

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. (“the Company”) and its subsidiaries (“the Group”) as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 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)

July 25, 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.)
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022			Liabilities and Equity			June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%	Amount	%
Current assets:									Current liabilities:								
1100	Cash and cash equivalents (note (6)(a))	\$ 6,699,618	19	7,496,769	22	4,787,070	16	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))		\$	37,443	-	1,390	-	4,308	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	234,191	1	232,584	1	271,528	1	2130	Contract liabilities—current (note (6)(t))			125,477	-	58,361	-	68,751	-
1170	Accounts receivable, net (note (6)(e))	1,698,473	5	2,157,262	7	2,562,753	9	2170	Notes and accounts payable			869,449	3	802,055	2	969,886	3
1200	Other receivables	81,603	-	70,545	-	93,273	-	2200	Other payables (notes (6)(l) and (12))			2,571,399	7	2,282,338	7	2,229,648	8
1310	Inventories (note (6)(f))	1,651,681	5	1,794,234	5	2,136,603	7	2216	Dividends payable			1,249,536	4	-	-	1,608,214	5
1410	Prepayments	59,938	-	108,912	-	27,145	-	2230	Current tax liabilities			376,922	1	572,975	2	627,696	2
1470	Other current assets (note (6)(t))	95,273	-	78,409	-	102,887	-	2250	Current provisions (note (6)(m))			253,631	1	223,869	1	146,407	1
1476	Other financial assets—current (note (8))	<u>32,495</u>	-	<u>31,912</u>	-	<u>36,183</u>	-	2280	Lease liabilities—current (note (6)(n))			17,490	-	19,947	-	16,744	-
		<u>10,553,272</u>	<u>30</u>	<u>11,970,627</u>	<u>35</u>	<u>10,017,442</u>	<u>33</u>	2300	Other current liabilities			<u>47,432</u>	-	<u>50,252</u>	-	<u>71,885</u>	-
												<u>5,548,779</u>	<u>16</u>	<u>4,011,187</u>	<u>12</u>	<u>5,743,539</u>	<u>19</u>
Non-current assets:									Non-Current liabilities:								
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	752,192	2	1,010,391	3	1,080,907	4	2540	Long-term borrowings (note (6)(k))			5,216,242	16	5,204,769	16	1,043,758	4
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	335,397	1	321,398	1	345,897	1	2570	Deferred tax liabilities			160,718	-	160,718	-	114,939	-
1535	Non-current financial assets at amortized cost (note (6)(d))	2,826,637	8	1,409,013	4	893,697	3	2580	Lease liabilities—non-current (note (6)(n))			92,764	-	96,523	-	87,223	-
1600	Property, plant and equipment (notes (6)(g), (7) and (8))	11,764,608	34	10,713,593	31	9,386,431	30	2600	Other non-current liabilities (note (6)(k))			155,462	-	161,083	-	24,314	-
								2640	Net defined benefit liability—non-current (note (6)(o))			<u>105,185</u>	-	<u>104,459</u>	-	<u>195,921</u>	<u>1</u>
1755	Right-of-use assets (note (6)(h))	108,695	-	115,221	-	103,503	-					<u>5,730,371</u>	<u>16</u>	<u>5,727,552</u>	<u>16</u>	<u>1,466,155</u>	<u>5</u>
1780	Intangible assets (note (6)(i))	8,329,020	24	8,445,717	25	8,505,842	28		Total liabilities			<u>11,279,150</u>	<u>32</u>	<u>9,738,739</u>	<u>28</u>	<u>7,209,694</u>	<u>24</u>
1840	Deferred tax assets	261,087	1	244,941	1	214,648	1		Equity:								
1900	Other non-current assets	38,096	-	26,431	-	29,194	-		Equity attributable to owners of parent: (note (6)(q))								
1980	Other financial assets—non-current (note (8))	<u>5,405</u>	-	<u>5,405</u>	-	<u>5,405</u>	-	3100	Ordinary shares			2,090,581	6	1,608,139	5	1,786,829	6
		<u>24,421,137</u>	<u>70</u>	<u>22,292,110</u>	<u>65</u>	<u>20,565,524</u>	<u>67</u>	3200	Capital surplus			15,115,876	43	15,115,876	44	15,115,876	49
								3310	Legal reserve			2,150,081	7	1,829,345	6	1,829,345	6
								3320	Special reserve			169,408	-	169,408	-	169,408	1
								3350	Unappropriated retained earnings			4,152,127	12	5,820,426	17	4,519,041	14
								3400	Other equity interest			<u>17,186</u>	-	<u>(19,196)</u>	-	<u>(47,227)</u>	-
									Total equity			<u>23,695,259</u>	<u>68</u>	<u>24,523,998</u>	<u>72</u>	<u>23,373,272</u>	<u>76</u>
Total assets		<u>\$ 34,974,409</u>	<u>100</u>	<u>34,262,737</u>	<u>100</u>	<u>30,582,966</u>	<u>100</u>		Total liabilities and equity		\$	<u>34,974,409</u>	<u>100</u>	<u>34,262,737</u>	<u>100</u>	<u>30,582,966</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

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

		For the three months ended June 30				For the six months ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Sales revenue	\$ 2,877,217	101	3,625,115	101	5,820,661	101	7,119,736	101
4170	Less: sales returns and allowances	33,454	1	19,545	1	76,450	1	48,585	1
4100	Net sales revenue (notes (6)(t) and (14))	2,843,763	100	3,605,570	100	5,744,211	100	7,071,151	100
5110	Cost of sales (notes (6)(f) and (12))	2,358,756	83	2,244,076	62	4,446,102	78	4,538,779	64
5900	Gross profit	485,007	17	1,361,494	38	1,298,109	22	2,532,372	36
6000	Operating expenses: (note (12))								
6100	Selling expenses	64,245	2	68,909	2	126,986	2	152,417	2
6200	Administrative expenses	165,327	6	183,908	5	352,754	6	412,916	5
6300	Research and development expenses	89,592	3	90,075	2	179,867	3	187,378	3
6450	Expected credit losses (gains)	(807)	-	1,596	-	1,023	-	(89,429)	(1)
		318,357	11	344,488	9	660,630	11	663,282	9
6900	Net operating income	166,650	6	1,017,006	29	637,479	11	1,869,090	27
	Non-operating income and expenses:								
7100	Interest income	62,021	2	9,582	-	109,132	2	14,895	-
7190	Other income	68,589	2	14,248	-	90,400	2	25,740	-
7230	Foreign exchange gains (losses), net (note (6)(w))	120,859	4	165,964	5	70,581	1	299,672	5
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note (6)(b))	(96,753)	(3)	4,130	-	(94,697)	(2)	111,709	1
7510	Finance cost— interest expense	(25,813)	(1)	(643)	-	(50,293)	(1)	(1,282)	-
7590	Miscellaneous disbursements (notes (6)(g) and (u))	(277,271)	(10)	(413)	-	(277,307)	(5)	(640)	-
		(148,368)	(6)	192,868	5	(152,184)	(3)	450,094	6
7900	Profit before tax	18,282	-	1,209,874	34	485,295	8	2,319,184	33
7950	Less: tax expenses (note (6)(p))	5,960	-	211,730	6	100,880	2	413,203	6
	Profit	12,322	-	998,144	28	384,415	6	1,905,981	27
	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	(9,333)	-	(4,666)	-	13,999	-	(4,666)	-
8349	Income tax on items that may not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(9,333)	-	(4,666)	-	13,999	-	(4,666)	-
	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	42,798	1	63,488	1	26,768	1	116,532	1
8399	Income tax on items that may be reclassified to profit or loss	(11,760)	-	(11,165)	-	(4,385)	-	(20,801)	-
	Components of other comprehensive income that will be reclassified to profit or loss	31,038	1	52,323	1	22,383	1	95,731	1
	Other comprehensive income	21,705	1	47,657	1	36,382	1	91,065	1
8500	Comprehensive income	\$ 34,027	1	1,045,801	29	420,797	7	1,997,046	28
	Earnings per share (note (6)(s))								
9750	Basic earnings per share (NT dollars)	\$ 0.08		5.59		2.39		10.67	
9850	Diluted earnings per share (NT dollars)	\$ 0.08		5.56		2.38		10.59	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Other equity interest											
	Share capital		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	Total equity
	Ordinary shares	Stock dividends to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings					
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 six months ended June 30, 2022	-	-	-	-	-	1,905,981	1,905,981	-	-	-	-	1,905,981
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	-	95,731	(4,666)	-	91,065	91,065
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	1,905,981	1,905,981	95,731	(4,666)	-	91,065	1,997,046
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	276,993	-	(276,993)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	28,267	(28,267)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,608,214)	(1,608,214)	-	-	-	-	(1,608,214)
Share-based payments	(150)	-	(2,544)	-	-	-	-	-	-	4,193	4,193	1,499
Balance on June 30, 2022	\$ 1,786,829	-	15,115,876	1,829,345	169,408	4,519,041	6,517,794	(40,560)	(4,083)	(2,584)	(47,227)	23,373,272
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 six months ended June 30, 2023	-	-	-	-	-	384,415	384,415	-	-	-	-	384,415
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	-	22,383	13,999	-	36,382	36,382
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	384,415	384,415	22,383	13,999	-	36,382	420,797
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	320,736	-	(320,736)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,249,536)	(1,249,536)	-	-	-	-	(1,249,536)
Stock dividends of ordinary share	-	482,442	-	-	-	(482,442)	(482,442)	-	-	-	-	-
Balance on June 30, 2023	\$ 1,608,139	482,442	15,115,876	2,150,081	169,408	4,152,127	6,471,616	31,769	(14,583)	-	17,186	23,695,259

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
For the six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 485,295	2,319,184
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	623,639	728,869
Amortization expense	68,192	63,037
Expected credit losses (gains)	1,023	(89,429)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	94,697	(111,709)
Interest expense	50,293	1,282
Interest income	(109,132)	(14,895)
Share-based payments	-	1,499
Gain on disposal of property, plant and equipment	(541)	(2,763)
Impairment loss on non-financial assets	277,271	-
Other	(63,857)	(32,854)
Total adjustments to reconcile profit (loss)	941,585	543,037
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets and liabilities at fair value through profit or loss	(36,878)	22,336
Increase in contract assets	(11,072)	(26,971)
(Increase) decrease in accounts receivable	458,616	(246,877)
(Increase) decrease in other receivables	5,592	(43,214)
(Increase) decrease in inventories	142,553	(306,334)
Decrease in prepayments	48,974	22,834
Increase in other current assets	(5,792)	(5,003)
Increase (decrease) in current contract liabilities	67,116	(71,497)
Increase (decrease) in notes and accounts payable	67,394	(43,242)
Increase (decrease) in other payables	(128,570)	190,732
Increase in provisions and other current liabilities	26,942	12,073
Increase (decrease) in net deferred benefit liabilities	726	(3,706)
	635,601	(498,869)
Cash inflow generated from operations	2,062,481	2,363,352
Interest received	75,268	13,345
Interest paid	(38,500)	(1,229)
Income taxes paid	(317,468)	(462,050)
Net cash flows from operating activities	1,781,781	1,913,418
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(72,500)	(556,016)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	310,000	-
Acquisition of non-current financial assets at amortized cost	(1,343,926)	(652,377)
Acquisition of property, plant and equipment	(1,464,698)	(1,307,781)
Proceeds from disposal of property, plant and equipment	1,375	12,681
(Increase) decrease in refundable deposits	3,798	(6,424)
Acquisition of intangible assets	(18,894)	(66,325)
Increase in other financial assets	(583)	(2,159)
Net cash used in investing activities	(2,585,428)	(2,578,401)
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	-	1,000,000
Increase in guarantee deposits received	24	-
Payments of lease liabilities	(12,208)	(9,752)
Net cash from (used in) financing activities	(12,184)	990,248
Effect of exchange rate changes on cash and cash equivalents	18,680	78,108
Net increase (decrease) in cash and cash equivalents	(797,151)	403,373
Cash and cash equivalents at beginning of period	7,496,769	4,383,697
Cash and cash equivalents at end of period	<u>\$ 6,699,618</u>	<u>4,787,070</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the six months ended June 30, 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 six months ended June 30, 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 July 25, 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(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
			June 30, 2023	December 31, 2022	June 30, 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 %	-

(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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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

	June 30, 2023	December 31, 2022	June 30, 2022
Petty cash and foreign currency on hand	\$ 126	190	137
Checking accounts and demand deposits	2,472,507	3,860,920	4,140,542
Time deposits	<u>4,226,985</u>	<u>3,635,659</u>	<u>646,391</u>
	<u>\$ 6,699,618</u>	<u>7,496,769</u>	<u>4,787,070</u>

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 252	-	39,586
Foreign exchange swaps contracts	-	-	287
Non-derivative financial assets			
Open-end mutual funds	233,939	232,584	231,655
Structured investment	307,187	538,189	551,876
Stock listed in domestic markets	206,885	231,375	261,989
Foreign private funds	<u>238,120</u>	<u>240,827</u>	<u>267,042</u>
	<u>\$ 986,383</u>	<u>1,242,975</u>	<u>1,352,435</u>
Current	\$ 234,191	232,584	271,528
Non-current	<u>752,192</u>	<u>1,010,391</u>	<u>1,080,907</u>
	<u>\$ 986,383</u>	<u>1,242,975</u>	<u>1,352,435</u>
	June 30, 2023	December 31, 2022	June 30, 2022
Hold-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 31,211	57	290
Foreign exchange swaps contracts	<u>6,232</u>	<u>1,333</u>	<u>4,018</u>
	<u>\$ 37,443</u>	<u>1,390</u>	<u>4,308</u>

The Group holds derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating activities. As of June 30, 2023, December 31 and June 30, 2022, the following derivative instruments, without the application of hedge accounting, were classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

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June 30, 2023				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange sold	USD 5,000	USD to NTD		2023.07.31
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	USD 2,000	USD to JPY		2023.07.05
Foreign exchange sold	USD 83,000	USD to NTD		2023.07.05~2023.07.27
Foreign exchange swaps contracts				
Foreign exchange swaps	USD 19,000	USD to NTD		2023.07.10~2023.07.13
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
June 30, 2022				
	Amount		Currency	Maturity dates
	(in thousands)			
Derivative financial assets				
Forward exchange contracts				
Foreign exchange purchased	USD 29,000	USD to NTD		2022.07.29~2022.09.30
Foreign exchange sold	EUR 1,000	EUR to USD		2022.07.07
Foreign exchange swaps contracts				
Foreign exchange swaps	USD 19,500	USD to NTD		2022.07.13~2022.07.29
Derivative financial liabilities				
Forward exchange contracts				
Foreign exchange sold	USD 8,000	USD to NTD		2022.07.11~2022.07.29
Foreign exchange swaps contracts				
Foreign exchange swaps	USD 18,000	USD to NTD		2022.07.06~2022.07.21

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

As of June 30, 2023, December 31 and June 30, 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

	June 30, 2023	December 31, 2022	June 30, 2022
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stock	\$ <u>335,397</u>	<u>321,398</u>	<u>345,897</u>

- (i) The Group's investment equity instruments are long-term strategic investments not held-for-trading purpose. The Group designated as equity investment at fair value through other comprehensive income.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months and six months ended June 30, 2023 and 2022.
- (iii) For credit risk and market risk, please refer to note (6)(w).
- (iv) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

	June 30, 2023	December 31, 2022	June 30, 2022
Foreign corporate bonds	\$ <u>2,826,637</u>	<u>1,409,013</u>	<u>893,697</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 44,357 thousand and 22,048 thousand for the six months ended June 30, 2023 and 2022, with the coupon rates of 1.538%~4.948% and 1.750%~3.522%.
- (ii) Please refer to note (6)(w) for credit risk information.
- (iii) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(e) Accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable – measured at amortized cost	\$ 1,701,860	2,160,476	2,565,572
Less: allowance for impairment	<u>(3,387)</u>	<u>(3,214)</u>	<u>(2,819)</u>
	<u>\$ 1,698,473</u>	<u>2,157,262</u>	<u>2,562,753</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 \$15,378 and \$94,833 for the three months and six months ended June 30, 2022, respectively.

(i) As of June 30, 2023, the loss allowance provision was determined as follows:

Aging interval	June 30, 2023		
	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance provision
Current	\$ 1,473,621	-	-
Overdue 1 to 30 days	209,592	-	-
Overdue 31 to 60 days	12,587	10.00%	1,259
Overdue 61 to 90 days	3,153	20.00%	630
Overdue 91 to 120 days	2,761	50.00%	1,381
Overdue 121 to 180 days	146	80.00%	117
	\$ 1,701,860		3,387

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

Aging interval	December 31, 2022		
	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance provision
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	17	80.00%	14
	\$ 2,160,476		3,214

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(iii) As of June 30, 2022, the loss allowance provision was determined as follows:

Aging interval	June 30, 2022		
	Carrying amount of accounts receivable	Weighted-average expected loss rate	Loss allowance provision
Current	\$ 2,344,361	-	-
Overdue 1 to 30 days	198,823	-	-
Overdue 31 to 60 days	19,749	10.00%	1,975
Overdue 61 to 90 days	2,148	20.00%	430
Overdue 91 to 120 days	5	50.00%	3
Overdue 121 to 180 days	376	80.00%	301
More than one year	110	100.00%	110
	<u>\$ 2,565,572</u>		<u>2,819</u>

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

	For the six months ended June 30,	
	2023	2022
The beginning of period	\$ 3,214	92,217
Impairment losses recognized (reversed)	173	(89,402)
Effect of movements in exchange rates	-	4
The end of period	<u>\$ 3,387</u>	<u>2,819</u>

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

(f) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Finished goods	\$ 337,233	379,999	271,270
Semi-finished goods	131,571	137,463	168,706
Work in progress	228,615	286,433	366,926
Raw materials	845,747	814,154	1,050,750
Indirect materials	108,515	176,185	278,951
	<u>\$ 1,651,681</u>	<u>1,794,234</u>	<u>2,136,603</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Current operating cost for write-downs on inventory valuation and obsolescence	\$ <u>65,426</u>	<u>19,307</u>	<u>72,620</u>	<u>24,447</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	-	31,181	718,270	8,332	-	1,124,227	1,882,010
Disposals	-	(26,373)	(229,940)	(23,316)	-	(484)	(280,113)
Transferred in(out)	-	121,104	411,436	9,242	-	(543,593)	(1,811)
Effects of movements in exchange rates	-	6,583	25,587	3,610	28	1,222	37,030
Balance on June 30, 2023	\$ <u>2,484,630</u>	<u>3,236,327</u>	<u>6,424,977</u>	<u>410,249</u>	<u>27,250</u>	<u>5,150,413</u>	<u>17,733,846</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	90,000	48,882	119,326	19,902	-	1,058,396	1,336,506
Disposals	-	(33,746)	(478,067)	(9,255)	-	-	(521,068)
Transferred in (out)	-	58,403	74,234	2,282	-	(135,163)	(244)
Effects of movements in exchange rates	-	31,209	114,134	16,670	136	1,348	163,497
Balance on June 30, 2022	\$ <u>2,484,630</u>	<u>3,135,632</u>	<u>5,599,048</u>	<u>396,519</u>	<u>1,977</u>	<u>2,878,468</u>	<u>14,496,274</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 six months ended June 30, 2023	-	99,173	478,061	29,395	4,492	-	611,121
Impairment loss	-	-	225,335	-	-	-	225,335
Transferred in (out)	-	602	(602)	-	-	-	-
Disposals	-	(26,373)	(229,590)	(23,316)	-	-	(279,279)
Effects of movements in exchange rates	-	3,351	22,276	3,282	15	-	28,924
Balance on June 30, 2023	\$ <u>-</u>	<u>1,163,265</u>	<u>4,479,416</u>	<u>317,324</u>	<u>9,233</u>	<u>-</u>	<u>5,969,238</u>

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	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Balance on January 1, 2022	\$ -	851,861	3,664,642	259,273	884	-	4,776,660
Depreciation for the six months ended June 30, 2022	-	92,817	597,779	28,176	38	-	718,810
Disposals	-	(33,746)	(469,189)	(8,215)	-	-	(511,150)
Effects of movements in exchange rates	-	13,965	96,928	14,564	66	-	125,523
Balance on June 30, 2022	<u>\$ -</u>	<u>924,897</u>	<u>3,890,160</u>	<u>293,798</u>	<u>988</u>	<u>-</u>	<u>5,109,843</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 June 30, 2023	<u>\$ 2,484,630</u>	<u>2,073,062</u>	<u>1,945,561</u>	<u>92,925</u>	<u>18,017</u>	<u>5,150,413</u>	<u>11,764,608</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 June 30, 2022	<u>\$ 2,484,630</u>	<u>2,210,735</u>	<u>1,708,888</u>	<u>102,721</u>	<u>989</u>	<u>2,878,468</u>	<u>9,386,431</u>

The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August, 2020. The total amount of contract is \$3,200,000. As of June 30, 2023, December 31 and June 30, 2022, the amount of \$2,880,000, \$2,688,000 and \$1,984,000 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.

For the six months ended June 30, 2023, due to indication of impairment in some product line, the Group tested the impairment of cash-generating units and the recoverable amount is based on its value in use to assess the impairment. The value in use is determined by the estimated cash flow of the Group's financial forecast for the next five years and is calculated at the discount rate before tax of 13.53% on June 30, 2023 to reflect the specific industry risk of the relevant cash-generating unit. The Group tested the impairment of cash-generating units and estimated recoverable amount was lower than their carrying amount. Accordingly, equipment impairment losses of \$225,335 and goodwill impairment losses of \$51,936 were recognized and accounted for under miscellaneous disbursements.

As of June 30, 2023, December 31 and June 30, 2022, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

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(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	-	3,484	2,508	5,992
Deductions	<u>-</u>	<u>(13,013)</u>	<u>(1,819)</u>	<u>(14,832)</u>
Balance on June 30, 2023	<u><u>\$ 89,922</u></u>	<u><u>37,481</u></u>	<u><u>19,134</u></u>	<u><u>146,537</u></u>
Balance on January 1, 2022	\$ 84,620	22,901	20,669	128,190
Additions	79,996	-	700	80,696
Deductions	<u>(74,694)</u>	<u>-</u>	<u>(2,924)</u>	<u>(77,618)</u>
Balance on June 30, 2022	<u><u>\$ 89,922</u></u>	<u><u>22,901</u></u>	<u><u>18,445</u></u>	<u><u>131,268</u></u>
Depreciation and impairment loss:				
Balance on January 1, 2023	\$ 9,353	21,718	9,085	40,156
Depreciation for the six months ended June 30, 2023	2,879	7,645	1,994	12,518
Deductions	<u>-</u>	<u>(13,013)</u>	<u>(1,819)</u>	<u>(14,832)</u>
Balance on June 30, 2023	<u><u>\$ 12,232</u></u>	<u><u>16,350</u></u>	<u><u>9,260</u></u>	<u><u>37,842</u></u>
Balance on January 1, 2022	\$ 8,173	9,104	7,426	24,703
Depreciation for the six months ended June 30, 2022	2,779	5,108	2,172	10,059
Deductions	<u>(4,478)</u>	<u>-</u>	<u>(2,519)</u>	<u>(6,997)</u>
Balance on June 30, 2022	<u><u>\$ 6,474</u></u>	<u><u>14,212</u></u>	<u><u>7,079</u></u>	<u><u>27,765</u></u>
Book value:				
Balance on January 1, 2023	<u><u>\$ 80,569</u></u>	<u><u>25,292</u></u>	<u><u>9,360</u></u>	<u><u>115,221</u></u>
Balance on June 30, 2023	<u><u>\$ 77,690</u></u>	<u><u>21,131</u></u>	<u><u>9,874</u></u>	<u><u>108,695</u></u>
Balance on January 1, 2022	<u><u>\$ 76,447</u></u>	<u><u>13,797</u></u>	<u><u>13,243</u></u>	<u><u>103,487</u></u>
Balance on June 30, 2022	<u><u>\$ 83,448</u></u>	<u><u>8,689</u></u>	<u><u>11,366</u></u>	<u><u>103,503</u></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><u>\$ 7,448,612</u></u>	<u><u>639,945</u></u>	<u><u>61,710</u></u>	<u><u>295,450</u></u>	<u><u>8,445,717</u></u>
Balance on June 30, 2023	<u><u>\$ 7,396,676</u></u>	<u><u>598,038</u></u>	<u><u>53,673</u></u>	<u><u>280,633</u></u>	<u><u>8,329,020</u></u>
Balance on January 1, 2022	<u><u>\$ 7,448,612</u></u>	<u><u>717,036</u></u>	<u><u>14,033</u></u>	<u><u>322,391</u></u>	<u><u>8,502,072</u></u>
Balance on June 30, 2022	<u><u>\$ 7,448,612</u></u>	<u><u>678,335</u></u>	<u><u>69,975</u></u>	<u><u>308,920</u></u>	<u><u>8,505,842</u></u>

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For the six months ended June 30, 2023, the Group has estimated its cash-generating units of recoverable amount to be lower than their carrying amount due to indication of impairment in some of its product line, resulting in an impairment loss of \$51,936, recognized as miscellaneous disbursements. Please refer to note (6)(g) for other related information.

There were no significant purchase, disposal, impairment reversal gain on intangible assets for the six months ended June 30, 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Comprehensive secured bank loans	\$ -	-	-
Unused short-term credit lines	<u>\$ 7,351,240</u>	<u>5,563,150</u>	<u>4,715,700</u>

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

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Secured bank loans	\$ 5,360,000	5,360,000	1,063,000
Less: Discounts on government grants	(143,758)	(155,231)	(19,242)
	<u>\$ 5,216,242</u>	<u>5,204,769</u>	<u>1,043,758</u>
Unused long-term credit lines	<u>\$ 4,200,000</u>	<u>3,200,000</u>	<u>7,857,000</u>
Range of interest rates	<u>1.35%~1.55%</u>	<u>1.225%~1.425%</u>	<u>0.6%~1.175%</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 and six months ended June 30, 2023 and 2022, the grant profits of \$2,828, \$0, \$5,645 and \$0, respectively, which were amortized over the period of loans, were recognized as other income.

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

(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:

	June 30, 2023	December 31, 2022	June 30, 2022
Salaries, employees' compensation and directors' remuneration	\$ 1,367,351	1,366,289	1,232,117
Payable on machinery and equipment	724,303	306,991	142,823
Accrued employee benefit liabilities	52,432	55,745	54,221
Others	<u>427,313</u>	<u>553,313</u>	<u>800,487</u>
	<u>\$ 2,571,399</u>	<u>2,282,338</u>	<u>2,229,648</u>

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

(m) Provision

	June 30, 2023	December 31, 2022	June 30, 2022
Compensation	<u>\$ 253,631</u>	<u>223,869</u>	<u>146,407</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:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	<u>\$ 17,490</u>	<u>19,947</u>	<u>16,744</u>
Non-current	<u>\$ 92,764</u>	<u>96,523</u>	<u>87,223</u>

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>483</u>	<u>452</u>	<u>964</u>	<u>897</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>31</u>	<u>16,457</u>	<u>448</u>	<u>33,437</u>
Expenses relating to short-term leases	\$ <u>1,975</u>	<u>3,240</u>	<u>5,065</u>	<u>5,389</u>
Expenses relating to leases of low- value assets, excluding short- term leases of low-value assets	\$ <u>92</u>	<u>99</u>	<u>188</u>	<u>196</u>

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

	For the six months ended June 30,	
	2023	2022
Total cash outflow for leases	\$ <u>18,873</u>	<u>49,671</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(o) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, material reimbursement and settlement, or other material one-time event since the prior fiscal year. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

The expenses recognized in profit or loss for the Group amounted to \$2,852, \$3,458, \$5,536 and \$6,897 for the three months and six months ended June 30, 2023 and 2022, respectively.

(ii) Defined contribution plan

The Group's pension costs under the defined contribution method amounted to \$21,034, \$18,673, \$41,850 and \$37,370 for the three months and six months ended June 30, 2023 and 2022, respectively.

(p) Income Taxes

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Current tax expense	\$ <u>5,960</u>	<u>211,730</u>	<u>100,880</u>	<u>413,203</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ <u>11,760</u>	<u>11,165</u>	<u>4,385</u>	<u>20,801</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.

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

(q) Capital and other equity

Except for the following paragraph, there were no significant changes between the capital and other equity for the six months ended June 30, 2023 and 2022. Please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2022.

(i) Ordinary shares

For the six months ended June 30, 2022, the restricted stocks were cancelled due to certain employees who failed to meet the vesting conditions of \$150. 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.

The Company increased its capital by issuing 48,244 thousand common shares, at the amount of \$482,442, recognized as dividends to be distributed, with the base date set on August 15, 2023, based on a resolution approved during the shareholders' meeting held on June 6, 2023. The relevant registration procedures have been completed on June 28, 2023.

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Capital surplus — additional paid-in capital	\$ 15,002,891	15,002,891	15,002,891
Employment restricted shares	56,766	56,766	56,766
Other	56,219	56,219	56,219
	<u><u>\$ 15,115,876</u></u>	<u><u>15,115,876</u></u>	<u><u>15,115,876</u></u>

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation amended on June 6, 2023, when allocating the earnings for each fiscal year, the Company must pay tax and make up for the accumulated losses first, also share the remaining profit as follows:

- I. Set aside 10% of the earnings as legal reserve. However, when the legal reserve amount equals to the paid-in capital of the Company, it is not subject or such restriction.
- II. Set aside or reverse special reserve in accordance with the relevant laws and regulations.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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III. Pay dividends or bonuses for an amount not less than 30% of the amount net of the legal reserve and special reserve as stipulated in the preceding paragraph and the cash dividends shall account for at least 50% of the current year's total dividends. The Board of Director shall prepare the earnings distribution proposal for the resolutions of the shareholders' meeting. However, if the earnings distribution proposal is for the distribution of dividend and bonus in cash entirely or partially, it shall be resolved by the Board of Directors with the attendance of more than two-thirds of the directors and the consent of the majority of attending directors; also, it shall be reported in the shareholders' meeting.

The Company's dividend policy is based on the current and future development plans, consideration of the investment environment, capital requirements, domestic and international competition, and the interests of shareholders, etc. The Board of Directors shall prepare a resolution to be approved by the shareholders in a meeting.

If the Company has no loss, the Board of Directors, with two-thirds of the directors present and a majority of the directors present, shall issue all or a portion of the legal reserve and the capital surplus as provided in Paragraph 1, Article 241 of the Company Act to the shareholders in cash in proportion to their original shares and report the same to the shareholders' meeting.

In accordance with the Company's Articles of Incorporation amended on June 8, 2022, except as stated below, the others are the same as the Company's Articles of Incorporation before revised on June 8, 2022.

If the Company has no loss, the Board of Directors, with two-thirds of the directors present and a majority of the directors present, shall issue all or a portion of the legal reserve and the capital surplus as provided in Paragraph 1, Article 241 of the Company Act to the shareholders in cash in proportion to their original shares and report the same to the shareholders' meeting.

In accordance with the Company's Articles of Incorporation before revised on June 8, 2022, the Company's net earnings shall first be used to pay income taxes 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
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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.

1) Earnings distribution

Earnings distribution for 2022 and 2021 was approved via the annual meeting of shareholders held on June 6, 2023, and June 8, 2022, respectively. 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	3.00	482,442	-	-
Total	<u>\$ 10.77007957</u>	<u>1,731,978</u>	<u>9.00037872</u>	<u>1,608,214</u>

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

(r) Shares-based payment

There was no significant change on the share-based payment during the six months ended June 30, 2023 and 2022 respectively. Please refer to note (6)(r) 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 June 30, 2022, the balance of unearned remuneration to employees had been recognized as a result of the restricted share options amounting to \$2,584. For the six months ended June 30, 2022, the expenses arising from employee restricted shares options amounted to \$1,499.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(s) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Basic earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company	\$ <u>12,322</u>	<u>998,144</u>	<u>384,415</u>	<u>1,905,981</u>
Weighted-average number of ordinary shares (thousands)	<u>160,814</u>	<u>178,570</u>	<u>160,814</u>	<u>178,570</u>
Basic earnings per share (NTD)	\$ <u>0.08</u>	<u>5.59</u>	<u>2.39</u>	<u>10.67</u>
Diluted earnings per share (NTD):				
Profit attributable to ordinary stockholders of the Company (diluted)	\$ <u>12,322</u>	<u>998,144</u>	<u>384,415</u>	<u>1,905,981</u>
Weighted-average number of ordinary shares (thousands)	160,814	178,570	160,814	178,570
Effect of employee remuneration (thousands)	221	776	668	1,359
Effect of employee restricted shares (thousands)	-	104	-	106
Weighted-average number of ordinary shares (diluted) (thousands)	<u>161,035</u>	<u>179,450</u>	<u>161,482</u>	<u>180,035</u>
Diluted earnings per share (NTD)	\$ <u>0.08</u>	<u>5.56</u>	<u>2.38</u>	<u>10.59</u>

The stock dividend issuance has been approved during annual stockholders' meeting on June 6, 2023, with the base date set on August 15, 2023. If the aforementioned situation occurred before the reporting date, its proposed retroactive adjustment of earnings per share would have been as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Basic earnings per share (NTD)	\$ <u>0.06</u>	<u>4.40</u>	<u>1.84</u>	<u>8.40</u>
Diluted earnings per share (NTD)	\$ <u>0.06</u>	<u>4.38</u>	<u>1.83</u>	<u>8.35</u>

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

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Switzerland	\$ 801,259	661,742	1,604,033	1,237,206
Malaysia	528,668	502,189	1,030,973	1,069,800
Japan	441,855	326,229	920,440	660,113
Singapore	266,252	986,404	618,423	1,815,476
United States	272,426	432,188	583,267	840,112
Others	533,303	696,818	987,075	1,448,444
	<u>\$ 2,843,763</u>	<u>3,605,570</u>	<u>5,744,211</u>	<u>7,071,151</u>
Major products/services lines:				
Image products	\$ 1,527,643	1,998,800	3,124,239	3,772,026
Hybrid modules & specialty packaging	673,652	601,683	1,315,150	1,325,104
Ceramic metalized substrate	508,919	788,959	986,815	1,614,202
RF module	101,199	192,892	232,581	309,304
Others	32,350	23,236	85,426	50,515
	<u>\$ 2,843,763</u>	<u>3,605,570</u>	<u>5,744,211</u>	<u>7,071,151</u>

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	\$ 1,701,860	2,160,476	2,565,572
Contract assets – image products (recorded under other current assets)	88,808	77,736	96,592
Less: allowance for impairment	(3,387)	(3,214)	(2,819)
Total	<u>\$ 1,787,281</u>	<u>2,234,998</u>	<u>2,659,345</u>
Contract liabilities – advance sales receipts	<u>\$ 125,477</u>	<u>58,361</u>	<u>68,751</u>

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

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

The amounts of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the contract liabilities balance at the beginning of the period were \$41,362 and \$19,920, respectively.

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

(u) Miscellaneous disbursements

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Impairment losses	\$ 277,271	-	277,271	-
Other expenses	-	413	36	640
	<u>\$ 277,271</u>	<u>413</u>	<u>277,307</u>	<u>640</u>

(v) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended on June 6, 2023, if the Company makes a profit in a year, no less than 3% shall be set aside as employees' compensation and no more than 3% shall be set aside as directors' remuneration. However, if the Company still has accumulated losses, the Company shall retain the amount to offset such losses in advance and then provide for the employees' compensation and directors' remuneration in proportion to the aforementioned amounts. The distribution shall be made in the form of cash or stocks for employees, but only in the form of cash for the directors. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies who meet certain requirements.

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 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.

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For the three months and six months ended June 30, 2023 and 2022, the Company estimated its employee remuneration amounting to \$10,154, \$79,500, \$40,448 and \$156,000, and directors' remuneration amounting to \$760, \$24,800, \$16,031 and \$48,000, 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.

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.

(w) Financial Instruments

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

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The allowance for impairment of other receivables for the six months ended June 30, 2023 and 2022 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2023	\$ 95
Impairment loss recognized	850
Effects of movements in exchange rates	16
Balance on June 30, 2023	<u>\$ 961</u>
Balance on January 1, 2022	\$ 423
Impairment loss reversed	(27)
Effects of movements in exchange rates	29
Balance on June 30, 2022	<u>\$ 425</u>

(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>
June 30, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 869,449	(869,449)	(869,449)	-
Other payables	2,571,399	(2,571,399)	(2,571,399)	-
Dividends payable	1,249,536	(1,249,536)	(1,249,536)	-
Lease liabilities (including current and non-current portion)	110,254	(135,177)	(19,251)	(115,926)
Guarantee deposits received	3,437	(3,437)	-	(3,437)
Long-term borrowings	5,216,242	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	31,211			
Inflow		2,616,956	2,616,956	-
Outflow		(2,646,900)	(2,646,900)	-
Foreign exchange swaps contracts:	6,232			
Inflow		584,875	584,875	-
Outflow		(591,660)	(591,660)	-
	<u>\$ 10,057,760</u>	<u>(10,225,727)</u>	<u>(4,746,364)</u>	<u>(5,479,363)</u>

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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
December 31, 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>
June 30, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 969,886	(969,886)	(969,886)	-
Other payables	2,229,648	(2,229,648)	(2,229,648)	-
Dividends payable	1,608,214	(1,608,214)	(1,608,214)	-
Lease liabilities (including current and non-current portion)	103,967	(130,214)	(18,423)	(111,791)
Guarantee deposits received	5,011	(5,011)	-	(5,011)
Long-term borrowings	1,043,758	(1,063,000)	-	(1,063,000)
Derivative financial liabilities:				
Forward exchange contracts:	290			
Inflow		237,436	237,436	-
Outflow		(237,760)	(237,760)	-
Foreign exchange swaps contracts:	4,018			
Inflow		531,014	531,014	-
Outflow		(534,960)	(534,960)	-
	<u>\$ 5,964,792</u>	<u>(6,010,243)</u>	<u>(4,830,441)</u>	<u>(1,179,802)</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

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

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
Monetary items									
USD	\$ 202,518	USD/NTD =31.140	6,306,411	202,923	USD/NTD =30.710	6,231,765	184,679	USD/NTD =29.720	5,488,660
<u>Financial liabilities</u>									
Monetary items									
USD	26,686	USD/NTD =31.140	831,002	30,941	USD/NTD =30.710	950,198	28,550	USD/NTD =29.720	848,506
JPY	403,258	JPY/NTD =0.2150	86,700	380,194	JPY/NTD =0.2324	88,357	324,466	JPY/NTD =0.2182	70,798

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the six months ended June 30, 2023 and 2022 would have increased or decreased the net profit before tax as follows:

	For the six months ended June 30,	
	2023	2022
USD (against the NTD)		
Strengthening 5%	\$ 273,770	232,008
Weakening 5%	(273,770)	(232,008)
JPY (against the NTD)		
Strengthening 5%	(4,335)	(3,540)
Weakening 5%	4,335	3,540

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2023 and 2022 the foreign exchange gains, including realized and unrealized portion, amounted to \$120,859, \$165,964, \$70,581 and \$299,672, 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.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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 \$3,436 for the six months ended June 30, 2023, the net profit before tax would have increased or decreased by \$3,843 for the six months ended June 30, 2022, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(iv) Fair value

1) The categories and the fair values of financial instruments

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

	June 30, 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 \$	252	-	252	-	252
Open-end mutual funds	233,939	233,939	-	-	233,939
Structured investment	307,187	-	-	307,187	307,187
Stock listed in domestic markets	206,885	206,885	-	-	206,885
Foreign private funds	<u>238,120</u>	-	-	238,120	238,120
Subtotal	<u>986,383</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic market – preferred stocks	<u>335,397</u>	335,397	-	-	335,397

(Continued)

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

	Carrying amount	June 30, 2023			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	6,699,618	-	-	-	-
Accounts receivable, net	1,698,473	-	-	-	-
Other receivables	30,506	-	-	-	-
Other financial assets – current	32,495	-	-	-	-
Foreign corporate bonds	2,826,637	-	-	-	-
Refundable deposits (recorded under other non-current assets)	22,633	-	-	-	-
Other financial assets – non-current	5,405	-	-	-	-
Subtotal	<u>11,315,767</u>				
Total	<u>\$ 12,637,547</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>37,443</u>	-	37,443	-	37,443
Financial liabilities measured at amortized cost					
Notes and accounts payable	869,449	-	-	-	-
Other payables	2,571,399	-	-	-	-
Dividends payable	1,249,536	-	-	-	-
Lease liabilities (including current and non-current portion)	110,254	-	-	-	-
Guarantee deposits received	3,437	-	-	-	-
Long-term borrowings	<u>5,216,242</u>	-	-	-	-
Subtotal	<u>10,020,317</u>				
Total	<u>\$ 10,057,760</u>				

(Continued)

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

		December 31, 2022			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Open-end mutual funds	\$ 232,584	232,584	-	-	232,584
Structured investment	538,189	-	-	538,189	538,189
Stock listed in domestic markets	231,375	231,375	-	-	231,375
Foreign private funds	<u>240,827</u>	-	-	240,827	240,827
Subtotal	<u>1,242,975</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>321,398</u>	321,398	-	-	321,398
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	\$ 12,706,915				

(Continued)

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

December 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>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>				
June 30, 2022					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets	\$ 39,873	-	39,873	-	39,873
Open-end mutual funds	231,655	231,655	-	-	231,655
Structured investment	551,876	-	-	551,876	551,876
Stock listed in domestic markets	261,989	261,989	-	-	261,989
Foreign private funds	<u>267,042</u>	-	-	267,042	267,042
Subtotal	<u>1,352,435</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>345,897</u>	345,897	-	-	345,897

(Continued)

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

	Carrying amount	June 30, 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	4,787,070	-	-	-	-
Accounts receivable, net	2,562,753	-	-	-	-
Other receivables	41,946	-	-	-	-
Other financial assets— current	36,183	-	-	-	-
Foreign corporate bonds	893,697	-	-	-	-
Refundable deposits (recorded under other non-current assets)	18,274	-	-	-	-
Other financial assets— non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>8,345,328</u>				
Total	<u>\$ 10,043,660</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 4,308</u>	-	4,308	-	4,308
Financial liabilities measured at amortized cost					
Notes and accounts payable	969,886	-	-	-	-
Other payables	2,229,648	-	-	-	-
Dividends payable	1,608,214	-	-	-	-
Lease liabilities (including current and non-current portion)	103,967	-	-	-	-
Guarantee deposits received	5,011	-	-	-	-
Long-term borrowings	<u>1,043,758</u>	-	-	-	-
Subtotal	<u>5,960,484</u>				
Total	<u>\$ 5,964,792</u>				

(Continued)

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

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

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

b) Derivative financial instruments

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 six months ended June 30, 2023 and 2022.

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

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	3,791
Purchased	72,500
Disposal	(310,000)
Balance on June 30, 2023	<u><u>\$ 545,307</u></u>
Balance on January 1, 2022	\$ 179,221
Total gains and losses	
Recognized in profit or loss	83,681
Purchased	556,016
Balance on June 30, 2022	<u><u>\$ 818,918</u></u>

For the six months ended June 30, 2023 and 2022, total gains and losses were included in gains (losses) on non-current financial assets (liabilities) at fair value through profit or loss.

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

The 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:

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

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

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.

(x) Financial risk management

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

(y) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 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.

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

(i) The Group's investing and financing activities, which did not affect the current cash flow for the six months ended June 30, 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:

	January 1, 2023	Cash flows	Non-cash changes Other	June 30, 2023
Lease liabilities (including current and non-current portion)	\$ 116,470	(12,208)	5,992	110,254
Guarantee deposits received	3,413	24	-	3,437
Long-term borrowings	5,204,769	-	11,473	5,216,242
Total liabilities from financing activities	<u>\$ 5,324,652</u>	<u>(12,184)</u>	<u>17,465</u>	<u>5,329,933</u>

	January 1, 2022	Cash flows	Non-cash changes Other	June 30, 2022
Lease liabilities (including current and non-current portion)	\$ 104,847	(9,752)	8,872	103,967
Guarantee deposits received	5,011	-	-	5,011
Long-term borrowings	62,500	1,000,000	(18,742)	1,043,758
Total liabilities from financing activities	<u>\$ 172,358</u>	<u>990,248</u>	<u>(9,870)</u>	<u>1,152,736</u>

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

(7) Related-party transactions

(a) Name and relationship with related parties

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

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

(b) Other transaction with related party

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

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended</u> <u>June 30,</u>		<u>For the six months ended</u> <u>June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 41,656	55,458	76,983	113,947
Post-employment benefits	189	135	378	270
	<u>\$ 41,845</u>	<u>55,593</u>	<u>77,361</u>	<u>114,217</u>

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

(8) Assets pledged as security

Pledged assets	Subject	June 30, 2023	December 31, 2022	June 30, 2022
Other financial assets – current – time deposits	Credit lines for letters of credit and short-term borrowings	\$ 30,829	30,403	29,423
"	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	494,282	506,077	619,213
		<u>\$ 530,516</u>	<u>541,885</u>	<u>659,341</u>

(9) Commitments and contingencies

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

	June 30, 2023	December 31, 2022	June 30, 2022
Future payments for the purchase of property, equipment and construction in progress	<u>\$ 1,357,648</u>	<u>2,095,468</u>	<u>1,745,986</u>

(b) The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August 2020. As of June 30, 2023, the payment amounting to \$320,000 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Unused and outstanding letters of credit and the deposit for customs duties	<u>\$ 35,500</u>	<u>28,800</u>	<u>27,300</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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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.

(12) Other

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

For the three months ended June 30,						
By function	2023			2022		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	621,584	159,679	781,263	540,172	221,759	761,931
Labor and health insurance	40,747	11,173	51,920	37,978	8,508	46,486
Pension	17,991	5,895	23,886	17,491	4,640	22,131
Other employee benefits	31,579	6,761	38,340	32,274	5,785	38,059
Depreciation	311,800	14,900	326,700	345,107	13,460	358,567
Amortization	2,015	34,568	36,583	1,884	30,126	32,010

For the six months ended June 30,						
By function	2023			2022		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,085,491	342,399	1,427,890	1,067,288	507,610	1,574,898
Labor and health insurance	84,222	22,206	106,428	81,124	17,948	99,072
Pension	35,935	11,451	47,386	35,135	9,132	44,267
Other employee benefits	62,767	13,034	75,801	60,256	10,038	70,294
Depreciation	593,472	30,167	623,639	701,628	27,241	728,869
Amortization	3,825	64,367	68,192	3,488	59,549	63,037

- (b) Seasonality of operations

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

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of June 30, 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	233,939	-	233,939	
The Company	Fund	SMART Growth Fund, L.P. (Note 1)	None	Financial assets at fair value through profit or loss - non -current	Note 2	238,120	1.60%	238,120	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	206,885	-	206,885	
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	335,397	-	335,397	
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	-	249,120	-	244,414	Note 3
The Company	Bond	Formosa Group Cayman LTD International Bond	None	Financial assets at amortized cost - non - current	-	308,819	-	298,423	Note 3
The Company	Bond	Nissan Motor Co. Ltd. International Bond	None	Financial assets at amortized cost - non - current	-	302,487	-	290,256	Note 3
The Company	Bond	TSMC Arizona Corp. International Bond	None	Financial assets at amortized cost - non - current	-	145,159	-	138,978	Note 3
The Company	Bond	TSMC Global Corp. International Bond(AC27)	None	Financial assets at amortized cost - non - current	-	202,871	-	195,924	Note 3
The Company	Bond	TSMC Global Corp. International Bond(AF57)	None	Financial assets at amortized cost - non - current	-	230,757	-	222,378	Note 3
The Company	Bond	JPMorgan Chase & Co. Bond	None	Financial assets at amortized cost - non - current	-	293,919	-	291,343	Note 3
The Company	Bond	Morgan Stanley Bond	None	Financial assets at amortized cost - non - current	-	141,191	-	140,336	Note 3
The Company	Bond	HSBC Holdings PLC Bond	None	Financial assets at amortized cost - non - current	-	252,216	-	247,676	Note 3
The Company	Bond	Mitsubishi UFJ Bond Financial Group Inc. Bond	None	Financial assets at amortized cost - non - current	-	211,066	-	206,579	Note 3

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Notes to Consolidated Financial Statements

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	Bond	Bank of America Corp. Bond	None	Financial assets at amortized cost - non - current	-	308,299	-	305,811	Note 3
The Company	Bond	UBS Group AG Bond	None	Financial assets at amortized cost - non - current	-	180,733	-	173,463	Note 3
The Company	Structured investments	SERCOMM CORP. 6th Unsecured Convertible Bond	None	Financial assets at fair value through profit or loss - non -current	-	55,192	-	55,192	
The Company	Structured investments	GIANT MANUFACTURING CO., LTD. 1st Unsecured Convertible Bond	None	Financial assets at fair value through profit or loss - non -current	-	251,995	-	251,995	

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.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand units/ thousand shares

Company holding securities	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	-	-	-	-	-	308,299 (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 2,880,000	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.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- (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	908,976	60 %	Monthly closing and paid by cash	-	-	Accounts payable (99,088)	(12)%	Note 2
The Company	THEPI	100% owned subsidiary by the Company	Manufacturing fee	173,252	12 %	Monthly closing and paid by cash	-	-	Note 1	- %	Note 2
THEPI	The Company	Parent Company	Sale	(908,976)	(87)%	Monthly closing and received by cash	-	-	Accounts receivable 99,088	74 %	Note 2
THEPI	The Company	Parent Company	Manufacturing revenue	(173,252)	(17)%	Monthly closing and received by cash	-	-	Accounts receivable 37,098	28 %	Note 2

Note 1 : The other payables amounted to \$37,098 as of June 30, 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).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the six months ended June 30, 2023:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	THEPI	The Company	2	Sale	908,976	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.	15.82 %
1	THEPI	The Company	2	Manufacturing Revenue	173,252	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.	3.02 %
1	THEPI	The Company	2	Accounts Receivable	99,088	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.	0.28 %

(Continued)

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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	THEPI	The Company	2	Accounts Receivable	37,098	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.	0.11 %

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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
				June 30, 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 %	1,958,149	120	(5,852)	Note

Note : The transactions have been eliminated in the 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:

Shareholder's Name	Shareholding	Shares	Percentage
Fubon Life Insurance Co., Ltd.		8,706,300	5.41 %

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.

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(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 that of the consolidated financial statements. For the six months ended June 30, 2023 and 2022, the revenue and operation results to be reported can be referred to the consolidated statement of comprehensive income, wherein the total revenues of the reportable segment amounting to \$570,819, \$542,240, \$1,082,228 and \$1,138,822 had been deducted from the intersegment revenues for the three months and six months ended June 30, 2023 and 2022, respectively.