amount to be lower than the carrying value by \$132,476. The loss is recognized as impairment loss under miscellaneous disbursements.

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 84,620	22,901	20,669	128,190
Additions	79,996	25,254	700	105,950
Deductions	<u>(74,694)</u>	<u>(707)</u>	<u>(2,924)</u>	<u>(78,325)</u>
Balance on September 30, 2022	<u>\$ 89,922</u>	<u>47,448</u>	<u>18,445</u>	<u>155,815</u>
Balance on January 1, 2021	\$ 84,620	15,984	19,216	119,820
Additions	-	17,263	3,022	20,285
Deductions	<u>-</u>	<u>(9,807)</u>	<u>(1,569)</u>	<u>(11,376)</u>
Balance on September 30, 2021	<u>\$ 84,620</u>	<u>23,440</u>	<u>20,669</u>	<u>128,729</u>
Depreciation and impairment loss:				
Balance on January 1, 2022	\$ 8,173	9,104	7,426	24,703
Depreciation for the nine months ended September 30, 2022	4,219	9,089	3,174	16,482
Deductions	<u>(4,478)</u>	<u>(707)</u>	<u>(2,518)</u>	<u>(7,703)</u>
Balance on September 30, 2022	<u>\$ 7,914</u>	<u>17,486</u>	<u>8,082</u>	<u>33,482</u>
Balance on January 1, 2021	\$ 2,715	4,937	3,520	11,172
Depreciation for the nine months ended September 30, 2021	4,093	6,644	3,216	13,953
Deductions	<u>-</u>	<u>(4,514)</u>	<u>(499)</u>	<u>(5,013)</u>
Balance on September 30, 2021	<u>\$ 6,808</u>	<u>7,067</u>	<u>6,237</u>	<u>20,112</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Book value:				
Balance on January 1, 2022	\$ 76,447	13,797	13,243	103,487
Balance on September 30, 2022	\$ 82,008	29,962	10,363	122,333
Balance on January 1, 2021	\$ 81,905	11,047	15,696	108,648
Balance on September 30, 2021	\$ 77,812	16,373	14,432	108,617

(i) Intangible assets

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Book value:					
Balance on January 1, 2022	\$ 7,448,612	717,036	14,033	322,391	8,502,072
Balance on September 30, 2022	\$ 7,448,612	659,086	66,248	302,185	8,476,131
Balance on January 1, 2021	\$ 7,448,612	794,714	21,632	349,332	8,614,290
Balance on September 30, 2021	\$ 7,448,612	736,406	16,354	329,126	8,530,498

There were no significant purchase, disposal, impairment loss or reversal gain on intangible assets for the nine months ended September 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unused short-term credit lines	\$ 4,634,950	4,564,700	4,070,950
Range of interest rates	-	-	-

(i) Issuance and Repayment of Loans:

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

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

(Continued)

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

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Secured bank loans	\$ 2,063,000	63,000	63,000
Less: Discounts on government grants	(24,653)	(500)	(513)
	<u>\$ 2,038,347</u>	<u>62,500</u>	<u>62,487</u>
Unused long-term credit lines	<u>\$ 7,257,000</u>	<u>8,257,000</u>	<u>9,257,000</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 \$2,000,000 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 \$1,975,044 and \$62,465 on initial recognition. The difference of \$24,956 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.

(l) Other payables

Details of other payables were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Salaries, employees' compensation and directors' remuneration	\$ 1,418,560	1,002,752	808,645
Payable on machinery and equipment	208,207	114,098	172,099
Accrued employee benefit liabilities	54,119	51,461	50,150
Others	<u>722,064</u>	<u>616,665</u>	<u>642,978</u>
	<u>\$ 2,402,950</u>	<u>1,784,976</u>	<u>1,673,872</u>

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

(Continued)

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

(m) Provision

	September 30, 2022	December 31, 2021	September 30, 2021
Compensation	<u>\$ 189,708</u>	<u>127,873</u>	<u>129,471</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:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 23,371</u>	<u>19,431</u>	<u>19,747</u>
Non-current	<u>\$ 100,046</u>	<u>85,416</u>	<u>90,060</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ 486</u>	<u>487</u>	<u>1,383</u>	<u>1,464</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 9,009</u>	<u>15,484</u>	<u>42,446</u>	<u>63,200</u>
Expenses relating to short-term leases	<u>\$ 3,216</u>	<u>2,091</u>	<u>8,605</u>	<u>6,503</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 102</u>	<u>96</u>	<u>298</u>	<u>235</u>

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

	For the nine months ended September 30,	
	2022	2021
Total cash outflow for leases	<u>\$ 68,286</u>	<u>84,763</u>

(Continued)

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

(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 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 to five years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

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

The expenses recognized in profit or loss for the Group amounted to \$3,438, \$5,151, \$10,335 and \$15,718 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$18,764, \$18,292, \$56,134 and \$54,685 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(p) Income Taxes

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current tax expense	<u>\$ 206,113</u>	<u>241,451</u>	<u>619,316</u>	<u>421,895</u>

(Continued)

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ 20,698	(103)	41,499	(6,016)

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

- (iv) Examination and approval

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

- (q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the nine months ended September 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 nine months ended September 30, 2022 and 2021, the restricted stocks were cancelled due to certain employees who failed to meet the vesting conditions of \$150 and \$0, respectively. All related registration procedures had been completed as of the reporting date.

The annual 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 above capital reduction was approved by the regulatory authorities on September 19, 2022, with the base date set on October 14, 2022. The registration procedures was completed on November 7, 2022.

- (ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
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	56,219	56,219	56,219
	\$ 15,115,876	15,118,420	15,120,168

(Continued)

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

(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.

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 approved by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' 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

(Continued)

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

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:

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

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

(r) Shares-based payment

There was no significant change on the share-based payment during the nine months ended September 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 September 30, 2022 and 2021, the unearned employee compensation was \$647 and \$11,064, respectively. The compensation cost related to the restricted shares amounted to \$3,436 and \$12,204 for the nine months ended September 30, 2022 and 2021, respectively.

(s) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Basic earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company	\$ <u>771,904</u>	924,765	<u>2,677,885</u>	<u>2,032,224</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>4.32</u>	<u>5.18</u>	<u>15.00</u>	<u>11.39</u>

(Continued)

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Diluted earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>771,904</u>	<u>924,765</u>	<u>2,677,885</u>	<u>2,032,224</u>
Weighted-average number of ordinary shares (thousands)	178,570	178,474	178,570	178,474
Effect of employee remuneration (thousands)	1,256	575	1,450	711
Effect of employee restricted shares (thousands)	<u>110</u>	<u>163</u>	<u>112</u>	<u>163</u>
Weighted-average number of ordinary shares (diluted) (thousands)	<u>179,936</u>	<u>179,212</u>	<u>180,132</u>	<u>179,348</u>
Diluted earnings per share (NTD)	\$ <u>4.29</u>	<u>5.16</u>	<u>14.87</u>	<u>11.33</u>
(t) Revenue from contracts with customers				
(i) Disaggregation of revenue				

	For the three months ended September 30, 2022				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 97,863	110,853	630,354	11,267	850,337
Switzerland	-	709,158	45,510	193	754,861
Malaysia	224,842	298,982	6,397	1,252	531,473
United States	82,905	27,303	384,880	21,423	516,511
Japan	674	418,457	9,912	95	429,138
China	121,523	93,693	34,351	2,738	252,305
Hong Kong	21,781	1,055	80,309	89	103,234
Others	<u>79,121</u>	<u>33,210</u>	<u>143,581</u>	<u>17,121</u>	<u>273,033</u>
	<u>\$ 628,709</u>	<u>1,692,711</u>	<u>1,335,294</u>	<u>54,178</u>	<u>3,710,892</u>
Major products/services lines:					
Image products	\$ -	1,250,217	763,484	8,941	2,022,642
Ceramic metalized substrate	628,709	-	122,875	1,348	752,932
Hybrid modules & specialty packaging	-	435,527	244,590	2,275	682,392
RF module	-	6,967	204,345	4,335	215,647
Other	-	-	-	37,279	37,279
	<u>\$ 628,709</u>	<u>1,692,711</u>	<u>1,335,294</u>	<u>54,178</u>	<u>3,710,892</u>

(Continued)

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

	For the three months ended September 30, 2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 119,933	62,108	804,158	8,348	994,547
Switzerland	-	531,923	19,393	6,565	557,881
Malaysia	269,595	243,946	12,200	465	526,206
United States	73,114	32,982	308,908	16,015	431,019
Japan	283	334,638	7,530	35	342,486
China	121,889	152,971	60,662	1,367	336,889
Hong Kong	46,797	1,502	225,410	271	273,980
Others	<u>88,526</u>	<u>51,285</u>	<u>151,354</u>	<u>22,409</u>	<u>313,574</u>
	<u>\$ 720,137</u>	<u>1,411,355</u>	<u>1,589,615</u>	<u>55,475</u>	<u>3,776,582</u>
Major products/services lines:					
Image products	\$ -	964,442	945,868	7,261	1,917,571
Ceramic metalized substrate	720,137	840	280,881	480	1,002,338
Hybrid modules & specialty packaging	-	440,743	179,820	4,536	625,099
RF module	-	5,330	183,046	3,338	191,714
Other	-	-	-	<u>39,860</u>	<u>39,860</u>
	<u>\$ 720,137</u>	<u>1,411,355</u>	<u>1,589,615</u>	<u>55,475</u>	<u>3,776,582</u>
For the nine months ended September 30, 2022					
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 330,623	266,257	2,046,051	22,882	2,665,813
Switzerland	388	1,891,797	97,519	2,363	1,992,067
Malaysia	744,557	836,201	17,853	2,662	1,601,273
United States	223,805	102,980	979,344	50,494	1,356,623
Japan	1,306	1,061,809	25,992	144	1,089,251
China	304,629	337,429	122,684	4,432	769,174
Hong Kong	120,137	6,512	388,022	1,298	515,969
Others	<u>215,852</u>	<u>147,797</u>	<u>382,878</u>	<u>45,346</u>	<u>791,873</u>
	<u>\$ 1,941,297</u>	<u>4,650,782</u>	<u>4,060,343</u>	<u>129,621</u>	<u>10,782,043</u>

(Continued)

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

	For the nine months ended September 30, 2022				
	BU1	BU2	BU3	Others	Total
Major products/services lines:					
Image products	\$ -	3,292,986	2,478,499	23,183	5,794,668
Ceramic metalized substrate	1,941,297	7,184	416,833	1,820	2,367,134
Hybrid modules & specialty packaging	-	1,325,796	671,230	10,470	2,007,496
RF module	-	24,816	493,781	6,354	524,951
Other	-	-	-	87,794	87,794
	<u>\$ 1,941,297</u>	<u>4,650,782</u>	<u>4,060,343</u>	<u>129,621</u>	<u>10,782,043</u>
	For the nine months ended September 30, 2021				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 278,027	159,983	2,020,101	161,302	2,619,413
Switzerland	211	1,463,252	48,971	10,883	1,523,317
Malaysia	747,486	749,207	34,275	1,346	1,532,314
United States	186,622	71,199	830,888	49,388	1,138,097
Japan	4,009	867,476	17,974	1,168	890,627
China	288,739	409,894	150,330	3,451	852,414
Hong Kong	134,916	3,978	771,930	1,736	912,560
Others	262,493	113,380	429,969	77,844	883,686
	<u>\$ 1,902,503</u>	<u>3,838,369</u>	<u>4,304,438</u>	<u>307,118</u>	<u>10,352,428</u>
Major products/services lines:					
Image products	\$ -	2,552,071	2,565,039	149,995	5,267,105
Ceramic metalized substrate	1,902,503	840	714,898	15,238	2,633,479
Hybrid modules & specialty packaging	-	1,269,306	561,511	12,755	1,843,572
RF module	-	16,152	462,990	6,771	485,913
Other	-	-	-	122,359	122,359
	<u>\$ 1,902,503</u>	<u>3,838,369</u>	<u>4,304,438</u>	<u>307,118</u>	<u>10,352,428</u>

(Continued)

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

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 2,540,090	2,318,695	2,430,210
Contract assets – image products (recorded under other current assets)	97,687	69,621	122,814
Less: allowance for impairment	(4,372)	(92,217)	(71,886)
Total	<u>\$ 2,633,405</u>	<u>2,296,099</u>	<u>2,481,138</u>
Contract liabilities – advance sales receipts	<u>\$ 56,485</u>	<u>365,436</u>	<u>378,797</u>

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

The amounts of revenue recognized for the nine months ended September 30, 2022 and 2021 that were included in the contract liabilities balance at the beginning of the period were \$25,714 and \$21,888, respectively.

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

(u) Miscellaneous disbursements

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Losses due to fire incident	\$ 204,090	-	204,090	-
Net losses on disposals of property, plant and equipment	7,599	-	7,599	-
Impairment losses on assets	132,476	-	132,476	-
Other expenses	802	4,809	1,442	14,436
	<u>\$ 344,967</u>	<u>4,809</u>	<u>345,607</u>	<u>14,436</u>

(v) 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.

(Continued)

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

For the three months and nine months ended September 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$52,500, \$48,861, \$208,500 and \$129,961, respectively. The remuneration of directors amounted to \$47,500, \$24,294, \$95,500 and \$49,406 for the three months and nine months ended September 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.

(w) Financial Instruments

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

(i) Credit risk

1) Exposure to credit risk

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

2) The concentration of credit risk

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

3) Receivables credit risk

For credit risk exposure of trade receivables, please refer to note (6)(e). Other financial assets at amortized cost, including other receivables and investment in bonds, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

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

	Other receivables
Balance on January 1, 2022	\$ 423
Impairment loss reversed	(389)
Effects of movements in exchange rates	27
Balance on September 30, 2022	\$ 61
Balance on January 1, 2021	\$ 639
Impairment loss reversed	(39)
Effects of movements in exchange rates	(14)
Balance on September 30, 2021	\$ 586

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	Over a year
September 30, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 930,508	(930,508)	(930,508)	-
Other payables	2,402,950	(2,402,950)	(2,402,950)	-
Lease liabilities (including current and non-current portion)	123,417	(149,681)	(25,263)	(124,418)
Guarantee deposits received	3,413	(3,413)	-	(3,413)
Long-term borrowings	2,038,347	(2,063,000)	-	(2,063,000)
Derivative financial liabilities:				
Forward exchange contracts:	769			
Inflow		30,507	30,507	-
Outflow		(31,260)	(31,260)	-
Foreign exchange swaps contracts:	1,554			
Inflow		157,140	157,140	-
Outflow		(158,750)	(158,750)	-
	\$ 5,500,958	(5,551,915)	(3,361,084)	(2,190,831)

(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>
December 31, 2021				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 1,013,128	(1,013,128)	(1,013,128)	-
Other payables	1,784,976	(1,784,976)	(1,784,976)	-
Lease liabilities (including current and non-current portion)	104,847	(129,199)	(21,095)	(108,104)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	62,500	(63,000)	-	(63,000)
Derivative financial liabilities:				
Forward exchange contracts:	4,609			
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>
September 30, 2021				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 971,671	(971,671)	(971,671)	-
Other payables	1,673,872	(1,673,872)	(1,673,872)	-
Lease liabilities (including current and non-current portion)	109,807	(134,623)	(21,484)	(113,139)
Guarantee deposits received	5,665	(5,665)	-	(5,665)
Long-term borrowings	62,487	(63,000)	-	(63,000)
Derivative financial liabilities:				
Forward exchange contracts:	758			
Inflow		166,414	166,414	-
Outflow		(167,125)	(167,125)	-
Foreign exchange swaps contracts:	4,920			
Inflow		886,689	886,689	-
Outflow		(891,200)	(891,200)	-
	<u>\$ 2,829,180</u>	<u>(2,854,053)</u>	<u>(2,672,249)</u>	<u>(181,804)</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

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

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
Monetary items									
USD	\$ 195,470	USD/NTD =31.750	6,206,173	189,065	USD/NTD =27.680	5,233,319	163,049	USD/NTD =27.850	4,540,915
<u>Financial liabilities</u>									
Monetary items									
USD	23,988	USD/NTD =31.750	761,619	19,565	USD/NTD =27.680	541,559	15,318	USD/NTD =27.850	426,606
JPY	392,221	JPY/NTD =0.2201	86,328	832,842	JPY/NTD =0.2405	200,299	939,012	JPY/NTD =0.2490	233,814

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

	For the nine months ended September 30,	
	2022	2021
USD (against the NTD)		
Strengthening 5%	\$ 272,228	205,715
Weakening 5%	(272,228)	(205,715)
JPY (against the NTD)		
Strengthening 5%	(4,316)	(11,691)
Weakening 5%	4,316	11,691

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 nine months ended September 30, 2022 and 2021 the foreign exchange gains and losses, including realized and unrealized portion, amounted to a gain of \$314,328, a gain of \$16,381, a gain of \$614,000 and a loss of \$78,610, respectively.

(Continued)

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

2) Interest rate risk

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$3,182 and \$6,111 for the nine months ended September 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:

	September 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	320	-	320	-	320
Open-end mutual funds	232,031	232,031	-	-	232,031
Structured investment	679,762	-	-	679,762	679,762
Stock listed in domestic markets	246,199	246,199	-	-	246,199
Foreign private funds	<u>285,627</u>	-	-	285,627	285,627
Subtotal	<u>1,443,939</u>				

(Continued)

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

	September 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>332,481</u>	332,481	-	-	332,481
Financial assets measured at amortized cost					
Cash and cash equivalents	4,476,016	-	-	-	-
Accounts receivable, net	2,535,718	-	-	-	-
Other receivables	15,800	-	-	-	-
Other financial assets – current	38,327	-	-	-	-
Foreign corporate bonds	1,451,438	-	-	-	-
Refundable deposits (recorded under other non-current assets)	24,302	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>8,547,006</u>				
Total	<u>\$ 10,323,426</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>2,323</u>	-	2,323	-	2,323
Financial liabilities measured at amortized cost					
Notes and accounts payable	930,508	-	-	-	-
Other payables	2,402,950	-	-	-	-
Lease liabilities (including current and non-current portion)	123,417	-	-	-	-
Guarantee deposits received	3,413	-	-	-	-
Long-term borrowings	<u>2,038,347</u>	-	-	-	-
Subtotal	<u>5,498,635</u>				
Total	<u>\$ 5,500,958</u>				

(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 mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	7,985	-	7,985	-	7,985
Open-end mutual funds	231,292	231,292	-	-	231,292
Stock listed in domestic markets	276,168	276,168	-	-	276,168
Foreign private funds	<u>179,221</u>	-	-	179,221	179,221
Subtotal	<u>694,666</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic market – preferred stocks	<u>350,563</u>	350,563	-	-	350,563
Financial assets measured at amortized cost					
Cash and cash equivalents	4,383,697	-	-	-	-
Accounts receivable, net	2,226,478	-	-	-	-
Other receivables	8,635	-	-	-	-
Other financial assets – current	34,024	-	-	-	-
Foreign corporate bonds	221,440	-	-	-	-
Refundable deposits (recorded under other non-current assets)	11,850	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>6,891,529</u>				
Total	<u>\$ 7,936,758</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>4,609</u>	-	4,609	-	4,609

(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 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>\$ 2,975,071</u>				
	September 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)					
Derivative financial assets \$	8,332	-	8,332	-	8,332
Open-end mutual funds	231,173	231,173	-	-	231,173
Stock listed in domestic markets	266,500	266,500	-	-	266,500
Foreign private funds	<u>216,475</u>	-	-	216,475	216,475
Subtotal	<u>722,480</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	4,046,436	-	-	-	-
Accounts receivable, net	2,358,324	-	-	-	-
Other receivables	16,986	-	-	-	-
Other financial assets— current	31,304	-	-	-	-
Foreign corporate bonds	222,800	-	-	-	-
Refundable deposits (recorded under other non-current assets)	12,192	-	-	-	-
Other financial assets— non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>6,693,447</u>				
Total	<u>\$ 7,415,927</u>				

(Continued)

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

	September 30, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss— current					
Derivative financial liabilities	\$ <u>5,678</u>	-	5,678	-	5,678
Financial liabilities measured at amortized cost					
Notes and accounts payable	971,671	-	-	-	-
Other payables	1,673,872	-	-	-	-
Lease liabilities (including current and non-current portion)	109,807	-	-	-	-
Guarantee deposits received	5,665	-	-	-	-
Long-term borrowings	<u>62,487</u>	-	-	-	-
Total	<u>\$ 2,829,180</u>				

- 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:

(Continued)

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

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 nine months ended September 30, 2022 and 2021.

4) Reconciliation of financial assets on Level 3 fair values

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2022	\$ 179,221
Total gains and losses	
Recognized in profit or loss	82,209
Purchased	902,088
Disposal	<u>(198,129)</u>
Balance on September 30, 2022	<u>\$ 965,389</u>
Balance on January 1, 2021	\$ 179,497
Total gains and losses	
Recognized in profit or loss	24,559
Purchased	21,933
Disposal	<u>(9,514)</u>
Balance on September 30, 2021	<u>\$ 216,475</u>

(Continued)

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

For the nine months ended September 30, 2022 and 2021, total gains and losses were included in gains (losses) on non-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:

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

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.

- (x) 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.

- (y) 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.

- (z) Investing and financing activities not affecting current cash flow

- (i) The Group's investing and financing activities, which did not affect the current cash flow for the nine months ended September 30, 2022 and 2021, were the acquisition of its right-of-use assets by lease, please refer to note (6)(h).

(Continued)

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

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

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Increase	Other	
Long-term borrowings	\$ 62,500	2,000,000	-	(24,153)	2,038,347
Lease liabilities (including current and non-current portion)	104,847	(15,554)	105,950	(71,826)	123,417
Guarantee deposits received	5,011	(1,598)	-	-	3,413
Total liabilities from financing activities	<u>\$ 172,358</u>	<u>1,982,848</u>	<u>105,950</u>	<u>(95,979)</u>	<u>2,165,177</u>

	January 1, 2021	Cash flows	Non-cash changes		September 30, 2021
			Increase	Other	
Long-term borrowings	\$ -	63,000	-	(513)	62,487
Short-term borrowings	269,000	(269,000)	-	-	-
Short-term notes and bill payable	50,000	(50,000)	-	-	-
Lease liabilities (including current and non-current portion)	109,364	(13,361)	20,285	(6,481)	109,807
Guarantee deposits received	4,130	1,535	-	-	5,665
Total liabilities from financing activities	<u>\$ 432,494</u>	<u>(267,826)</u>	<u>20,285</u>	<u>(6,994)</u>	<u>177,959</u>

(7) Related-party transactions

(a) Name and relationship with related parties

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

Name of related party	Relationship with the Group
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.

(Continued)

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

(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 September 30, 2022, the aforementioned amount was fully paid.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 77,048	45,737	190,995	131,558
Post-employment benefits	216	153	486	531
	\$ 77,264	45,890	191,481	132,089

(8) Assets pledged as security

Pledged assets	Subject	September 30,	December 31,	September 30,
		2022	2021	2021
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 31,433	27,403	29,072
"	Customs duty guarantee	5,334	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	607,844	636,881	645,938
Other financial assets – current – reserve account	Customs duty guarantee	-	-	903
		\$ 650,016	674,989	681,318

(9) Commitments and contingencies

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

	September	December 31,	September
	30, 2022	2021	30, 2021
Future payments for the purchase of property, equipment and construction in progress	\$ 2,100,443	1,446,255	1,146,839

(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 September 30, 2022, the payment amounting to \$1,088,000 has not been paid.

(Continued)

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Unused and outstanding letters of credit and the deposit for customs duties	\$ 58,800	27,300	25,300

(10) Losses due to major disasters:

The fire incident occurred on September 26, 2022 resulted in the destruction of certain parts of the building, equipment, and inventory in the Company's Taipei factory, causing the Company to incur repairs and maintenance expenses. In addition, part of the personnel affected by the fire incidents have been temporarily transferred to other business premises of the Company to continue their daily operations. The remaining production lines and other factory areas of the Taipei factory remain in normal operation. The damaged buildings and equipment derecognized by the Company amounted to \$166,511 and the inventory amounted \$37,579. The total estimated losses from the incidents above amounted to \$204,090.

The Company applied for relevant property insurance and is currently negotiating with the insurance company for the settlement of claims. However, the insurance claim involves the disaster appraisals. As of the issuance date of the reporting date, the insurance claim is not recognized by the Company until the amount of the subsequent insurance claim can be reasonably estimated.

(11) Subsequent Events: None.

(12) Other

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

By function	For the three months ended September 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salaries	507,141	206,146	713,287	519,238	184,465	703,703
Labor and health insurance	38,588	9,088	47,676	41,964	7,553	49,517
Pension	17,406	4,796	22,202	19,231	4,212	23,443
Other employee benefits	33,033	5,730	38,763	29,709	3,766	33,475
Depreciation	334,484	15,060	349,544	352,024	15,072	367,096
Amortization	1,816	29,957	31,773	1,230	27,681	28,911

(Continued)

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

By function	For the nine months ended September 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,574,429	713,756	2,288,185	1,504,017	459,713	1,963,730
Labor and health insurance	119,712	27,036	146,748	126,670	20,689	147,359
Pension	52,541	13,928	66,469	58,591	11,812	70,403
Other employee benefits	93,289	15,768	109,057	88,818	10,824	99,642
Depreciation	1,036,112	42,301	1,078,413	1,063,733	43,544	1,107,277
Amortization	5,304	89,506	94,810	3,876	83,599	87,475

(b) Seasonality of operations

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

- (c) In August 2014, Mr. Zhang, who was the former director of KINGPAK, filed a lawsuit to the Taipei District Court against KINGPAK, demanding KINGPAK to pay him the outstanding payment of \$25,058. However, the Taipei District Court denied his request on October 1, 2015. Therefore, Mr. Zhang appealed to the Taiwan High Court, who ruled in his favor on August 31, 2016. KINGPAK disagreed with the decision made by the Taiwan High Court; hence, filed an appeal to the Supreme Court, on November 8, 2018, and the Supreme Court handed the case back to the Taiwan High Court for reconsideration. On October 16, 2019, the Taiwan High Court ordered KINGPAK to pay Mr. Zhang the amount of \$5,428, plus, an annual interest rate of 5% from the day following the service of the complaint to the repayment day. In November 2019, KINGPAK filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in December 2020. In the continuation of the trial in the Taiwan High Court, the parties agreed to settle for \$16,330, and the Groups has paid the aforementioned amount during 2021.
- (d) On March 14, 2014, Boschman Technologies BV (Boschman) filed a lawsuit to the Hsinchu District Court against KINGPAK for breach of contract. On September 22, 2014, Hsinchu District Court ruled in favor of Boschman, requesting KINGPAK to pay Boschman the amount of USD \$249, plus, a monthly interest rate of 0.75% from March 17, 2013. In October 2014, KINGPAK was dissatisfied with the decision made by Hsinchu District Court; thus, filed an appeal to the Taiwan High Court, who ruled in its favor on June 30, 2020. On August 3, 2020, Boschman filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in June 2021. 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 \$14,101 and recorded them under other payables.

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties: None.

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

(iii) Securities held as of September 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				Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Open-end mutual funds: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	15,433	232,031	-	232,031	
"	Fund: SMART Growth Fund, L.P. (Note 1)	"	Financial assets at fair value through profit or loss - non-current	Note 2	285,627	1.6%	285,627	Note 3
"	Stock: Shin Kong Financial Holding Co., Ltd.	"	"	6,445	246,199	-	246,199	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	Financial assets at fair value through other comprehensive income - non-current	5,833	332,481	-	332,481	
"	eGtran Corporation	"	"	22	-	-	-	
"	Bond: Chailase International Bond	"	Financial assets at amortized cost - non-current	-	254,000	-	250,718	Note 3
"	Formosa Group Cayman LTD International Bond	"	"	-	313,800	-	303,003	Note 3
"	Nissan Motor Co. Ltd. International Bond	"	"	-	305,444	-	293,161	Note 3
"	TSMC Arizona Corp. International Bond	"	"	-	145,686	-	139,850	Note 3
"	TSMC Global Corp. International Bond(AC27)	"	"	-	201,951	-	196,126	Note 3
"	TSMC Global Corp. International Bond(AF57)	"	"	-	230,557	-	223,788	Note 3
"	Structured investments ENNOCONN CORPORATION 3rd Unsecured Convertible Bond	"	Financial assets at fair value through profit or loss - non-current	-	85,122	-	85,122	
"	SERCOMM CORP. 6th Unsecured Convertible Bond	"	"	-	200,958	-	200,958	
"	GIANT MANUFACTURING CO., LTD. 1st Unsecured Convertible Bond	"	"	-	252,386	-	252,386	
"	Wistron NeWeb Corporation 3rd Domestic Unsecured Convertible Bond	"	"	-	141,296	-	141,296	

(Continued)

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

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 7,277 thousand.
Note 3: Include foreign exchange losses or gains, net.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (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 2,112,000	Chung-Lin General Contractors, Ltd.	None	N/A	N/A	N/A	-	Open bid	Extension of the plant	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	1,174,651	43 %	Monthly closing and paid by cash	-	-	Accounts payable (103,377)	(19)%	Note 2
"	"	"	Manufacturing fee	471,767	17 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(1,174,651)	(72)%	Monthly closing and received by cash	-	-	Accounts receivable 103,377	73 %	"
"	"	"	Manufacturing revenue	(471,767)	(29)%	"	-	-	Accounts receivable 44,541	31 %	"

Note 1 : The other payables amounted to \$44,541 thousand as of September 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	103,377	17.59 %	-	-	103,377	-	Note 2
"	"	"	44,541	15.79 %	-	-	44,541	-	"

Note 1 : Information as of November 10, 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).

(Continued)

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 nine months ended September 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	1,174,651	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	10.89 %
1	"	"	2	Manufacturing Revenue	471,767	"	4.38 %
1	"	"	2	Accounts Receivable	103,377	"	0.33 %
1	"	"	2	Accounts Receivable	44,541	"	0.14 %

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 nine months ended September 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
				September 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 %	1,986,058	213,886	212,776	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.

(Continued)

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

(14) Segment information

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

	For the three months ended September 30, 2022					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 628,709	1,692,711	1,335,294	54,178	-	3,710,892
Inter-segment revenues	-	507,596	-	-	(507,596)	-
Total revenue	<u>\$ 628,709</u>	<u>2,200,307</u>	<u>1,335,294</u>	<u>54,178</u>	<u>(507,596)</u>	<u>3,710,892</u>
Reportable segment profit (loss)	<u>\$ 195,322</u>	<u>520,252</u>	<u>396,126</u>	<u>(79,086)</u>	<u>(54,597)</u>	<u>978,017</u>
	For the three months ended September 30, 2021					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 720,137	1,411,355	1,589,615	55,475	-	3,776,582
Inter-segment revenues	-	562,808	-	-	(562,808)	-
Total revenue	<u>\$ 720,137</u>	<u>1,974,163</u>	<u>1,589,615</u>	<u>55,475</u>	<u>(562,808)</u>	<u>3,776,582</u>
Reportable segment profit (loss)	<u>\$ 219,606</u>	<u>356,704</u>	<u>518,061</u>	<u>13,635</u>	<u>58,210</u>	<u>1,166,216</u>
	For the nine months ended September 30, 2022					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 1,941,297	4,650,782	4,060,343	129,621	-	10,782,043
Inter-segment revenues	-	1,646,418	-	-	(1,646,418)	-
Total revenue	<u>\$ 1,941,297</u>	<u>6,297,200</u>	<u>4,060,343</u>	<u>129,621</u>	<u>(1,646,418)</u>	<u>10,782,043</u>
Reportable segment profit (loss)	<u>\$ 530,348</u>	<u>1,275,274</u>	<u>1,057,765</u>	<u>38,317</u>	<u>395,497</u>	<u>3,297,201</u>
	For the nine months ended September 30, 2021					
	<u>BU1 Segment</u>	<u>BU2 Segment</u>	<u>BU3 Segment</u>	<u>Other Segment</u>	<u>Reconciliation & elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 1,902,503	3,838,369	4,304,438	307,118	-	10,352,428
Inter-segment revenues	-	1,581,065	-	-	(1,581,065)	-
Total revenue	<u>\$ 1,902,503</u>	<u>5,419,434</u>	<u>4,304,438</u>	<u>307,118</u>	<u>(1,581,065)</u>	<u>10,352,428</u>
Reportable segment profit (loss)	<u>\$ 475,296</u>	<u>776,376</u>	<u>1,033,542</u>	<u>189,451</u>	<u>(20,546)</u>	<u>2,454,119</u>