

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, as well as the changes in equity and cash flows for the nine months ended September 30, 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 September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its consolidated cash flows for the nine months ended September 30, 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)

October 29, 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

September 30, 2024, December 31, and September 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | September 30, 2024 | | December 31, 2023 | | September 30, 2023 | | | Liabilities and Equity | | September 30, 2024 | | December 31, 2023 | | September 30, 2023 | |
|----------------------------|---|----------------------|------------|-------------------|------------|--------------------|------------|------|--|----|--------------------|------------|-------------------|------------|--------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | \$ 4,292,758 | 13 | 4,746,867 | 14 | 4,445,015 | 14 | 2120 | Current financial liabilities at fair value through profit or loss (note (6)(b)) | \$ | 171 | - | 789 | - | 34,555 | - |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 1,387,666 | 4 | 391,321 | 1 | 334,916 | 1 | 2130 | Current contract liabilities (note (6)(r)) | | 94,625 | - | 187,230 | 1 | 132,723 | - |
| 1136 | Current financial assets at amortized cost (note (6)(d)) | 842,943 | 3 | - | - | - | - | 2170 | Notes and accounts payable | | 825,191 | 2 | 726,115 | 2 | 772,615 | 3 |
| 1170 | Accounts receivable, net (note (6)(e)) | 2,158,166 | 6 | 2,074,577 | 7 | 1,861,431 | 6 | 2200 | Other payables (notes (6)(l) and (7)) | | 1,998,512 | 6 | 2,005,187 | 5 | 2,225,102 | 7 |
| 1200 | Other receivables | 80,723 | - | 78,806 | - | 109,395 | - | 2230 | Current tax liabilities | | 296,909 | 1 | 223,605 | 1 | 136,210 | - |
| 1310 | Inventories (note (6)(f)) | 1,758,175 | 5 | 1,592,699 | 5 | 1,687,842 | 5 | 2250 | Current provisions | | 223,100 | 1 | 275,502 | 1 | 314,675 | 1 |
| 1410 | Prepayments | 55,501 | - | 95,505 | - | 46,776 | - | 2280 | Current lease liabilities (note (6)(m)) | | 22,409 | - | 26,614 | - | 20,733 | - |
| 1470 | Other current assets (note (6)(r)) | 135,903 | - | 125,823 | - | 95,107 | - | 2300 | Other current liabilities | | 21,062 | - | 39,995 | - | 33,597 | - |
| 1476 | Other current financial assets (note (8)) | 34,221 | - | 32,041 | - | 33,674 | - | 2322 | Long-term borrowings, current portion (note (6)(k)) | | 1,589,376 | 5 | - | - | - | - |
| | | <u>10,746,056</u> | <u>31</u> | <u>9,137,639</u> | <u>27</u> | <u>8,614,156</u> | <u>26</u> | | | | <u>5,071,355</u> | <u>15</u> | <u>3,485,037</u> | <u>10</u> | <u>3,670,210</u> | <u>11</u> |
| Non-current assets: | | | | | | | | | Non-current liabilities: | | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note (6)(b)) | 617,822 | 2 | 686,256 | 2 | 710,608 | 2 | 2540 | Long-term borrowings (note (6)(k)) | | 3,424,868 | 10 | 5,227,817 | 16 | 5,222,017 | 16 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 305,066 | 1 | 320,815 | 1 | 327,231 | 1 | 2570 | Deferred tax liabilities | | 168,703 | 1 | 168,703 | 1 | 160,718 | 1 |
| 1535 | Non-current financial assets at amortized cost (note (6)(d)) | 2,373,419 | 7 | 2,843,331 | 8 | 3,234,848 | 10 | 2580 | Non-current lease liabilities (note (6)(m)) | | 116,649 | - | 121,537 | - | 106,105 | - |
| 1600 | Property, plant and equipment (notes (6)(g), (7) and (8)) | 11,499,250 | 34 | 11,876,485 | 36 | 11,828,421 | 35 | 2600 | Other non-current liabilities (note (6)(k)) | | 81,667 | - | 149,722 | - | 152,620 | - |
| 1755 | Right-of-use assets (note (6)(h)) | 136,322 | - | 146,165 | - | 125,109 | - | 2640 | Non-current net defined benefit liabilities (note (6)(n)) | | 62,906 | - | 68,159 | - | 100,965 | - |
| 1760 | Investment property, net | 28,648 | - | 28,648 | - | - | - | | | | <u>3,854,793</u> | <u>11</u> | <u>5,735,938</u> | <u>17</u> | <u>5,742,425</u> | <u>17</u> |
| 1780 | Intangible assets (note (6)(i)) | 8,210,269 | 24 | 8,275,657 | 25 | 8,298,490 | 25 | | Total liabilities | | <u>8,926,148</u> | <u>26</u> | <u>9,220,975</u> | <u>27</u> | <u>9,412,635</u> | <u>28</u> |
| 1840 | Deferred tax assets | 289,372 | 1 | 299,007 | 1 | 255,055 | 1 | 3100 | Equity: | | | | | | | |
| 1900 | Other non-current assets | 25,446 | - | 43,022 | - | 38,664 | - | 3200 | Equity attributable to owners of parent: (note (6)(p)) | | | | | | | |
| 1980 | Other non-current financial assets (note (8)) | 5,000 | - | 5,405 | - | 5,405 | - | 3310 | Ordinary shares | | 2,090,581 | 6 | 2,090,581 | 6 | 2,090,581 | 6 |
| | | <u>23,490,614</u> | <u>69</u> | <u>24,524,791</u> | <u>73</u> | <u>24,823,831</u> | <u>74</u> | 3320 | Capital surplus | | 15,117,641 | 44 | 15,115,876 | 45 | 15,115,876 | 45 |
| | | | | | | | | 3350 | Legal reserve | | 2,266,982 | 7 | 2,150,081 | 6 | 2,150,081 | 7 |
| | | | | | | | | 3400 | Special reserve | | 169,408 | - | 169,408 | 1 | 169,408 | 1 |
| | | | | | | | | | Unappropriated earnings | | 5,652,765 | 17 | 4,936,725 | 15 | 4,431,766 | 13 |
| | | | | | | | | | Other equity | | 13,145 | - | (21,216) | - | 67,640 | - |
| | | | | | | | | | Total equity | | <u>25,310,522</u> | <u>74</u> | <u>24,441,455</u> | <u>73</u> | <u>24,025,352</u> | <u>72</u> |
| Total assets | | <u>\$ 34,236,670</u> | <u>100</u> | <u>33,662,430</u> | <u>100</u> | <u>33,437,987</u> | <u>100</u> | | Total liabilities and equity | \$ | <u>34,236,670</u> | <u>100</u> | <u>33,662,430</u> | <u>100</u> | <u>33,437,987</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2024 and 2023

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

| | | For the three months ended September 30 | | | | For the nine months ended September 30 | | | |
|------|--|---|-----|-----------|-----|--|-----|-----------|-----|
| | | 2024 | | 2023 | | 2024 | | 2023 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Sales revenue | \$ 3,111,840 | 101 | 2,768,615 | 104 | 9,169,057 | 101 | 8,589,276 | 102 |
| 4170 | Less: sales returns and allowances | 44,289 | 1 | 101,793 | 4 | 61,577 | 1 | 178,243 | 2 |
| 4100 | Net operating revenues (notes (6)(r) and (14)) | 3,067,551 | 100 | 2,666,822 | 100 | 9,107,480 | 100 | 8,411,033 | 100 |
| 5110 | Operating costs (notes (6)(f), (6)(n) and (12)) | 2,197,565 | 72 | 2,055,579 | 77 | 6,552,455 | 72 | 6,501,681 | 77 |
| 5900 | Gross profit | 869,986 | 28 | 611,243 | 23 | 2,555,025 | 28 | 1,909,352 | 23 |
| 6000 | Operating expenses (notes (6)(n), (7) and (12)): | | | | | | | | |
| 6100 | Selling expenses | 46,991 | 2 | 65,149 | 2 | 144,690 | 2 | 192,135 | 2 |
| 6200 | Administrative expenses | 221,296 | 7 | 187,456 | 7 | 664,238 | 7 | 540,210 | 7 |
| 6300 | Research and development expenses | 132,287 | 4 | 103,727 | 4 | 388,743 | 4 | 283,594 | 3 |
| 6450 | Expected credit losses (gains) | (1,873) | - | (256) | - | (2,189) | - | 767 | - |
| | | 398,701 | 13 | 356,076 | 13 | 1,195,482 | 13 | 1,016,706 | 12 |
| 6900 | Net operating income | 471,285 | 15 | 255,167 | 10 | 1,359,543 | 15 | 892,646 | 11 |
| | Non-operating income and expenses: | | | | | | | | |
| 7100 | Interest income | 56,419 | 2 | 51,374 | 2 | 175,768 | 2 | 160,506 | 2 |
| 7190 | Other income (note (6)(k)) | 32,361 | 1 | 36,651 | 1 | 65,214 | 1 | 127,051 | 1 |
| 7230 | Foreign exchange (losses) gains, net (note (6)(t)) | (130,584) | (4) | 184,629 | 7 | 176,957 | 2 | 255,210 | 3 |
| 7235 | Net (losses) gains on financial assets (liabilities) at fair value through profit or loss | 140,629 | 4 | (146,448) | (6) | (144,153) | (2) | (241,145) | (3) |
| 7510 | Finance cost— interest expense | (26,788) | (1) | (26,099) | (1) | (82,280) | (1) | (76,392) | (1) |
| 7590 | Miscellaneous disbursements (note (6)(g)) | (12,520) | - | (4) | - | (13,591) | - | (277,311) | (3) |
| | | 59,517 | 2 | 100,103 | 3 | 177,915 | 2 | (52,081) | (1) |
| 7900 | Profit before tax | 530,802 | 17 | 355,270 | 13 | 1,537,458 | 17 | 840,565 | 10 |
| 7950 | Less: income tax expenses (note (6)(o)) | 1,365 | - | 75,631 | 3 | 202,778 | 2 | 176,511 | 2 |
| | Net profit | 529,437 | 17 | 279,639 | 10 | 1,334,680 | 15 | 664,054 | 8 |
| | Other comprehensive income: (note (6)(o)) | | | | | | | | |
| | Components of other comprehensive (loss) income that will not be reclassified to profit or loss | | | | | | | | |
| 8316 | Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income | (7,583) | - | (8,166) | - | (15,749) | - | 5,833 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | Components of other comprehensive (loss) income that will not be reclassified to profit or loss | (7,583) | - | (8,166) | - | (15,749) | - | 5,833 | - |
| | Components of other comprehensive (loss) income that may be reclassified subsequently to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (50,075) | (1) | 70,141 | 2 | 59,745 | - | 96,909 | 1 |
| 8399 | Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss | 8,158 | - | (11,521) | - | (9,635) | - | (15,906) | - |
| | Components of other comprehensive (loss) income that may be reclassified subsequently to profit or loss | (41,917) | (1) | 58,620 | 2 | 50,110 | - | 81,003 | 1 |
| | Other comprehensive income, net | (49,500) | (1) | 50,454 | 2 | 34,361 | - | 86,836 | 1 |
| 8500 | Comprehensive income | \$ 479,937 | 16 | 330,093 | 12 | 1,369,041 | 15 | 750,890 | 9 |
| | Earnings per share (note (6)(q)) | | | | | | | | |
| 9750 | Basic earnings per share (NTD) | \$ 2.53 | | 1.34 | | 6.38 | | 3.18 | |
| 9850 | Diluted earnings per share (NTD) | \$ 2.52 | | 1.33 | | 6.36 | | 3.17 | |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | | Exchange differences on translation of foreign 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 | | | | |
| Balance on January 1, 2023 | \$ 1,608,139 | 15,115,876 | 1,829,345 | 169,408 | 5,820,426 | 7,819,179 | 9,386 | (28,582) | (19,196) | 24,523,998 |
| Net profit for the nine months ended September 30, 2023 | - | - | - | - | 664,054 | 664,054 | - | - | - | 664,054 |
| Other comprehensive income for the nine months ended September 30, 2023 | - | - | - | - | - | - | 81,003 | 5,833 | 86,836 | 86,836 |
| Total comprehensive income for the nine months ended September 30, 2023 | - | - | - | - | 664,054 | 664,054 | 81,003 | 5,833 | 86,836 | 750,890 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 320,736 | - | (320,736) | - | - | - | - | - |
| Cash dividends of ordinary shares | - | - | - | - | (1,249,536) | (1,249,536) | - | - | - | (1,249,536) |
| Share dividends of ordinary shares | 482,442 | - | - | - | (482,442) | (482,442) | - | - | - | - |
| Balance on September 30, 2023 | \$ 2,090,581 | 15,115,876 | 2,150,081 | 169,408 | 4,431,766 | 6,751,255 | 90,389 | (22,749) | 67,640 | 24,025,352 |
| Balance on January 1, 2024 | \$ 2,090,581 | 15,115,876 | 2,150,081 | 169,408 | 4,936,725 | 7,256,214 | 7,949 | (29,165) | (21,216) | 24,441,455 |
| Net profit for the nine months ended September 30, 2024 | - | - | - | - | 1,334,680 | 1,334,680 | - | - | - | 1,334,680 |
| Other comprehensive income (loss) for the nine months ended September 30, 2024 | - | - | - | - | - | - | 50,110 | (15,749) | 34,361 | 34,361 |
| Total comprehensive income (loss) for the nine months ended September 30, 2024 | - | - | - | - | 1,334,680 | 1,334,680 | 50,110 | (15,749) | 34,361 | 1,369,041 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve appropriated | - | - | 116,901 | - | (116,901) | - | - | - | - | - |
| Cash dividends of ordinary shares | - | - | - | - | (501,739) | (501,739) | - | - | - | (501,739) |
| Others | - | 1,765 | - | - | - | - | - | - | - | 1,765 |
| Balance on September 30, 2024 | \$ 2,090,581 | 15,117,641 | 2,266,982 | 169,408 | 5,652,765 | 8,089,155 | 58,059 | (44,914) | 13,145 | 25,310,522 |

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 nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

| | For the nine months ended September 30 | |
|---|---|------------------|
| | 2024 | 2023 |
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 1,537,458 | 840,565 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expenses | 1,186,734 | 952,787 |
| Amortization expenses | 96,488 | 99,621 |
| Expected credit losses (gains) | (2,189) | 767 |
| Net losses on financial assets and liabilities at fair value through profit or loss | 144,153 | 241,145 |
| Interest expense | 82,280 | 76,392 |
| Interest income | (175,768) | (160,506) |
| Dividend income | (10,499) | (10,499) |
| Losses (gains) on disposal of property, plant and equipment | 5,702 | (973) |
| Impairment loss on non-financial assets | - | 277,271 |
| Unrelaized gain on foreign exchange | (96,636) | (173,220) |
| Others | (2,791) | (6,615) |
| Total adjustments to reconcile profit | 1,227,474 | 1,296,170 |
| Changes in operating assets and liabilities: | | |
| Increase in current financial assets and liabilities at fair value through profit or loss | (1,169,430) | (283,341) |
| Increase in contract assets | (16,931) | (13,082) |
| (Increase) decrease in accounts receivable | (81,379) | 295,711 |
| Increase in other receivables | (9,566) | (23,610) |
| (Increase) decrease in inventories | (165,476) | 106,392 |
| Decrease in prepayments | 40,004 | 62,136 |
| (Increase) decrease in other current assets | 6,851 | (3,616) |
| Increase (decrease) in current contract liabilities | (92,605) | 74,362 |
| Increase (decrease) in notes and accounts payable | 99,076 | (29,440) |
| Increase (decrease) in other payables | 146,211 | (98,326) |
| Increase (decrease) in provisions and other current liabilities | (71,335) | 74,151 |
| Decrease in net defined benefit liabilities | (5,253) | (3,494) |
| | (1,319,833) | 157,843 |
| Cash inflow generated from operations | 1,445,099 | 2,294,578 |
| Interest received | 151,140 | 117,912 |
| Dividends received | 10,499 | 10,499 |
| Interest paid | (62,769) | (58,824) |
| Income taxes paid | (129,399) | (639,460) |
| Net cash flows from operating activities | 1,414,570 | 1,724,705 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of non-current financial assets at fair value through profit or loss | (1,424) | (85,987) |
| Proceeds from disposal of non-current financial assets at fair value through profit or loss | 104,487 | 368,967 |
| Acquisition of non-current financial assets at amortized cost | (250,455) | (1,636,125) |
| Acquisition of property, plant and equipment | (936,426) | (2,206,755) |
| Proceeds from disposal of property, plant and equipment | 280 | 1,780 |
| Decrease in refundable deposits | 2,119 | 4,436 |
| Acquisition of intangible assets | (15,652) | (20,999) |
| Increase in other financial assets | (1,774) | (1,762) |
| Net cash used in investing activities | (1,098,845) | (3,576,445) |
| Cash flows from (used in) financing activities: | | |
| Proceeds from long-term borrowings | 675,000 | - |
| Repayments of long-term borrowings | (965,952) | - |
| Increase in guarantee deposits received | - | 24 |
| Payments of lease liabilities | (20,040) | (18,379) |
| Cash dividends paid | (501,739) | (1,249,536) |
| Net cash used in financing activities | (812,731) | (1,267,891) |
| Effect of exchange rate changes on cash and cash equivalents | 42,897 | 67,877 |
| Net decrease in cash and cash equivalents | (454,109) | (3,051,754) |
| Cash and cash equivalents at the beginning of period | 4,746,867 | 7,496,769 |
| Cash and cash equivalents at the end of period | \$ 4,292,758 | 4,445,015 |

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 nine months ended September 30, 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 No. 88, Ln. 1125, Heping Rd., Bade Dist., Taoyuan 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 October 29, 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 the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|--------------------------------|
| IFRS 18 “Presentation and Disclosure in Financial Statements” | <p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. | January 1, 2027 |

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| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|--------------------------------|
| Annual Improvements to IFRS Accounting Standards—Volume 11 | <p>The amendments set out:</p> <ol style="list-style-type: none"> 1. IFRS 1 “First-time Adoption of International Financial Reporting Standards”: <p>The amendments address a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments.</p> 2. IFRS 7 “Financial Instruments: Disclosures”: <p>The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.</p> 3. IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> • Derecognition of a lease liability <p>The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases.</p> • Transaction price <p>The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.</p> | January 1, 2026 |

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| Standards or Interpretations | Content of amendment | Effective date per IASB |
|------------------------------|---|-------------------------|
| | 4. IFRS 10 “Consolidated Financial Statements”: The amendments clarify the determination of a ‘de facto agent’. | |
| | 5. IAS 7 “Statement of Cash Flows”: The amendments address a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term ‘cost method’. | |

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

(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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary | Nature of operation | Shareholding | | | Note |
|------------------|--|--|--------------------|-------------------|--------------------|------|
| | | | September 30, 2024 | December 31, 2023 | September 30, 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) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(d) 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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.

(e) 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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Petty cash and cash on hand | \$ 141 | 163 | 137 |
| Checking accounts and demand deposits | 1,743,225 | 1,700,968 | 1,216,003 |
| Time deposits | <u>2,549,392</u> | <u>3,045,736</u> | <u>3,228,875</u> |
| | <u>\$ 4,292,758</u> | <u>4,746,867</u> | <u>4,445,015</u> |

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

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Notes to the Consolidated Financial Statements

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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|-------------------------------|------------------------------|-------------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging | | | |
| Forward exchange contracts | \$ 65,705 | 54,780 | 156 |
| Foreign exchange swaps contracts | 2,982 | 896 | - |
| Non-derivative financial assets | | | |
| Open-end mutual funds | 237,865 | 235,419 | 234,666 |
| Structured deposit | 1,081,114 | 100,226 | 100,094 |
| Structured investments | 151,106 | 251,937 | 251,961 |
| Stock listed in domestic markets | 232,664 | 184,649 | 196,895 |
| Foreign private funds | <u>234,052</u> | <u>249,670</u> | <u>261,752</u> |
| | <u>\$ 2,005,488</u> | <u>1,077,577</u> | <u>1,045,524</u> |
| Current | \$ 1,387,666 | 391,321 | 334,916 |
| Non-current | <u>617,822</u> | <u>686,256</u> | <u>710,608</u> |
| | <u>\$ 2,005,488</u> | <u>1,077,577</u> | <u>1,045,524</u> |
| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
| Held-for-trading financial liabilities: | | | |
| Derivative instruments not used for hedging | | | |
| Forward exchange contracts | \$ 171 | 723 | 31,593 |
| Foreign exchange swaps contracts | <u>-</u> | <u>66</u> | <u>2,962</u> |
| | <u>\$ 171</u> | <u>789</u> | <u>34,555</u> |

The Group holds derivative financial instruments to hedge certain foreign exchange risk exposures arising from its operating activities. As of September 30, 2024, December 31 and September 30, 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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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| September 30, 2024 | | | | |
|--|-----------------------|------------|-----------------|-----------------------|
| | Amount | | Currency | Maturity dates |
| | (in thousands) | | | |
| Derivative financial assets | | | | |
| Forward exchange contracts: | | | | |
| Forward exchange purchased | USD 30,000 | USD to NTD | | 2024.10.03~2024.10.04 |
| Forward exchange sold | USD 160,000 | USD to NTD | | 2024.10.03~2024.10.17 |
| Foreign exchange swaps contracts | | | | |
| Foreign exchange swaps | USD 20,000 | USD to NTD | | 2024.10.03~2024.10.04 |
| Derivative financial liabilities | | | | |
| Forward exchange contracts: | | | | |
| Forward exchange purchased | USD 10,000 | USD to NTD | | 2024.10.03 |
| December 31, 2023 | | | | |
| | Amount | | Currency | Maturity dates |
| | (in thousands) | | | |
| Derivative financial assets | | | | |
| Forward exchange contracts: | | | | |
| 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 |
| Foreign exchange swaps contracts: | | | | |
| Foreign exchange swaps | USD 2,000 | USD to NTD | | 2024.01.03 |
| Derivative financial liabilities | | | | |
| Forward exchange contracts: | | | | |
| Forward exchange purchased | USD 5,000 | USD to NTD | | 2024.02.02 |
| Foreign exchange swaps contracts: | | | | |
| Foreign exchange swaps | USD 7,000 | USD to NTD | | 2024.01.12 |
| September 30, 2023 | | | | |
| | Amount | | Currency | Maturity dates |
| | (in thousands) | | | |
| Derivative financial assets | | | | |
| Forward exchange contracts: | | | | |
| Forward exchange sold | USD 5,000 | USD to NTD | | 2023.11.02 |
| Derivative financial liabilities | | | | |
| Forward exchange contracts: | | | | |
| Forward exchange sold | USD 2,000 | USD to JPY | | 2023.10.06 |
| Forward exchange sold | USD 114,600 | USD to NTD | | 2023.10.04~2023.10.26 |
| Foreign exchange swaps contracts: | | | | |
| Foreign exchange swaps | USD 9,000 | USD to NTD | | 2023.10.02~2023.10.05 |

Please refer to note (6)(t) for information relating to the credit risk of financial instruments. As of September 30, 2024, December 31 and September 30, 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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|-------------------------------|------------------------------|-------------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Stock listed in domestic market - preferred stocks | \$ <u>305,066</u> | <u>320,815</u> | <u>327,231</u> |

- (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 and nine months ended September 30, 2024 and 2023.
- (iii) For credit risk and market risk, please refer to note (6)(t).
- (iv) As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Financial assets at amortized cost

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------------------|-------------------------------|------------------------------|-------------------------------|
| Foreign corporate bonds | \$ <u>3,216,362</u> | <u>2,843,331</u> | <u>3,234,848</u> |
| Current | \$ 842,943 | - | - |
| Non-current | <u>2,373,419</u> | <u>2,843,331</u> | <u>3,234,848</u> |
| | <u>\$ 3,216,362</u> | <u>2,843,331</u> | <u>3,234,848</u> |

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

- (i) The Group purchased the bond with a face value of USD 7,956 thousand and USD 53,505 thousand for the nine months ended September 30, 2024 and 2023, with the coupon rates of 5.21% and 1.538%~4.948%, respectively, the above-mentioned foreign corporate bonds as of September 30, 2024, will mature between April 2025 and August 2028.
- (ii) Please refer to note (6)(t) for credit risk information.
- (iii) As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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Notes to the Consolidated Financial Statements

(e) Accounts receivable

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|----------------------------|-------------------------|-------------------------|
| Accounts receivable—measured as amortized cost | \$ 2,158,282 | 2,077,758 | 1,864,765 |
| Less: loss allowance | (116) | (3,181) | (3,334) |
| | <u><u>\$ 2,158,166</u></u> | <u><u>2,074,577</u></u> | <u><u>1,861,431</u></u> |

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, 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:

| September 30, 2024 | | | |
|------------------------|---|---|-------------------|
| Aging interval | Carrying amount of accounts receivable | Weighted- average expected loss rate | Loss allowance |
| Current | \$ 2,145,510 | - | - |
| Overdue 1 to 30 days | 12,499 | - | - |
| Overdue 31 to 60 days | 51 | 10.00% | 5 |
| Overdue 91 to 120 days | 222 | 50.00% | 111 |
| | <u><u>\$ 2,158,282</u></u> | | <u><u>116</u></u> |

| December 31, 2023 | | | |
|-------------------------|---|---|---------------------|
| Aging interval | Carrying amount of accounts receivable | Weighted- average expected loss rate | Loss allowance |
| 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 | September 30, 2023 | | |
|-------------------------|---|---|-----------------------|
| | Carrying amount of accounts receivable | Weighted- average expected loss rate | Loss allowance |
| Current | \$ 1,703,208 | - | - |
| Overdue 1 to 30 days | 134,403 | - | - |
| Overdue 31 to 60 days | 26,124 | 10.00% | 2,613 |
| Overdue 61 to 90 days | 171 | 20.00% | 34 |
| Overdue 121 to 180 days | 859 | 80.00% | 687 |
| | <u>\$ 1,864,765</u> | | <u>3,334</u> |

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

| | For the nine months ended September 30 | |
|---|---|---------------------|
| | 2024 | 2023 |
| The beginning of period | \$ 3,181 | 3,214 |
| Impairment losses (reversed) recognized | (2,210) | 120 |
| Amounts written off | (855) | - |
| The end of period | <u>\$ 116</u> | <u>3,334</u> |

As of September 30, 2024, December 31 and September 30, 2023, the Group did not provide any accounts receivable as collaterals for its loans.

(f) Inventories

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---------------------|-------------------------------|------------------------------|-------------------------------|
| Finished goods | \$ 526,504 | 419,577 | 369,849 |
| Semi-finished goods | 101,327 | 92,271 | 224,127 |
| Work in progress | 270,918 | 272,678 | 267,826 |
| Raw materials | 754,176 | 700,963 | 713,910 |
| Indirect materials | 105,250 | 107,210 | 112,130 |
| | <u>\$ 1,758,175</u> | <u>1,592,699</u> | <u>1,687,842</u> |

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- (i) The details of the operating costs for the three months and nine months ended September 30, 2024 and 2023 of the Group were as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|-------------------------|---|-------------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cost of sales and expense | \$ 2,160,087 | 2,061,391 | 6,507,184 | 6,434,873 |
| Current operating cost recognized for inventories written off or provisions (reversal) of inventories written down due to devaluation and obsolescence | <u>37,478</u> | <u>(5,812)</u> | <u>45,271</u> | <u>66,808</u> |
| | <u>\$ 2,197,565</u> | <u>2,055,579</u> | <u>6,552,455</u> | <u>6,501,681</u> |

- (ii) Following the clearance and write-off of slow-moving inventories, the Group reversed its write-down of inventories due to devaluation and obsolescence, resulting in the net realizable value to increase for the three months ended September 30, 2023.
- (iii) As of September 30, 2024, December 31 and September 30, 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:

| | Land | Buildings and structures | Machinery and equipment | Office equipment | Leasehold improvements | Construction in progress and equipment under acceptance | Total |
|--|----------------------------|---|--|-----------------------------|-----------------------------------|--|--------------------------|
| Cost or deemed cost: | | | | | | | |
| 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 | - | 205,472 | 433,061 | 36,468 | - | 108,110 | 783,111 |
| Disposals | - | (27,958) | (266,422) | (48,133) | - | - | (342,513) |
| Transferred in (out) | - | 2,512,864 | 140,968 | 70,119 | - | (2,729,272) | (5,321) |
| Effects of movements in exchange rates | - | 14,300 | 51,969 | 8,044 | 62 | 3,047 | 77,422 |
| Balance on September 30, 2024 | <u>\$ 2,455,982</u> | <u>8,443,094</u> | <u>6,593,979</u> | <u>691,691</u> | <u>27,409</u> | <u>334,615</u> | <u>18,546,770</u> |
| 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 | - | 116,164 | 805,620 | 37,443 | - | 1,288,298 | 2,247,525 |
| Disposals | - | (67,212) | (328,726) | (35,140) | - | (484) | (431,562) |
| Transferred in (out) | - | 206,594 | 457,766 | 9,242 | - | (675,474) | (1,872) |
| Effects of movements in exchange rates | - | 23,883 | 93,258 | 13,113 | 104 | 3,612 | 133,970 |
| Balance on September 30, 2023 | <u>\$ 2,484,630</u> | <u>3,383,261</u> | <u>6,527,542</u> | <u>437,039</u> | <u>27,326</u> | <u>5,184,993</u> | <u>18,044,791</u> |

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| | | Land | Buildings and structures | Machinery and equipment | Office equipment | Leasehold improvements | Construction in progress and equipment under acceptance | Total |
|--|----|------------------|--------------------------------|-------------------------------|---------------------|---------------------------|--|-------------------|
| Depreciation and impairment loss: | | | | | | | | |
| Balance on January 1, 2024 | \$ | - | 1,281,604 | 4,534,045 | 328,220 | 13,717 | - | 6,157,586 |
| Depreciation | | - | 330,516 | 742,071 | 86,467 | 6,772 | - | 1,165,826 |
| Disposals | | - | (27,958) | (260,440) | (48,133) | - | - | (336,531) |
| Effects of movements in exchange rates | | - | 7,353 | 46,028 | 7,223 | 35 | - | 60,639 |
| Balance on September 30, 2024 | \$ | - | <u>1,591,515</u> | <u>5,061,704</u> | <u>373,777</u> | <u>20,524</u> | - | <u>7,047,520</u> |
| Balance on January 1, 2023 | \$ | - | 1,086,512 | 3,983,936 | 307,963 | 4,726 | - | 5,383,137 |
| Depreciation | | - | 150,683 | 732,659 | 43,847 | 6,739 | - | 933,928 |
| Impairment loss | | - | - | 225,335 | - | - | - | 225,335 |
| Disposals | | - | (67,212) | (328,403) | (35,140) | - | - | (430,755) |
| Transferred in (out) | | - | 602 | (602) | - | - | - | - |
| Effects of movements in exchange rates | | - | 12,101 | 80,675 | 11,892 | 57 | - | 104,725 |
| Balance on September 30, 2023 | \$ | - | <u>1,182,686</u> | <u>4,693,600</u> | <u>328,562</u> | <u>11,522</u> | - | <u>6,216,370</u> |
| Carrying amount: | | | | | | | | |
| Balance on January 1, 2024 | \$ | <u>2,455,982</u> | <u>4,456,812</u> | <u>1,700,358</u> | <u>296,973</u> | <u>13,630</u> | <u>2,952,730</u> | <u>11,876,485</u> |
| Balance on September 30, 2024 | \$ | <u>2,455,982</u> | <u>6,851,579</u> | <u>1,532,275</u> | <u>317,914</u> | <u>6,885</u> | <u>334,615</u> | <u>11,499,250</u> |
| Balance on January 1, 2023 | \$ | <u>2,484,630</u> | <u>2,017,320</u> | <u>1,515,688</u> | <u>104,418</u> | <u>22,496</u> | <u>4,569,041</u> | <u>10,713,593</u> |
| Balance on September 30, 2023 | \$ | <u>2,484,630</u> | <u>2,200,575</u> | <u>1,833,942</u> | <u>108,477</u> | <u>15,804</u> | <u>5,184,993</u> | <u>11,828,421</u> |

The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City in August, 2020. The total amount of contract is \$3,200,000. As of September 30, 2024, December 31 and September 30, 2023, the amount of \$3,040,000, \$3,024,000, and \$2,976,000 had been paid, respectively.

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

As of September 30, 2024, December 31 and September 30, 2023, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(Continued)

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

(h) Right-of-use assets

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Office equipment</u> | <u>Total</u> |
|-------------------------------|------------------|---|-----------------------------|----------------|
| Carrying amount: | | | | |
| Balance on January 1, 2024 | \$ <u>75,915</u> | <u>49,904</u> | <u>20,346</u> | <u>146,165</u> |
| Balance on September 30, 2024 | \$ <u>84,834</u> | <u>36,374</u> | <u>15,114</u> | <u>136,322</u> |
| Balance on January 1, 2023 | \$ <u>80,569</u> | <u>25,292</u> | <u>9,360</u> | <u>115,221</u> |
| Balance on September 30, 2023 | \$ <u>76,526</u> | <u>35,197</u> | <u>13,386</u> | <u>125,109</u> |

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 nine months ended September 30, 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.

(i) Intangible assets

| | <u>Goodwill</u> | <u>Patents and others</u> | <u>Cost of computer software</u> | <u>Customer relationship</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------------------|--|----------------------------------|------------------|
| Carrying amount: | | | | | |
| Balance on January 1, 2024 | \$ <u>7,396,676</u> | <u>560,120</u> | <u>51,699</u> | <u>267,162</u> | <u>8,275,657</u> |
| Balance on September 30, 2024 | \$ <u>7,396,676</u> | <u>503,491</u> | <u>63,145</u> | <u>246,957</u> | <u>8,210,269</u> |
| Balance on January 1, 2023 | \$ <u>7,448,612</u> | <u>639,945</u> | <u>61,710</u> | <u>295,450</u> | <u>8,445,717</u> |
| Balance on September 30, 2023 | \$ <u>7,396,676</u> | <u>578,996</u> | <u>48,920</u> | <u>273,898</u> | <u>8,298,490</u> |

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

There were no significant additions, disposal, and reversal of impairment losses of the intangible assets for the nine months ended September 30, 2024. 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>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|----------------------------------|-------------------------------|------------------------------|-------------------------------|
| Comprehensive secured bank loans | \$ <u>-</u> | <u>-</u> | <u>-</u> |
| Unused short-term credit lines | \$ <u>8,645,500</u> | <u>7,830,290</u> | <u>7,497,570</u> |

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Please refer to note (8) for the information about the Group had provided assets as collateral for part of its borrowings.

(k) Long-term borrowings

Details of long-term borrowings were as follows:

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Unsecured bank loans | \$ 5,069,048 | 5,360,000 | 5,360,000 |
| Less: discounts on government grants | (54,804) | (132,183) | (137,983) |
| Less: current portion | (1,589,376) | - | - |
| | <u>\$ 3,424,868</u> | <u>5,227,817</u> | <u>5,222,017</u> |
| Unused long-term credit lines | <u>\$ 2,995,000</u> | <u>3,700,000</u> | <u>4,200,000</u> |
| Range of interest rates | <u>1.475%~1.85%</u> | <u>1.35%~1.55%</u> | <u>1.35%~1.55%</u> |
| 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. 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 recognition. Moreover, the differences of \$158,836 and \$535, respectively, between the proceeds and the fair value of the loan, with the benefit deriving from the preferential interest rate loans, had been recognized as deferred revenue recorded under other non-current liabilities. For the three months and nine months ended September 30, 2024 and 2023, the grant profits of \$2,989, \$2,842, \$9,759 and \$8,487, 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:

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---|-------------------------------|------------------------------|-------------------------------|
| Salaries and bonus payable, employees' compensation and directors' remuneration | \$ 1,288,080 | 1,234,996 | 1,405,183 |
| Payable on machinery and equipment | 140,151 | 293,466 | 347,761 |
| Accrued employee benefit liabilities | 75,403 | 76,210 | 47,572 |
| Others | 494,878 | 400,515 | 424,586 |
| | <u>\$ 1,998,512</u> | <u>2,005,187</u> | <u>2,225,102</u> |

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

(Continued)

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

(m) Lease liabilities

Details of lease liabilities were as follows:

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------|-----------------------|----------------------|-----------------------|
| Current | \$ 22,409 | 26,614 | 20,733 |
| Non-current | \$ 116,649 | 121,537 | 106,105 |

For the maturity analysis, please refer to note (6)(t) financial instruments.

The amounts recognized in profit or loss were as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--|--|-------|---|-------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest on lease liabilities | \$ 645 | 515 | 1,961 | 1,479 |
| Variable lease payments not included in the measurement of lease liabilities | \$ 45 | 516 | 688 | 964 |
| Expenses relating to short-term leases | \$ 6,779 | 2,046 | 17,262 | 7,111 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ 93 | 95 | 257 | 283 |

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

| | For the nine months ended September 30 | |
|-------------------------------|---|--------|
| | 2024 | 2023 |
| Total cash outflow for leases | \$ 40,208 | 28,216 |

(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.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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.

(n) 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.

The expenses recognized in profit or loss of the Group amounted to \$2,201, \$2,713, \$6,584 and \$8,249 for the three months and nine months ended September 30, 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 \$19,571, \$19,861, \$59,042 and \$61,711 for the three months and nine months ended September 30, 2024 and 2023, respectively.

(o) Income taxes

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|---------------|---|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Current tax expense | | | | |
| Current period | \$ 28,783 | 75,631 | 202,778 | 176,511 |
| Additional tax on undistributed earnings | (27,418) | - | - | - |
| | \$ 1,365 | 75,631 | 202,778 | 176,511 |

(Continued)

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

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|---------------|---|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | \$ <u>(8,158)</u> | <u>11,521</u> | <u>9,635</u> | <u>15,906</u> |

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

- (iv) 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.

- (p) Capital and other equity

There were no significant changes in capital and other equity for the nine months ended September 30, 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.

- (i) Capital surplus

The balances of capital surplus were as follows:

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Additional paid-in capital | \$ 15,059,657 | 15,059,657 | 15,059,657 |
| Others | <u>57,984</u> | <u>56,219</u> | <u>56,219</u> |
| | <u>\$ 15,117,641</u> | <u>15,115,876</u> | <u>15,115,876</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.

(Continued)

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

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.

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.

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

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 | \$ 2.40 | 501,739 | 10.77007957 | 1,731,978 |

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

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

(q) Earnings per share

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--|--|----------------|---|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Basic earnings per share (NTD): | | | | |
| Profit attributable to ordinary shareholders of the Company | \$ <u>529,437</u> | <u>279,639</u> | <u>1,334,680</u> | <u>664,054</u> |
| Weighted-average number of ordinary shares outstanding (thousands) | <u>209,058</u> | <u>209,058</u> | <u>209,058</u> | <u>209,058</u> |
| Basic earnings per share (NTD) | \$ <u>2.53</u> | <u>1.34</u> | <u>6.38</u> | <u>3.18</u> |
| Diluted earnings per share (NTD): | | | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | \$ <u>529,437</u> | <u>279,639</u> | <u>1,334,680</u> | <u>664,054</u> |
| Weighted-average number of ordinary shares outstanding (thousands) | 209,058 | 209,058 | 209,058 | 209,058 |
| Effect of employee share remuneration (thousands) | <u>655</u> | <u>415</u> | <u>775</u> | <u>711</u> |
| Weighted-average number of ordinary shares outstanding (diluted) (thousands) | <u>209,713</u> | <u>209,473</u> | <u>209,833</u> | <u>209,769</u> |
| Diluted earnings per share (NTD) | \$ <u>2.52</u> | <u>1.33</u> | <u>6.36</u> | <u>3.17</u> |

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

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

(i) Disaggregation of revenue

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--------------------------------------|--|-------------------------|---|-------------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Primary geographical markets: | | | | |
| Malaysia | \$ 647,586 | 514,641 | 2,082,624 | 1,545,614 |
| Switzerland | 691,935 | 783,187 | 1,961,135 | 2,387,220 |
| Japan | 509,806 | 391,041 | 1,509,724 | 1,311,481 |
| United States | 333,799 | 261,659 | 1,158,084 | 844,926 |
| Singapore | 330,730 | 254,229 | 872,413 | 872,652 |
| China | 215,976 | 174,429 | 567,151 | 503,067 |
| Others | 337,719 | 287,636 | 956,349 | 946,073 |
| | <u><u>\$ 3,067,551</u></u> | <u><u>2,666,822</u></u> | <u><u>9,107,480</u></u> | <u><u>8,411,033</u></u> |
| Major products: | | | | |
| Image products | \$ 1,504,194 | 1,417,029 | 4,268,150 | 4,541,268 |
| Hybrid modules & specialty packaging | 737,985 | 608,287 | 2,245,437 | 1,923,437 |
| Ceramic metalized substrate | 578,856 | 443,563 | 1,723,074 | 1,430,378 |
| RF module | 224,762 | 177,303 | 782,733 | 409,884 |
| Others | 21,754 | 20,640 | 88,086 | 106,066 |
| | <u><u>\$ 3,067,551</u></u> | <u><u>2,666,822</u></u> | <u><u>9,107,480</u></u> | <u><u>8,411,033</u></u> |

(ii) Contract balances

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|----------------------------|-------------------------|-------------------------|
| Accounts receivable | \$ 2,158,282 | 2,077,758 | 1,864,765 |
| Contract assets—image products (recorded under other current assets) | 133,009 | 116,078 | 90,818 |
| Less: loss allowance | (116) | (3,181) | (3,334) |
| Total | <u><u>\$ 2,291,175</u></u> | <u><u>2,190,655</u></u> | <u><u>1,952,249</u></u> |
| Contract liabilities—advance sales receipts | <u><u>\$ 94,625</u></u> | <u><u>187,230</u></u> | <u><u>132,723</u></u> |

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

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The amounts of revenue recognized for the nine months ended September 30, 2024 and 2023 that were included in the contract liabilities balance at the beginning of the periods were \$156,809 and \$41,362, 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.

(s) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended on June 6, 2023, if the Company makes a profit in a year, no less than 3% shall be set aside as employees' compensation and no more than 3% shall be set aside as directors' remuneration. However, if the Company still has accumulated losses, the Company shall retain the amount to offset such losses in advance and then provide for the employees' compensation and directors' remuneration in proportion to the aforementioned amounts. The distribution shall be made in the form of cash or 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.

Based on the Company's Articles of Incorporation amended on June 6, 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 and nine months ended September 30, 2024 and 2023, the Company estimated its employee remuneration amounting to \$31,644, \$21,355, \$91,696 and \$61,803, and directors' remuneration amounting to \$17,260, \$11,648, \$50,016 and \$27,679, 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 is available on the Market Observation Post System website.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(t) 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 nine months ended September 30, 2024 and 2023, amounted to \$5,133,900 and \$4,997,163, 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.

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) of the consolidated financial statements for the year ended December 31, 2023.

The loss allowance of other receivables for the nine months ended September 30, 2024 and 2023 were as follows:

| | <u>Other receivables</u> |
|--|---------------------------------|
| Balance on January 1, 2024 | \$ 10 |
| Impairment loss recognized | 21 |
| Effects of movements in exchange rates | <u>1</u> |
| Balance on September 30, 2024 | <u>\$ 32</u> |
| Balance on January 1, 2023 | \$ 95 |
| Impairment loss recognized | 647 |
| Effects of movements in exchange rates | <u>50</u> |
| Balance on September 30, 2023 | <u>\$ 792</u> |

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

(ii) Liquidity risk

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

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>Over a year</u> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|
| September 30, 2024 | | | | |
| Non-derivative financial liabilities: | | | | |
| Notes and accounts payable | \$ 825,191 | (825,191) | (825,191) | - |
| Other payables | 1,998,512 | (1,998,512) | (1,998,512) | - |
| Lease liabilities (including current and non-current portion) | 139,058 | (166,394) | (24,721) | (141,673) |
| Guarantee deposits received | 3,569 | (3,569) | - | (3,569) |
| Long-term borrowings (including current portion) | 5,014,244 | (5,237,759) | (1,678,331) | (3,559,428) |
| Derivative financial liabilities: | | | | |
| Forward exchange contracts: | 171 | | | |
| Inflow | | 315,000 | 315,000 | - |
| Outflow | | (315,171) | (315,171) | - |
| | <u>\$ 7,980,745</u> | <u>(8,231,596)</u> | <u>(4,526,926)</u> | <u>(3,704,670)</u> |
| December 31, 2023 | | | | |
| 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> |

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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> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|
| September 30, 2023 | | | | |
| Non-derivative financial liabilities: | | | | |
| Notes and accounts payable | \$ 772,615 | (772,615) | (772,615) | - |
| Other payables | 2,225,102 | (2,225,102) | (2,225,102) | - |
| Lease liabilities (including current and non-current portion) | 126,838 | (152,212) | (22,787) | (129,425) |
| Guarantee deposits received | 3,437 | (3,437) | - | (3,437) |
| Long-term borrowings | 5,222,017 | (5,360,000) | - | (5,360,000) |
| Derivative financial liabilities: | | | | |
| Forward exchange contracts: | 31,593 | | | |
| Inflow | | 3,726,187 | 3,726,187 | - |
| Outflow | | (3,762,682) | (3,762,682) | - |
| Foreign exchange swaps contracts: | 2,962 | | | |
| Inflow | | 287,439 | 287,439 | - |
| Outflow | | (290,430) | (290,430) | - |
| | <u>\$ 8,384,564</u> | <u>(8,552,852)</u> | <u>(3,059,990)</u> | <u>(5,492,862)</u> |

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

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to financial assets and liabilities for foreign currency risk were as follows:

| | <u>September 30, 2024</u> | | | <u>December 31, 2023</u> | | | <u>September 30, 2023</u> | | |
|-----------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | \$ 192,786 | USD/NTD =31.650 | 6,101,677 | 188,193 | USD/NTD =30.705 | 5,778,466 | 207,513 | USD/NTD =32.270 | 6,696,445 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 16,392 | USD/NTD =31.650 | 518,807 | 17,051 | USD/NTD =30.705 | 523,551 | 24,532 | USD/NTD =32.270 | 791,648 |
| JPY | 455,986 | JPY/NTD =0.2223 | 101,366 | 186,185 | JPY/NTD =0.2172 | 40,439 | 278,093 | JPY/NTD =0.2162 | 60,124 |

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

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the nine months ended September 30, 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 nine months ended September 30 | |
|-----------------------|---|-------------|
| | 2024 | 2023 |
| USD (against the NTD) | | |
| Strengthening 5% | \$ 279,144 | 295,240 |
| Weakening 5% | (279,144) | (295,240) |
| JPY (against the NTD) | | |
| Strengthening 5% | (5,068) | (3,006) |
| Weakening 5% | 5,068 | 3,006 |

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2024 and 2023, the foreign exchange gains (losses), including realized and unrealized portion, amounted to a loss of \$130,584, and gains of \$184,629, \$176,957, and \$255,210, respectively.

2) Interest rate risk

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

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

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the Group's net profit before tax would have decreased or increased by \$6,124 and \$7,518, for the nine months ended September 30, 2024 and 2023, respectively, which would be mainly resulted from the borrowings, demand deposits and time deposits with variable interest rates.

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

(iv) Fair value

1) The categories and the fair values of financial instruments

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

| September 30, 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 \$ | 68,687 | - | 68,687 | - | 68,687 |
| Open-end mutual funds | 237,865 | 237,865 | - | - | 237,865 |
| Structured deposit | 1,081,114 | - | 1,081,114 | - | 1,081,114 |
| Structured investments | 151,106 | - | - | 151,106 | 151,106 |
| Stock listed in domestic markets | 232,664 | 232,664 | - | - | 232,664 |
| Foreign private funds | 234,052 | - | - | 234,052 | 234,052 |
| Subtotal | <u>2,005,488</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stock listed in domestic market—preferred stocks | <u>305,066</u> | 305,066 | - | - | 305,066 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 4,292,758 | - | - | - | - |
| Accounts receivable, net | 2,158,166 | - | - | - | - |
| Other receivables | 30,634 | - | - | - | - |
| Other current financial assets | 34,221 | - | - | - | - |
| Foreign corporate bonds (including current and non-current portion) | 3,216,362 | - | - | - | - |
| Guarantee deposits paid (recorded under other non-current assets) | 15,000 | - | - | - | - |
| Other non-current financial assets | 5,000 | - | - | - | - |
| Subtotal | <u>9,752,141</u> | | | | |
| Total | <u><u>\$ 12,062,695</u></u> | | | | |

(Continued)

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

| | | September 30, 2024 | | | | |
|------------------------------|----|-------------------------|------------|---------|---------|---------|
| | | Carrying amount | Fair value | | | |
| | | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities | | | | | | |
| measured at fair value | | | | | | |
| through profit or loss | | | | | | |
| Derivative financial | | | | | | |
| liabilities | \$ | <u>171</u> | - | 171 | - | 171 |
| Financial liabilities | | | | | | |
| measured at amortized | | | | | | |
| cost | | | | | | |
| Notes and accounts | | | | | | |
| payable | | 825,191 | - | - | - | - |
| Other payables | | 1,998,512 | - | - | - | - |
| Lease liabilities (including | | | | | | |
| current and non-current | | | | | | |
| portion) | | 139,058 | - | - | - | - |
| Guarantee deposits | | | | | | |
| received | | 3,569 | - | - | - | - |
| Long-term borrowings | | | | | | |
| (including current | | | | | | |
| portion) | | <u>5,014,244</u> | - | - | - | - |
| Subtotal | | <u>7,980,574</u> | | | | |
| Total | \$ | <u><u>7,980,745</u></u> | | | | |
| | | December 31, 2023 | | | | |
| | | 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 | \$ | 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 | | 1,077,577 | | | | |

(Continued)

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

| | December 31, 2023 | | | | |
|--|-----------------------------|-------------------|----------------|----------------|--------------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stock listed in domestic markets – preferred stocks | <u>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>\$ 11,153,220</u> | | | | |
| 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 | <u>\$ 8,111,628</u> | | | | |

(Continued)

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

| | September 30, 2023 | | | | |
|--|-----------------------------|------------|---------|---------|---------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion) | | | | | |
| Derivative financial assets \$ | 156 | - | 156 | - | 156 |
| Open-end mutual funds | 234,666 | 234,666 | - | - | 234,666 |
| Structured deposits | 100,094 | - | 100,094 | - | 100,094 |
| Structured investments | 251,961 | - | - | 251,961 | 251,961 |
| Stock listed in domestic markets | 196,895 | 196,895 | - | - | 196,895 |
| Foreign private funds | <u>261,752</u> | - | - | 261,752 | 261,752 |
| Subtotal | <u>1,045,524</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stock listed in domestic markets – preferred stocks | <u>327,231</u> | 327,231 | - | - | 327,231 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 4,445,015 | - | - | - | - |
| Accounts receivable, net | 1,861,431 | - | - | - | - |
| Other receivables | 29,489 | - | - | - | - |
| Other current financial assets | 33,674 | - | - | - | - |
| Foreign corporate bonds | 3,234,848 | - | - | - | - |
| Guarantee deposits paid (recorded under other non-current assets) | 21,995 | - | - | - | - |
| Other non-current financial assets | <u>5,405</u> | - | - | - | - |
| Subtotal | <u>9,631,857</u> | | | | |
| Total | <u>\$ 11,004,612</u> | | | | |

(Continued)

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

| | Carrying amount | September 30, 2023 | | | |
|---|----------------------------|--------------------|---------|---------|--------|
| | | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities measured at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>34,555</u> | - | 34,555 | - | 34,555 |
| Financial liabilities measured at amortized cost | | | | | |
| Notes and accounts payable | 772,615 | - | - | - | - |
| Other payables | 2,225,102 | - | - | - | - |
| Lease liabilities (including current and non-current portion) | 126,838 | - | - | - | - |
| Guarantee deposits received | 3,437 | - | - | - | - |
| Long-term borrowings | <u>5,222,017</u> | - | - | - | - |
| Subtotal | <u>8,350,009</u> | | | | |
| Total | <u><u>\$ 8,384,564</u></u> | | | | |

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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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 nine months ended September 30, 2024 and 2023.

4) Reconciliation of Level 3 fair values

| | Non-derivative financial assets mandatorily measured at fair value through profit or loss |
|-------------------------------|--|
| Balance on January 1, 2024 | \$ 501,607 |
| Total gains and losses | |
| Recognized in profit or loss | (13,386) |
| Purchased | 1,424 |
| Disposals | <u>(104,487)</u> |
| Balance on September 30, 2024 | <u>\$ 385,158</u> |
| Balance on January 1, 2023 | \$ 779,016 |
| Total gains and losses | |
| Recognized in profit or loss | 17,677 |
| Purchased | 85,987 |
| Disposals | <u>(368,967)</u> |
| Balance on September 30, 2023 | <u>\$ 513,713</u> |

(Continued)

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

For the nine months ended September 30, 2024 and 2023, total gains and losses were included in gains (losses) on financial assets (liabilities) at fair value through profit or loss and foreign exchange gains (losses).

- 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 investment in private funds and structured investments.

The quantified information of significant unobservable inputs was as follows:

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

The 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.

- (u) 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.

- (v) 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.

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

- (i) The Group's investing and financing activities, which did not affect the current cash flow for the nine months ended September 30, 2024 and 2023, were as the acquisition of its right-of-use assets by lease, please refer to note (6)(h).

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

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

| | January 1, 2024 | Cash flows | Non-cash changes | | September 30, 2024 |
|---|---------------------|------------------|------------------|---------------|-----------------------|
| | | | Increase | Other | |
| Lease liabilities (including current and non-current portion) | \$ 148,151 | (20,040) | 16,257 | (5,310) | 139,058 |
| Guarantee deposits received | 3,569 | - | - | - | 3,569 |
| Long-term borrowings (including current portion) | 5,227,817 | (290,952) | - | 77,379 | 5,014,244 |
| Total liabilities from financing activities | <u>\$ 5,379,537</u> | <u>(310,992)</u> | <u>16,257</u> | <u>72,069</u> | <u>5,156,871</u> |

| | January 1, 2023 | Cash flows | Non-cash changes | | September 30, 2023 |
|---|---------------------|-----------------|------------------|---------------|-----------------------|
| | | | Increase | Other | |
| Lease liabilities (including current and non-current portion) | \$ 116,470 | (18,379) | 28,747 | - | 126,838 |
| Guarantee deposits received | 3,413 | 24 | - | - | 3,437 |
| Long-term borrowings | 5,204,769 | - | - | 17,248 | 5,222,017 |
| Total liabilities from financing activities | <u>\$ 5,324,652</u> | <u>(18,355)</u> | <u>28,747</u> | <u>17,248</u> | <u>5,352,292</u> |

(7) Related-party transactions

(a) Name and relationship with related parties

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

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

(b) Significant transaction with related parties

(i) Operating expenses

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---------------------------|--|----------|---|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Substantial related party | <u>\$ 1,500</u> | <u>-</u> | <u>1,500</u> | <u>-</u> |

As of September 30, 2024, the Group recorded the resulting payable amount of \$1,575 (including tax) under other payables.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(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:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|------------------------------|--|---------------|---|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Short-term employee benefits | \$ 35,902 | 33,895 | 107,821 | 110,878 |
| Post-employment benefits | 153 | 189 | 537 | 567 |
| | \$ 36,055 | 34,084 | 108,358 | 111,445 |

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

| Pledged assets | Subject | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|---|-------------------------------|------------------------------|-------------------------------|
| Other current financial assets – time deposits | Credit lines for letters of credit and short-term borrowings and credit lines | \$ 31,334 | 30,398 | 31,947 |
| 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 |
| Property, plant and equipment – land, buildings, machinery and equipment | Long-term and short-term borrowings and credit lines | 222,989 | 192,171 | 491,022 |
| | | \$ 259,323 | 227,974 | 528,374 |

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

(9) Commitments and contingencies

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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|-----------------------|----------------------|-----------------------|
| Future payments for the purchase of equipment and construction in progress | \$ <u>142,077</u> | <u>552,820</u> | <u>954,627</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 September 30, 2024, the outstanding construction payment amounting to \$160,000.
- (c) The Group's unused and outstanding letters of credit and the deposit for the Group's customs duties were as follows:

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---|-----------------------|----------------------|-----------------------|
| Unused and outstanding letters of credit and the deposit for customs duties | \$ <u>28,000</u> | <u>36,500</u> | <u>35,500</u> |

(10) Losses due to major disasters: None.

(11) Subsequent events:.

The chairman has been authorized to carry out administrative procedures for land acquisition, at a maximum amount of \$650,000, in response to the future expansion of THEPI, a subsidiary of the Group, based on a resolution was approved during the board meeting held on October 29, 2024.

(12) Other

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

| | For the three months ended September 30 | | | | | |
|----------------------------|---|--------------------|---------|-----------------|--------------------|---------|
| | 2024 | | | 2023 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salaries | 421,737 | 186,208 | 607,945 | 404,691 | 166,317 | 571,008 |
| Labor and health insurance | 37,309 | 11,113 | 48,422 | 35,667 | 10,759 | 46,426 |
| Pension | 17,124 | 4,648 | 21,772 | 16,690 | 5,884 | 22,574 |
| Other employee benefits | 33,592 | 8,569 | 42,161 | 32,722 | 6,896 | 39,618 |
| Depreciation | 346,753 | 58,773 | 405,526 | 313,542 | 15,606 | 329,148 |
| Amortization | 2,691 | 29,970 | 32,661 | 1,881 | 29,548 | 31,429 |

(Continued)

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

| | For the nine months ended September 30 | | | | | |
|----------------------------|--|--------------------|-----------|-----------------|--------------------|-----------|
| By function | 2024 | | | 2023 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salaries | 1,250,442 | 503,181 | 1,753,623 | 1,490,182 | 508,716 | 1,998,898 |
| Labor and health insurance | 110,366 | 34,454 | 144,820 | 119,889 | 32,965 | 152,854 |
| Pension | 50,874 | 14,752 | 65,626 | 52,625 | 17,335 | 69,960 |
| Other employee benefits | 96,444 | 24,638 | 121,082 | 95,489 | 19,930 | 115,419 |
| Depreciation | 1,016,790 | 169,944 | 1,186,734 | 907,014 | 45,773 | 952,787 |
| Amortization | 7,865 | 88,623 | 96,488 | 5,706 | 93,915 | 99,621 |

(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 nine months ended September 30, 2024:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 30, 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 | 237,865 | - | 237,865 | |
| The Company | Structured deposits | President securities Corporation DSU 100% NTD PGN | None | Current financial assets at fair value through profit or loss | - | 590,313 | - | 590,313 | |
| The Company | Structured deposits | KGI Bank short-term rate NTD structured Product | None | Current financial assets at fair value through profit or loss | - | 490,801 | - | 490,801 | |
| The Company | Fund | SMART Growth Fund, L.P. | None | Non-current financial assets at fair value through profit or loss | Note 1 | 234,052 | 1.60% | 234,052 | 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 | 232,664 | - | 232,664 | |
| 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 | 305,066 | - | 305,066 | |
| The Company | Stock | eGtran Corporation | None | Non-current financial assets at fair value through other comprehensive income | 22 | - | - | - | |

(Continued)

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

| Name of holder | Name of security | | Relationship with Company | Account title | Ending balance | | | | Note |
|----------------|------------------------|--|---------------------------|---|----------------|-----------------|-----------------------------|------------|-----------|
| | Category | Name | | | Shares /Units | Carrying amount | Percentage of ownership (%) | Fair value | |
| The Company | Bond | Formosa Group Cayman LTD International Bond | None | Current financial assets at amortized cost | - | 315,685 | - | 315,685 | Notes 2,3 |
| The Company | Bond | Nissan Motor Co. Ltd. International Bond | None | Current financial assets at amortized cost | - | 312,541 | - | 312,541 | Notes 2,3 |
| The Company | Bond | TSMC Global Corp. International Bond (AC27) | None | Current financial assets at amortized cost | - | 214,717 | - | 214,717 | Notes 2,3 |
| The Company | Bond | TSMC Arizona Corp. International Bond | None | Non-current financial assets at amortized cost | - | 151,551 | - | 151,551 | Notes 2,3 |
| The Company | Bond | TSMC Global Corp. International Bond (AF57) | None | Non-current financial assets at amortized cost | - | 242,786 | - | 242,786 | Notes 2,3 |
| The Company | Bond | JPMorgan Chase & Co. Bond | None | Non-current financial assets at amortized cost | - | 317,214 | - | 317,214 | Notes 2,3 |
| The Company | Bond | Morgan Stanley Bond | None | Non-current financial assets at amortized cost | - | 325,592 | - | 325,592 | Notes 2,3 |
| The Company | Bond | HSBC Holdings PLC Bond 1 | None | Non-current financial assets at amortized cost | - | 146,854 | - | 146,854 | Notes 2,3 |
| The Company | Bond | HSBC Holdings PLC Bond 2 | None | Non-current financial assets at amortized cost | - | 118,134 | - | 118,134 | Notes 2,3 |
| The Company | Bond | HSBC Holdings PLC Bond 3 | None | Non-current financial assets at amortized cost | - | 251,995 | - | 251,995 | Notes 2,3 |
| The Company | Bond | Mitsubishi UFJ Bond Financial Group Inc. Bond | None | Non-current financial assets at amortized cost | - | 221,991 | - | 221,991 | Notes 2,3 |
| The Company | Bond | Bank of America Corp. Bond | None | Non-current financial assets at amortized cost | - | 314,125 | - | 314,125 | Notes 2,3 |
| The Company | Bond | UBS Group AG Bond | None | Non-current financial assets at amortized cost | - | 221,125 | - | 221,125 | Notes 2,3 |
| The Company | Bond | Citigroup Inc. Bond | None | Non-current financial assets at amortized cost | - | 62,052 | - | 62,052 | 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 | - | 151,106 | - | 151,106 | |

Note 1: The amount of investment is USD 6,764 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:

Unit: thousand units/ thousand shares

| Company holding securities | Name of security | | Account | Counter-party | Relationship | Beginning Balance | | Purchases | | Sales | | | | Ending Balance(Note) | |
|----------------------------|---------------------|---|---|----------------------------------|--------------|-----------------------|---------|-----------------------|---------|-----------------------|---------|---------|-------------------------|-----------------------|---------|
| | Category | Name | | | | Shares (in thousands) | Amount | Shares (in thousands) | Amount | Shares (in thousands) | Price | Cost | Gain (loss) on disposal | Shares (in thousands) | Amount |
| The Company | Structured deposits | President securities Corporation DSU 100% NTD PGN | Current financial assets at fair value through profit or loss | President Securities Corporation | None | - | 100,226 | - | 690,000 | - | 200,744 | 200,000 | 744 | - | 590,313 |
| The Company | Structured deposits | KGI Bank short-term rate NTD structured Product | Current financial assets at fair value through profit or loss | KGI Securities Co., Ltd. | None | - | - | - | 490,000 | - | - | - | - | - | 490,801 |

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

(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 | 1,677,563 | 33 % | Monthly closing and paid by cash | - | - | Accounts payable (133,714) | (17)% | Note 2 |
| The Company | THEPI | 100% owned subsidiary by the Company | Processing fee | 402,354 | 8 % | Monthly closing and paid by cash | - | - | Note 1 | - % | Note 2 |
| THEPI | The Company | Parent company | Sale | (1,677,563) | (81)% | Monthly closing and received by cash | - | - | Accounts receivable 133,714 | 72 % | Note 2 |
| THEPI | The Company | Parent company | Processing income | (402,354) | (19)% | Monthly closing and received by cash | - | - | Accounts receivable 52,421 | 28 % | Note 2 |

Note 1: The other payables amounted to \$52,421 as of September 30, 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 | 186,135 | 17.67 % | - | - | 186,135 | - | Note 2 |

Note 1 : Information as of October 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 nine months ended September 30, 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 | 1,677,563 | 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. | 18 % |
| 1 | THEPI | The Company | 2 | Processing income | 402,354 | 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 | 133,714 | 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 | 52,421 | 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 nine months ended September 30, 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 |
|---------------------|---------------------|-------------|--|-------------------------------|----------------------|----------------|-------------------------------|--------------------|--|--|------|
| | | | | September 30, 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 % | 1,993,996 | (12,991) | (34,119) | 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 of the shareholders held an ownership stake exceeding 5%.

(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 nine months ended September 30, 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 \$720,680, \$541,831, \$2,079,917 and \$1,624,059 had been deducted from the intersegment revenues for the three months and nine months ended September 30, 2024 and 2023, respectively.