

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2024 and 2023**

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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. and its subsidiaries (“the Group”) as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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 Wang, I-Wen and Hsin, Yu-Ting.

KPMG

Taipei, Taiwan (Republic of China)

April 18, 2024

#### **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

March 31, 2024, December 31, and March 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2024		December 31, 2023		March 31, 2023			Liabilities and Equity			March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%	Amount	%
<b>Current assets:</b>									<b>Current liabilities:</b>								
1100	Cash and cash equivalents (note (6)(a))	\$ 4,988,647	15	4,746,867	14	6,734,510	19	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))		\$	23,667	-	789	-	280	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	338,933	1	391,321	1	234,144	1	2130	Current contract liabilities (note (6)(s))			155,870	1	187,230	1	174,625	-
1170	Accounts receivable, net (note (6)(e))	2,080,403	6	2,074,577	7	1,940,662	6	2170	Notes and accounts payable			819,353	2	726,115	2	833,176	3
1200	Other receivables	70,342	-	78,806	-	88,251	-	2200	Other payables (note (6)(l))			1,841,385	6	2,005,187	5	2,616,224	7
1310	Inventories (note (6)(f))	1,632,498	5	1,592,699	5	1,660,330	5	2216	Dividends payable			501,739	1	-	-	-	-
1410	Prepayments	95,579	-	95,505	-	99,262	-	2230	Current tax liabilities			304,736	1	223,605	1	672,281	2
1470	Other current assets (note (6)(s))	116,599	-	125,823	-	85,867	-	2250	Current provisions (note (6)(m))			258,719	1	275,502	1	242,681	1
1476	Other current financial assets (note (8))	<u>33,392</u>	<u>-</u>	<u>32,041</u>	<u>-</u>	<u>31,641</u>	<u>-</u>	2280	Current lease liabilities (note (6)(n))			26,399	-	26,614	-	16,699	-
		<u>9,356,393</u>	<u>27</u>	<u>9,137,639</u>	<u>27</u>	<u>10,874,667</u>	<u>31</u>	2300	Other current liabilities			<u>36,324</u>	<u>-</u>	<u>39,995</u>	<u>-</u>	<u>48,102</u>	<u>-</u>
												<u>3,968,192</u>	<u>12</u>	<u>3,485,037</u>	<u>10</u>	<u>4,604,068</u>	<u>13</u>
<b>Non-current assets:</b>									<b>Non-current liabilities:</b>								
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	587,250	2	686,256	2	921,138	3	2540	Long-term borrowings (note (6)(k))			5,233,643	15	5,227,817	16	5,210,493	16
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	319,648	1	320,815	1	344,730	1	2570	Deferred tax liabilities			168,703	1	168,703	1	160,718	-
1535	Non-current financial assets at amortized cost (note (6)(d))	3,229,216	10	2,843,331	8	2,617,569	7	2580	Non-current lease liabilities (note (6)(n))			114,953	-	121,537	-	93,244	-
1600	Property, plant and equipment (notes (6)(g), (7) and (8))	11,827,888	35	11,876,485	36	11,673,106	33	2600	Other non-current liabilities (note (6)(k))			146,325	-	149,722	-	158,266	-
								2640	Non-current net defined benefit liabilities (note (6)(o))			<u>68,401</u>	<u>-</u>	<u>68,159</u>	<u>-</u>	<u>104,955</u>	<u>-</u>
1755	Right-of-use assets (note (6)(h))	139,095	-	146,165	-	108,547	-					<u>5,732,025</u>	<u>16</u>	<u>5,735,938</u>	<u>17</u>	<u>5,727,676</u>	<u>16</u>
1760	Investment property, net	28,648	-	28,648	-	-	-		<b>Total liabilities</b>			<u>9,700,217</u>	<u>28</u>	<u>9,220,975</u>	<u>27</u>	<u>10,331,744</u>	<u>29</u>
1780	Intangible assets (note (6)(i))	8,273,255	24	8,275,657	25	8,414,528	24		<b>Equity:</b>								
1840	Deferred tax assets	285,803	1	299,007	1	261,156	1		<b>Equity attributable to owners of parent: (note (6)(q))</b>								
1900	Other non-current assets	18,994	-	43,022	-	21,666	-	3100	Ordinary shares			2,090,581	6	2,090,581	6	1,608,139	4
1980	Other non-current financial assets (note (8))	<u>5,405</u>	<u>-</u>	<u>5,405</u>	<u>-</u>	<u>5,405</u>	<u>-</u>	3200	Capital surplus			15,115,876	45	15,115,876	45	15,115,876	43
		<u>24,715,202</u>	<u>73</u>	<u>24,524,791</u>	<u>73</u>	<u>24,367,845</u>	<u>69</u>	3310	Legal reserve			2,150,081	6	2,150,081	6	1,829,345	6
								3320	Special reserve			169,408	1	169,408	1	169,408	-
								3350	Unappropriated earnings			4,799,571	14	4,936,725	15	6,192,519	18
								3400	Other equity			<u>45,861</u>	<u>-</u>	<u>(21,216)</u>	<u>-</u>	<u>(4,519)</u>	<u>-</u>
									<b>Total equity</b>			<u>24,371,378</u>	<u>72</u>	<u>24,441,455</u>	<u>73</u>	<u>24,910,768</u>	<u>71</u>
<b>Total assets</b>		<u>\$ 34,071,595</u>	<u>100</u>	<u>33,662,430</u>	<u>100</u>	<u>35,242,512</u>	<u>100</u>		<b>Total liabilities and equity</b>		<u>\$</u>	<u>34,071,595</u>	<u>100</u>	<u>33,662,430</u>	<u>100</u>	<u>35,242,512</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 ended March 31, 2024 and 2023**

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

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	<b>Sales revenue</b>	\$ 2,977,003	100	2,943,444	101
4170	Less: sales returns and allowances	5,985	-	42,996	1
4100	<b>Net operating revenues (notes (6)(s) and (14))</b>	2,971,018	100	2,900,448	100
5110	<b>Cost of operating costs (notes (6)(f), (6)(o) and (12))</b>	2,152,505	73	2,087,346	72
5900	<b>Gross profit</b>	818,513	27	813,102	28
6000	<b>Operating expenses (notes (6)(o), (7) and (12)):</b>				
6100	Selling expenses	50,486	2	62,741	2
6200	Administrative expenses	217,289	7	187,427	7
6300	Research and development expenses	123,303	4	90,275	3
6450	Expected credit losses (gains)	(1,188)	-	1,830	-
		389,890	13	342,273	12
6900	<b>Net operating income</b>	428,623	14	470,829	16
	<b>Non-operating income and expenses:</b>				
7100	Interest income	54,868	2	47,111	2
7190	Other income (note (6)(k))	12,374	-	21,811	1
7230	Foreign exchange gains (losses), net (note (6)(u))	226,940	8	(50,278)	(2)
7235	Net (losses) gains on financial assets (liabilities) at fair value through profit or loss (note (6)(b))	(240,134)	(8)	2,056	-
7510	Finance cost—interest expense	(26,424)	(1)	(24,480)	(1)
7590	Miscellaneous disbursements	(395)	-	(36)	-
		27,229	1	(3,816)	-
7900	<b>Profit before tax</b>	455,852	15	467,013	16
7950	<b>Less: income tax expenses (note (6)(p))</b>	91,267	3	94,920	3
	<b>Net profit</b>	364,585	12	372,093	13
	<b>Other comprehensive income: (note (6)(p))</b>				
	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>				
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(1,167)	-	23,332	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>	(1,167)	-	23,332	1
	<b>Components of other comprehensive income (loss) that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	81,448	3	(16,030)	(1)
8399	Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	(13,204)	-	7,375	-
	<b>Components of other comprehensive income (loss) that may be reclassified subsequently to profit or loss</b>	68,244	3	(8,655)	(1)
	<b>Other comprehensive income, net</b>	67,077	3	14,677	-
8500	<b>Comprehensive income</b>	\$ <u>431,662</u>	<u>15</u>	<u>386,770</u>	<u>13</u>
	<b>Earnings per share (note (6)(r))</b>				
9750	<b>Basic earnings per share (NTD)</b>	\$ <u>1.74</u>		<u>1.78</u>	
9850	<b>Diluted earnings per share (NTD)</b>	\$ <u>1.74</u>		<u>1.77</u>	

See accompanying notes to consolidated financial statements.

							Other equity		
							Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements		
<b>Balance on January 1, 2023</b>	\$ 1,608,139	15,115,876	1,829,345	169,408	5,820,426	7,819,179	9,386	(28,582)	24,523,998
Net profit for the three months ended March 31, 2023	-	-	-	-	372,093	372,093	-	-	372,093
Other comprehensive (loss) income for the three months ended March 31, 2023	-	-	-	-	-	-	(8,655)	23,332	14,677
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	372,093	372,093	(8,655)	23,332	386,770
<b>Balance on March 31, 2023</b>	<b>\$ 1,608,139</b>	<b>15,115,876</b>	<b>1,829,345</b>	<b>169,408</b>	<b>6,192,519</b>	<b>8,191,272</b>	<b>731</b>	<b>(5,250)</b>	<b>24,910,768</b>
<b>Balance on January 1, 2024</b>	\$ 2,090,581	15,115,876	2,150,081	169,408	4,936,725	7,256,214	7,949	(29,165)	24,441,455
Net profit for the three months ended March 31, 2024	-	-	-	-	364,585	364,585	-	-	364,585
Other comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	-	-	68,244	(1,167)	67,077
Total comprehensive income for the three months ended March 31, 2024	-	-	-	-	364,585	364,585	68,244	(1,167)	431,662
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary shares	-	-	-	-	(501,739)	(501,739)	-	-	(501,739)
<b>Balance on March 31, 2024</b>	<b>\$ 2,090,581</b>	<b>15,115,876</b>	<b>2,150,081</b>	<b>169,408</b>	<b>4,799,571</b>	<b>7,119,060</b>	<b>76,193</b>	<b>(30,332)</b>	<b>24,371,378</b>

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 three months ended March 31, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 455,852	467,013
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	385,073	296,939
Amortization expenses	31,214	31,609
Expected credit losses (gains)	(1,188)	1,830
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	240,134	(2,056)
Interest expense	26,424	24,480
Interest income	(54,868)	(47,111)
Gains on disposal of property, plant and equipment	(42)	(541)
Others	(133,321)	4,022
Total adjustments to reconcile profit	493,426	309,172
Changes in operating assets and liabilities:		
(Increase) decrease in current financial assets and liabilities at fair value through profit or loss	(149,378)	5,669
Decrease in contract assets	4,724	1,435
(Increase) decrease in accounts receivable	(4,631)	215,001
(Increase) decrease in other receivables	2,273	(6,897)
(Increase) decrease in inventories	(39,799)	133,904
(Increase) decrease in prepayments	(74)	9,650
(Increase) decrease in other current assets	4,500	(8,893)
Increase (decrease) in current contract liabilities	(31,360)	116,264
Increase in notes and accounts payable	93,238	31,121
Decrease in other payables	(32,521)	(176,956)
Increase (decrease) in provisions and other current liabilities	(20,454)	16,662
Increase in net defined benefit liabilities	242	496
	(173,240)	337,456
Cash inflow generated from operations	776,038	1,113,641
Interest received	50,292	28,462
Interest paid	(20,407)	(18,432)
Income taxes paid	(10,099)	(4,484)
<b>Net cash flows from operating activities</b>	<b>795,824</b>	<b>1,119,187</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of non-current financial assets at fair value through profit or loss	-	(50,000)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	92,217	131,356
Acquisition of non-current financial assets at amortized cost	(250,455)	(1,204,891)
Acquisition of property, plant and equipment	(438,843)	(746,318)
Proceeds from disposal of property, plant and equipment	42	1,381
(Increase) decrease in guarantee deposits paid	(114)	4,765
Acquisition of intangible assets	(4,666)	(420)
(Increase) decrease in other financial assets	(1,351)	271
<b>Net cash used in investing activities</b>	<b>(603,170)</b>	<b>(1,863,856)</b>
<b>Cash flows from (used in) financing activities:</b>		
Payments of lease liabilities	(6,799)	(6,527)
<b>Net cash used in financing activities</b>	<b>(6,799)</b>	<b>(6,527)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>55,925</b>	<b>(11,063)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>241,780</b>	<b>(762,259)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>4,746,867</b>	<b>7,496,769</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 4,988,647</b>	<b>6,734,510</b>

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 three months ended March 31, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars and Unless Otherwise Specified)**

**(1) Company history**

Tong Hsing Electronic Industries, Ltd. (the “Company”) was incorporated as a company limited by shares on August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 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 major business activities of the Company and its subsidiaries (the “Group”) are the manufacture and sale of RF module, ceramic metalized substrate, hybrid modules & specialty packaging and image products.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on April 18, 2024.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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 IAS21 “Lack of Exchangeability”

(Continued)

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

**(4) Summary of material 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 IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2023.

**(b) Basis of consolidation**

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Manufacturing and sales 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.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management’s best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

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

(Continued)

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

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal 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 IFRS Accounting Standards (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, 2023. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2023.

**(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 statements of the current period and the 2023 consolidated financial statements. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Petty cash and cash on hand	\$ 137	163	115
Checking accounts and demand deposits	2,003,247	1,700,968	1,883,571
Time deposits	<u>2,985,263</u>	<u>3,045,736</u>	<u>4,850,824</u>
	<b><u>\$ 4,988,647</u></b>	<b><u>4,746,867</u></b>	<b><u>6,734,510</u></b>

Please refer to note (6)(u) for the exchange rate risk, interest rate risk and the sensitivity analysis of the financial assets of the Group.

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

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 2,508	54,780	418
Foreign exchange swaps contracts	-	896	489
Non-derivative financial assets			
Open-end mutual funds	236,195	235,419	233,237
Structured deposit	100,230	100,226	-
Structured investments	161,183	251,937	460,468
Stock listed in domestic markets	168,214	184,649	226,864
Foreign private funds	<u>257,853</u>	<u>249,670</u>	<u>233,806</u>
	<b><u>\$ 926,183</u></b>	<b><u>1,077,577</u></b>	<b><u>1,155,282</u></b>
Current	\$ 338,933	391,321	234,144
Non-current	<u>587,250</u>	<u>686,256</u>	<u>921,138</u>
	<b><u>\$ 926,183</u></b>	<b><u>1,077,577</u></b>	<b><u>1,155,282</u></b>
	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 23,638	723	87
Foreign exchange swaps contracts	<u>29</u>	<u>66</u>	<u>193</u>
	<b><u>\$ 23,667</u></b>	<b><u>789</u></b>	<b><u>280</u></b>

The Group holds derivative financial instruments to hedge certain foreign exchange risk exposures arising from its operating activities. As of March 31, 2024, December 31 and March 31, 2023, 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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<b>March 31, 2024</b>				
	<b>Amount</b>		<b>Currency</b>	<b>Maturity dates</b>
	<b>(in thousands)</b>			
<b>Derivative financial assets</b>				
Forward exchange sold	USD 50,000		USD to NTD	2024.04.12~2024.04.30
<b>Derivative financial liabilities</b>				
<b>Forward exchange contracts:</b>				
Forward exchange sold	USD 80,157		USD to NTD	2024.04.01~2024.04.19
Forward exchange sold	USD 2,000		USD to JPY	2024.04.08
<b>Foreign exchange swaps contracts:</b>				
Foreign exchange swaps	USD 2,000		USD to NTD	2024.04.08
<b>December 31, 2023</b>				
	<b>Amount</b>		<b>Currency</b>	<b>Maturity dates</b>
	<b>(in thousands)</b>			
<b>Derivative financial assets</b>				
<b>Forward exchange contracts:</b>				
Forward exchange purchased	USD 10,000		USD to NTD	2024.02.05
Forward exchange sold	USD 82,500		USD to NTD	2024.01.03~2024.01.12
<b>Foreign exchange swaps contracts:</b>				
Foreign exchange swaps	USD 2,000		USD to NTD	2024.01.03
<b>Derivative financial liabilities</b>				
<b>Forward exchange contracts:</b>				
Forward exchange purchased	USD 5,000		USD to NTD	2024.02.02
<b>Foreign exchange swaps contracts:</b>				
Foreign exchange swaps	USD 7,000		USD to NTD	2024.01.12
<b>March 31, 2023</b>				
	<b>Amount</b>		<b>Currency</b>	<b>Maturity dates</b>
	<b>(in thousands)</b>			
<b>Derivative financial assets</b>				
<b>Forward exchange contracts:</b>				
Forward exchange sold	USD 35,000		USD to NTD	2023.04.06~2023.04.21
Forward exchange sold	EUR 1,000		EUR to USD	2023.04.06
<b>Foreign exchange swaps contracts:</b>				
Foreign exchange swaps	USD 9,000		USD to NTD	2023.04.20
<b>Derivative financial liabilities</b>				
<b>Forward exchange contracts:</b>				
Forward exchange sold	USD 20,000		USD to NTD	2023.04.20~2023.04.28
<b>Foreign exchange swaps contracts:</b>				
Foreign exchange swaps	USD 10,000		USD to NTD	2023.04.10~2023.04.20

Please refer to note (6)(u) for information relating to the credit risk of financial instruments. As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Equity investments at fair value through other comprehensive income:			
Stock listed in domestic market - preferred stocks	\$ <b><u>319,648</u></b>	<b><u>320,815</u></b>	<b><u>344,730</u></b>

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long term for strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2024 and 2023.
- (iii) For credit risk and market risk, please refer to note (6)(u).
- (iv) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Foreign corporate bonds	\$ <b><u>3,229,216</u></b>	<b><u>2,843,331</u></b>	<b><u>2,617,569</u></b>

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 7,956 thousand and USD 39,831 thousand for the three months ended March 31, 2024 and 2023, with the coupon rates of 5.21% and 1.538%~4.948%, respectively.
- (ii) Please refer to note (6)(u) for credit risk information.
- (iii) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(e) Accounts receivable

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Accounts receivable—measured as amortized cost	\$ 2,082,389	2,077,758	1,945,475
Less: loss allowance	<u>(1,986)</u>	<u>(3,181)</u>	<u>(4,813)</u>
	<b><u>\$ 2,080,403</u></b>	<b><u>2,074,577</u></b>	<b><u>1,940,662</u></b>

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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, accounts receivable 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 historical credit losses experience and reasonable forecasts of future economic conditions information.

(i) The loss allowance was determined as follows:

<b>March 31, 2024</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,966,083	-	-
Overdue 1 to 30 days	110,721	-	-
Overdue 31 to 60 days	1,928	10.00%	193
Overdue 61 to 90 days	1,633	20.00%	326
Overdue 91 to 120 days	1,081	50.00%	540
Overdue 121 to 180 days	84	80.00%	68
Overdue 181 to 365 days	859	100.00%	859
	<u><u>\$ 2,082,389</u></u>		<u><u>1,986</u></u>
<b>December 31, 2023</b>			
<b>Aging interval</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average expected loss rate</b>	<b>Loss allowance</b>
Current	\$ 2,029,146	-	-
Overdue 1 to 30 days	38,697	-	-
Overdue 31 to 60 days	5,949	10.00%	595
Overdue 61 to 90 days	651	20.00%	130
Overdue 91 to 120 days	1,228	50.00%	614
Overdue 121 to 180 days	1,228	80.00%	983
Overdue 181 to 365 days	859	100.00%	859
	<u><u>\$ 2,077,758</u></u>		<u><u>3,181</u></u>

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

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

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

	For the three months ended March 31	
	2024	2023
The beginning of period	\$ 3,181	3,214
Impairment losses (reversed) recognized	(1,195)	1,599
The end of period	<u>\$ 1,986</u>	<u>4,813</u>

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any accounts receivable as collaterals for its loans.

(f) Inventories

	March 31, 2024	December 31, 2023	March 31, 2023
Finished goods	\$ 423,326	419,577	303,228
Semi-finished goods	105,328	92,271	147,160
Work in progress	249,583	272,678	309,151
Raw materials	750,261	700,963	760,557
Indirect materials	104,000	107,210	140,234
	<u>\$ 1,632,498</u>	<u>1,592,699</u>	<u>1,660,330</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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- (i) The details of the operating costs for the three months ended March 31, 2024 and 2023 of the Group were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Cost of sales and expense	\$ 2,149,860	2,080,152
Current operating cost for inventories written off or write-downs on inventories valuation and obsolescence	2,645	7,194
	<b><u>\$ 2,152,505</u></b>	<b><u>2,087,346</u></b>

- (ii) As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any inventories as collaterals for its loans.

- (g) Property, plant and equipment

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

	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress and equipment under acceptance</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2024	\$ 2,455,982	5,738,416	6,234,403	625,193	27,347	2,952,730	18,034,071
Additions	-	93,347	69,026	16,966	-	128,032	307,371
Disposals	-	(5,373)	(38,290)	(33,822)	-	-	(77,485)
Transferred in (out)	-	2,492,593	3,162	65,245	-	(2,564,447)	(3,447)
Effects of movements in exchange rates	-	19,960	73,065	11,190	86	3,795	108,096
Balance on March 31, 2024	<b><u>\$ 2,455,982</u></b>	<b><u>8,338,943</u></b>	<b><u>6,341,366</u></b>	<b><u>684,772</u></b>	<b><u>27,433</u></b>	<b><u>520,110</u></b>	<b><u>18,368,606</u></b>
Balance on January 1, 2023	\$ 2,484,630	3,103,832	5,499,624	412,381	27,222	4,569,041	16,096,730
Additions	-	17,980	628,494	2,640	-	607,721	1,256,835
Disposals	-	(15,138)	(87,789)	(10,234)	-	(483)	(113,644)
Transferred in (out)	-	105,869	302,704	9,242	-	(419,095)	(1,280)
Effects of movements in exchange rates	-	(3,980)	(14,613)	(2,176)	(18)	(640)	(21,427)
Balance on March 31, 2023	<b><u>\$ 2,484,630</u></b>	<b><u>3,208,563</u></b>	<b><u>6,328,420</u></b>	<b><u>411,853</u></b>	<b><u>27,204</u></b>	<b><u>4,756,544</u></b>	<b><u>17,217,214</u></b>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2024	\$ -	1,281,604	4,534,045	328,220	13,717	-	6,157,586
Depreciation	-	109,066	238,425	28,255	2,257	-	378,003
Disposals	-	(5,373)	(38,290)	(33,822)	-	-	(77,485)
Effects of movements in exchange rates	-	10,454	62,005	10,106	49	-	82,614
Balance on March 31, 2024	<b><u>\$ -</u></b>	<b><u>1,395,751</u></b>	<b><u>4,796,185</u></b>	<b><u>332,759</u></b>	<b><u>16,023</u></b>	<b><u>-</u></b>	<b><u>6,540,718</u></b>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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		<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress and equipment under acceptance</b>	<b>Total</b>
	<b>Land</b>						
Balance on January 1, 2023	\$ -	1,086,512	3,983,936	307,963	4,726	-	5,383,137
Depreciation	-	49,192	223,706	15,121	2,246	-	290,265
Disposals	-	(15,137)	(87,432)	(10,235)	-	-	(112,804)
Effects of movements in exchange rates	-	(1,899)	(12,657)	(1,924)	(10)	-	(16,490)
Balance on March 31, 2023	<u>\$ -</u>	<u>1,118,668</u>	<u>4,107,553</u>	<u>310,925</u>	<u>6,962</u>	<u>-</u>	<u>5,544,108</u>
<b>Carrying amount:</b>							
Balance on January 1, 2024	\$ 2,455,982	4,456,812	1,700,358	296,973	13,630	2,952,730	11,876,485
Balance on March 31, 2024	\$ 2,455,982	6,943,192	1,545,181	352,013	11,410	520,110	11,827,888
Balance on January 1, 2023	\$ 2,484,630	2,017,320	1,515,688	104,418	22,496	4,569,041	10,713,593
Balance on March 31, 2023	\$ 2,484,630	2,089,895	2,220,867	100,928	20,242	4,756,544	11,673,106

The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August, 2020. The total amount of contract is \$3,200,000. As of March 31, 2024, December 31 and March 31, 2023, the amount of \$3,040,000, \$3,024,000, and \$2,784,000 had been paid, respectively.

As of March 31, 2024, December 31 and March 31, 2023, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(h) Right-of-use assets

	<b>Land</b>	<b>Buildings and structures</b>	<b>Office equipment</b>	<b>Total</b>
<b>Carrying amount:</b>				
Balance on January 1, 2024	\$ 75,915	49,904	20,346	146,165
Balance on March 31, 2024	\$ 75,303	45,394	18,398	139,095
Balance on January 1, 2023	\$ 80,569	25,292	9,360	115,221
Balance on March 31, 2023	\$ 79,130	21,060	8,357	108,547

There were no significant additions or recognition and reversal of impairment losses of the right-of-use assets recognized by the Group for leasing land, buildings and structures, and office equipment for the three months ended March 31, 2024 and 2023. Please refer to note (12)(a) for the depreciation amount and (6)(h) of the consolidated financial statements for the year ended December 31, 2023 for other related information.

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(i) Intangible assets

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
<b>Carrying amount:</b>					
Balance on January 1, 2024	\$ 7,396,676	560,120	51,699	267,162	8,275,657
Balance on March 31, 2024	\$ 7,396,676	541,244	74,908	260,427	8,273,255
Balance on January 1, 2023	\$ 7,448,612	639,945	61,710	295,450	8,445,717
Balance on March 31, 2023	\$ 7,448,612	620,806	56,395	288,715	8,414,528

There were no significant purchase, disposal, and reversal of impairment losses of the intangible assets for the three months ended March 31, 2024 and 2023. Please refer to note (12)(a) for the amortization amount and (6)(i) of the consolidated financial statements for the year ended December 31, 2023 for other related information.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Comprehensive secured bank loans	\$ -	-	-
Unused short-term credit lines	\$ 8,586,500	7,830,290	7,444,750

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

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unsecured bank loans	\$ 5,360,000	5,360,000	5,360,000
Less: discounts on government grants	(126,357)	(132,183)	(149,507)
	\$ 5,233,643	5,227,817	5,210,493
Unused long-term credit lines	\$ 3,700,000	3,700,000	4,200,000
Range of interest rates	1.475%~1.675%	1.35%~1.55%	1.35%~1.55%
Expiration	Year 2026 to 2031	Year 2026 to 2031	Year 2026 to 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%~1.85% and 0.75%, the fair values of the loans were estimated at \$5,138,164 and \$62,465, respectively, upon initial

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recognition. Moreover, the differences of \$158,836 and \$535, respectively, between the proceeds and the fair value of the loan, with the benefit deriving from the preferential interest rate loans, had been recognized as deferred revenue recorded under other non-current liabilities. For the three months ended March 31, 2024 and 2023, the grant profits of \$3,397 and \$2,817, respectively, which were amortized over the period of loans, were recognized as other income.

- (ii) Please refer to note (8) for the information about the Group had provided assets as collateral for part of its long-term borrowings.

(l) Other payables

Details of other payables were as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Salaries and bonus payable, employees' compensation and directors' remuneration	\$ 1,156,585	1,234,996	1,249,189
Payable on machinery and equipment	161,994	293,466	817,508
Accrued employee benefit liabilities	76,936	76,210	54,655
Others	445,870	400,515	494,872
	<b><u>\$ 1,841,385</u></b>	<b><u>2,005,187</u></b>	<b><u>2,616,224</u></b>

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

(m) Provisions

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Compensation losses	<b><u>\$ 258,719</u></b>	<b><u>275,502</u></b>	<b><u>242,681</u></b>

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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current	<b><u>\$ 26,399</u></b>	<b><u>26,614</u></b>	<b><u>16,699</u></b>
Non-current	<b><u>\$ 114,953</u></b>	<b><u>121,537</u></b>	<b><u>93,244</u></b>

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

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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:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest on lease liabilities	\$ <u>648</u>	<u>481</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>3,295</u>	<u>417</u>
Expenses relating to short-term leases	\$ <u>1,951</u>	<u>3,090</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>64</u>	<u>96</u>

The amounts recognized in the statements of cash flows were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	\$ <u>12,757</u>	<u>10,611</u>

(i) Real estate leases

The Group leases land, buildings and structures for its factory, staff dormitories, parking lots and office space. 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 other office equipment and parking space with lease terms of one to three years. These leases are short-term leases or leases of low-value assets. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement, or other material one-time event since the prior reporting date. 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, 2023 and 2022.

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

The expenses recognized in profit or loss of the Group amounted to \$2,223 and \$2,684 for the three months ended March 31, 2024 and 2023, respectively.

(ii) Defined contribution plan

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance amounted to \$19,721 and \$20,816 for the three months ended March 31, 2024 and 2023, respectively.

(p) Income taxes

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

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
	<u><u>\$ 91,267</u></u>	<u><u>94,920</u></u>
Current tax expense		

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

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
	<u><u>\$ 13,204</u></u>	<u><u>(7,375)</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements		

(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) Income tax assessment

The Company's and KINGPAK's income tax returns have been examined and approved by the R.O.C's tax authorities until year 2021, respectively.

(q) Capital and other equity

There were no significant changes in capital and other equity for the three months ended March 31, 2024 and 2023, respectively. For the related information, please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2023.

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

(i) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Additional paid-in capital	\$ 15,059,657	15,059,657	15,059,657
Others	<u>56,219</u>	<u>56,219</u>	<u>56,219</u>
	<u><u>\$ 15,115,876</u></u>	<u><u>15,115,876</u></u>	<u><u>15,115,876</u></u>

(ii) 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.
- 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.

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.

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

In accordance with the Company's Articles of Incorporation before revised on June 6, 2023, 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 shareholders at their annual 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.

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

The amounts of cash dividends for the 2023 earnings distribution had been approved at the board meeting held on February 29, 2024; while the 2022 earnings distribution had been approved during the shareholders' meeting on June 6, 2023. The relevant dividends distributed to shareholders were as follows:

	2023		2022	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.40	501,739	7.77007957	1,249,536
Shares	-	-	3.00	482,442
Total	<u>\$ 2.40</u>	<u>501,739</u>	<u>10.77007957</u>	<u>1,731,978</u>

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**TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES**  
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The related information about earnings distribution approved by the related meeting can be accessed from the Market Observation Post System website.

(r) Earnings per share

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

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
<b>Basic earnings per share (NTD):</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>364,585</u>	<u>372,093</u>
Weighted-average number of ordinary shares outstanding (thousands)	<u>209,058</u>	<u>209,058</u>
Basic earnings per share (NTD)	\$ <u>1.74</u>	<u>1.78</u>
<b>Diluted earnings per share (NTD):</b>		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>364,585</u>	<u>372,093</u>
Weighted-average number of ordinary shares outstanding (thousands)	209,058	209,058
Effect of employee share remuneration (thousands)	549	1,052
Weighted-average number of ordinary shares outstanding (diluted) (thousands)	<u>209,607</u>	<u>210,110</u>
Diluted earnings per share (NTD)	\$ <u>1.74</u>	<u>1.77</u>

The above-mentioned weighted average number of ordinary shares outstanding is adjusted retroactively according to the capitalization of earnings.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Primary geographical markets:		
Malaysia	\$ 689,314	502,305
Switzerland	651,317	802,774
Japan	470,218	478,585
United States	457,870	310,841
Singapore	277,212	352,171
China	148,910	159,352
Others	<u>276,177</u>	<u>294,420</u>
	<b>\$ <u>2,971,018</u></b>	<b><u>2,900,448</u></b>

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

		For the three months ended March 31	
		2024	2023
Major products:			
Image products	\$	1,354,483	1,596,596
Hybrid modules & specialty packaging		710,613	641,498
Ceramic metalized substrate		549,675	477,896
RF module		319,973	131,382
Others		36,274	53,076
	\$	<u>2,971,018</u>	<u>2,900,448</u>
(ii) Contract balances			
		March 31, 2024	December 31, 2023
Accounts receivable	\$	2,082,389	2,077,758
Contract assets—image products (recorded under other current assets)		111,354	116,078
Less: loss allowance		(1,986)	(3,181)
Total	\$	<u>2,191,757</u>	<u>2,190,655</u>
Contract liabilities—advance sales receipts	\$	<u>155,870</u>	<u>174,625</u>

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

The amounts of revenue recognized for the three months ended March 31, 2024 and 2023 that were included in the contract liabilities balance at the beginning of the periods were \$71,972 and \$14,500, 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.

(t) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended on June 8, 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 shares for employees, but only in the form of cash for the directors. Employees entitled to receive the said shares or cash may include the employees of the Company's subordinate companies who meet certain requirements.

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

Based on the Company's Articles of Incorporation amended on June 8, 2023, 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 shares, and the remuneration of directors shall be paid in cash.

For the three months ended March 31, 2024 and 2023, the Company estimated its employee remuneration amounting to \$27,168 and \$30,294, and directors' remuneration amounting to \$14,819 and \$15,271, 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 2024 and 2023. 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, 2023 and 2022, the employee compensation amounted to \$84,000 and \$240,000, respectively, and remuneration of directors amounted to \$45,300 and \$123,000, respectively, which had no difference from the actual distribution. Related information would be available on the Market Observation Post System website.

(u) 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, 2023.

(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

Sales to individual customers constituting over 10% of operating revenues for the three months ended March 31, 2024 and 2023, amounted to \$1,631,268 and \$1,714,572, respectively. 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.

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

3) Receivables credit risk

For credit risk exposure of accounts receivable, 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).

The loss allowance of other receivables for the three months ended March 31, 2024 and 2023 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2024	\$ 10
Impairment loss recognized	7
Balance on March 31, 2024	<u>\$ 17</u>
Balance on January 1, 2023	\$ 95
Impairment loss recognized	231
Effects of movements in exchange rates	(1)
Balance on March 31, 2023	<u>\$ 325</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>
<b>March 31, 2024</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 819,353	(819,353)	(819,353)	-
Other payables	1,841,385	(1,841,385)	(1,841,385)	-
Dividends payable	501,739	(501,739)	(501,739)	-
Lease liabilities (including current and non-current portion)	141,352	(166,654)	(28,716)	(137,938)
Guarantee deposits received	3,569	(3,569)	-	(3,569)
Long-term borrowings	5,233,643	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	23,638			
Inflow		2,603,786	2,603,786	-
Outflow		(2,627,424)	(2,627,424)	-
Foreign exchange swaps contracts:	29			
Inflow		63,904	63,904	-
Outflow		(63,933)	(63,933)	-
	<u>\$ 8,564,708</u>	<u>(8,716,367)</u>	<u>(3,214,860)</u>	<u>(5,501,507)</u>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
<b>December 31, 2023</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 726,115	(726,115)	(726,115)	-
Other payables	2,005,187	(2,005,187)	(2,005,187)	-
Lease liabilities (including current and non-current portion)	148,151	(174,102)	(29,041)	(145,061)
Guarantee deposits received	3,569	(3,569)	-	(3,569)
Long-term borrowings	5,227,817	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	723			
Inflow		152,000	152,000	-
Outflow		(152,804)	(152,804)	-
Foreign exchange swaps contracts:	66			
Inflow		216,972	216,972	-
Outflow		(217,039)	(217,039)	-
	<u>\$ 8,111,628</u>	<u>(8,269,844)</u>	<u>(2,761,214)</u>	<u>(5,508,630)</u>
<b>March 31, 2023</b>				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 833,176	(833,176)	(833,176)	-
Other payables	2,616,224	(2,616,224)	(2,616,224)	-
Lease liabilities (including current and non-current portion)	109,943	(135,217)	(18,442)	(116,775)
Guarantee deposits received	3,413	(3,413)	-	(3,413)
Long-term borrowings	5,210,493	(5,360,000)	-	(5,360,000)
Derivative financial liabilities:				
Forward exchange contracts:	87			
Inflow		608,230	608,230	-
Outflow		(609,000)	(609,000)	-
Foreign exchange swaps contracts:	193			
Inflow		304,195	304,195	-
Outflow		(304,500)	(304,500)	-
	<u>\$ 8,773,529</u>	<u>(8,949,105)</u>	<u>(3,468,917)</u>	<u>(5,480,188)</u>

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

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**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 exposure to financial assets and liabilities for foreign currency risk were as follows:

	March 31, 2024			December 31, 2023			March 31, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$ 179,976	USD/NTD =32.000	5,759,232	188,193	USD/NTD =30.705	5,778,466	203,175	USD/NTD =30.450	6,186,679
Financial liabilities									
Monetary items									
USD	20,408	USD/NTD =32.000	653,056	17,051	USD/NTD =30.705	523,551	23,805	USD/NTD =30.450	724,862
JPY	434,057	JPY/NTD =0.2115	91,803	186,185	JPY/NTD =0.2172	40,439	360,724	JPY/NTD =0.2288	82,534

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the three months ended March 31, 2024 and 2023 would have increased or decreased the net profit before tax as follows. The analysis is performed on the same basis for both periods:

	For the three months ended March 31	
	2024	2023
USD (against the NTD)		
Strengthening 5%	\$ 255,309	273,091
Weakening 5%	(255,309)	(273,091)
JPY (against the NTD)		
Strengthening 5%	(4,590)	(4,127)
Weakening 5%	4,590	4,127

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2024 and 2023, the foreign exchange gains (losses), including realized and unrealized portion, amounted to gains \$226,940 and losses \$50,278, respectively.

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

2) Interest rate risk

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

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

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the Group's net profit before tax would have decreased or increased by \$2,013 and \$2,080, for the three months ended March 31, 2024 and 2023, respectively, which would be mainly resulted from the borrowings, demand deposits and time deposits 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:

		March 31, 2024				
		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)						
Derivative financial assets \$	2,508	-	2,508	-		2,508
Open-end mutual funds	236,195	236,195	-	-		236,195
Structured deposit	100,230	-	100,230	-		100,230
Structured investments	161,183	-	-	161,183		161,183
Stock listed in domestic markets	168,214	168,214	-	-		168,214
Foreign private funds	<u>257,853</u>	-	-	257,853		257,853
Subtotal	926,183					

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

	<b>March 31, 2024</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic market—preferred stocks	<u>319,648</u>	319,648	-	-	319,648
Financial assets measured at amortized cost					
Cash and cash equivalents	4,988,647	-	-	-	-
Accounts receivable, net	2,080,403	-	-	-	-
Other receivables	29,070	-	-	-	-
Other current financial assets	33,392	-	-	-	-
Foreign corporate bonds	3,229,216	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	17,233	-	-	-	-
Other non-current financial assets	<u>5,405</u>	-	-	-	-
Subtotal	<u>10,383,366</u>				
Total	<u><b>\$ 11,629,197</b></u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 23,667</u>	-	23,667	-	23,667
Financial liabilities measured at amortized cost					
Notes and accounts payable	819,353	-	-	-	-
Other payables	1,841,385	-	-	-	-
Dividends payable	501,739	-	-	-	-
Lease liabilities (including current and non-current portion)	141,352	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Long-term borrowings	<u>5,233,643</u>	-	-	-	-
Subtotal	<u>8,541,041</u>				
Total	<u><b>\$ 8,564,708</b></u>				

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

	<b>Carrying amount</b>	<b>December 31, 2023</b>			
		<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets \$	55,676	-	55,676	-	55,676
Open-end mutual funds	235,419	235,419	-	-	235,419
Structured deposit	100,226	-	100,226	-	100,226
Structured investments	251,937	-	-	251,937	251,937
Stock listed in domestic markets	184,649	184,649	-	-	184,649
Foreign private funds	<u>249,670</u>	-	-	249,670	249,670
Subtotal	<u>1,077,577</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>320,815</u>	320,815	-	-	320,815
Financial assets measured at amortized cost					
Cash and cash equivalents	4,746,867	-	-	-	-
Accounts receivable, net	2,074,577	-	-	-	-
Other receivables	35,488	-	-	-	-
Other current financial assets	32,041	-	-	-	-
Foreign corporate bonds	2,843,331	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	17,119	-	-	-	-
Other non-current financial assets	<u>5,405</u>	-	-	-	-
Subtotal	<u>9,754,828</u>				
Total	<u><b>\$ 11,153,220</b></u>				

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

<b>December 31, 2023</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>789</u>	-	789	-	789
Financial liabilities measured at amortized cost					
Notes and accounts payable	726,115	-	-	-	-
Other payables	2,005,187	-	-	-	-
Lease liabilities (including current and non-current portion)	148,151	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Long-term borrowings	<u>5,227,817</u>	-	-	-	-
Subtotal	<u>8,110,839</u>				
Total	<b><u>\$ 8,111,628</u></b>				
<b>March 31, 2023</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Derivative financial assets	\$ 907	-	907	-	907
Open-end mutual funds	233,237	233,237	-	-	233,237
Structured investments	460,468	-	-	460,468	460,468
Stock listed in domestic markets	226,864	226,864	-	-	226,864
Foreign private funds	<u>233,806</u>	-	-	233,806	233,806
Subtotal	<u>1,155,282</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed in domestic markets – preferred stocks	<u>344,730</u>	344,730	-	-	344,730

(Continued)

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

	<b>Carrying amount</b>	<b>March 31, 2023</b>			
		<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured at amortized cost					
Cash and cash equivalents	6,734,510	-	-	-	-
Accounts receivable, net	1,940,662	-	-	-	-
Other receivables	26,238	-	-	-	-
Other current financial assets	31,641	-	-	-	-
Foreign corporate bonds	2,617,569	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	21,666	-	-	-	-
Other non-current financial assets	<u>5,405</u>	-	-	-	-
Subtotal	<u>11,377,691</u>				
Total	<u><b>\$ 12,877,703</b></u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>280</u>	-	280	-	280
Financial liabilities measured at amortized cost					
Notes and accounts payable	833,176	-	-	-	-
Other payables	2,616,224	-	-	-	-
Lease liabilities (including current and non-current portion)	109,943	-	-	-	-
Guarantee deposits received	3,413	-	-	-	-
Long-term borrowings	<u>5,210,493</u>	-	-	-	-
Subtotal	<u>8,773,249</u>				
Total	<u><b>\$ 8,773,529</b></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. If the above conditions are not met, the market is considered inactive. Quoted market prices may not be active if the bid-ask spread is wide, the bid-ask spread has increased significantly, or the volume of trading is low.

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 three months ended March 31, 2024 and 2023.

(Continued)

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

4) Reconciliation of Level 3 fair values

	<b>Non-derivative financial assets mandatorily measured at fair value through profit or loss</b>
Balance on January 1, 2024	\$ 501,607
Total gains and losses	
Recognized in profit or loss	9,646
Disposals	(92,217)
Balance on March 31, 2024	<u>\$ 419,036</u>
Balance on January 1, 2023	\$ 779,016
Total gains and losses	
Recognized in profit or loss	(3,386)
Additions	50,000
Disposals	(131,356)
Balance on March 31, 2023	<u><u>\$ 694,274</u></u>

For the three months ended March 31, 2024 and 2023, total gains and losses were included in gains (losses) on financial assets (liabilities) at fair value through profit or loss.

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – investment in private funds and structured investments" used the Net Asset Value Method.

The quantified information of significant unobservable inputs was as follows:

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

(Continued)

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

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

(v) 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, 2023.

(w) 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, 2023. 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, 2023. For other related information, please refer to note (6)(y) of the consolidated financial statements for the year ended December 31, 2023.

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

(i) The Group's investing and financing activities, which did not affect the current cash flow for the three months ended March 31, 2024 and 2023, were as 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, 2024	Cash flows	Non-cash changes Increase	March 31, 2024
Lease liabilities (including current and non-current portion)	\$ 148,151	(6,799)	-	141,352
Guarantee deposits received	3,569	-	-	3,569
Long-term borrowings	5,227,817	-	5,826	5,233,643
Total liabilities from financing activities	<u>\$ 5,379,537</u>	<u>(6,799)</u>	<u>5,826</u>	<u>5,378,564</u>
	January 1, 2023	Cash flows	Non-cash changes Other	March 31, 2023
Lease liabilities (including current and non-current portion)	\$ 116,470	(6,527)	-	109,943
Guarantee deposits received	3,413	-	-	3,413
Long-term borrowings	5,204,769	-	5,724	5,210,493
Total liabilities from financing activities	<u>\$ 5,324,652</u>	<u>(6,527)</u>	<u>5,724</u>	<u>5,323,849</u>

(Continued)

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

**(7) Related-party transactions**

(a) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Multi-field	Substantial related party
Yageo Corporation (Yageo)	Same chairman as the Company
Ralec Electronic Corporation (Ralec)	Substantial related party

(b) Significant transaction with related parties

(i) Other

For operational needs, THEPI acquired land for \$57,713 (PHP 91,110 thousand) from the non-related party in Philippines 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.

(c) Transactions with key management personnel

Key management personnel compensation comprised of:

	<b>For the three months ended March 31</b>	
	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 47,812	35,327
Post-employment benefits	207	189
	<u><u>\$ 48,019</u></u>	<u><u>35,516</u></u>

(Continued)

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

**(8) Assets pledged as security**

The carrying amounts of pledged assets were as follows:

<b>Pledged assets</b>	<b>Subject</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Other current financial assets – time deposits	Credit lines for letters of credit and short-term borrowings and credit lines	\$ 31,680	30,398	30,145
Other non-current financial assets – 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	234,327	192,171	499,954
		<u><u>\$ 271,412</u></u>	<u><u>227,974</u></u>	<u><u>535,504</u></u>

**(9) Commitments and contingencies**

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Future payments for the purchase of equipment and construction in progress	<u><u>\$ 184,896</u></u>	<u><u>552,820</u></u>	<u><u>1,722,003</u></u>

(b) The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August 2020. As of March 31, 2024, the payment amounting to \$160,000 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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Unused and outstanding letters of credit and the deposit for customs duties	<u><u>\$ 29,500</u></u>	<u><u>36,500</u></u>	<u><u>35,500</u></u>

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

(Continued)



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

**(12) Other**

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

	For the three months ended March 31					
By function	2024			2023		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	410,908	187,955	598,863	463,907	182,720	646,627
Labor and health insurance	36,179	11,747	47,926	43,475	11,033	54,508
Pension	16,597	5,347	21,944	17,944	5,556	23,500
Other employee benefits	28,934	5,936	34,870	31,188	6,273	37,461
Depreciation	331,861	53,212	385,073	281,672	15,267	296,939
Amortization	2,040	29,174	31,214	1,810	29,799	31,609

- (b) Seasonality of operations

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

**(13) Other disclosures**

- (a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2024:

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

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

- (iii) Securities held as of March 31, 2024 (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	Current financial assets at fair value through profit or loss	15,433	236,195	-	236,195	
The Company	Structured deposits	President DSU 100% (NTD) Principal guaranteed note	None	Current financial assets at fair value through profit or loss	-	100,230	-	100,230	
The Company	Fund	SMART Growth Fund, L.P.	None	Non-current financial assets at fair value through profit or loss	Note 1	257,853	1.60%	257,853	Note 2
The Company	Stock	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	None	Non-current financial assets at fair value through profit or loss	6,445	168,214	-	168,214	
The Company	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares C	None	Non-current financial assets at fair value through other comprehensive income	5,833	319,648	-	319,648	
The Company	Stock	eGran Corporation	None	Non-current financial assets at fair value through other comprehensive income	22	-	-	-	
The Company	Bond	Formosa Group Cayman LTD International Bond	None	Non-current financial assets at amortized cost	-	318,446	-	318,446	Notes 2,3
The Company	Bond	Nissan Motor Co. Ltd. International Bond	None	Non-current financial assets at amortized cost	-	313,933	-	313,933	Notes 2,3
The Company	Bond	TSMC Arizona Corp. International Bond	None	Non-current financial assets at amortized cost	-	151,600	-	151,600	Notes 2,3
The Company	Bond	TSMC Global Corp. International Bond (AC27)	None	Non-current financial assets at amortized cost	-	213,637	-	213,637	Notes 2,3
The Company	Bond	TSMC Global Corp. International Bond (AF57)	None	Non-current financial assets at amortized cost	-	242,123	-	242,123	Notes 2,3
The Company	Bond	JPMorgan Chase & Co. Bond	None	Non-current financial assets at amortized cost	-	320,483	-	320,483	Notes 2,3
The Company	Bond	Morgan Stanley Bond	None	Non-current financial assets at amortized cost	-	325,437	-	325,437	Notes 2,3
The Company	Bond	HSBC Holdings PLC Bond 1	None	Non-current financial assets at amortized cost	-	146,316	-	146,316	Notes 2,3
The Company	Bond	HSBC Holdings PLC Bond 2	None	Non-current financial assets at amortized cost	-	118,087	-	118,087	Notes 2,3
The Company	Bond	HSBC Holdings PLC Bond 3	None	Non-current financial assets at amortized cost	-	254,624	-	254,624	Notes 2,3
The Company	Bond	Mitsubishi UFJ Bond Financial Group Inc. Bond	None	Non-current financial assets at amortized cost	-	221,406	-	221,406	Notes 2,3
The Company	Bond	Bank of America Corp. Bond	None	Non-current financial assets at amortized cost	-	317,286	-	317,286	Notes 2,3
The Company	Bond	UBS Group AG Bond	None	Non-current financial assets at amortized cost	-	223,272	-	223,272	Notes 2,3
The Company	Bond	Citigroup Inc. Bond	None	Non-current financial assets at amortized cost	-	62,566	-	62,566	Notes 2,3
The Company	Structured investments	GIANT MANUFACTURING CO., LTD. 1st Unsecured Convertible Bond	None	Non-current financial assets at fair value through profit or loss	-	161,183	-	161,183	

Note 1: The amount of investment is USD 6,720 thousand.

Note 2: Include foreign exchange losses or gains, net.

Note 3: The carrying amount is calculated at amortized cost.

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

(Continued)

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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Plant	August 31, 2020	3,200,000	Paid 3,040,000	Chung-Lin General Contractors, Ltd.	None	N/A	N/A	N/A	-	Open bid	Extension of the plant	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	577,462	34 %	Monthly closing and paid by cash	-	-	Accounts payable (114,401)	(15)%	Note 2
The Company	THEPI	100% owned subsidiary by the Company	Processing fee	105,780	6 %	Monthly closing and paid by cash	-	-	Note 1	- %	Note 2
THEPI	The Company	Parent company	Sale	(577,462)	(85)%	Monthly closing and received by cash	-	-	Accounts receivable 114,401	78 %	Note 2
THEPI	The Company	Parent company	Processing income	(105,780)	(15)%	Monthly closing and received by cash	-	-	Accounts receivable 32,753	22 %	Note 2

Note 1: The other payables amounted to \$32,753 as of March 31, 2024.

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

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

Units: In Thousands of New Taiwan Dollars

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts	Note
					Amount	Action taken			
THEPI	The Company	100% owned subsidiary by the Company	147,154	19.88 %	-	-	147,154	-	Note 2

Note 1 : Information as of April 15, 2024.

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

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

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

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2024:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Trading terms	
1	THEPI	The Company	2	Sale revenue	577,462	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.	19 %
1	THEPI	The Company	2	Processing income	105,780	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.	4 %
1	THEPI	The Company	2	Accounts receivable	114,401	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.	- %
1	THEPI	The Company	2	Accounts receivable	32,753	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.	- %

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 from the subsidiaries to the parent company.
- 3 represents the transactions between subsidiaries.

- (b) Information on investees:

The following is the information on investees for the three months ended March 31, 2024 (excluding information on investees in Mainland China):

Unit: thousands of New Taiwan Dollars/ thousand of shares

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of the investee	Share of profit (losses) of investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF module, hybrid modules & specialty packaging, ceramic metalized substrate and image products	2,016,853	2,016,853	28,793	100.00 %	2,045,866	13,861	(3,951)	Note

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

(Continued)

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

(c) Information on investment in mainland China:

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

(d) Major shareholders: None.

**(14) Segment information**

(a) General 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 three months ended March 31, 2024 and 2023, the revenue and operation results to be reported can be referred to the consolidated statements of comprehensive income, wherein the total revenues of the reportable segment amounting to \$683,242 and \$511,409 had been deducted from the intersegment revenues for the three months ended March 31, 2024 and 2023, respectively.