

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2025 and 2024**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. and its subsidiaries (“the Group”) as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2025 and 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2025 and 2024, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Wang, I-Wen and Hsin, Yu-Ting.

KPMG

Taipei, Taiwan (Republic of China)

April 17, 2025

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

Consolidated Balance Sheets

March 31, 2025, December 31, and March 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2025		December 31, 2024		March 31, 2024			Liabilities and Equity			March 31, 2025		December 31, 2024		March 31, 2024	
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%	Amount	%
Current assets:									Current liabilities:								
1100	Cash and cash equivalents (note (6)(a))	\$ 2,830,955	8	3,007,906	9	4,988,647	15	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))		\$	14,475	-	29,454	-	23,667	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,992,876	14	3,117,888	9	338,933	1	2130	Current contract liabilities (note (6)(s))			131,260	-	90,465	-	155,870	1
1136	Current financial assets at amortized cost (note (6)(d))	890,915	2	876,427	3	-	-	2170	Notes and accounts payable			905,483	3	787,984	2	819,353	2
1170	Accounts receivable, net (note (6)(e))	2,168,969	6	2,095,279	6	2,080,403	6	2200	Other payables (note (6)(m))			1,623,927	4	1,866,276	5	1,841,385	6
1200	Other receivables	60,867	-	82,723	-	70,342	-	2216	Dividends payable			627,174	2	-	-	501,739	1
1310	Inventories (note (6)(f))	1,730,063	5	1,732,862	5	1,632,498	5	2230	Current tax liabilities			351,493	1	264,100	1	304,736	1
1410	Prepayments	79,129	-	71,682	-	95,579	-	2250	Current provisions			190,064	1	217,612	1	258,719	1
1461	Non-current assets held for sale (note (6)(g))	-	-	39,458	-	-	-	2280	Current lease liabilities (note (6)(n))			24,384	-	26,399	-	26,399	-
1470	Other current assets (note (6)(s))	105,553	-	128,270	-	116,599	-	2300	Other current liabilities			49,756	-	14,425	-	36,324	-
1476	Other current financial assets (note (8))	35,902	-	35,448	-	33,392	-	2322	Long-term borrowings, current portion (note (6)(l))			1,592,341	4	1,590,855	5	-	-
		<u>12,895,229</u>	<u>35</u>	<u>11,187,943</u>	<u>32</u>	<u>9,356,393</u>	<u>27</u>					<u>5,510,357</u>	<u>15</u>	<u>4,887,570</u>	<u>14</u>	<u>3,968,192</u>	<u>12</u>
Non-current assets:									Non-current liabilities:								
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	711,494	2	571,870	2	587,250	2	2540	Long-term borrowings (note (6)(l))			4,622,953	13	3,431,597	10	5,233,643	15
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	304,483	1	310,316	1	319,648	1	2570	Deferred tax liabilities			226,708	1	226,708	1	168,703	1
1535	Non-current financial assets at amortized cost (note (6)(d))	2,507,304	7	2,467,108	7	3,229,216	10	2580	Non-current lease liabilities (note (6)(n))			132,332	-	136,174	-	114,953	-
1600	Property, plant and equipment (notes (6)(h), (7) and (8))	11,085,044	31	11,358,470	33	11,827,888	35	2600	Other non-current liabilities (note (6)(l))			76,470	-	78,939	-	146,325	-
1755	Right-of-use assets (note (6)(i))	157,175	-	165,427	-	139,095	-	2640	Non-current net defined benefit liabilities			23,516	-	21,732	-	68,401	-
1760	Investment property, net	28,648	-	28,648	-	28,648	-					<u>5,081,979</u>	<u>14</u>	<u>3,895,150</u>	<u>11</u>	<u>5,732,025</u>	<u>16</u>
1780	Intangible assets (note (6)(j))	8,185,873	22	8,186,491	24	8,273,255	24		Total liabilities			<u>10,592,336</u>	<u>29</u>	<u>8,782,720</u>	<u>25</u>	<u>9,700,217</u>	<u>28</u>
1840	Deferred tax assets	294,393	1	298,820	1	285,803	1		Equity:								
1900	Other non-current assets (note (6)(h))	211,721	1	27,931	-	18,994	-		Equity attributable to owners of parent: (note (6)(q))								
1975	Non-current net defined benefit assets	10,114	-	7,555	-	-	-	3100	Ordinary shares			2,090,581	6	2,090,581	6	2,090,581	6
1980	Other non-current financial assets (note (8))	5,000	-	5,000	-	5,405	-	3200	Capital surplus			15,117,641	42	15,117,641	44	15,115,876	45
		<u>23,501,249</u>	<u>65</u>	<u>23,427,636</u>	<u>68</u>	<u>24,715,202</u>	<u>73</u>	3310	Legal reserve			2,266,982	6	2,266,982	7	2,150,081	6
								3320	Special reserve			169,408	-	169,408	-	169,408	1
								3350	Unappropriated earnings			6,022,118	17	6,066,980	18	4,799,571	14
								3400	Other equity			91,119	-	75,693	-	45,861	-
									Total equity attributable to owners of parent			<u>25,757,849</u>	<u>71</u>	<u>25,787,285</u>	<u>75</u>	<u>24,371,378</u>	<u>72</u>
								36XX	Non-controlling interests			<u>46,293</u>	<u>-</u>	<u>45,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
									Total equity			<u>25,804,142</u>	<u>71</u>	<u>25,832,859</u>	<u>75</u>	<u>24,371,378</u>	<u>72</u>
Total assets		<u>\$ 36,396,478</u>	<u>100</u>	<u>34,615,579</u>	<u>100</u>	<u>34,071,595</u>	<u>100</u>		Total liabilities and equity		\$	<u>36,396,478</u>	<u>100</u>	<u>34,615,579</u>	<u>100</u>	<u>34,071,595</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2025 and 2024

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

		For the three months ended March 31			
		2025		2024	
		Amount	%	Amount	%
4000	Sales revenue	\$ 2,912,747	100	2,977,003	100
4170	Less: sales returns and allowances	4,085	-	5,985	-
4100	Net operating revenues (notes (6)(s) and (14))	2,908,662	100	2,971,018	100
5110	Operating costs (notes (6)(f), (6)(o) and (12))	2,101,782	72	2,152,505	73
5900	Gross profit	806,880	28	818,513	27
6000	Operating expenses (notes (6)(e), (6)(o), (7) and (12)):				
6100	Selling expenses	43,287	2	50,486	2
6200	Administrative expenses	233,767	8	217,289	7
6300	Research and development expenses	120,716	4	123,303	4
6450	Reversal gains of expected credit impairment losses	(181)	-	(1,188)	-
		397,589	14	389,890	13
6900	Net operating income	409,291	14	428,623	14
	Non-operating income and expenses:				
7100	Interest income	51,907	2	54,868	2
7190	Other income (note (6)(l))	21,325	1	12,374	-
7229	Gain on disposal of non-current assets held for sale (note (6)(g))	128,039	4	-	-
7230	Foreign exchange gains (losses), net (note (6)(u))	104,772	3	226,940	8
7235	Net gains (losses) on financial assets (liabilities) at fair value through profit or loss	(10,037)	-	(240,134)	(8)
7510	Finance cost—interest expense	(30,094)	(1)	(26,424)	(1)
7590	Miscellaneous disbursements	-	-	(395)	-
		265,912	9	27,229	1
7900	Profit before tax	675,203	23	455,852	15
7950	Less: income tax expenses (note (6)(p))	92,058	3	91,267	3
	Net profit	583,145	20	364,585	12
	Other comprehensive income: (note (6)(p))				
	Components of other comprehensive loss that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,833)	-	(1,167)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive loss that will not be reclassified to profit or loss	(5,833)	-	(1,167)	-
	Components of other comprehensive income that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	25,572	1	81,448	3
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(4,427)	-	(13,204)	-
	Total components of other comprehensive income that may be reclassified subsequently to profit or loss	21,145	1	68,244	3
8300	Other comprehensive income, net	15,312	1	67,077	3
8500	Comprehensive income	\$ 598,457	21	431,662	15
8600	Profit attributable to:				
8610	Owners of parent	\$ 582,312	20	364,585	12
8620	Non-controlling interests	833	-	-	-
		\$ 583,145	20	364,585	12
8700	Comprehensive income attributable to:				
8710	Owners of parent	\$ 597,738	21	431,662	15
8720	Non-controlling interests	719	-	-	-
		\$ 598,457	21	431,662	15
	Earnings per share (note (6)(r))				
9750	Basic earnings per share (NTD)	\$ 2.79		1.74	
9850	Diluted earnings per share (NTD)	\$ 2.77		1.74	

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 three months ended March 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											Non-controlling interests	Total equity
	Retained earnings						Exchange differences on translation of foreign financial statements	Other equity		Total equity attributable to owners of parent			
								Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Total						
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	-	24,441,455	
Net profit for the three months ended March 31, 2024	-	-	-	-	364,585	364,585	-	-	-	364,585	-	364,585	
Other comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	-	68,244	(1,167)	67,077	67,077	-	67,077	
Total comprehensive income for the three months ended March 31, 2024	-	-	-	-	364,585	364,585	68,244	(1,167)	67,077	431,662	-	431,662	
Appropriation and distribution of retained earnings:													
Cash dividends of ordinary shares	-	-	-	-	(501,739)	(501,739)	-	-	-	(501,739)	-	(501,739)	
Balance on March 31, 2024	\$ 2,090,581	15,115,876	2,150,081	169,408	4,799,571	7,119,060	76,193	(30,332)	45,861	24,371,378	-	24,371,378	
Balance on January 1, 2025	\$ 2,090,581	15,117,641	2,266,982	169,408	6,066,980	8,503,370	115,357	(39,664)	75,693	25,787,285	45,574	25,832,859	
Net profit for the three months ended March 31, 2025	-	-	-	-	582,312	582,312	-	-	-	582,312	833	583,145	
Other comprehensive income for the three months ended March 31, 2025	-	-	-	-	-	-	21,259	(5,833)	15,426	15,426	(114)	15,312	
Total comprehensive income for the three months ended March 31, 2025	-	-	-	-	582,312	582,312	21,259	(5,833)	15,426	597,738	719	598,457	
Appropriation and distribution of retained earnings:													
Cash dividends of ordinary shares	-	-	-	-	(627,174)	(627,174)	-	-	-	(627,174)	-	(627,174)	
Balance on March 31, 2025	\$ 2,090,581	15,117,641	2,266,982	169,408	6,022,118	8,458,508	136,616	(45,497)	91,119	25,757,849	46,293	25,804,142	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
For the three months ended March 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2025	2024
Cash flows from (used in) operating activities:		
Profit before tax	\$ 675,203	455,852
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	349,336	385,073
Amortization expenses	32,351	31,214
Reversal gains of expected credit impairment losses	(181)	(1,188)
Net losses on financial assets and liabilities at fair value through profit or loss	10,037	240,134
Interest expense	30,094	26,424
Interest income	(51,907)	(54,868)
Gain on disposal of property, plant and equipment	(12,105)	(42)
Gain on disposal of non-current assets held for sale	(128,039)	-
Unrealized gain on foreign exchange	(46,737)	(133,371)
Others	(2,223)	50
Total adjustments to reconcile profit	180,626	493,426
Changes in operating assets and liabilities:		
Increase in current financial assets and liabilities at fair value through profit or loss	(1,902,209)	(149,378)
Decrease in contract assets	24,662	4,724
Increase in accounts receivable	(73,506)	(4,631)
Decrease in other receivables	9,839	2,273
Decrease (increase) in inventories	2,799	(39,799)
Increase in prepayments	(7,447)	(74)
(Increase) decrease in other current assets	(1,945)	4,500
Increase in net defined benefit assets	(2,559)	-
Increase (decrease) in current contract liabilities	40,795	(31,360)
Increase in notes and accounts payable	117,499	93,238
Decrease in other payables	(177,500)	(32,521)
Increase (decrease) in provisions and other current liabilities	7,783	(20,454)
Increase in net defined benefit liabilities	1,784	242
	(1,960,005)	(173,240)
Cash (outflow) inflow generated from operations	(1,104,176)	776,038
Interest received	53,115	50,292
Interest paid	(24,008)	(20,407)
Income taxes paid	(4,769)	(10,099)
Net cash flows (used in) from operating activities	(1,079,838)	795,824
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(135,000)	-
Proceeds from disposal of non-current financial assets at fair value through profit or loss	440	92,217
Acquisition of financial assets at amortized cost	-	(250,455)
Proceeds from disposal of non-current assets held for sale	167,497	-
Acquisition of property, plant and equipment	(124,059)	(438,843)
Proceeds from disposal of property, plant and equipment	12,569	42
Increase in prepayments for land	(191,781)	-
Increase in refundable deposits	(99)	(114)
Acquisition of intangible assets	(23,634)	(4,666)
Increase in other financial assets	(454)	(1,351)
Net cash used in investing activities	(294,521)	(603,170)
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	2,700,000	-
Repayments of long-term borrowings	(1,512,143)	-
Payments of lease liabilities	(6,213)	(6,799)
Net cash from (used in) financing activities	1,181,644	(6,799)
Effect of exchange rate changes on cash and cash equivalents	15,764	55,925
Net (decrease) increase in cash and cash equivalents	(176,951)	241,780
Cash and cash equivalents at the beginning of period	3,007,906	4,746,867
Cash and cash equivalents at the end of period	\$ 2,830,955	4,988,647

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2025 and 2024
(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 April 17, 2025.

(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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed 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, 2026, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

(Continued)

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

- (c) The impact of IFRS Accounting Standards 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

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards	<p>The amendments set out:</p> <ol style="list-style-type: none"> 1. IFRS 1 “First-time Adoption of International Financial Reporting Standards”: 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. 2. IFRS 7 “Financial Instruments: Disclosures”: 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. 3. IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> • Derecognition of a lease liability 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. • Transaction price 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. 	January 1, 2026

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

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” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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, 2024. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2024.

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

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding			Note
			March 31, 2025	December 31, 2024	March 31, 2024	
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 %	-
The Company	Multi-field Holdings Corporation (Multi-field)	Trading and leasing of real estate	- %	- %	- %	Note

Note: The Directors of Multi-field consist of the management of the Company and subsidiaries. Since the fourth quarter of 2024, the Company has had the authority to control Multi-field's personnel, financial, and business operations. Therefore, it is determined that the Company has substantial control over this subsidiary, and it is included in its consolidated entities.

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC requires management to make judgments, and estimates about the future, including climate-related risks and opportunities, 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.

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

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, 2024. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2024.

(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 consolidated financial statements for the year ended December 31, 2024. Please refer to note (6) of the consolidated financial statements for the year ended December 31, 2024.

(a) Cash and cash equivalents

	March 31, 2025	December 31, 2024	March 31, 2024
Petty cash and cash in hand	\$ 100	13	137
Checking accounts and demand deposits	1,639,753	1,989,382	2,003,247
Time deposits	1,191,102	1,018,511	2,985,263
	<u>\$ 2,830,955</u>	<u>3,007,906</u>	<u>4,988,647</u>

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

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

	March 31, 2025	December 31, 2024	March 31, 2024
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 25	19	2,508
Non-derivative financial assets			
Open-end mutual funds	-	238,754	236,195
Structured deposit	4,841,817	2,728,029	100,230
Structured investment	386,333	251,179	161,183
Stock listed on domestic markets	246,199	227,831	168,214
Foreign private funds	229,996	243,946	257,853
	<u>\$ 5,704,370</u>	<u>3,689,758</u>	<u>926,183</u>
Current	\$ 4,992,876	3,117,888	338,933
Non-current	711,494	571,870	587,250
	<u>\$ 5,704,370</u>	<u>3,689,758</u>	<u>926,183</u>

(Continued)

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

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 14,475	29,454	23,638
Foreign exchange swaps contracts	<u>-</u>	<u>-</u>	<u>29</u>
	<u>\$ 14,475</u>	<u>29,454</u>	<u>23,667</u>

The Group holds derivative financial instruments to hedge certain foreign exchange risk exposures arising from its operating activities. As of March 31, 2025, December 31 and March 31, 2024, 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:

March 31, 2025				
	Contract amount (in thousands)		Currency	Maturity dates
Derivative financial assets				
Forward exchange contracts:				
Forward exchange sold	USD	10,000	USD to NTD	2025.04.11~2025.04.16
Derivative financial liabilities				
Forward exchange contracts:				
Forward exchange sold	USD	135,000	USD to NTD	2025.04.08~2025.04.28
December 31, 2024				
	Contract amount (in thousands)		Currency	Maturity dates
Derivative financial assets				
Forward exchange contracts:				
Forward exchange sold	USD	10,000	USD to NTD	2025.01.24
Derivative financial liabilities				
Forward exchange contracts:				
Forward exchange sold	USD	155,000	USD to NTD	2025.01.09~2025.02.05

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

	March 31, 2024			
	Contract amount (in thousands)		Currency	Maturity dates
Derivative financial assets				
Forward exchange contracts:				
Forward exchange sold	USD	50,000	USD to NTD	2024.04.12~2024.04.30
Derivative financial liabilities				
Forward exchange contracts:				
Forward exchange sold	USD	80,157	USD to NTD	2024.04.01~2024.04.19
Forward exchange sold	USD	2,000	USD to JPY	2024.04.08
Foreign exchange swaps contracts:				
Foreign exchange swaps	USD	2,000	USD to NTD	2024.04.08

Please refer to note (6)(u) for information relating to the credit risk of financial instruments. As of March 31, 2025, December 31 and March 31, 2024, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

	March 31, 2025	December 31, 2024	March 31, 2024
Equity investments at fair value through other comprehensive income:			
Stock listed on domestic market - preferred stocks	\$ 304,483	310,316	319,648

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long term for strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2025 and 2024.
- (iii) For credit risk and market risk, please refer to note (6)(u).
- (iv) As of March 31, 2025, December 31 and March 31, 2024, 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

(d) Financial assets at amortized cost

	March 31, 2025	December 31, 2024	March 31, 2024
Foreign corporate bonds	<u>\$ 3,398,219</u>	<u>3,343,535</u>	<u>3,229,216</u>
Current	\$ 890,915	876,427	-
Non-current	<u>2,507,304</u>	<u>2,467,108</u>	<u>3,229,216</u>
	<u><u>\$ 3,398,219</u></u>	<u><u>3,343,535</u></u>	<u><u>3,229,216</u></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 abovementioned foreign corporate bonds will mature between April 2025 and August 2028.
- (ii) Please refer to note (6)(u) for credit risk information.
- (iii) As of March 31, 2025, December 31 and March 31, 2024, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(e) Accounts receivable

	March 31, 2025	December 31, 2024	March 31, 2024
Accounts receivable—measured as amortized cost	\$ 2,169,476	2,095,970	2,082,389
Less: loss allowance	<u>(507)</u>	<u>(691)</u>	<u>(1,986)</u>
	<u><u>\$ 2,168,969</u></u>	<u><u>2,095,279</u></u>	<u><u>2,080,403</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:

	March 31, 2025		
	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance
Aging interval			
Current	\$ 2,097,706	-	-
Overdue 1 to 30 days	67,551	-	-
Overdue 31 to 60 days	3,366	10.00%	337
Overdue 61 to 90 days	<u>853</u>	<u>20.00%</u>	<u>170</u>
	<u><u>\$ 2,169,476</u></u>		<u><u>507</u></u>

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

December 31, 2024			
Aging interval	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance
Current	\$ 2,036,287	-	-
Overdue 1 to 30 days	54,838	-	-
Overdue 31 to 60 days	4,616	10.00%	462
Overdue 181 to 365 days	229	100.00%	229
	<u><u>\$ 2,095,970</u></u>		<u><u>691</u></u>

March 31, 2024			
Aging interval	Carrying amount of accounts receivable	Weighted- average expected loss rate	Loss allowance
Current	\$ 1,966,083	-	-
Overdue 1 to 30 days	110,721	-	-
Overdue 31 to 60 days	1,928	10.00%	193
Overdue 61 to 90 days	1,633	20.00%	326
Overdue 91 to 120 days	1,081	50.00%	540
Overdue 121 to 180 days	84	80.00%	68
Overdue 181 to 365 days	859	100.00%	859
	<u><u>\$ 2,082,389</u></u>		<u><u>1,986</u></u>

The movements in the loss allowance of accounts receivable were as follows:

	For the three months ended March 31	
	2025	2024
The beginning of period	\$ 691	3,181
Impairment losses reversed	(184)	(1,195)
The ending of period	<u><u>\$ 507</u></u>	<u><u>1,986</u></u>

As of March 31, 2025, December 31 and March 31, 2024, the Group did not provide any accounts receivable as collaterals for its loans.

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

(f) Inventories

	March 31, 2025	December 31, 2024	March 31, 2024
Finished goods	\$ 594,001	532,611	423,326
Semi-finished goods	61,193	68,771	105,328
Work in progress	238,736	239,185	249,583
Raw materials	724,274	775,125	750,261
Indirect materials	<u>111,859</u>	<u>117,170</u>	<u>104,000</u>
	<u>\$ 1,730,063</u>	<u>1,732,862</u>	<u>1,632,498</u>

- (i) The details of the operating cost for the three months ended March 31, 2025 and 2024 of the Group were as follows:

	For the three months ended March 31	
	<u>2025</u>	<u>2024</u>
Cost of sales and expense	\$ 2,092,437	2,149,860
Current operating cost recognized for inventories written off or provisions of inventories written down due to devaluation and obsolescence	<u>9,345</u>	<u>2,645</u>
	<u>\$ 2,101,782</u>	<u>2,152,505</u>

- (ii) As of March 31, 2025, December 31 and March 31, 2024, the Group did not provide any inventories as collaterals for its loans.

(g) Non-current assets held for sale

In November 2024, the Group signed a real estate sale and purchase contract for its idle plant and has started to process the sale related matters. Accordingly, the assets were recognized as non-current assets held for sale. In January 2025, the disposal procedure has been completed with the total proceeds of \$167,497, resulting in a gain on disposal of \$128,039 to be recognized.

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

(h) 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, 2025	\$ 2,447,581	8,608,609	6,429,661	654,439	27,561	248,375	18,416,226
Additions	-	4,323	5,602	-	-	48,182	58,107
Disposals	-	(3,893)	(130,887)	(8,197)	-	-	(142,977)
Transferred in (out)	-	26,313	36,236	(12,007)	-	(50,788)	(246)
Effects of movements in exchange rates	-	6,894	25,023	2,915	29	1,121	35,982
Balance on March 31, 2025	<u>\$ 2,447,581</u>	<u>8,642,246</u>	<u>6,365,635</u>	<u>637,150</u>	<u>27,590</u>	<u>246,890</u>	<u>18,367,092</u>
Balance on January 1, 2024	\$ 2,455,982	5,738,416	6,234,403	625,193	27,347	2,952,730	18,034,071
Additions	-	93,347	69,026	16,966	-	128,032	307,371
Disposals	-	(5,373)	(38,290)	(33,822)	-	-	(77,485)
Transferred in (out)	-	2,492,593	3,162	65,245	-	(2,564,447)	(3,447)
Effects of movements in exchange rates	-	19,960	73,065	11,190	86	3,795	108,096
Balance on March 31, 2024	<u>\$ 2,455,982</u>	<u>8,338,943</u>	<u>6,341,366</u>	<u>684,772</u>	<u>27,433</u>	<u>520,110</u>	<u>18,368,606</u>
Depreciation and impairment loss:							
Balance on January 1, 2025	\$ -	1,652,021	5,037,046	345,862	22,827	-	7,057,756
Depreciation	-	113,977	195,496	28,943	2,259	-	340,675
Disposals	-	(3,893)	(130,423)	(8,197)	-	-	(142,513)
Transferred in (out)	-	444	-	(444)	-	-	-
Effects of movements in exchange rates	-	3,654	19,819	2,640	17	-	26,130
Balance on March 31, 2025	<u>\$ -</u>	<u>1,766,203</u>	<u>5,121,938</u>	<u>368,804</u>	<u>25,103</u>	<u>-</u>	<u>7,282,048</u>
Balance on January 1, 2024	\$ -	1,281,604	4,534,045	328,220	13,717	-	6,157,586
Depreciation	-	109,066	238,425	28,255	2,257	-	378,003
Disposals	-	(5,373)	(38,290)	(33,822)	-	-	(77,485)
Effects of movements in exchange rates	-	10,454	62,005	10,106	49	-	82,614
Balance on March 31, 2024	<u>\$ -</u>	<u>1,395,751</u>	<u>4,796,185</u>	<u>332,759</u>	<u>16,023</u>	<u>-</u>	<u>6,540,718</u>
Carrying amount:							
Balance on January 1, 2025	\$ 2,447,581	6,956,588	1,392,615	308,577	4,734	248,375	11,358,470
Balance on March 31, 2025	<u>\$ 2,447,581</u>	<u>6,876,043</u>	<u>1,243,697</u>	<u>268,346</u>	<u>2,487</u>	<u>246,890</u>	<u>11,085,044</u>
Balance on January 1, 2024	\$ 2,455,982	4,456,812	1,700,358	296,973	13,630	2,952,730	11,876,485
Balance on March 31, 2024	<u>\$ 2,455,982</u>	<u>6,943,192</u>	<u>1,545,181</u>	<u>352,013</u>	<u>11,410</u>	<u>520,110</u>	<u>11,827,888</u>

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 transfer the property.

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For future overall planning and operational needs, the subsidiary of the Group, THEPI, resolved in its board meeting on October 29, 2024 to authorize its Chairman to handle the acquisition of land. On January 17, 2025, a presale land purchase agreement was signed with ALJO GATEWAY, INC, with total contract amount of \$624,879 (PHP 1,115,856 thousand). As of March 31, 2025, the amount of \$191,781 has been paid and recorded under other non-current assets.

As of March 31, 2025, December 31 and March 31, 2024, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(i) Right-of-use assets

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Machinery and equipment</u>	<u>Total</u>
Carrying amount:					
Balance on January 1, 2025	\$ <u>84,132</u>	<u>65,175</u>	<u>13,552</u>	<u>2,568</u>	<u>165,427</u>
Balance on March 31, 2025	\$ <u>83,431</u>	<u>59,317</u>	<u>11,990</u>	<u>2,437</u>	<u>157,175</u>
Balance on January 1, 2024	\$ <u>75,915</u>	<u>49,904</u>	<u>20,346</u>	<u>-</u>	<u>146,165</u>
Balance on March 31, 2024	\$ <u>75,303</u>	<u>45,394</u>	<u>18,398</u>	<u>-</u>	<u>139,095</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, machinery and equipment and office equipment for the three months ended March 31, 2025 and 2024. Please refer to note (12)(a) for the depreciation amount and note (6)(i) of the consolidated financial statements for the year ended December 31, 2024 for other related information.

(j) 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, 2025	\$ <u>7,396,676</u>	<u>484,618</u>	<u>64,976</u>	<u>240,221</u>	<u>8,186,491</u>
Balance on March 31, 2025	\$ <u>7,396,676</u>	<u>465,745</u>	<u>89,966</u>	<u>233,486</u>	<u>8,185,873</u>
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 March 31, 2024	\$ <u>7,396,676</u>	<u>541,244</u>	<u>74,908</u>	<u>260,427</u>	<u>8,273,255</u>

There were no significant additions, disposal, and reversal of impairment losses of the intangible assets for the three months ended March 31, 2025 and 2024. Please refer to note (12)(a) for the amortization amount and note (6)(j) of the consolidated financial statements for the year ended December 31, 2024 for other related information.

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(k) Short-term borrowings

The details of short-term borrowings of the Group were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Comprehensive secured bank loans	\$ -	-	-
Unused short-term credit lines	<u>\$ 6,678,010</u>	<u>5,993,270</u>	<u>8,586,500</u>

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

(l) Long-term borrowings

The details of long-term borrowings of the Group were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Unsecured bank loans	\$ 6,259,762	4,801,905	5,360,000
Secured bank loans	-	270,000	-
Less: discounts on government grants	(44,468)	(49,453)	(126,357)
Less: current portion	(1,592,341)	(1,590,855)	-
	<u>\$ 4,622,953</u>	<u>3,431,597</u>	<u>5,233,643</u>
Unused long-term credit lines	<u>\$ 7,387,419</u>	<u>7,029,250</u>	<u>3,700,000</u>
Range of interest rates	<u>1.475%-1.800%</u>	<u>1.475%~1.820%</u>	<u>1.475%~1.675%</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 ended March 31, 2025 and 2024, the grant profits of \$2,469 and \$3,397, 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 and credit lines.

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Notes to the Consolidated Financial Statements

(m) Other payables

The details of other payables of the Group were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Salaries and bonus payable, employees' compensation and directors' remuneration	\$ 1,052,664	1,222,627	1,156,585
Payable on repairments	86,394	78,047	73,013
Payable on machinery and equipment	20,007	85,959	161,994
Accrued employee benefit liabilities	87,142	78,291	76,936
Payable on consumables	75,915	72,143	59,355
Others	301,805	329,209	313,502
	<u>\$ 1,623,927</u>	<u>1,866,276</u>	<u>1,841,385</u>

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

(n) Lease liabilities

The details of the lease liabilities of the Group were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Current	<u>\$ 24,384</u>	<u>26,399</u>	<u>26,399</u>
Non-current	<u>\$ 132,332</u>	<u>136,174</u>	<u>114,953</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2025	2024
Interest on lease liabilities	<u>\$ 1,110</u>	<u>648</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 65</u>	<u>3,295</u>
Expenses relating to short-term leases	<u>\$ 4,275</u>	<u>1,951</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 67</u>	<u>64</u>

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

	For the three months ended March 31	
	2025	2024
Total cash outflow for leases	<u>\$ 11,730</u>	<u>12,757</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(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 two 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 and machinery equipment with lease terms of two to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some lease payments are based on actual usage in the period.

The Group also leases copying machines and other office equipment and parking space with lease terms of two to five years. These leases are short-term leases or leases of low-value assets. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement, or other material one-time event since the prior reporting date. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2024 and 2023.

The expenses recognized in profit or loss of the Group amounted to \$1,622 and \$2,223 for the three months ended March 31, 2025 and 2024, respectively.

(ii) Defined contribution plan

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance amounted to \$19,060 and \$19,721 for the three months ended March 31, 2025 and 2024, respectively.

(p) Income taxes

(i) The details of income tax expense of the Group were as follows:

	For the three months ended March 31	
	2025	2024
Current tax expense	<u>\$ 92,058</u>	<u>91,267</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- (ii) The details of income tax expense (benefit) of the Group recognized in other comprehensive income were as follows:

	For the three months ended	
	March 31	
	2025	2024
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>4,427</u>	<u>13,204</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 and year 2022, respectively.

- (q) Capital and other equity

There were no significant changes in capital and other equity for the three months ended March 31, 2025 and 2024, respectively. For the related information, please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2024.

- (i) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Additional paid-in capital	\$ 15,059,657	15,059,657	15,059,657
Others	<u>57,984</u>	<u>57,984</u>	<u>56,219</u>
	<u>\$ 15,117,641</u>	<u>15,117,641</u>	<u>15,115,876</u>

- (ii) Retained earnings

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

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

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

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.

The amounts of cash dividends for the 2024 and 2023 earnings distribution had been approved at the board meeting held on February 27, 2025 and February 29, 2024. The relevant dividends distributed to shareholders were as follows:

	2024		2023	
	<u>Amount per share (NTD)</u>	<u>Total amount</u>	<u>Amount per share (NTD)</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u>3.00</u>	<u>627,174</u>	<u>2.40</u>	<u>501,739</u>

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

(r) Earnings per share

The calculations of basic earnings per share and diluted earnings per share of the Group were as follows:

(Continued)

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

		For the three months ended March 31	
		2025	2024
Basic earnings per share (NTD):			
Profit attributable to ordinary shareholders of the Company	\$	<u><u>582,312</u></u>	<u><u>364,585</u></u>
Weighted-average number of ordinary shares outstanding (thousand shares)		<u><u>209,058</u></u>	<u><u>209,058</u></u>
Basic earnings per share (NTD)	\$	<u><u>2.79</u></u>	<u><u>1.74</u></u>
Diluted earnings per share (NTD):			
Profit attributable to ordinary shareholders of the Company (diluted)	\$	<u><u>582,312</u></u>	<u><u>364,585</u></u>
Weighted-average number of ordinary shares outstanding (thousand shares)		209,058	209,058
Effect of employee share remuneration (thousand shares)		894	549
Weighted-average number of ordinary shares outstanding (diluted) (thousand shares)		<u><u>209,952</u></u>	<u><u>209,607</u></u>
Diluted earnings per share (NTD)	\$	<u><u>2.77</u></u>	<u><u>1.74</u></u>
(s) Revenue from contracts with customers			
(i) Disaggregation of revenue			

		For the three months ended March 31	
		2025	2024
Primary geographical markets:			
Japan	\$	675,659	470,218
Malaysia		647,619	689,314
Switzerland		535,977	651,317
United States of America		335,040	457,870
Singapore		245,584	277,212
Taiwan		162,930	98,708
China		154,702	148,910
Others		<u>151,151</u>	<u>177,469</u>
	\$	<u><u>2,908,662</u></u>	<u><u>2,971,018</u></u>
Major products:			
Image products	\$	1,355,879	1,354,483
Hybrid modules & specialty packaging		669,945	710,613
Ceramic metalized substrate		480,462	549,675
RF module		322,176	319,973
Others		<u>80,200</u>	<u>36,274</u>
	\$	<u><u>2,908,662</u></u>	<u><u>2,971,018</u></u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(ii) Contract balances

	March 31, 2025	December 31, 2024	March 31, 2024
Accounts receivable	\$ 2,169,476	2,095,970	2,082,389
Contract assets—image products (recorded under other current assets)	101,947	126,609	111,354
Less: loss allowance	(507)	(691)	(1,986)
Total	<u><u>\$ 2,270,916</u></u>	<u><u>2,221,888</u></u>	<u><u>2,191,757</u></u>
Contract liabilities—advance sales receipts	<u><u>\$ 131,260</u></u>	<u><u>90,465</u></u>	<u><u>155,870</u></u>

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

The amounts of revenue recognized for the three months ended March 31, 2025 and 2024 that were included in the contract liabilities balance at the beginning of the periods were \$10,483 and \$71,972, respectively.

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

(t) Employee compensation and directors' remuneration

Based on the Company's Articles of Incorporation amended, 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.

For the three months ended March 31, 2025 and 2024, the Company estimated its employee remuneration amounting to \$36,498 and \$27,168, and directors' remuneration amounting to \$21,899 and \$14,819, 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. 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, 2024 and 2023, the employee compensation amounted to \$114,320 and \$84,000, respectively, and remuneration of directors amounted to \$62,340 and \$45,300, respectively, which had no difference from the actual distribution. The related information is available on the Market Observation Post System website.

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

(u) Financial instruments

Except for those described below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For related information, please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2024.

(i) Credit risk

1) Exposure to credit risk

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

2) The concentration of credit risk

Sales to individual customers constituting over 10% of operating revenues for the three months ended March 31, 2025 and 2024, amounted to \$1,675,134 and \$1,631,268, 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, 2024.

The movement of loss allowance of other receivables for the three months ended March 31, 2025 and 2024 were as follows:

	<u>Other receivables</u>
Balance on January 1, 2025	\$ 8
Impairment loss recognized	<u>3</u>
Balance on March 31, 2025	<u>\$ 11</u>
Balance on January 1, 2024	\$ 10
Impairment loss recognized	<u>7</u>
Balance on March 31, 2024	<u>\$ 17</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
March 31, 2025				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 905,483	(905,483)	(905,483)	-
Other payables	1,623,927	(1,623,927)	(1,623,927)	-
Dividends payable	627,174	(627,174)	(627,174)	-
Lease liabilities (including current and non-current portion)	156,716	(187,239)	(28,376)	(158,863)
Guarantee deposits received	3,569	(3,569)	-	(3,569)
Long-term borrowings (including current portion)	6,215,294	(6,387,848)	(1,660,508)	(4,727,340)
Derivative financial liabilities:				
Forward exchange contracts:	14,475			
Inflow		4,451,220	4,451,220	-
Outflow		(4,465,695)	(4,465,695)	-
	<u><u>\$ 9,546,638</u></u>	<u><u>(9,749,715)</u></u>	<u><u>(4,859,943)</u></u>	<u><u>(4,889,772)</u></u>
December 31, 2024				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 787,984	(787,984)	(787,984)	-
Other payables	1,866,276	(1,866,276)	(1,866,276)	-
Lease liabilities (including current and non-current portion)	162,573	(194,149)	(30,569)	(163,580)
Guarantee deposits received	3,569	(3,569)	-	(3,569)
Long-term borrowings (including current portion)	5,022,452	(5,216,469)	(1,667,099)	(3,549,370)
Derivative financial liabilities:				
Forward exchange contracts:	29,454			
Inflow		5,062,096	5,062,096	-
Outflow		(5,091,550)	(5,091,550)	-
	<u><u>\$ 7,872,308</u></u>	<u><u>(8,097,901)</u></u>	<u><u>(4,381,382)</u></u>	<u><u>(3,716,519)</u></u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
March 31, 2024				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 819,353	(819,353)	(819,353)	-
Other payables	1,841,385	(1,841,385)	(1,841,385)	-
Dividends payable	501,739	(501,739)	(501,739)	-
Lease liabilities (including current and non-current portion)	141,352	(166,654)	(28,716)	(137,938)
Guarantee deposits received	3,569	(3,569)	-	(3,569)
Long-term borrowings	5,233,643	(5,557,058)	-	(5,557,058)
Derivative financial liabilities:				
Forward exchange contracts:	23,638			
Inflow		2,603,786	2,603,786	-
Outflow		(2,627,424)	(2,627,424)	-
Foreign exchange swaps contracts:	29			
Inflow		63,904	63,904	-
Outflow		(63,933)	(63,933)	-
	<u>\$ 8,564,708</u>	<u>(8,913,425)</u>	<u>(3,214,860)</u>	<u>(5,698,565)</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:

	March 31, 2025			December 31, 2024			March 31, 2024		
	<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	\$ 206,058	USD/NTD =33.205	6,842,141	193,316	USD/NTD =32.785	6,337,865	179,976	USD/NTD =32.000	5,759,232
JPY	364,715	JPY/NTD =0.2227	81,222	1,911,308	JPY/NTD =0.2099	401,184	985,061	JPY/NTD =0.2115	208,340
Financial liabilities									
Monetary items									
USD	19,552	USD/NTD =33.205	649,210	21,192	USD/NTD =32.785	694,780	20,408	USD/NTD =32.000	653,056
JPY	232,526	JPY/NTD =0.2227	51,784	310,845	JPY/NTD =0.2099	65,246	434,057	JPY/NTD =0.2115	91,803

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

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for the three months ended March 31, 2025 and 2024 would have increased or decreased the net profit before tax as follows. The analysis was performed on the same basis for both periods:

	For the three months ended March 31	
	2025	2024
USD (against the NTD)		
Strengthening 5%	\$ 309,647	255,309
Weakening 5%	(309,647)	(255,309)
JPY (against the NTD)		
Strengthening 5%	1,472	5,827
Weakening 5%	(1,472)	(5,827)

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2025 and 2024, the foreign exchange gains (losses), including realized and unrealized portion, amounted to gains of \$104,772, and gains of \$226,940, 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 \$2,884 and \$2,092, for the three months ended March 31, 2025 and 2024, respectively, which would be mainly resulted from the borrowings, demand deposits and time deposits with variable interest rates.

(iv) Fair value

1) The categories and the fair values of financial instruments

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

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	Carrying amount	March 31, 2025			
		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	\$ 25	-	25	-	25
Structured deposit	4,841,817	-	4,841,817	-	4,841,817
Structured investments	386,333	-	-	386,333	386,333
Stock listed on domestic markets	246,199	246,199	-	-	246,199
Foreign private funds	<u>229,996</u>	-	-	229,996	229,996
Subtotal	<u>5,704,370</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed on domestic markets—preferred stocks	<u>304,483</u>	304,483	-	-	304,483
Financial assets measured at amortized cost					
Cash and cash equivalents	2,830,955	-	-	-	-
Accounts receivable, net	2,168,969	-	-	-	-
Other receivables	33,951	-	-	-	-
Other current financial assets	35,902	-	-	-	-
Foreign corporate bonds (including current and non-current portion)	3,398,219	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	15,828	-	-	-	-
Other non-current financial assets	<u>5,000</u>	-	-	-	-
Subtotal	<u>8,488,824</u>				
Total	<u>\$ 14,497,677</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>14,475</u>	-	14,475	-	14,475
Financial liabilities measured at amortized cost					
Notes and accounts payable	905,483	-	-	-	-
Other payables	1,623,927	-	-	-	-
Dividends payable	627,174	-	-	-	-
Lease liabilities (including current and non-current portion)	156,716	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Long-term borrowings (including current portion)	<u>6,215,294</u>	-	-	-	-
Subtotal	<u>9,532,163</u>				
Total	<u>\$ 9,546,638</u>				

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Notes to the Consolidated Financial Statements

	Carrying amount	December 31, 2024			
		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	\$ 19	-	19	-	19
Open-end mutual funds	238,754	238,754	-	-	238,754
Structured deposit	2,728,029	-	2,728,029	-	2,728,029
Structured investments	251,179	-	-	251,179	251,179
Stock listed on domestic markets	227,831	227,831	-	-	227,831
Foreign private funds	243,946	-	-	243,946	243,946
Subtotal	<u>3,689,758</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed on domestic markets – preferred stocks	<u>310,316</u>	310,316	-	-	310,316
Financial assets measured at amortized cost					
Cash and cash equivalents	3,007,906	-	-	-	-
Accounts receivable, net	2,095,279	-	-	-	-
Other receivables	54,360	-	-	-	-
Other current financial assets	35,448	-	-	-	-
Foreign corporate bonds (including current and non-current portion)	3,343,535	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	15,729	-	-	-	-
Other non-current financial assets	5,000	-	-	-	-
Subtotal	<u>8,557,257</u>				
Total	<u>\$ 12,557,331</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	\$ <u>29,454</u>	-	29,454	-	29,454
Financial liabilities measured at amortized cost					
Notes and accounts payable	787,984	-	-	-	-
Other payables	1,866,276	-	-	-	-
Lease liabilities (including current and non-current portion)	162,573	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Long-term borrowings (including current portion)	<u>5,022,452</u>	-	-	-	-
Subtotal	<u>7,842,854</u>				
Total	<u>\$ 7,872,308</u>				

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	March 31, 2024				
	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	\$ 2,508	-	2,508	-	2,508
Open-end mutual funds	236,195	236,195	-	-	236,195
Structured deposit	100,230	-	100,230	-	100,230
Structured investments	161,183	-	-	161,183	161,183
Stock listed on domestic markets	168,214	168,214	-	-	168,214
Foreign private funds	<u>257,853</u>	-	-	257,853	257,853
Subtotal	<u>926,183</u>				
Financial assets measured at fair value through other comprehensive income					
Stock listed on domestic markets – preferred stocks	<u>319,648</u>	319,648	-	-	319,648
Financial assets measured at amortized cost					
Cash and cash equivalents	4,988,647	-	-	-	-
Accounts receivable, net	2,080,403	-	-	-	-
Other receivables	29,070	-	-	-	-
Other current financial assets	33,392	-	-	-	-
Foreign corporate bonds	3,229,216	-	-	-	-
Guarantee deposits paid (recorded under other non-current assets)	17,233	-	-	-	-
Other non-current financial assets	<u>5,405</u>	-	-	-	-
Subtotal	<u>10,383,366</u>				
Total	<u>\$ 11,629,197</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 23,667</u>	-	23,667	-	23,667
Financial liabilities measured at amortized cost					
Notes and accounts payable	819,353	-	-	-	-
Other payables	1,841,385	-	-	-	-
Dividends payable	501,739	-	-	-	-
Lease liabilities (including current and non-current portion)	141,352	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Long-term borrowings	<u>5,233,643</u>	-	-	-	-
Subtotal	<u>8,541,041</u>				
Total	<u>\$ 8,564,708</u>				

(Continued)

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above conditions are not met, the market is considered inactive. Quoted market prices may not be active if the bid-ask spread is wide, the bid-ask spread has increased significantly, or the volume of trading is low.

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

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

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

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on valuation models commonly accepted by market participants such as the discounted cash flow method or option pricing models. The value of a forward exchange contract is usually determined by the forward exchange rate. Structured investments were calculated using the offer price.

3) Transfer between level

There were no transfers between fair value level for the three months ended March 31, 2025 and 2024.

(Continued)

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

4) Reconciliation of Level 3 fair values

	Non-derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2025	\$ 495,125
Total gains and losses	
Recognized in profit or loss	(12,267)
Purchased	135,000
Disposal	<u>(1,529)</u>
Balance on March 31, 2025	<u>\$ 616,329</u>
Balance on January 1, 2024	\$ 501,607
Total gains and losses	
Recognized in profit or loss	9,646
Disposal	<u>(92,217)</u>
Balance on March 31, 2024	<u>\$ 419,036</u>

For the three months ended March 31, 2025 and 2024, 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), net.

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:

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

(Continued)

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

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

(v) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(w) to the consolidated financial statements for the year ended December 31, 2024.

(w) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2024. 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, 2024. For other related information, please refer to note (6)(x) of the consolidated financial statements for the year ended December 31, 2024.

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

(i) The Group's investing and financing activities, which did not affect the current cash flow for the three months ended March 31, 2025 and 2024, were the acquisition of its right-of-use assets by lease, please refer to note (6)(i).

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

	January 1, 2025	Cash flows	Non-cash changes Others	March 31, 2025
Lease liabilities (including current and non-current portion)	\$ 162,573	(6,213)	356	156,716
Guarantee deposits received	3,569	-	-	3,569
Long-term borrowings (including current portion)	5,022,452	1,187,857	4,985	6,215,294
Total liabilities from financing activities	<u>\$ 5,188,594</u>	<u>1,181,644</u>	<u>5,341</u>	<u>6,375,579</u>
	January 1, 2024	Cash flows	Non-cash changes Increase	March 31, 2024
Lease liabilities (including current and non-current portion)	\$ 148,151	(6,799)	-	141,352
Guarantee deposits received	3,569	-	-	3,569
Long-term borrowings	5,227,817	-	5,826	5,233,643
Total liabilities from financing activities	<u>\$ 5,379,537</u>	<u>(6,799)</u>	<u>5,826</u>	<u>5,378,564</u>

(Continued)

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

(7) Related-party transactions

(a) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Multi-field Holdings Corporation (Multi-field)	Substantial related party (Note)
Ralec Electronic Corporation (Ralec)	Substantial related party
Yageo Foundation	Substantial related party

Note: In the fourth quarter of 2024, it was determined that the Company has substantial control over this entity, which is included in the consolidation. Please refer to note (4)(b) for other related information.

(b) Significant transaction with related parties

(i) Operating expenses

	For the three months ended March 31	
	<u>2025</u>	<u>2024</u>
Substantial related party	\$ <u><u>3,000</u></u>	<u><u>-</u></u>

(ii) Others

Please refer to note (6)(h) for the related information of transaction with related parties as of March 31, 2024.

(c) Transactions with key management personnel

Key management personnel compensation comprised of:

	For the three months ended March 31	
	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 43,024	47,812
Post-employment benefits	<u>153</u>	<u>207</u>
	<u>\$ <u>43,177</u></u>	<u><u>48,019</u></u>

(Continued)

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

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

Pledged assets	Subject	March 31, 2025	December 31, 2024	March 31, 2024
Other current financial assets – time deposits	Credit lines for letters of credit and short-term borrowings and credit lines	\$ 32,873	32,457	31,680
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
Property, plant and equipment – land and buildings	Long-term and short-term borrowings and credit lines	188,065	188,314	203,906
		<u><u>\$ 225,938</u></u>	<u><u>225,771</u></u>	<u><u>240,991</u></u>

(9) Commitments and contingencies

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

	March 31, 2025	December 31, 2024	March 31, 2024
Future payments for the purchase of equipment and construction in progress	<u><u>\$ 90,052</u></u>	<u><u>111,722</u></u>	<u><u>184,896</u></u>

(b) For the purpose of future operational expansion, the subsidiary of the Group, THEPI entered into a land purchase contract with a vendor. As of March 31, 2025, the outstanding land payment amounted to \$433,098.

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

	March 31, 2025	December 31, 2024	March 31, 2024
Unused and outstanding letters of credit and the deposit for customs duties	<u><u>\$ 27,500</u></u>	<u><u>28,000</u></u>	<u><u>29,500</u></u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None

(Continued)

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

(12) Other

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

By function By item	For the three months ended March 31					
	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	430,257	147,966	578,223	410,908	187,955	598,863
Labor and health insurance	41,402	11,830	53,232	36,179	11,747	47,926
Pension	16,417	4,265	20,682	16,597	5,347	21,944
Other employee benefits	23,954	6,124	30,078	28,934	5,936	34,870
Depreciation	287,495	61,841	349,336	331,861	53,212	385,073
Amortization	2,974	29,377	32,351	2,040	29,174	31,214

- (b) Seasonality of operations

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

(13) Other disclosures

- (a) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2025:

- (i) Loans to other parties:

Unit: In Thousands of New Taiwan Dollars

Number (Note 1)	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2)
												Item	Value		
0	The Company	THEPI	Other receivables- related parties	996,150 (USD30,000)	996,150 (USD30,000)	-	Reference capital cost to be negotiated separately	Short-term financing	-	The expansion of the subsidiary's operations	-	None	-	2,575,785	7,727,355

Note 1: "0", represents the Company, and subsidiaries are numbered starting from "1".

Note 2: According to lender's "Procedures for Loans to Other Parties," for other companies or entities having short-term financing needs, the total amount shall not exceed 30% of the most recent audited or reviewed net worth of the Company, the individual financing amount shall not exceed 10% of the most recent audited or reviewed net worth of the Company.

Note 3: The amount in NTD shown above were calculated based on the exchange rate of the date at the consolidated balance sheet date.

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

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

(iii) Material securities held as of March 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares/ thousand units

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	Structured deposits	President Securities Corporation DSU 100% NTD PGN	None	Current financial assets at fair value through profit or loss	-	984,993	-	984,993	
The Company	Structured deposits	KGI Bank Short-Term Rate NTD Structured Product	None	Current financial assets at fair value through profit or loss	-	795,741	-	795,741	
The Company	Structured deposits	Far Eastern International Bank 6-Month NTD Interest Rate-Linked Structured Product	None	Current financial assets at fair value through profit or loss	-	1,460,541	-	1,460,541	
The Company	Structured deposits	Capital Securities Corporation 30-Day TAIBIR 02 Range Accrual Principal-Protected Product	None	Current financial assets at fair value through profit or loss	-	1,600,542	-	1,600,542	
The Company	Structured investment	GIANT MANUFACTURING CO., LTD. Credit-Linked Structured Notes	None	Current financial assets at fair value through profit or loss	-	151,034	-	151,034	
The Company	Structured investment	Shinfox Energy Credit-Linked Structured Notes	None	Non-current financial assets at fair value through profit or loss	-	235,299	-	235,299	
The Company	Fund	SMART Growth Fund, L.P.	None	Non-current financial assets at fair value through profit or loss	-	229,996	1.60 %	229,996	Notes 1,2
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	246,199	-	246,199	
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	304,483	-	304,483	
The Company	Bond	Formosa Group Cayman LTD International Bond	None	Current financial assets at amortized cost	-	331,961	-	331,961	Notes 2,3
The Company	Bond	Nissan Motor Co. Ltd. USD Bond	None	Current financial assets at amortized cost	-	330,063	-	330,063	Notes 2,3
The Company	Bond	TSMC Global Corp. International Bond (AC27)	None	Current financial assets at amortized cost	-	228,891	-	228,891	Notes 2,3
The Company	Bond	TSMC Arizona Corp. International Bond	None	Non-current financial assets at amortized cost	-	160,705	-	160,705	Notes 2,3
The Company	Bond	TSMC Global Corp. International Bond (AF57)	None	Non-current financial assets at amortized cost	-	258,227	-	258,227	Notes 2,3
The Company	Bond	JPMorgan Chase & Co. International Bond	None	Non-current financial assets at amortized cost	-	333,050	-	333,050	Notes 2,3
The Company	Bond	Morgan Stanley International Bond	None	Non-current financial assets at amortized cost	-	345,528	-	345,528	Notes 2,3
The Company	Bond	HSBC Holdings PLC International Bond 1	None	Non-current financial assets at amortized cost	-	156,338	-	156,338	Notes 2,3
The Company	Bond	HSBC Holdings PLC International Bond 2	None	Non-current financial assets at amortized cost	-	125,358	-	125,358	Notes 2,3
The Company	Bond	HSBC Holdings PLC International Bond 3	None	Non-current financial assets at amortized cost	-	264,540	-	264,540	Notes 2,3
The Company	Bond	Mitsubishi UFJ Bond Financial Group Inc. International Bond	None	Non-current financial assets at amortized cost	-	236,088	-	236,088	Notes 2,3
The Company	Bond	Bank of America Corp. International Bond	None	Non-current financial assets at amortized cost	-	329,887	-	329,887	Notes 2,3
The Company	Bond	UBS Group AG International Bond	None	Non-current financial assets at amortized cost	-	232,302	-	232,302	Notes 2,3
The Company	Bond	Citigroup Inc. International Bond	None	Non-current financial assets at amortized cost	-	65,281	-	65,281	Notes 2,3

Note 1: The amount of investment was USD 6,810 thousand.

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

Note 3: The fair value was shown at amortized cost.

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

- (iv) 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	543,990	55 %	Monthly closing and paid by cash	-	-	Accounts payable (171,425)	(22)%	Note 1
THEPI	The Company	Parent company	Sale	(668,771)	(100)%	Monthly closing and received by cash	-	-	Accounts receivable 246,792	100 %	Note 1
THEPI	The Company	Parent company	Purchase	124,781	30 %	Monthly closing and paid by cash	-	-	Accounts payable (75,367)	(21)%	Note 1

Note 1: The transactions have been eliminated in the consolidated financial statements.

- (v) 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	246,792	10.69 %	-	-	-	-	Note 2

Note 1 : Information as of April 17, 2025.

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

- (vi) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2025:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	THEPI	The Company	2	Sale revenue	668,771	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.	23 %
1	THEPI	The Company	2	Accounts receivable	246,792	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 %

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

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	Operating costs	124,781	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 payable	75,367	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	- %

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2025 (excluding information on investees in Mainland China):

Unit: thousands of New Taiwan Dollars/ thousands of shares

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of the investee	Share of profit (losses) of investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF module, hybrid modules & specialty packaging, ceramic metalized substrate and image products	2,016,853	2,016,853	28,793	100.00 %	2,033,034	(44,992)	(10,683)	Note 1
The Company	Multi-field	Philippines	Trading and leasing of real estate	-	-	-	- %	-	833	-	With substantial control

Note 1 : The transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

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

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

(14) Segment information

(a) General Information

The Group has adjusted its internal organizational structure into a single business unit in 2022, wherein the operation segment focuses on providing the best solutions for process technology. The operational decision maker reviews the operation result regularly to allocate the necessary resources and measures performances. Thus, the Group provides the operational decision maker with segment information for review, which is measured on the same basis as that of the consolidated financial statements. For the three months ended March 31, 2025 and 2024, 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 \$668,771 and \$683,242 had been deducted from the intersegment revenues for the three months ended March 31, 2025 and 2024, respectively.