

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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.

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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 kpmg.com/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 March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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 the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Tong Hsing Electronic Industries, Ltd. and its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 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 I-Wen Wang.

KPMG

Taipei, Taiwan (Republic of China)
April 20, 2023

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 Standards on Auditing as of March 31, 2023 and 2022

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and Equity		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 6,734,510	19	7,496,769	22	4,802,954	17	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	\$ 280	-	1,390	-	10,354	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	234,144	1	232,584	1	299,186	1	2130	Contract liabilities—current (note (6)(t))	174,625	-	58,361	-	79,957	-
1170	Accounts receivable, net (note (6)(c))	1,940,662	6	2,157,262	7	2,365,184	9	2170	Notes and accounts payable	833,176	3	802,055	2	955,435	3
1200	Other receivables	88,251	-	70,545	-	81,392	-	2200	Other payables (notes (6)(l) and (12))	2,616,224	7	2,282,338	7	2,068,606	7
1310	Inventories (note (6)(f))	1,660,330	5	1,794,234	5	1,916,592	7	2230	Current tax liabilities	672,281	2	572,975	2	872,794	3
1410	Prepayments	99,262	-	108,912	-	32,298	-	2250	Current provisions (note (6)(m))	242,681	1	223,869	1	133,606	1
1470	Other current assets (note (6)(t))	85,867	-	78,409	-	87,090	-	2280	Lease liabilities—current (note (6)(n))	16,699	-	19,947	-	18,696	-
1476	Other financial assets—current (note (8))	31,641	-	31,912	-	35,005	-	2300	Other current liabilities	48,102	-	50,252	-	75,330	-
		<u>10,874,667</u>	<u>31</u>	<u>11,970,627</u>	<u>35</u>	<u>9,619,701</u>	<u>34</u>			<u>4,604,068</u>	<u>13</u>	<u>4,011,187</u>	<u>12</u>	<u>4,214,778</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))	921,138	3	1,010,391	3	530,746	2	2540	Long-term borrowings (note (6)(k))	5,210,493	16	5,204,769	16	62,513	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	344,730	1	321,398	1	350,563	1	2570	Deferred tax liabilities	160,718	-	160,718	-	114,939	1
1535	Non-current financial assets at amortized cost (note (6)(d))	2,617,569	7	1,409,013	4	229,000	1	2580	Lease liabilities—non-current (note (6)(n))	93,244	-	96,523	-	81,196	-
1600	Property, plant and equipment (notes (6)(g), (7) and (8))	11,673,106	33	10,713,593	31	8,928,244	31	2600	Other non-current liabilities (note (6)(k))	158,266	-	161,083	-	5,546	-
1755	Right-of-use assets (note (6)(h))	108,547	-	115,221	-	98,380	-	2640	Net defined benefit liability—non-current (note (6)(o))	104,955	-	104,459	-	201,195	1
1780	Intangible assets (note (6)(i))	8,414,528	24	8,445,717	25	8,533,815	30			<u>5,727,676</u>	<u>16</u>	<u>5,727,552</u>	<u>16</u>	<u>465,389</u>	<u>2</u>
1840	Deferred tax assets	261,156	1	244,941	1	231,593	1	Total liabilities		<u>10,331,744</u>	<u>29</u>	<u>9,738,739</u>	<u>28</u>	<u>4,680,167</u>	<u>16</u>
1900	Other non-current assets (note (7))	21,666	-	26,431	-	87,703	-	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>24,367,845</u>	<u>69</u>	<u>22,292,110</u>	<u>65</u>	<u>18,995,449</u>	<u>66</u>	3100	Ordinary shares	1,608,139	4	1,608,139	5	1,786,904	6
								3200	Capital surplus	15,115,876	43	15,115,876	44	15,117,148	53
								3310	Legal reserve	1,829,345	6	1,829,345	6	1,552,352	5
								3320	Special reserve	169,408	-	169,408	-	141,141	1
								3350	Unappropriated retained earnings	6,192,519	18	5,820,426	17	5,434,371	19
								3400	Other equity interest	(4,519)	-	(19,196)	-	(96,933)	-
										<u>24,910,768</u>	<u>71</u>	<u>24,523,998</u>	<u>72</u>	<u>23,934,983</u>	<u>84</u>
								Total equity		<u>24,910,768</u>	<u>71</u>	<u>24,523,998</u>	<u>72</u>	<u>23,934,983</u>	<u>84</u>
Total assets		<u>\$ 35,242,512</u>	<u>100</u>	<u>34,262,737</u>	<u>100</u>	<u>28,615,150</u>	<u>100</u>	Total liabilities and equity		<u>\$ 35,242,512</u>	<u>100</u>	<u>34,262,737</u>	<u>100</u>	<u>28,615,150</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 Standards on Auditing

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

		For the three months ended March 31			
		2023		2022	
		Amount	%	Amount	%
4000	Sales revenue	\$ 2,943,444	101	3,494,621	101
4170	Less: sales returns and allowances	42,996	1	29,040	1
4100	Net sales revenue (notes (6)(t) and (14))	2,900,448	100	3,465,581	100
5110	Cost of sales (notes (6)(f) and (12))	2,087,346	72	2,294,703	66
5900	Gross profit	813,102	28	1,170,878	34
6000	Operating expenses: (note (12))				
6100	Selling expenses	62,741	2	83,508	2
6200	Administrative expenses	187,427	7	229,008	7
6300	Research and development expenses	90,275	3	97,303	3
6450	Expected credit losses (gains)	1,830	-	(91,025)	(3)
		<u>342,273</u>	<u>12</u>	<u>318,794</u>	<u>9</u>
6900	Net operating income	<u>470,829</u>	<u>16</u>	<u>852,084</u>	<u>25</u>
	Non-operating income and expenses:				
7100	Interest income	47,111	2	5,313	-
7190	Other income	21,811	1	11,492	-
7230	Foreign exchange gains (losses), net (note (6)(v))	(50,278)	(2)	133,708	4
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note (6)(b))	2,056	-	107,579	3
7510	Finance cost—interest expense	(24,480)	(1)	(639)	-
7590	Miscellaneous disbursements	(36)	-	(227)	-
		<u>(3,816)</u>	<u>-</u>	<u>257,226</u>	<u>7</u>
7900	Profit before tax	467,013	16	1,109,310	32
7950	Less: tax expenses (note (6)(p))	94,920	3	201,473	6
	Profit	<u>372,093</u>	<u>13</u>	<u>907,837</u>	<u>26</u>
	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	23,332	1	-	-
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	<u>23,332</u>	<u>1</u>	<u>-</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(16,030)	(1)	53,044	1
8399	Income tax on items that may be reclassified to profit or loss	7,375	-	(9,636)	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(8,655)</u>	<u>(1)</u>	<u>43,408</u>	<u>1</u>
	Other comprehensive income	<u>14,677</u>	<u>-</u>	<u>43,408</u>	<u>1</u>
8500	Comprehensive income	<u>\$ 386,770</u>	<u>13</u>	<u>951,245</u>	<u>27</u>
	Earnings per share (note (6)(s))				
9750	Basic earnings per share	<u>\$ 2.31</u>		<u>5.08</u>	
9850	Diluted earnings per share	<u>\$ 2.30</u>		<u>5.06</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 Standards on Auditing
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2023 and 2022
(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, 2022	\$ 1,786,979	15,118,420	1,552,352	141,141	4,526,534	6,220,027	(136,291)	583	(6,777)	(142,485)	22,982,941
Consolidated net income for the three months ended March 31, 2022	-	-	-	-	907,837	907,837	-	-	-	-	907,837
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	43,408	-	-	43,408	43,408
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	907,837	907,837	43,408	-	-	43,408	951,245
Share-based payments	(75)	(1,272)	-	-	-	-	-	-	2,144	2,144	797
Balance on March 31, 2022	\$ 1,786,904	15,117,148	1,552,352	141,141	5,434,371	7,127,864	(92,883)	583	(4,633)	(96,933)	23,934,983
Balance on January 1, 2023	\$ 1,608,139	15,115,876	1,829,345	169,408	5,820,426	7,819,179	9,386	(28,582)	-	(19,196)	24,523,998
Consolidated net income for the three months ended March 31, 2023	-	-	-	-	372,093	372,093	-	-	-	-	372,093
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	-	(8,655)	23,332	-	14,677	14,677
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	372,093	372,093	(8,655)	23,332	-	14,677	386,770
Balance on March 31, 2023	\$ 1,608,139	15,115,876	1,829,345	169,408	6,192,519	8,191,272	731	(5,250)	-	(4,519)	24,910,768

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with Standards on Auditing
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 467,013	1,109,310
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	296,939	370,302
Amortization expense	31,609	31,027
Expected credit losses (gains)	1,830	(91,025)
Net gain on financial assets or liabilities at fair value through profit or loss	(2,056)	(107,579)
Interest expense	24,480	639
Interest income	(47,111)	(5,313)
Share-based payments	-	797
Gain on disposal of property, plant and equipment	(541)	-
Other	4,022	(13,290)
Total adjustments to reconcile profit (loss)	309,172	185,558
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets and liabilities at fair value through profit or loss	5,669	(16,059)
(Increase) decrease in contract assets	1,435	(15,391)
(Increase) decrease in accounts receivable	215,001	(47,879)
Increase in other receivables	(6,897)	(30,915)
(Increase) decrease in inventories	133,904	(86,323)
Decrease in prepayments	9,650	17,681
Increase in other current assets	(8,893)	(786)
Increase (decrease) in current contract liabilities	116,264	(285,479)
Increase (decrease) in notes and accounts payable	31,121	(57,693)
Increase (decrease) in other payables	(176,956)	311,730
Increase in provisions and other current liabilities	16,662	2,717
Increase in net deferred benefit liabilities	496	1,568
	337,456	(206,829)
Cash inflow generated from operations	1,113,641	1,088,039
Interest received	28,462	4,193
Interest paid	(18,432)	(632)
Income taxes paid	(4,484)	(11,332)
Net cash flows from operating activities	1,119,187	1,080,268
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at amortized cost	(1,204,891)	-
Acquisition of non-current financial assets at fair value through profit or loss	(50,000)	-
Proceeds from disposal of non-current financial assets at fair value through profit or loss	131,356	-
Acquisition of property, plant and equipment	(746,318)	(562,924)
Proceeds from disposal of property, plant and equipment	1,381	54
(Increase) decrease in refundable deposits	4,765	(885)
Acquisition of intangible assets	(420)	(62,287)
(Increase) decrease in other financial assets	271	(981)
Prepaid acquisition of land and buildings	-	(64,048)
Net cash used in investing activities	(1,863,856)	(691,071)
Cash flows from (used in) financing activities:		
Payments of lease liabilities	(6,527)	(4,955)
Net cash used in financing activities	(6,527)	(4,955)
Effect of exchange rate changes on cash and cash equivalents	(11,063)	35,015
Net increase (decrease) in cash and cash equivalents	(762,259)	419,257
Cash and cash equivalents at beginning of period	7,496,769	4,383,697
Cash and cash equivalents at end of period	\$ 6,734,510	4,802,954

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(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 three months ended March 31, 2023 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 April 20, 2023.

(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. 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, 2023:

- 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”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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.

(Continued)

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

(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, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
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 %	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.

(Continued)

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

(c) Income taxes

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

Income tax expenses for the period are 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.

(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, 2022. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2022.

(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 2022 consolidated financial statements. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Petty cash and foreign currency on hand	\$ 115	190	188
Checking accounts and demand deposits	1,883,571	3,860,920	4,401,030
Time deposits	<u>4,850,824</u>	<u>3,635,659</u>	<u>401,736</u>
	<u>\$ 6,734,510</u>	<u>7,496,769</u>	<u>4,802,954</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Refer to note (6)(v) for the exchange rate risk, interest risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 418	-	66,524
Foreign exchange swaps contracts	489	-	1,226
Non-derivative financial assets			
Open-end mutual funds	233,237	232,584	231,436
Structured investment	460,468	538,189	-
Stock listed in domestic markets	226,864	231,375	275,846
Foreign private funds	<u>233,806</u>	<u>240,827</u>	<u>254,900</u>
	<u>\$ 1,155,282</u>	<u>1,242,975</u>	<u>829,932</u>
Current	\$ 234,144	232,584	299,186
Non-current	<u>921,138</u>	<u>1,010,391</u>	<u>530,746</u>
	<u>\$ 1,155,282</u>	<u>1,242,975</u>	<u>829,932</u>
	<u>March 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>	<u>March 31,</u> <u>2022</u>
Hold-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 87	57	1,974
Foreign exchange swaps contracts	<u>193</u>	<u>1,333</u>	<u>8,380</u>
	<u>\$ 280</u>	<u>1,390</u>	<u>10,354</u>

The Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating activities. As of March 31, 2023, December 31 and March 31, 2022, the following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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March 31, 2023				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange sold	USD	35,000	USD to NTD	2023.04.06~2023.04.21
Foreign exchange sold	EUR	1,000	EUR to USD	2023.04.06
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	9,000	USD to NTD	2023.04.20
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	USD	20,000	USD to NTD	2023.04.20~2023.04.28
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	10,000	USD to NTD	2023.04.10~2023.04.20
December 31, 2022				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	EUR	1,000	EUR to USD	2023.01.13
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	9,000	USD to NTD	2023.01.09
March 31, 2022				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange purchased	USD	67,000	USD to NTD	2022.04.27~2022.07.29
Foreign exchange sold	USD	11,000	USD to NTD	2022.04.14~2022.05.27
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	10,000	USD to NTD	2022.05.03
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	USD	8,000	USD to NTD	2022.04.27
Foreign exchange sold	EUR	1,000	EUR to USD	2022.04.07
Foreign exchange sold	USD	2,000	USD to JPY	2022.04.06
Foreign exchange swaps contracts				
Foreign exchange swaps	USD	38,500	USD to NTD	2022.04.07~2022.04.27

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

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(c) Financial assets at fair value through other comprehensive income

	March 31, 2023	December 31, 2022	March 31, 2022
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stock	\$ <u>344,730</u>	<u>321,398</u>	<u>350,563</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 ended March 31, 2023 and 2022.
- (iii) For credit risk and market risk, please refer to note (6)(v).
- (iv) As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

	March 31, 2023	December 31, 2022	March 31, 2022
Foreign corporate bonds	\$ <u>2,617,569</u>	<u>1,409,013</u>	<u>229,000</u>

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

- (i) The Group purchased the bond with a face value of USD 39,831 thousand for the three months ended March 31, 2023, with a coupon rate of 1.538%~4.948%. There was no significant purchase and disposal on financial assets at amortized cost for the three months ended March 31, 2022.
- (ii) Please refer to note (6)(v) for credit risk information.
- (iii) As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(e) Accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable – measured at amortized cost	\$ 1,945,475	2,160,476	2,366,574
Less: allowance for impairment	<u>(4,813)</u>	<u>(3,214)</u>	<u>(1,390)</u>
	<u>\$ 1,940,662</u>	<u>2,157,262</u>	<u>2,365,184</u>

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

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

(i) As of March 31, 2023, the loss allowance provision was determined as follows:

<u>Aging interval</u>	<u>March 31, 2023</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted-average expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,736,775	-	-
Overdue 1 to 30 days	192,124	-	-
Overdue 31 to 60 days	5,136	10.00%	513
Overdue 61 to 90 days	6,194	20.00%	1,239
Overdue 91 to 120 days	3,786	50.00%	1,893
Overdue 121 to 180 days	<u>1,460</u>	<u>80.00%</u>	<u>1,168</u>
	<u>\$ 1,945,475</u>		<u>4,813</u>

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

<u>Aging interval</u>	<u>December 31, 2022</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted-average expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,809,940	-	-
Overdue 1 to 30 days	320,008	-	-
Overdue 31 to 60 days	29,020	10.00%	2,902
Overdue 61 to 90 days	1,491	20.00%	298
Overdue 121 to 180 days	<u>17</u>	<u>80.00%</u>	<u>14</u>
	<u>\$ 2,160,476</u>		<u>3,214</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(iii) As of March 31, 2022, the loss allowance provision was determined as follows:

<u>Aging interval</u>	<u>March 31, 2022</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted-average expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 2,265,255	-	-
Overdue 1 to 30 days	90,601	-	-
Overdue 31 to 60 days	8,437	10.00%	844
Overdue 61 to 90 days	2,168	20.00%	433
Overdue 181 to 365 days	1	100.00%	1
More than one year	112	100.00%	112
	<u>\$ 2,366,574</u>		<u>1,390</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
The beginning of period	\$ 3,214	92,217
Impairment losses recognized (reversed)	1,599	(90,832)
Effect of movements in exchange rates	-	5
The end of period	<u>\$ 4,813</u>	<u>1,390</u>

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

(f) Inventories

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Finished goods	\$ 303,228	379,999	248,846
Semi-finished goods	147,160	137,463	200,962
Work in progress	309,151	286,433	305,345
Raw materials	760,557	814,154	887,470
Indirect materials	140,234	176,185	273,969
	<u>\$ 1,660,330</u>	<u>1,794,234</u>	<u>1,916,592</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- (i) The Group recognized the inventory losses because of the write-down of the net realizable value. The details of the cost of sales were as follows:

	For the three months ended	
	March 31,	
	2023	2022
Current operating cost for write-downs on inventory valuation and obsolescence	\$ <u>7,194</u>	<u>5,140</u>

- (ii) For the year ended December 31, 2022, the derecognition of inventory by the Company due to fire incidents amounting to \$37,579 ; 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.

- (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, 2023	\$ 2,484,630	3,103,832	5,499,624	412,381	27,222	4,569,041	16,096,730
Additions	-	17,980	628,494	2,640	-	607,721	1,256,835
Disposals	-	(15,138)	(87,789)	(10,234)	-	(483)	(113,644)
Transferred in(out)	-	105,869	302,704	9,242	-	(419,095)	(1,280)
Effects of movements in exchange rates	-	(3,980)	(14,613)	(2,176)	(18)	(640)	(21,427)
Balance on March 31, 2023	<u>\$ 2,484,630</u>	<u>3,208,563</u>	<u>6,328,420</u>	<u>411,853</u>	<u>27,204</u>	<u>4,756,544</u>	<u>17,217,214</u>
Balance on January 1, 2022	\$ 2,394,630	3,030,884	5,769,421	366,920	1,841	1,953,887	13,517,583
Additions	-	3,873	48,237	6,310	-	476,408	534,828
Disposals	-	(3,930)	(220,491)	(398)	-	-	(224,819)
Transferred in (out)	-	3,042	28,488	2,282	-	(33,962)	(150)
Effects of movements in exchange rates	-	14,457	52,834	7,716	63	636	75,706
Balance on March 31, 2022	<u>\$ 2,394,630</u>	<u>3,048,326</u>	<u>5,678,489</u>	<u>382,830</u>	<u>1,904</u>	<u>2,396,969</u>	<u>13,903,148</u>
Depreciation and impairment loss:							
Balance on January 1, 2023	\$ -	1,086,512	3,983,936	307,963	4,726	-	5,383,137
Depreciation for the three months ended March 31, 2023	-	49,192	223,706	15,121	2,246	-	290,265
Disposals	-	(15,137)	(87,432)	(10,235)	-	-	(112,804)
Effects of movements in exchange rates	-	(1,899)	(12,657)	(1,924)	(10)	-	(16,490)
Balance on March 31, 2023	<u>\$ -</u>	<u>1,118,668</u>	<u>4,107,553</u>	<u>310,925</u>	<u>6,962</u>	<u>-</u>	<u>5,544,108</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Balance on January 1, 2022	\$ -	851,861	3,664,642	259,273	884	-	4,776,660
Depreciation for the three months ended March 31, 2022	-	46,181	305,172	13,823	19	-	365,195
Impairment loss	-	-	(50)	-	-	-	(50)
Disposals	-	(3,930)	(220,387)	(398)	-	-	(224,715)
Effects of movements in exchange rates	-	6,419	44,642	6,723	30	-	57,814
Balance on March 31, 2022	<u>\$ -</u>	<u>900,531</u>	<u>3,794,019</u>	<u>279,421</u>	<u>933</u>	<u>-</u>	<u>4,974,904</u>
Book value:							
Balance on January 1, 2023	<u>\$ 2,484,630</u>	<u>2,017,320</u>	<u>1,515,688</u>	<u>104,418</u>	<u>22,496</u>	<u>4,569,041</u>	<u>10,713,593</u>
Balance on March 31, 2023	<u>\$ 2,484,630</u>	<u>2,089,895</u>	<u>2,220,867</u>	<u>100,928</u>	<u>20,242</u>	<u>4,756,544</u>	<u>11,673,106</u>
Balance on January 1, 2022	<u>\$ 2,394,630</u>	<u>2,179,023</u>	<u>2,104,779</u>	<u>107,647</u>	<u>957</u>	<u>1,953,887</u>	<u>8,740,923</u>
Balance on March 31, 2022	<u>\$ 2,394,630</u>	<u>2,147,795</u>	<u>1,884,470</u>	<u>103,409</u>	<u>971</u>	<u>2,396,969</u>	<u>8,928,244</u>

The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August, 2020. The total amount of contract is \$3,200,000. As of March 31, 2023, December 31 and March 31, 2022, the amount of \$2,784,000, \$2,688,000 and \$1,808,000 had been paid, respectively.

For the year ended December 31, 2022, the carrying amount of certain buildings and structures, machinery and equipment, as well as office equipment, derecognized by the Company amounting to \$166,511, due to the fire incidents. Please refer to note (10) for details.

As of March 31, 2023, December 31 and March 31, 2022, 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, 2023	\$ 89,922	47,010	18,445	155,377
Additions	-	-	-	-
Deductions	-	(13,013)	(1,819)	(14,832)
Balance on March 31, 2023	<u>\$ 89,922</u>	<u>33,997</u>	<u>16,626</u>	<u>140,545</u>
Balance on January 1, 2022	\$ 84,620	22,901	20,669	128,190
Additions	-	-	-	-
Deductions	-	-	-	-
Balance on March 31, 2022	<u>\$ 84,620</u>	<u>22,901</u>	<u>20,669</u>	<u>128,190</u>

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	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Depreciation and impairment loss:				
Balance on January 1, 2023	\$ 9,353	21,718	9,085	40,156
Depreciation for the three months ended March 31, 2023	1,439	4,232	1,003	6,674
Deductions	-	(13,013)	(1,819)	(14,832)
Balance on March 31, 2023	<u>\$ 10,792</u>	<u>12,937</u>	<u>8,269</u>	<u>31,998</u>
Balance on January 1, 2022	\$ 8,173	9,104	7,426	24,703
Depreciation for the three months ended March 31, 2022	1,365	2,554	1,188	5,107
Deductions	-	-	-	-
Balance on March 31, 2022	<u>\$ 9,538</u>	<u>11,658</u>	<u>8,614</u>	<u>29,810</u>
Book value:				
Balance on January 1, 2023	<u>\$ 80,569</u>	<u>25,292</u>	<u>9,360</u>	<u>115,221</u>
Balance on March 31, 2023	<u>\$ 79,130</u>	<u>21,060</u>	<u>8,357</u>	<u>108,547</u>
Balance on January 1, 2022	<u>\$ 76,447</u>	<u>13,797</u>	<u>13,243</u>	<u>103,487</u>
Balance on March 31, 2022	<u>\$ 75,082</u>	<u>11,243</u>	<u>12,055</u>	<u>98,380</u>

(i) Intangible assets

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Book value:					
Balance on January 1, 2023	<u>\$ 7,448,612</u>	<u>639,945</u>	<u>61,710</u>	<u>295,450</u>	<u>8,445,717</u>
Balance on March 31, 2023	<u>\$ 7,448,612</u>	<u>620,806</u>	<u>56,395</u>	<u>288,715</u>	<u>8,414,528</u>
Balance on January 1, 2022	<u>\$ 7,448,612</u>	<u>717,036</u>	<u>14,033</u>	<u>322,391</u>	<u>8,502,072</u>
Balance on March 31, 2022	<u>\$ 7,448,612</u>	<u>697,665</u>	<u>71,882</u>	<u>315,656</u>	<u>8,533,815</u>

There were no significant purchase, disposal, impairment loss or reversal gain on intangible assets for the three months ended March 31, 2023 and 2022. Please refer to note (12)(a) for the amortized amount and (6)(i) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Comprehensive secured bank loans	\$ -	-	-
Unused short-term credit lines	<u>\$ 7,444,750</u>	<u>5,563,150</u>	<u>5,187,325</u>

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

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(k) Long-term borrowings

Details of long-term borrowings were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured bank loans	\$ 5,360,000	5,360,000	63,000
Less: Discounts on government grants	(149,507)	(155,231)	(487)
	<u>\$ 5,210,493</u>	<u>5,204,769</u>	<u>62,513</u>
Unused long-term credit lines	<u>\$ 4,200,000</u>	<u>3,200,000</u>	<u>8,257,000</u>
Range of interest rates	<u>1.35%~1.55%</u>	<u>1.225%~1.425%</u>	<u>0.6%~0.8%</u>
Expiration	2026 to 2031	2026 to 2031	2031

- (i) For the years ended December 31, 2022 and 2021, the preferential interest rate loans of \$5,297,000 and \$63,000, respectively, received by the Group from the government's "Action Plan for Accelerating Investment of Rooted Taiwanese Enterprises", were used in capital expenditure and operating turnover, and are expected to be repaid by April 2031. Using the prevailing market interest rates at the equivalent loan rates of 1.35% to 1.85% and 0.75%, the fair values of the loans were estimated at \$5,138,164 and \$62,465, respectively, upon initial recognition. Moreover, the differences of \$158,836 and \$535, respectively, between the proceeds and the fair value of the loan, with the benefit deriving from the preferential interest rate loans, had been recognized as deferred revenue recorded under other non-current liabilities. For the three months ended March 31, 2023 and 2022, the grant profits of \$2,817 and \$0, respectively, which were amortized over the period of loans, were recognized as other income.
- (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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Salaries, employees' compensation and directors' remuneration	\$ 1,249,189	1,366,289	1,000,888
Payable on machinery and equipment	817,508	306,991	86,002
Accrued employee benefit liabilities	54,655	55,745	55,543
Others	<u>494,872</u>	<u>553,313</u>	<u>926,173</u>
	<u>\$ 2,616,224</u>	<u>2,282,338</u>	<u>2,068,606</u>

Others included professional service fees, commission, repairments and maintenance expense, utilities expense, labor insurance and health insurance, etc.

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

(m) Provision

	March 31, 2023	December 31, 2022	March 31, 2022
Compensation	<u>\$ 242,681</u>	<u>223,869</u>	<u>133,606</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:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u>\$ 16,699</u>	<u>19,947</u>	<u>18,696</u>
Non-current	<u>\$ 93,244</u>	<u>96,523</u>	<u>81,196</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2023	2022
Interest on lease liabilities	<u>\$ 481</u>	<u>445</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 417</u>	<u>16,980</u>
Expenses relating to short-term leases	<u>\$ 3,090</u>	<u>2,149</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 96</u>	<u>97</u>

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

	For the three months ended March 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 10,611</u>	<u>24,626</u>

(i) Real estate leases

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

(Continued)

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

(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, 2022 and 2021.

The expenses recognized in profit or loss for the Group amounted to \$2,684 and \$3,439 for the three months ended March 31, 2023 and 2022, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$20,816 and \$18,697 for the three months ended March 31, 2023 and 2022, respectively.

(p) Income Taxes

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

	For the three months ended March 31,	
	2023	2022
Current period	\$ 94,920	233,792
Adjustment for prior periods	-	(32,319)
Current tax expense	\$ 94,920	201,473

(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	
	March 31,	
	2023	2022
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>(7,375)</u>	<u>9,636</u>

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

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

- (q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the three months ended March 31, 2023 and 2022. Please refer to note (6)(p) of the consolidated financial statements for the year ended December 31, 2022.

- (i) Ordinary shares

For the three months ended March 31, 2022, the restricted stocks were cancelled due to certain employees who failed to meet the vesting conditions of \$75. 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Capital surplus—additional paid-in capital	\$ 15,002,891	15,002,891	15,002,891
Employment restricted shares	56,766	56,766	58,038
Other	56,219	56,219	56,219
	\$ 15,115,876	15,115,876	15,117,148

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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 Board of Directors, and be distributed as dividends to stockholders after the approval of the annual stockholders' meeting. Based on the policy on stock dividends and in accordance with such factors as the development plan, investment environment, capital requirements, competitive environment, and benefits to stockholders, the dividends to be distributed to shareholders shall appropriate 60% or more of the appropriated earnings, and the cash dividends shall not be less than 30% of the total amount of dividends. After considering the actual profit and capital situation, the amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting.

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.

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

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

In accordance with the Company's Articles of Incorporation before revised on June 8, 2022, the Company's net earnings shall first defray tax due, and offset the prior years' deficit. Of the remaining balance, 10% is to be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital, and an amount equal to a net debit balance of stockholders' equity is appropriated as a special reserve. The remaining balance and the accumulated unappropriated earnings of prior years, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the Board of Directors, and be distributed as dividends to stockholders after the approval of the annual stockholders' meeting. Based on the policy on stock dividends and in accordance with such factors as the development plan, investment environment, capital requirements, competitive environment, and benefits to stockholders, the dividends to be distributed to shareholders shall appropriate 60% or more of the appropriated earnings, and the cash dividends shall not be less than 30% of the total amount of dividends. After considering the actual profit and capital situation, the amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting.

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

1) Earnings distribution

Earnings distribution for 2022 was approved by the board of directors of the Company held on March 14, 2023; Earnings distribution for 2021 was approved by the annual meeting of shareholders held on June 8, 2022. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 7.77007957	1,249,536	9.00037872	1,608,214
Shares	<u>3.00</u>	<u>482,442</u>	-	-
Total	<u>\$ 10.77007957</u>	<u>1,731,978</u>	<u>9.00037872</u>	<u>1,608,214</u>

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

(r) Shares-based payment

There was no significant change on the share-based payment during the three months ended March 31, 2023 and 2022 respectively. Please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2022.

The Group's new restricted employee shares were all vested in November 2022. As of March 31, 2022, the balance of unearned remuneration to employees had been recognized as a result of the restricted share options amounting to \$4,633. For the three months ended March 31, 2022, the expenses arising from employee restricted shares options amounted to \$797.

(s) Earnings per share

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

	For the three months ended March 31,	
	<u>2023</u>	<u>2022</u>
Basic earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company	<u>\$ 372,093</u>	<u>907,837</u>
Weighted-average number of ordinary shares (thousands)	<u>160,814</u>	<u>178,570</u>
Basic earnings per share (NTD)	<u>\$ 2.31</u>	<u>5.08</u>

(Continued)

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

	For the three months ended	
	March 31,	
	2023	2022
	For the three months ended	
	March 31,	
Diluted earnings per share (NTD):		
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>372,093</u>	<u>907,837</u>
Weighted-average number of ordinary shares (thousands)	160,814	178,570
Effect of employee remuneration (thousands)	1,052	853
Effect of employee restricted shares (thousands)	-	105
Weighted-average number of ordinary shares (diluted) (thousands)	<u>161,866</u>	<u>179,528</u>
Diluted earnings per share (NTD)	<u>\$ 2.30</u>	<u>5.06</u>
(t) Revenue from contracts with customers		
(i) Disaggregation of revenue		

	For the three months ended	
	March 31,	
	2023	2022
Primary geographical markets:		
Singapore	\$ 352,171	829,072
United States	310,841	407,924
Malaysia	502,305	567,611
Hong Kong	60,058	209,455
China	159,352	282,975
Switzerland	802,774	575,464
Japan	478,585	333,884
Others	<u>234,362</u>	<u>259,196</u>
	<u>\$ 2,900,448</u>	<u>3,465,581</u>
Major products/services lines:		
Ceramic metalized substrate	\$ 477,896	825,243
Image products	1,596,596	1,773,226
RF module	131,382	116,412
Hybrid modules & specialty packaging	641,498	723,421
Others	<u>53,076</u>	<u>27,279</u>
	<u>\$ 2,900,448</u>	<u>3,465,581</u>

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

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	\$ 1,945,475	2,160,476	2,366,574
Contract assets – image products (recorded under other current assets)	76,301	77,736	85,012
Less: allowance for impairment	(4,813)	(3,214)	(1,390)
Total	<u>\$ 2,016,963</u>	<u>2,234,998</u>	<u>2,450,196</u>
Contract liabilities – advance sales receipts	<u>\$ 174,625</u>	<u>58,361</u>	<u>79,957</u>

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

The amounts of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the contract liabilities balance at the beginning of the period were \$14,500 and \$9,423, respectively.

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

(u) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended on June 8, 2022, once the Company has an annual profit, it should appropriate 3% or more of the profit to its employees and 3% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors shall be paid in cash.

Based on the Company's Articles of Incorporation before revised on June 8, 2022, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors shall be paid in cash.

For the three months ended March 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$30,294 and \$76,500, and directors' remuneration amounting to \$15,271 and \$23,200, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as determined by the management. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021, the employee compensation amounted to \$240,000 and \$170,600, respectively, and remuneration of directors amounted to \$123,000 and \$68,200, respectively, which had no difference from the actual distribution. Related information would be available on the Market Observation Post System Website.

(v) Financial Instruments

Except for those described below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For related information, please refer to note (6)(w) of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022.

The allowance for impairment of other receivables for the three months ended March 31, 2023 and 2022 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2023	\$ 95
Impairment loss recognized	231
Effects of movements in exchange rates	<u>(1)</u>
Balance on March 31, 2023	<u>\$ 325</u>
Balance on January 1, 2022	\$ 423
Impairment loss reversed	(193)
Effects of movements in exchange rates	<u>11</u>
Balance on March 31, 2022	<u>\$ 241</u>

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

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
March 31, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 833,176	(833,176)	(833,176)	-
Other payables	2,616,224	(2,616,224)	(2,616,224)	-
Lease liabilities (including current and non-current portion)	109,943	(135,217)	(18,442)	(116,775)
Guarantee deposits received	3,413	(3,413)	-	(3,413)
Long-term borrowings	5,210,493	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	87			
Inflow		608,230	608,230	-
Outflow		(609,000)	(609,000)	-
Foreign exchange swaps contracts:	193			
Inflow		304,195	304,195	-
Outflow		(304,500)	(304,500)	-
	<u>\$ 8,773,529</u>	<u>(8,949,105)</u>	<u>(3,468,917)</u>	<u>(5,480,188)</u>
December 31, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 802,055	(802,055)	(802,055)	-
Other payables	2,282,338	(2,282,338)	(2,282,338)	-
Lease liabilities (including current and non-current portion)	116,470	(142,226)	(21,758)	(120,468)
Guarantee deposits received	3,413	(3,413)	-	(3,413)
Long-term borrowings	5,204,769	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	57			
Inflow		32,682	32,682	-
Outflow		(32,720)	(32,720)	-
Foreign exchange swaps contracts:	1,333			
Inflow		274,898	274,898	-
Outflow		(276,390)	(276,390)	-
	<u>\$ 8,410,435</u>	<u>(8,591,562)</u>	<u>(3,107,681)</u>	<u>(5,483,881)</u>

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

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

(iii) Currency risk

1) Exposure to currency risk

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

	<u>March 31, 2023</u>			<u>December 31, 2022</u>			<u>March 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
Monetary items									
USD	\$ 203,175	USD/NTD =30.450	6,186,679	202,923	USD/NTD =30.710	6,231,765	166,723	USD/NTD =28.625	4,772,446
<u>Financial liabilities</u>									
Monetary items									
USD	23,805	USD/NTD =30.450	724,862	30,941	USD/NTD =30.710	950,198	19,306	USD/NTD =28.625	552,634
JPY	360,724	JPY/NTD =0.2288	82,534	380,194	JPY/NTD =0.2324	88,357	433,567	JPY/NTD =0.2353	102,018

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

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the three months ended March 31, 2023 and 2022 would have increased or decreased the net profit before tax as follows:

	For the three months ended	
	March 31,	
	2023	2022
USD (against the NTD)		
Strengthening 5%	\$ 273,091	210,991
Weakening 5%	(273,091)	(210,991)
JPY (against the NTD)		
Strengthening 5%	(4,127)	(5,101)
Weakening 5%	4,127	5,101

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2023 and 2022 the foreign exchange (losses) gains, including realized and unrealized portion, amounted to \$(50,278) and \$133,708, respectively.

2) Interest rate risk

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$2,080 for the three months ended March 31, 2023, the net profit before tax would have increased or decreased by \$2,748 for the three months ended March 31, 2022, which would have mainly resulted from the bank savings and borrowings with variable interest rates."

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

(iv) Fair value

1) The categories and the fair values of financial instruments

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

	March 31, 2023				
	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 \$	907	-	907	-	907
Open-end mutual funds	233,237	233,237	-	-	233,237
Structured investment	460,468	-	-	460,468	460,468
Stock listed in domestic markets	226,864	226,864	-	-	226,864
Foreign private funds	<u>233,806</u>	-	-	233,806	233,806
Subtotal	<u>1,155,282</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic market – preferred stocks	<u>344,730</u>	344,730	-	-	344,730
Financial assets measured at amortized cost					
Cash and cash equivalents	6,734,510	-	-	-	-
Accounts receivable, net	1,940,662	-	-	-	-
Other receivables	26,238	-	-	-	-
Other financial assets – current	31,641	-	-	-	-
Foreign corporate bonds	2,617,569	-	-	-	-
Refundable deposits (recorded under other non-current assets)	21,666	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>11,377,691</u>				
Total	<u>\$ 12,877,703</u>				

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	7,496,769	-	-	-	-
Accounts receivable, net	2,157,262	-	-	-	-
Other receivables	15,750	-	-	-	-
Other financial assets – current	31,912	-	-	-	-
Foreign corporate bonds	1,409,013	-	-	-	-
Refundable deposits (recorded under other non-current assets)	26,431	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>11,142,542</u>				
Total	<u>\$ 12,706,915</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>1,390</u>	-	1,390	-	1,390
Financial liabilities measured at amortized cost					
Notes and accounts payable	802,055	-	-	-	-
Other payables	2,282,338	-	-	-	-
Lease liabilities (including current and non-current portion)	116,470	-	-	-	-
Guarantee deposits received	3,413	-	-	-	-
Long-term borrowings	<u>5,204,769</u>	-	-	-	-
Subtotal	<u>8,409,045</u>				
Total	<u>\$ 8,410,435</u>				

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

(Continued)

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

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

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

Measurement of the fair value of derivative instruments 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 three months ended March 31, 2023 and 2022.

4) Changes between Level 3

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2023	\$ 779,016
Total gains and losses	
Recognized in profit or loss	(3,386)
Purchased	50,000
Disposal	<u>(131,356)</u>
Balance on March 31, 2023	<u>\$ 694,274</u>
Balance on January 1, 2022	\$ 179,221
Total gains and losses	
Recognized in profit or loss	<u>75,679</u>
Balance on March 31, 2022	<u>\$ 254,900</u>

(Continued)

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

For the three months ended March 31, 2023 and 2022, total gains and losses were included in gains (losses) on current 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 Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – investment in private funds" used the Net Asset Value Method.

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

- (w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(x) to the consolidated financial statements for the year ended December 31, 2022.

- (x) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2022. 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, 2022. For further information, please refer to note (6)(y) of the consolidated financial statements for the year ended December 31, 2022.

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

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

(i) The Group's investing and financing activities, which did not affect the current cash flow for the three months ended March 31, 2023 and 2022, were the acquisition of its right-of-use assets by lease, please refer to note (6)(h).

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

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Non-cash changes Other</u>	<u>March 31, 2023</u>
Lease liabilities (including current and non-current portion)	\$ 116,470	(6,527)	-	109,943
Guarantee deposits received	3,413	-	-	3,413
Long-term borrowings	<u>5,204,769</u>	<u>-</u>	<u>5,724</u>	<u>5,210,493</u>
Total liabilities from financing activities	<u>\$ 5,324,652</u>	<u>(6,527)</u>	<u>5,724</u>	<u>5,323,849</u>

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes Other</u>	<u>March 31, 2022</u>
Lease liabilities (including current and non-current portion)	\$ 104,847	(4,955)	-	99,892
Guarantee deposits received	5,011	-	-	5,011
Long-term borrowings	<u>62,500</u>	<u>-</u>	<u>13</u>	<u>62,513</u>
Total liabilities from financing activities	<u>\$ 172,358</u>	<u>(4,955)</u>	<u>13</u>	<u>167,416</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.

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

(Continued)

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

(b) Other transaction with related party

- (i) For operational needs, THEPI acquired land for \$57,713 (91,110 thousand Philippine pesos) from Multi-field beginning in 2004, which was recorded as property, plant and equipment. Because the Philippine regulations prohibit foreigners from owning land, therefore, the Group paid for the land, under the title deed of Multi-field to assure the right to the land. THEPI also entered into an agreement with Multi-field to reserve its right to sell or dispose the property.
- (ii) For future expansion, pursuant to the resolution of the Board of Directors held on March 17, 2022, the Group signed the real estate transaction contract with MAG. LAYERS on March 24, 2022. The total price amounted to \$130,000. As of March 31, 2022, the Group had paid \$64,048 (net of related taxes) which was recorded as other non-current assets. The transfer procedure was completed on June 27, 2022. The aforementioned amount was fully paid.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended	
	March 31,	
	2023	2022
Short-term employee benefits	\$ 35,327	58,489
Post-employment benefits	189	135
	\$ 35,516	58,624

(8) Assets pledged as security

<u>Pledged assets</u>	<u>Subject</u>	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 30,145	30,403	28,339
"	Customs duty guarantee	-	-	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	499,954	506,077	627,954
		\$ 535,504	541,885	666,998

(Continued)

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

(9) Commitments and contingencies

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Future payments for the purchase of property, equipment and construction in progress	\$ <u>1,722,003</u>	<u>2,095,468</u>	<u>1,360,537</u>

(b) The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August 2020. As of March 31, 2023, the payment amounting to \$416,000 has not been paid.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unused and outstanding letters of credit and the deposit for customs duties	\$ <u>35,500</u>	<u>28,800</u>	<u>28,300</u>

(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 to \$37,579 during 2022. The total estimated losses from the incidents above amounted to \$204,090.

The Company was insured 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 parent company only financial statements, 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.

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

(12) Other

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

By function	For the three months ended March 31,					
	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	463,907	182,720	646,627	527,116	285,851	812,967
Labor and health insurance	43,475	11,033	54,508	43,146	9,440	52,586
Pension	17,944	5,556	23,500	17,644	4,492	22,136
Other employee benefits	31,188	6,273	37,461	27,982	4,253	32,235
Depreciation	281,672	15,267	296,939	356,521	13,781	370,302
Amortization	1,810	29,799	31,609	1,604	29,423	31,027

- (b) Seasonality of operations

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

- (c) On March 14, 2014, Boschman Technologies BV (Boschman) filed a lawsuit to the Hsinchu District Court against KINGPAK for breach of contract. On September 22, 2014, Hsinchu District Court ruled in favor of Boschman, requesting KINGPAK to pay Boschman the amount of USD \$249, plus, a monthly interest rate of 0.75% from March 17, 2013. In October 2014, KINGPAK was dissatisfied with the decision made by Hsinchu District Court; thus, filed an appeal to the Taiwan High Court, who ruled in its favor on June 30, 2020. On August 3, 2020, Boschman filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in June 2021. In May 2022, Taiwan High Court ruled in favor of the subsidiary, KINGPAK, and Boschman filed an appeal again. In November 2022, the Supreme Court rejected Boschman's appeal for third instance, resulting in both parties to share the litigation costs, which has yet to be verified. The Group had assessed the damages amounting to \$14,215 and recorded them under other payables.

(13) Other disclosures

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2023:

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

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

(iii) Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Name of security		Relationship with Company	Account title	Ending balance				Note
	Category	name			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	233,237	-	233,237	
The Company	Fund	SMART Growth Fund, L.P. (Note 1)	None	Financial assets at fair value through profit or loss - non -current	Note 2	233,806	1.60%	233,806	Note 3
The Company	Stock	Shin Kong Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - non -current	6,445	226,864	-	226,864	
The Company	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares C	None	Financial assets at fair value through other comprehensive income - non - current	5,833	344,730	-	344,730	
The Company	Stock	eGtran Corporation	None	Financial assets at fair value through other comprehensive income - non - current	22	-	-	-	
The Company	Bond	Chailease International Bond	None	Financial assets at amortized cost - non - current	-	243,600	-	238,454	Note 3
The Company	Bond	Formosa Group Cayman LTD International Bond	None	Financial assets at amortized cost - non - current	-	301,634	-	291,430	Note 3
The Company	Bond	Nissan Motor Co. Ltd. International Bond	None	Financial assets at amortized cost - non - current	-	294,833	-	287,753	Note 3
The Company	Bond	TSMC Arizona Corp. International Bond	None	Financial assets at amortized cost - non - current	-	141,198	-	138,213	Note 3
The Company	Bond	TSMC Global Corp. International Bond(AC27)	None	Financial assets at amortized cost - non - current	-	196,799	-	193,377	Note 3
The Company	Bond	TSMC Global Corp. International Bond(AF57)	None	Financial assets at amortized cost - non - current	-	224,125	-	220,014	Note 3
The Company	Bond	JPMorgan Chase & Co. Bond	None	Financial assets at amortized cost - non - current	-	287,315	-	288,350	Note 3
The Company	Bond	HSBC Holdings PLC Bond	None	Financial assets at amortized cost - non - current	-	245,052	-	241,392	Note 3
The Company	Bond	Mitsubishi UFJ Bond Financial Group Inc. Bond	None	Financial assets at amortized cost - non - current	-	205,031	-	202,553	Note 3
The Company	Bond	Bank of America Corp. Bond	None	Financial assets at amortized cost - non - current	-	301,319	-	302,427	Note 3
The Company	Bond	UBS Group AG Bond	None	Financial assets at amortized cost - non - current	-	176,663	-	169,920	Note 3
The Company	Structured investments	SERCOMM CORP. 6th Unsecured Convertible Bond	None	Financial assets at fair value through profit or loss - non -current	-	200,813	-	200,813	
The Company	Structured investments	GIANT MANUFACTURING CO., LTD. 1st Unsecured Convertible Bond	None	Financial assets at fair value through profit or loss - non -current	-	259,655	-	259,655	

Note 1: Wise Road Industry Investment Fund I, L.P. was renamed SMART Growth Fund, L.P. on March 4, 2022.

Note 2: The amount of investment is USD 6,215 thousand.

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

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

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

Unit: thousand units/ thousand shares

Company holding securities	Name of security		Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales			Ending Balance		
	Category	Name				Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Bond	Bank of America Corp. Bond	Financial assets at amortized cost - non-current	-	None	-	-	-	301,203	-	-	-	-	-	301,319 (Note)

Note : The ending balance includes the premium/ discount and foreign gains/ losses on bond investment.

- (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 2,784,000	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	440,518	63 %	Monthly closing and paid by cash	-	-	Accounts payable (69,866)	(9)%	Note 2
The Company	THEPI	100% owned subsidiary by the Company	Manufacturing fee	70,891	10 %	Monthly closing and paid by cash	-	-	Note 1	- %	Note 2
THEPI	The Company	Parent Company	Sale	(440,518)	(92)%	Monthly closing and received by cash	-	-	Accounts receivable 69,866	78 %	Note 2
THEPI	The Company	Parent Company	Manufacturing revenue	(70,891)	(15)%	Monthly closing and received by cash	-	-	Accounts receivable 30,581	34 %	Note 2

Note 1 : The other payables amounted to \$30,581 as of March 31, 2023.

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

- (viii) Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the Company's paid-in capital: None.

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

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Notes to Consolidated Financial Statements

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2023:

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	440,518	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.	15.19 %
1	THEPI	The Company	2	Manufacturing Revenue	70,891	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.	2.44 %
1	THEPI	The Company	2	Accounts Receivable	69,866	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.	0.20 %
1	THEPI	The Company	2	Accounts Receivable	30,851	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.	0.09 %

Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions between the subsidiaries and the parent company.
- 3 represents the transactions between subsidiaries.

- (b) Information on investees:

The following is the information on investees for the three months ended March 31, 2023 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of the investee	Share of profit (losses) of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF module, hybrid modules & special packaging, ceramic metalized substrate and image products	2,016,853	2,016,853	28,793	100.00 %	1,925,325	5,999	4,122	Note

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

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

- (c) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information:None.
 - (ii) Limitation on investment in Mainland China:None.
 - (iii) Significant transactions:None.
- (d) Major shareholders: None.

Shareholder's Name	Shareholding	Shares	Percentage
Fubon Life Insurance Co., Ltd.		9,223,300	5.73 %

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

(14) Segment information

The Group has adjusted its internal organizational structure into a single business unit in 2022, wherein the operation segment focuses on providing the best solutions for process technology. The operational decision maker reviews the operation result regularly to allocate the necessary resources and measures performances. Thus, the Group provides the operational decision maker with segment information for review, which is measured on the same basis as the consolidated financial statements. For the three months ended March 31, 2023 and 2022, the revenue and operation results to be reported can be referred to the consolidated statement of comprehensive income, wherein the total revenue of reportable segment, the amounts to be deducted from the intersegment revenues are \$511,409 and \$596,582, respectively.