

Stock Code:6271



2020

Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on May 14, 2021

Taiwan Stock Exchange Market Observation Post System:
<http://newmops.twse.com.tw>

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Overseas Securities Exchange: None.

Corporate Website: <http://www.theil.com.tw>

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Chapter 1 Letter to Shareholders

Dear Shareholders,

Tong Hsing Electronic Ind., Ltd. entered a new milestone in 2020. Impacted by adverse factors such as global spread of COVID-19, intensified China-US trade disputes and significant appreciation of New Taiwan dollars, Tong Hsing Electronic Ind., Ltd. (hereinafter referred to as "Tong Hsing") still hit a record high of billions New Taiwan dollars in revenues through joint efforts of its employees.

The following is a brief report on the business performance of the past year.

I. 2020 Business overview

(I) Consolidated Net Revenue

For the merger with its subsidiary Kingpak Technology Inc. in 2020, the consolidated net revenue amounted to NT\$10,178,002 thousand, which increased by NT\$2,747,348 thousand (37%) compared with the consolidated net revenue in 2019 which amounted to NT\$7,430,654 thousand.

(II) Profit

The consolidated net after-tax profit in 2020 amounted to NT\$1,450,675 thousand, which increased by NT\$708,719 thousand (96%) compared with that in 2019 amounting to NT\$741,956 thousand. The after-tax earnings per share was NT\$7.88.

(III) Budget Implementation:

In 2020, the Company did not disclose its financial forecasts, so it needn't disclose its budget implementation.

(IV) Research and Development:

Year	Process Technologies	Product Applications
2020	Development of structure for hybrid ceramic substrate with air cavity.	3D sensing
	Advanced package development for driver embedded ceramic substrate	3D sensing
	High resolution CMOS image sensor package development for ADAS and autonomous driving in automotive.	Image Sensor
	Thin film laser submount development for optical interconnection application.	Optical communication
	Development of fan-out package structure with double side cooling.	High Frequency
	Process Development of AMB (active metal brazing) on SiN substrate.	High-power component

II. 2021 Business Plan

(I) Operating Guidelines

1. The Company shall continue to enhance product and service quality and increase customer satisfaction.
2. Improve manufacturing processes, yield rate and phase in automation to lower production costs.
3. Invest in innovation and R&D and work closely with market leaders to build up long-term partnerships.
4. Strengthen cooperation with key suppliers to develop new materials, new equipment and new production technologies to differentiate product and services from competitors.
5. Integrate process technologies of substrates fabrication, packaging and testing to provide customers with complete turnkey solutions.

(II) Expected Sales Volume and Important Production and Sales Basis

The Company's main businesses include ceramic metalized substrates and image products.

Ceramic substrates are mainly used for high-power LEDs for outdoor lighting, flash photography, horticulture and automotive. In addition to high-brightness LEDs, substrates are also used in high-power edge emitting laser diodes and surface emitting laser diodes. Laser applications are set to grow in the coming years.

In addition, the demand for high-power semiconductors from clean energy and automobile electrification has also contributed to the growth of ceramic metalized substrates.

In terms of image products, the growth of the smart phone market has slowed but the emergence of new applications such as multiple lenses, increase in resolution, 3D sensing, and infrared imaging sensors required for under-display fingerprint identification have gradually increased the number of image sensors installed on a single mobile phone. The growth of image products will outpace that of the mobile phone market.

III. The Impact of External Competitive Environment, Legal Regulations, and Overall Business Environment

When we look forward to 2021, although the COVID-19 pandemic continues to spread across the world, China-United States Trade War accelerates the transformation of the global supply chain and the environmental protection law becomes even more stringent in the face of the environmental deterioration, Tong Hsing continues our utmost efforts to explore the megatrend of 5G, automotive, energy and biomedical markets, and keep an optimistic attitude to the sales revenues and business prospect in the near future.

IV. Future Business Strategy

1. Continue to Invest in Taiwan and Increase Production Scale and Efficiency: Tong Hsing continues its operations in Taiwan by building a new plant in Bade, and

expands the Yingo and Longtan plants at the same time to accelerate production efficiency.

2. Adjust Customer and Product Types:

Tong Hsing continues to focus on 5G, automotive, energy and biomedical businesses, and develops high-values products.

3. Develop Long-Term Partner Relationships:

Tong Hsing will continue to build up and consolidate the long-term partner relationships through exploring new business opportunities.

4. Strengthen the Organization Management and Cooperation among Business Units:

Tong Hsing aims to strengthen the cooperation among operations and business units by improving the manufacturing processes, enhancing the cost-effective competitive advantages and efficiency to shape up a good enterprise culture.

I wish to thank all our shareholders for your attendance, long-term support, and encouragement. I wish you all health, peace, and happiness.

Tie-Min Chen, Chairman of the Board

Chapter 2 Corporate Profile

Chapter 1. Company Profile

(I) Date of establishment: August 11, 1974

(II) Milestones

Aug. 1974	Tong Hsing Electronic Industries Limited (Tong Hsing or the Company) was established with a paid-in capital of NT\$30 million.
Aug. 1976	Started production of ceramic substrates.
Sep. 1977	Started production of thick-film substrates.
Sep. 1979	Started production of hybrid modules.
May 1982	Started production of thick film printed substrates for capacitors.
Jan. 1986	Shipped 500K Modules of Electronic Fuse.
Aug. 1989	Received IECQ certification.
Dec. 1991	Entered a technical cooperation project with Smart Relay Technology, Inc. (SRT) in the United States and commenced the production and sales of electro-optical conversion and processing of integrated circuits, metal-oxide-semiconductor field-effect transistors, and optically isolated solid-state relays.
May 1993	Started large scale production of thick film copper process.
Jul. 1993	Received ISO-9002 certification.
Jun. 1994	Established Tong Hsing Electronics Phils. Inc.-
Feb. 1996	Established CIM System to track the WIP through LAN.
Jan. 1997	Provided RF modules packaging service for Conexant.
Jul. 1997	Received CSP patent approval.
Sep. 1997	Started volume production of CDMA power amplifier modules.
Oct. 1997	Started volume production of substrates by applying exposure and etching technologies.
Dec. 1998	Received QS-9000 and ISO-9001 certification.
Jul. 1999	Increased cash capital of NT\$160.35 million and applied for OTC listing.
Dec. 1999	Started volume production of GSM power amplifier modules.
Mar. 2002	Received ISO-14001 certification.
Dec. 2002	OTC listing was approved.
May 2003	Acquired 23.38% of equity shares from Impac Technology Ltd. Corp..
Jun. 2005	Received patented production for high-frequency and power modules.
Jul. 2005	The Philippines Plant received QS-9000 and ISO-9001 certification.
Sep. 2005	Started production of thin film DPC substrate fabrication.
Nov. 2005	Started volume production of AlN substrates.
Jan. 2006	Started DPC volume production for high-brightness LED substrates.
Feb. 2006	Received certification from world-leading automotive electronic component makers.
May 2006	Developed digital mirror devices (DMD) packaging and started volume production.
Aug. 2006	Received TS16949 certification.
Nov. 2006	Received OHSAS18001 certification.
Jan. 2007	The Philippines Plant received TS16949 certification.
May 2007	Ranked as one of the Top-1000 manufacturers by CommonWealth Magazine.
Aug. 2007	Issued employee warrants of 4,000 units with 5-year duration.
Nov. 2007	Increased cash capital of NT\$120 million and IPO.
Dec. 2007	The Philippines Plant constructed the PII.
Oct. 2008	Awarded as "Excellent Innovation" by Ministry of Economic Affairs.
Oct. 2008	Increased cash capital of NT\$100 million.
Nov. 2008	The Philippines Plant received OHSAS18001 certification.
Feb. 2009	Stock buyback of NT\$7.91 million.
Dec. 2009	Increased cash capital of NT\$30 million to fully acquire and merged with Impac Technology Ltd. Corp.
Dec. 2009	The Philippines Plant completed the construction of the PII.
Feb. 2010	Received AS9100 certification.
Jul. 2010	Increased cash capital of NT\$160 million.
May 2011	Ranked as Top 500 manufacturers by CommonWealth Magazine.
Aug. 2011	Increased cash capital of NT\$200 million.
Sep. 2011	Received Sony Green Partners certification.

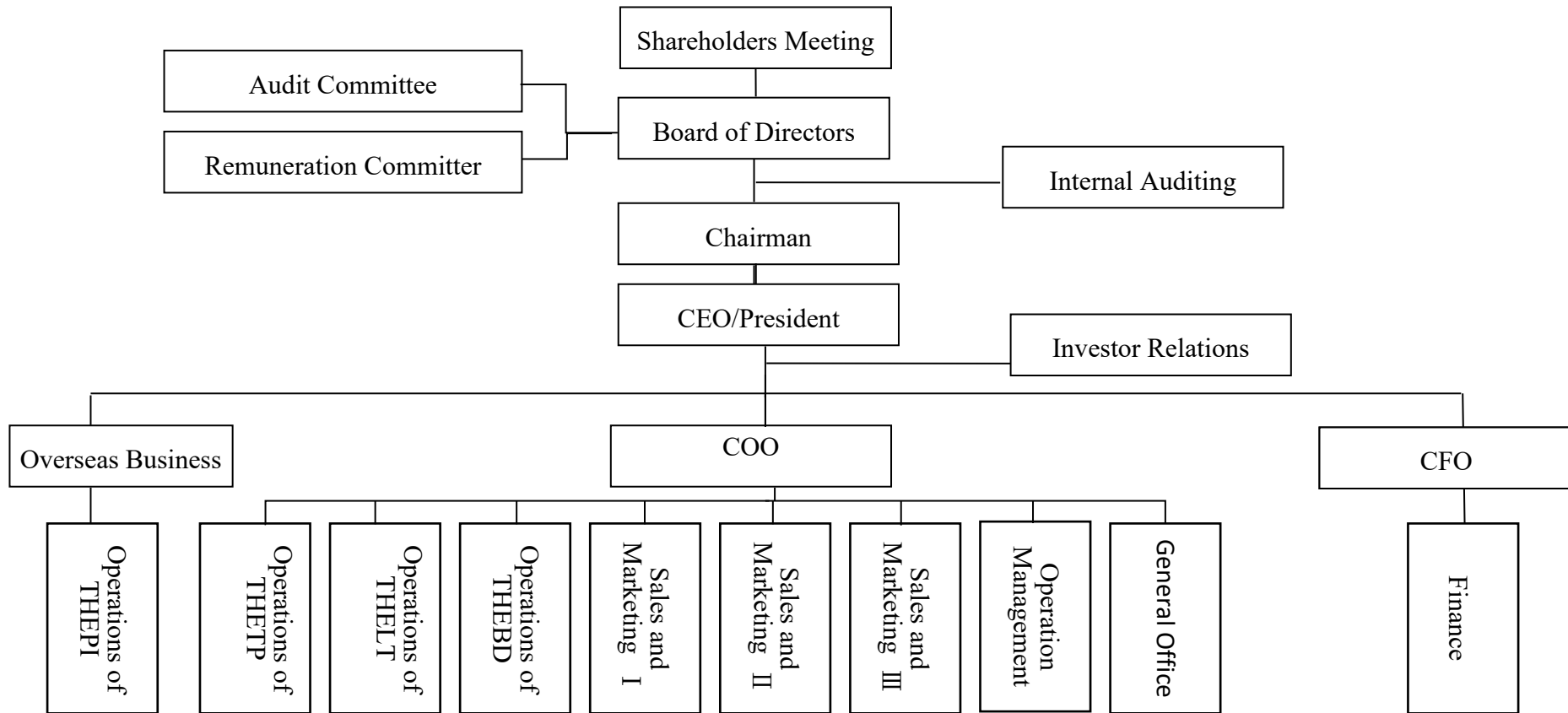
Jun. 2012	Awarded as excellent photoelectric products by Photonics Industry and Technology Development Association (PIDA).
Aug. 2012	Acquires DBC production assets, process, know-how, and IP from HCS.
Dec. 2012	Received ISO13485 certification.
Jul. 2013	Joined Electronic Industry Citizenship Coalition (EICC) to implement corporate social responsibility.
Oct. 2013	Received China RoHs certification.
Apr. 2014	Issued domestic convertible bonds of NT\$2,000 million.
Nov. 2014	Participated in campaign run by the Economic Department in New Taipei City to promote energy saving.
Dec. 2014	Started production of RW products in Longtan work site.
Apr. 2015	Established a new subsidiary of Longtan Plant for the manufacturing of CP and wafer reconstruction.
Jan. 2016	Started production of RW products in Longtan work site.
Jul. 2016	Awarded as Top-500 Excellent Exporters / Importers.
Aug. 2018	Awarded as Excellent Management of National Quality Award by Ministry of Economic Affairs.
Oct. 2018	Received IATF16949 certification.
Jun. 2019	Expanded the production capacity of imaging products and construct the Company's headquarters, the Company acquired land in Zhonghua Section, Bade District, Taoyuan City and commenced the construction of the Bade Plant.
Jun. 2019	The Company held elections for all Directors and established the Audit Committee to strengthen corporate governance.
Dec. 2019	Expanded operation scale and increase competitiveness, the Board of Directors of the Company resolved to issue new shares for share conversion with Kingpak Technology Inc.
June 2020	The Company completed share conversion with Kingpak Technology Inc., and Kingpak Technology Inc. became a 100% subsidiary of the Company.
August 2020	The Company signed the contract for construction of Bade Factory to build the headquarters.
August 2020	The Company signed memorandums of understandings with Honghai, Yageo, Chilisun and Kaimei in order to establish positive cooperation in such fields of digital healthcare, electric vehicle, and new generation communication technologies, and play a win-win role in technical competence and key parts, to create more industry value.
January 2021	The Company's cumulative net consolidated revenue in 2020 exceed NT\$ 10 billion, setting a new record.

Chapter 3 Corporate Governance Report

I. Corporate Organization

1. Corporate Organizational Structure

Organizational Structure of Tong Hsing Electronic Industrial, Ltd.



2. Organizational Functions:

Department	Functions
(1) Finance	<ul style="list-style-type: none"> a. Manage cash flow, financial analysis and reporting, taxations, accounting and shareholder service. b. Cost accounting and production cost analysis.
(2) Sales and Marketing (Divisions I-III)	<ul style="list-style-type: none"> a. Responsible for strategic product positioning, sales, and business development of four major products. b. Responsible for introducing four major products, or developing advanced technology for the industry, and formulating short-term, middle-term and long-term technology and R&D strategies.
(3) Operation Management	<ul style="list-style-type: none"> a. Responsible for customer service and management, collection of accounts, and handling customer's complaints. b. Responsible for production scheduling, delivery, and management of raw materials, inventories and assets.
(4) General Office	<ul style="list-style-type: none"> a. Responsible for computer software and hardware related matters. b. Responsible for personnel planning and general administration affairs. c. Acquisition of raw materials, machine and equipment.
(5) Operations -THEIL -THELT -THEBD	<ul style="list-style-type: none"> a. Production, quality improvement and other manufacturing related affairs for four major products of the Company. b. Outsourcing planning, production process improvement, and product development.
(6) Overseas Business	<ul style="list-style-type: none"> a. Planning and conducting operating of Philippines Plant. b. Production, quality improvement and other manufacturing related matters of the four major products.
(7) Internal Auditing	Auditing on availability of operations, supervision on compliance with internal control, execution of audit plan, and regular report to the Board of Directors.
(8) Investor Relations	Establishment, maintenance and management of relationship with legal persons and media.

II. Information Regarding Directors, Supervisors, General Manager, Vice General Manager, Assistants, and Heads of Departments and Branches

(I) Board Members

1. Information regarding directors and supervisors (I)

April 9, 2021.

Title	Nationality/Place of Incorporation	Name	Gender	On-board Date	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors & Supervisors Being Spouse or Immediate Relation with Directors & Supervisors			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
							Chairman	R.O.C	Tie-Min Chen	Male	2019.06.21	3 years	2019.06.21	10,813,982			6.54%	8,170,134	4.57%	
Vice Chairman	R.O.C	Tong Hsing Food Ind. Corp.	-	2019.06.21	3 years	2019.06.21	-	0.03%	38,531	0.02%	-	-	-	-	Not Applicable	Not Applicable	-	-	-	-
	R.O.C	Representative: Hsi-Hu Lai	Male						-	-	-	-	-	-	Bachelor Degree in Department of Economics, Soochow University Finance Department, Far East Group Vice President, Tong Hsing Electronic Ind., Ltd. Chief of Staff, Tong Hsing Electronic Ind., Ltd. Chairman, Tong Hsing Electronic Ind., Ltd.	-	-	-	-	
Corporate Director	R.O.C	Multifield Investment Inc.	-	2019.06.21	3 years	2019.06.21	106,000	0.06%	80,084	0.04%	-	-	-	-	Not Applicable	Not Applicable	-	-	-	-
	R.O.C	Representative: Shao-Pin Ru	Male						522,206	0.29%	5,753	0.00%	-	-	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Business and Management, National Chiao Tung University. President, Tong Hsing Electronic Ind., Ltd.	CEO, Tong Hsing Electronic Ind., Ltd.	-	-	-	-

Title	Nationality/Place of Incorporation	Name	Gender	On-board Date	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors & Supervisors Being Spouse or Immediate Relation with Directors & Supervisors			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Corporate Director	R.O.C	Kaimei Electronic Corporation	-	2019.06.21	3 years	2019.06.21	12,444,882	7.53%	9,321,414	5.22%	-	-	3,777,579	2.11%	Not Applicable	Not Applicable	-	-	-	-
	R.O.C	Representative: Shu-Hwei Chen	Male						-	-	-	-	-	-	Bachelor Degree in Department of Public Administrator, National Chengchi University Chairman, Teapo Electronic Corporation	Chairman, Kaimei Electronic Corporation Director Representative, Kaimei Electronic (Hong Kong) Limited Chairman, Kaimei Electronic (Shenzhen) Limited Chairman, Jingmeikang Electronics (Shenzhen) Co., Ltd. Director Representative, Kenny International Corporation Director Representative, Suzhou Kaimei Electronic Co., Ltd. Director Representative, MYW Investment Limited Director Representative, Bothhand Enterprise INC. Director Representative, Yageo Corporation Director, TA-I Technology Co., Ltd.	-	-	-	-
Corporate Director	R.O.C	Mu Yeh Wen Investment Corp.	-	2019.06.21	3 years	2018.06.15	5,000,000	3.02%	3,777,579	2.11%	-	-	-	-	Not Applicable	Not Applicable	-	-	-	-
	R.O.C	Representative: Pen-Chi Chen	Female						-	-	-	-	-	Graduated from Department of Accounting, Fu-Jen Catholic University PricewaterhouseCoopers Audit Manager Vice Manager of Accounting Department, Teapo Electronic Corporation	Special Assistant to Chairman, Kaimei Electronic Corporation Director Representative, Kaimei Electronic (Hong Kong) Limited Director Representative, New Kaimei Electronic Corporation Director Representative, Jingmeikang Electronics (Shenzhen) Co., Ltd. Director Representative, Kenny International Corporation Director Representative, Suzhou Kaimei Electronic Co., Ltd. Director Representative, Bothhand Enterprise INC.	-	-	-	-	

Title	Nationality/Place of Incorporation	Name	Gender	On-board Date	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors & Supervisors Being Spouse or Immediate Relation with Directors & Supervisors			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Corporate Director	R.O.C	Shi Hen Enterprise Limited	-	2019.06.21	3 years	2019.06.21	10,000	0.01%	7,555	0.00%	-	-	-	-	Not Applicable	Not Applicable	-	-	-	-
	R.O.C	Representative: Shu-Chen Tsai	Female				-	-	-	-	-	-	-	-	-	Catholic Sheng Kung Girls' High School Chairman and President, Hsin Bung Co., Ltd.	Chairman and President, Hsin Bung Co., Ltd.	-	-	-
Independent Director	R.O.C	Shih-Chien Yang	Male	2019.06.21	3 years	2019.06.21	-	-	-	-	-	-	-	-	Doctor of Electrical Engineering, Northwestern University Master of Electrical Engineering, Northwestern University Master Degree in Electrical Engineering, National Taiwan University Presidential Policy Advisor Government Affairs Officer of Executive Yuan and Convener of Technology Advisory Group of Executive Yuan Vice Minister for Government Affairs, Ministry of Economic Affairs Permanent Secretary, Ministry of Economic Affairs General Director of Minister of Industrial Development Bureau, Ministry of Economic Affairs Vice Director General, Science Park Administration Section Chief, Enterprise Planning Appraisal Department of National Science Council Vice Section Chief, Planning Department of Council for Economic Planning And Development, Executive Yuan Technical Specialist, Planning Department of Council for Economic Planning And Development, Executive Yuan Assistant Researcher, National Chung-Shan Institute of Science & Technology	Chairman and CEO, Global Strategic Investment Fund Director, Dongxun Company Director, Yageo Corp. Director, TECO Electric and Machinery Co.,Ltd. Independent Director, TOPKEY Corp. Director, MITAC Computer Co., Ltd. Independent Director, WUS Printed Circuit Co., Ltd. Independent Director, Topkey Corporation and WUS Printed Circuit	-	-	-	-

Title	Nationality/Place of Incorporation	Name	Gender	On-board Date	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors & Supervisors Being Spouse or Immediate Relation with Directors & Supervisors			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Dominica	Tun-Son Lin	Male	2019.06.21	3 years	2019.06.21	-	-	-	-	-	-	-	-	Ph.D. King's College, University of London Master of Economics, London School of Economics MSc. (econ) London School of Economics and Political Science	Chairman and Managing Partner, Whitesun Equity Partners Independent Director, Yageo Corporation Independent Director, UBright Optronics Corporation Director, Xinhe Co., Ltd., Visiting Senior Research Fellow, Kings Business School, University of London	-	-	-	-
Independent Director	R.O.C	Chin-Tsai Chen	Male	2019.06.21	3 years	2007.05.15	-	-	-	-	-	-	-	-	Master Degree in Accounting, Tamkang University, Taiwan Master Degree in Public Administration, University of San Francisco, USA Master, Institute of Accounting, Tamkang University In-charge CPA, KPMG Vice General Manager & General Manager, Namchow Chemical Industrial Co., Ltd. Adjunct Professor, Assistant of Accounting Department, Tamkang University Director, Namchow Chemical Industrial Co., Ltd.	Vice Chairma, HIWIN Technologies Corp. President, WIN Semiconductors Corp. Independent Director, Kinsus Interconnect Technology Corp. /Remuneration Committee Member/ Audit Committee Member Supervisor, Inventec Solar Energy Corporation Independent Director/ Remuneration Committee Member, Tong Hsing Electronic Ind., Ltd. Representative Director, Taipei Financial Center Corp. Corporate Director Representative, Sin Sun San Chairman, WIN Semi, USA, Inc. Chairman, WIN CAYMAN Chairman, ITEQ Corporation Corporate Director Representative, Mercuries Insurance Co., Ltd. Independent Director/ Remuneration Committee Member/ Audit Committee Member, INVENTEC BESTA CO., LTD.	-	-	-	-

Note 1: The corporate director Kaimei Electronic Corp. has been replaced its representative Mr. Chi-Sheng Weng with Ms. Shu-Hui Chen on March 10, 2021.

Major Shareholders of the Institutional Shareholders

April 9, 2021.

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Ownership (%)
TONG HSING FOOD IND. CORP.	I-Ling Yang	19.26%
	Hui-Jie Yang	14.38%
	Yin-Fang Huang	9.99%
	Yin-zhong Huang	9.27%
	Andren Yang	7.50%
	Iwona Yang	7.50%
	Alice Yang	7.25%
	Evelyn Yang	7.23%
	Pei-Chen Yang	4.26%
	Chung-Mei Hsu	1.10%
Mu Yeh Wen Investment Corp.	Kaimei Electronic Corporation	100.00%
Kaimei Electronic Corporation	Yageo Corporation	5.98%
	Kuo-Tai Chuang	1.81%
	Kuo Shin Investment Co, Ltd.	1.34%
	JPMorgan Chase Bank, N. A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund	1.14%
	Citibank in custody for Nomura International PLC	1.09%
	Hui-Lin Lee	1.08%
	Bothhand Enterprise Inc.	1.00%
	Investment account of Allianz Taiwan Wisdom Fund	0.97%
	Ai-Ti Chao	0.94%
	Li-Chu Huang	0.88%
Multifield Investment Inc.	Yin-zhong Huang	34.62%
	Yen-Hsu Lai	15.38%
	Yic-Chang Yang	15.38%
	Hsiu-Chieh Yang	15.38%
	Yi-Tzu Lai	6.15%
	Tsai-Hui Lin	4.62%
	Yin-Fang Huang	3.85%
	Hsi-Hu Lai	1.54%
	Wei-Lin Peng	1.54%
Shao-Wei Peng	1.54%	
Shi Hen Enterprise Limited	Hsu Tai Investment Ltd.	99%

Major shareholders of the Company's major institutional shareholders

April 9, 2021.

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Ownership (%)
Yageo Corporation	Tie-Min Chen	7.41%
	PRC Holding Limited.	7.02%
	CTBC Bank Co., Ltd. In Custody for Dominant Investment Holdings Ltd.	7.01%
	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. LTD. ACTING AS CUSTODAIN FOR THE INVESTMENT ACCOUNT OF WHOLLY GROUP JAPAN III	2.53%
	Nan Shan Life Insurance Co., Ltd.	2.08%
	Labor Pension Fund	1.91%
	Matthews Pacific Tiger Fund	1.53%
	Vanguard Emerging Markets Stock Index Fund	1.26%
	Hsu Tai Investment Ltd.	1.08%
	JPMorgan Chase Bank N.A.	1.07%
Kuo Shin Investment Co, Ltd.	Yageo Corporation	100.00%
Bothhand Enterprise INC.	Chilisin Electronic Corporation	100.00%
Hsu Tai Investment Ltd.	Hwei-Jan Lee	99.865%
	Shao-Wei Chen	0.045%
	Shao-Chiao Chen	0.045%
	Shao-Man Chen	0.045%

2. Directors' and Supervisors' Professional Qualifications and Independence Information

(II)

April 9, 2021.

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11		12
Tie-Min Chen			✓				✓					✓	✓	✓	✓	✓	0
TONG HSING FOOD IND. CORP. Representative: Hsi-Hu Lai			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Multifield Investment Inc. Representative: Shao-Pin Ru			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kaimei Electronic Corporation Representative: Chi-Sheng Weng			✓	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Mu Yeh Wen Investment Corp. Representative: Pen-Chi Chen			✓	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Shi Hen Enterprise Limited Representative: Shu-Chen Tsai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Chien Yang			✓	✓		✓	✓	✓				✓	✓	✓	✓	✓	2
Tun-Son Lin			✓	✓		✓	✓	✓				✓	✓	✓	✓	✓	2
Chin-Tsai Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: The corporate director Kaimei Electronic Corp. has been replaced its representative Mr. Chi-Sheng Weng with Ms. Shu-Hui Chen on March 10, 2021.

Note2: Please put a tick mark in the corresponding columns if the directors or supervisors meet the following conditions during the two years prior to being elected and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its related companies (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not the spouse, lineal relative within the second degree of kinship or relative within the third degree of kinship of the managers listed in (1) or the personnel listed in (2) and (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who directly holds more than 5% of the total issued shares of the Company, or ranks top five in terms of number of shares held, or appoints representatives as directors or supervisors of the company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent

- company in accordance with this Act or local laws).
- (6) Not a director, supervisor or employee of other companies whose half of the shares are controlled by the same person holding more than half of the number of directors or voting shares of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
 - (7) Not a (managing) director, (managing) supervisor or employee of other companies or institutions who is the same person or spouse of the Chairman, General Manager or equivalent of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
 - (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with Aurora (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of Aurora and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country of the Company and its parent or subsidiary or a subsidiary of the same parent).
 - (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. Provided that, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 - (10) Not a spouse or a relative within the second degree of kinship to any other director of Aurora.
 - (11) No condition defined in Article 30 of the Company Act applies.
 - (12) Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.

(II).Management Team Information Regarding Management Team

April 9, 2021.

Title	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Other Positions	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President and CEO	R.O.C	Shao-Pin Ru	Male	2013.06.19	522,206	029%	5,753	0.00%	-	-	Bachelor degree in Electrical Engineering, National Taiwan University Master degree in Business and Management, National Chiao Tung University. President, Tong Hsing Electronic Ind., Ltd.	None	-	-	-	-
COO	R.O.C	Jia-Shuai Chang	Male	2013.09.16	50,619	0.03%	3,022	0.00%	-	-	Vice President, Impac Technology Co., Ltd. Manager of R&D Department, Walsin Thz Technology Corp. Manager of Electronic and Optoelectronic System Research Laboratories, ITRI. Doctor degree in Physics, National Tsing Hua University. Vice President, Tong Hsing Electronic Ind., Ltd.	General Manager, Kingpak Technology Inc.	-	-	-	-
Factory Manager	R.O.C	Shou-Jen Hou	Male	2019.10.30	-	-	2,266	0.00%	-	-	Master of Mechanical Engineering, Rensselaer Polytechnic Institute(RPI)	None	-	-	-	-
Factory Manager	R.O.C	Cheng-Yi, Tsai	Male	2020.02.05	-	-	-	-	-	-	Master of Mechanical Engineering, National Taiwan University of Science and Technology Vice Director General, YMTC Vice Manager, Taiwan Integrated Circuit Co., Ltd., Senior Manager, Forcera Materials Co., Ltd.	None	-	-	-	-
Philippines Plant Factory Manager	R.O.C	Jin-Xing Lin	Male	2005.10.01	54,149	0.03%	3,490	0.00%	-	-	Bachelor degree in Electronics, National Taipei University of Technology. Master degree in Entrepreneurship, Asian Institute of Management. Vice President, Tong Hsing Electronics Phils. Inc.	None	-	-	-	-
CFO	R.O.C	Jia-Li Huang	Female	2017.03.10	30	0.00%	-	-	-	-	Bachelor degree in Public Finance, National Chung Hsing University. Junior Manager, Advance Engineering (B.V.I.) Co., Ltd. Department of Finance, TUNTEX INCORPORATION.	CFO, Kingpak Technology Inc.	-	-	-	-

Title	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Other Positions	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
LongTan Plant Vice Plant Manager	R.O.C	Bao-Yuan Chen	Male	2017.10.01	2,000	0.00%	-	-	-	-	Master degree in Industrial Engineering and Management, National Chiao Tung University. Department of Industrial Engineering, Chung Yuan Christian University Department of Electrical Engineering, National United University Packaging Engineering Department and Testing Department, Tong Hsing Electronic Ind., Ltd. Senior Manager Senior Manager, Tong Hsing Electronic Ind., Ltd. Manager, Impact Technology Co., Ltd. Director, Syskey Technology Co. Factory Manager of MACASE INDUSTRIAL CORP.	None	-	-	-	-

III. Remunerations paid to Directors, Supervisors, General Manager and Vice General Managers in Recent Years

(I). Compensation of Directors

December 31, 2020; Unit: NT\$ thousands; %

Title	Name	Remuneration Paid to Directors								Employment-related Remuneration								Total A, B, C, D, E, F, Gas % of EAIT	Remuneration from Invested Companies Other than Subsidiaries or the Parent Company			
		Base Compensation (A) (Note 1)		Retirement pension (B)		Directors (C) (Note 2)		Business implementation expenses (D) (Note 3)		Total A, B, C, D as % of EAIT		Salary, bonuses and special expenses (E) (Note 4)		Retirement pension (F)		Employee compensation (G) (Note 5)						
		From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH				From All Consolidated Entities		From TH
																Cash	Stock	Cash	Stock			
Chairman	Tie-Min Chen																					
Vice Chairman	TONG HSING FOOD IND. CORP. (Representative: Hsi-Hu Lai)																					
Directors	Multifield Investment Inc. Representative: Shao-Pin Ru																					
Directors	Kaimei Electronic Corporation Representative: Chi-Sheng Weng	34,016	34,016	108	108	38,354	38,354	1,787	1,787	5.12%	5.12%	9,714	9,714	108	108	3,694	-	3,694	-	6.05%	6.05%	None
Directors	Mu Yeh Wen Investment Corp. Representative: Pen-Chi Chen																					
Directors	Shi Hen Enterprise Limited Representative: Shu-Chen Tsai																					
Independent Director	Tun-Son Lin																					
Independent Director	Shih-Chien Yang																					
Independent Director	Chin-Tsai Chen																					

Note 1: The corporate director Kaimei Electronic Corp. has been replaced its representative Mr. Chi-Sheng Weng with Ms. Shu-Hui Chen on March 10, 2021.

Levels of Amounts of Compensation

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities
Under NTS 1,000,000 元	Shao-Pin Ru; Representative of MYW Investment Limited: Pen-Chi Chen	Shao-Pin Ru; Representative of MYW Investment Limited: Pen-Chi Chen	Representative of MYW Investment Limited: Pen-Chi Chen	Representative of MYW Investment Limited: Pen-Chi Chen
NT\$1,000,001~NT\$2,000,000	Tun-Son Lin, Shih-Chien Yang	Tun-Son Lin, Shih-Chien Yang	Tun-Son Lin, Shih-Chien Yang	Tun-Son Lin, Shih-Chien Yang
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Kaimei Electronic Corporation Representative: Chi-Sheng Weng; Shi Hen Enterprise Limited Representative: Shu-Chen Tsai; Chin-Tsai Chen, Tong Hsing Enterprise Corporation, Multifield Investment Inc.	Kaimei Electronic Corporation Representative: Chi-Sheng Weng; Shi Hen Enterprise Limited Representative: Shu-Chen Tsai; Chin-Tsai Chen, Tong Hsing Enterprise Corporation, Multifield Investment Inc.	Kaimei Electronic Corporation Representative: Chi-Sheng Weng; Shi Hen Enterprise Limited Representative: Shu-Chen Tsai; Chin-Tsai Chen, Tong Hsing Enterprise Corporation, Multifield Investment Inc.	Kaimei Electronic Corporation Representative: Chi-Sheng Weng; Shi Hen Enterprise Limited Representative: Shu-Chen Tsai; Chin-Tsai Chen, Tong Hsing Enterprise Corporation, Multifield Investment Inc.
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-	Shao-Pin Ru	Shao-Pin Ru
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	Tai-Ming, Chen, His-Hu Lai	Tai-Ming, Chen, His-Hu Lai	Tai-Ming, Chen, His-Hu Lai	Tai-Ming, Chen, His-Hu Lai
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over 100,000,001	-	-	-	-
Total	11	11	11	11

Note 1: Remunerations to the directors in the current year include director's salary, directors' allowances, severance pay, various bonuses, incentive payments, etc.

Note 2: These are director remunerations in 2020 proportionally divided among the directors and supervisors. The compensation of NT\$38,354 thousand has been resolved by the Board Meeting and is pending for approval by the shareholders' meeting.

Note 3: Professional service fees paid to the director (including traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.).

Note 4: The figures show payments that include salaries, position allowances, severance pay, bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc. paid to the directors who were also the Company's employees (include the general manager, vice general manager, other managerial officers and employees).

Note 5: This is the employee compensation in 2020 paid to the directors who are also the Company's employees (include the general manager, vice general manager, other managerial officers and employees), NT\$ 106,720 thousand. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year. An appendix listed "Manager Compensation Distribution" is attached here for the details.

Note 6: The corporate director Kaimei Electronic Corp. has been replaced its representative Mr. Chi-Sheng Weng with Ms. Shu-Hui Chen on March 10, 2021.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(II) Manager's and Vice General Manager's Compensation

December 31, 2020; Unit: NT\$ thousand dollars; %

Title	Name	Salary (A) (Note 1)		Retirement pension (B)		Bonus and special expenses (C) (Note 2)		Employee compensation (D) (Note 3)				Total A,B,C,D as % of EAIT		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH		From All Consolidated Entities		From TH	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Shao-Pin Ru	28,112	28,403	630	630	13,311	14,136	16,349	-	16,349	-	4.03%	4.10%	None
COO	Jia-Shuai Chang													
Treasurer	Jia-Li Huang													
Factory Manager	Shou-Jen Hou													
Factory Manager	Cheng-Yi, Tsai													
Factory Manager	Jin-Xing Lin													

Note: The proposal for the allocation of compensation in 2020 was approved by Board of Directors on March 11, 2021, and the resolution of the proposal will be determined in the Shareholders Meeting.

Levels of Amounts of Compensation

Range of Remuneration Name of Supervisors	Total Remuneration (A+B+C)	
	From TH	From All Consolidated Entities
Under NT\$ 1,000,000	-	-
NT\$1,000,001~NT\$2,000,000	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Jia-Li Huang, Shou-Jen Hou, Cheng-I TsaI. Chin-Hsing Lin	Jia-Li Huang, Shou-Jen Hou, Cheng-I TsaI. Chin-Hsing Lin
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Shao-Pin Ru, Chai-Shuai Chang	Shao-Pin Ru, Chai-Shuai Chang
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-
Over 100,000,001	-	-
Total	6	6

Note 1: Remunerations to the managers in the current year include manager's salary, managers' allowances, and severance pay.

Note 2: The figures show payments that include bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc..

Note 3: This is the employee compensation in 2020, NT\$ 106,720 thousand. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year. An appendix listed "Manager Compensation Distribution" is attached here for the details.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(III) Name of Managers Allocating Remuneration to Employees and Distribution

Unit: NT\$ thousands/ %
December 31, 2020

	Title	Name	Stock	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	President	Shao-Pin Ru	-	17,853	17,853	1.23%
	COO	Jia-Shuai Chang				
	CFO	Jia-Li Huang				
	Factory Manager	Jin-Xing Lin				
	Factory Manager	Shou-Jen Hou				
	Factory Manager	Cheng-Yi, Tsai				
	Vice Plant Manager	Bao-Yuan Chen				

Note 1: This is the employee compensation in 2020, NT\$ 106,720 thousand. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year.

(IV) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past Two Fiscal Years to Directors, Supervisors, the General Managers, and Vice General Managers, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link

1. The Analysis of total remuneration, as a percentage of net income stated in the parent company only financial statements, paid to the directors, supervisors, general managers and vice general managers during the past 2 fiscal years.

Title	2019		2020 (Note 1)	
	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities
Directors	11.38%	11.53%	9.15%	9.22%
General Manager and Vice General Manager				

Note 1: The remuneration of general manager and vice general manager in 2020 is the estimated income

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

- (1) The base compensation for the directors and supervisors are determined in accordance with the procedures set forth in the Company's Articles of Incorporation and the proposal from the Board Meeting made according to the contribution and participation from each member and references to industry standards. The earnings allocation is also determined in accordance with the Company's Articles of Incorporation and the one proposed by the Board Meeting for the final approval from the shareholders' meeting.
- (2) Remunerations to the managers, including salary, bonus and employee compensation, are determined according to the position held, the responsibilities and the contribution of the Company with reference to the industry standards.
- (3) Remuneration determination procedures are set in accordance with the Company's Articles of Incorporation and the authorization hierarchy.
- (4) Remuneration to directors, supervisors, and managers has taken into account the linkage and balance to the Company's future operating risks and its operating performance.

IV. Implementation of Corporate Governance

(I) Board of Director

1. A total of 6 meetings of the Board of Directors were held in 2020 (A). The attendance status of Directors and Supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B)/(A)	Remarks
Chairman	Tie-Min Chen	6	0	100%	
Vice Chairman	TONG HSING FOOD IND. CORP. (Representative: Hsi-Hu Lai)	6	0	100%	
Directors	Multifield Investment Inc. (Representative: Shao-Pin Ru)	6	0	100%	
Directors	Kaimei Electronic Corporation (Representative: Chi-Sheng Weng)	1	5	16.67%	
Directors	Mu Yeh Wen Investment Corp. (Representative: Pen-Chi Chen)	4	2	66.67%	
Directors	Shi Hen Enterprise Limited (Representative: Shu-Chen Tsai)	4	1	66.67%	
Independent Director	Shih-Chien Yang	5	1	83%	
Independent Director	Tun-Son Lin	6	0	100%	
Independent Director	Chin-Tsai Chen	2	4	33.33%	

Note 1: The corporate director Kaimei Electronic Corp. has been replaced its representative Mr. Chi-Sheng Weng with Ms. Shu-Hui Chen on March 10, 2021.

Other matters:

I. Should any of the following take place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions and the Company's response to such opinions should be recorded:

(1) For matters listed in Article 14-3 of the Securities and Exchange Act, please refer to the important resolutions of the Board of Directors:

Board of Directors	Major Resolutions	Independent Directors' Opinions	The Company's Response	Independent Directors' Objection or Reserved Opinions on Record or Stated in Writing
January 8, 2020 5th meeting of the 17th Board	* Approved the proposal for the distribution of 2019 year-end bonus for managerial officers.	None	None	None
March 18, 2020. 6th meeting of the 17th Board	* Approved the Company's "Internal Control Statement" of the year 2019 after self-evaluation of internal control. * Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules". * Approved evaluation on the independence and	None	None	None

Board of Directors	Major Resolutions	Independent Directors' Opinions	The Company's Response	Independent Directors' Objection or Reserved Opinions on Record or Stated in Writing
	<p>competency of the Company's CPA.</p> <ul style="list-style-type: none"> * Approved Company's distribution of remuneration for employees and directors in 2019. * Approved the Company's Business Report and Financial Statement in 2019. * Approved the Company's distribution of earnings in 2019. * Approved the Company's capital structure adjustment. * Approved the Company's proposal for capital reduction without adjusting the ratio of the share conversion with Kingpak Technology Inc. with new shares as the consideration. * Approved the authorization for the Chairman to establish the baseline date for the share conversion between the Company and Kingpak Technology Inc. and the issuance of new shares for capital increase based on actual requirements. * Approved the amendment of the Company's "Articles of Incorporation". * Approved the Company's Business Plan in 2020. * Approved the date, location, and reasons for convening the general shareholders' meeting of the Company in 2020. * Approved period and venue for the Company's general shareholders' meeting to accept the shareholders' proposals in 2020. * Approved the Company's application for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate management. * Investment of US\$9.5 million in USD-denominated Wise Road Industry Investment Fund I (pledged investment amount) under the management of Wise Road Capital. 			
May 18, 2020 7th meeting of the 17th Board	*No discussion and resolution occurred.	None	None	None
August 11, 2020 8th meeting of the 17th Board	<ul style="list-style-type: none"> * Approved the amendment of the Company's "Internal Audit Rules". * Approved the revision of the Annual Audit Plan in 2020. * Approved the amendment to the Regulations for Evaluating the Performance of the Board of Directors * Approved the Company's Q2 employee stock plan and establishment of base date in 2020. * Approved application for middle-term and long-term credit lines for the "Speed-up Investment Project of Enterprises in Taiwan". * Approved appointment of the Company's Chief Corporate Governance Officer. 	None	None	None
November 10, 2020 9th meeting of the 17th Board	<ul style="list-style-type: none"> * Approved the submission of the Annual Audit Plan in 2021. * Approved the loaning funds to the subsidiary Kingpak Technology Inc. * Approved cancellation of the Company's new 	None	None	None

Board of Directors	Major Resolutions	Independent Directors' Opinions	The Company's Response	Independent Directors' Objection or Reserved Opinions on Record or Stated in Writing
	employee restricted shares that failed to meet the vesting conditions. * Approved the Company's plan to apply for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate risk management.			
December 29, 2020 10th meeting of the 17th Board	* Approved the submission of the Company's Business Plan in 2021. * Approved cancellation of the Company's new employee restricted shares that failed to meet the vesting conditions.	None	None	None

(2) Other resolutions of the Board, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: No such occurrences.

II. Directors abstaining in certain proposals for being a stakeholder, (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated): No such occurrences.

III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self (peer) evaluation of the Board of Directors and fill out the "Board of Directors Evaluation Status":

Frequency	Period	Scope	Method	Content
Once a year	January 1, 2020- December 31, 2020	Including Board of Directors as a whole, the individual board members, and functional committees.	Self-evaluation	As below

The measurement items for the performance evaluation of the Board of Directors and functional committees shall include at least the five major aspects below:

- (1) Degree of participation in the Company's operation
- (2) Improvement in the Board's decision-making quality
- (3) Composition and structure of the Board
- (4) Election and continuing education of Directors
- (5) Internal control

The measurement items for the performance evaluation of the board members include the six major aspects below:

- (1) Degree of participation in the Company's operation
- (2) Understanding of the director's roles and responsibilities
- (3) Degree of participation in the Company's operation
- (4) Management of the internal relations and communication
- (5) Expertise and continuing education of directors
- (6) Internal control

After the members have completed the questionnaire, the corporate governance unit will collect the questionnaires and determine the scores, and the evaluation results will be sent

to the Remuneration Committee and reported to the Board of Directors. The performance evaluation results of the Company's Board of Directors will be adopted as a reference for future nomination and election of directors; the results of performance evaluation of individual directors will serve as the basis for determining their individual remuneration. The Regulations for Evaluating the Performance of the Board of Directors and the evaluation results are disclosed on the Company's website after approved by the Board of Directors.

In accordance with the Company's Regulations for Evaluating the Performance of the Board of Directors, the Board of Directors shall perform internal board performance evaluations in accordance with evaluation indicators and evaluation procedures every year. The performance evaluation of the Board of Directors shall be conducted by an external professional institution or a team of external experts and scholars at least once every three years.

(1) External evaluation: The first internal board performance evaluation was carried out in 2020, so there is no need to perform an evaluation by an external professional institution in 2020.

(2) Internal evaluation: The results of the 2020 performance evaluation of the Company's Board of Directors are as follows:

The overall average score of the self-evaluation of the Board of Directors' performance was 4.882 points (out of 5 points).

The overall average score of the self-evaluation of individual Directors' performance was 4.975 points (out of 5 points).

The results of the performance evaluation of the Board of Directors were reported to the Remuneration Committee on March 11, 2021 and to the Board of Directors on March 11, 2021, and then disclosed on the Company's website.

IV. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status:

(1) The Company has established an Audit Committee to enhance the functions of the Board of Directors. The Audit Committee is composed of 3 independent directors, and is in charge of supervising the fair presentation of the Company's financial statements; the appointment (and dismissal) of auditing CPAs and their independence and performance; effective implementation of the Company's internal control; the Company's compliance with relevant laws and regulations

(2) The Company has established a Remuneration Committee. The Remuneration Committee is responsible for establishing and periodically reviewing the performance goals of the directors and managerial officers and the policies, systems, standards, and structure for their remuneration, and periodically assessing and setting the remuneration of the directors and managerial officers.

(3) The Company has established a corporate governance unit, which is responsible for constantly promoting the corporate governance based on the Company's governance assessment indicators.

(4) The Company has formulated the "Regulations for Evaluating the Performance of the Board of Directors", which has been implemented to assess the performance of the whole Board of Directors and the individual directors from 2020.

(II) Audit Committee or Attendance of Supervisors at Board Meetings

1. The Operation of the Audit Committee: A total of 5 meetings of the Board of Directors were held in 2020 (A). The attendance status of independent directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B)/(A)	Remark
Independent Director	Tun-Son Lin	5	0	100%	
Independent Director	Shih-Chien Yang	4	1	80%	
Independent Director	Chin-Tsai Chen	2	3	40%	

Other matters:

- I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

- (1) Items listed in Article 14-5 of the Securities and Exchange Act:

Board of Directors Date/Term	Resolution and Follow-up Actions	Matters listed in Article 14-5 of the Securities and Exchange Act	Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee
March 18, 2020 1st term 6th meeting	1. Implementation of the audit plan 2. Approved the submission of the "Statement of Internal Control System". 3. Amendment of the "Internal Control System" and "Internal Audit Rules" 4. Approved the proposal to evaluate the independence and competency of the Company's CPA. 5. Approved the Company's Business Report and Financial Statement in 2019. 6. Approved the adoption of the proposal for distribution of 2019 earnings. 7. Approved the Company's capital structure adjustment plan. 8. Approved the Company's proposal for capital reduction without adjusting the ratio of the share conversion with Kingpak Technology Inc. with new shares as the consideration. 9. Approved the authorization for the Chairman to establish the baseline date for the share conversion between the Company and Kingpak Technology Inc. and the issuance of new shares for capital increase based on actual requirements. 10. Approved the amendment of the Company's "Articles of Incorporation." 11. Approved the Company's Business Plan in 2020. 12. Approved the date, location and reasons for convening the general shareholders' meeting of the Company in 2020. 13. Approved period and venue for the Company's general shareholders' meeting in 2020. 14. Approved application for relevant transaction limits with the financial institutions to meet the requirements for working capital and interest and exchange rate management. 15. Approved investment US\$9.5 million in USD-denominated Wise Road Industry Investment Fund I (pledged investment amount) under the management of Wise Road Capital.	V	No such circumstances

Board of Directors Date/Term	Resolution and Follow-up Actions	Matters listed in Article 14-5 of the Securities and Exchange Act	Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee
	Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.		
May 8, 2020 1st term 7th session	1. Implementation of the audit plan	V	No such circumstances
	Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.		
August 11, 2020 1st term 8th session	1. Implementation of the audit plan	V	No such circumstances
	2. Approved the amendment to the Company's "Internal Audit Rules".		
	3. Approved the amendment to the-Audit Plan in 2020.		
	4. Approved the amendment to the "Regulations for Evaluating the Performance of the Board of Directors".		
	5. Approved the Company's appointment of Corporate Governance Officer.		
Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.			
November 10, 2020 1st term 9th session	1.Implementation of the audit plan	V	No such circumstances
	2.Approved the submission the Audit Plan in 2021.		
	3.Approved loaning funds to the subsidiary Kingpak Technology Inc.		
	4.Approved cancellation of the new restricted shares that do not meet the existing conditions.		
Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.			
December 29, 2020 1st term 10th session	1.Approved cancellation of the new restricted shares that do not meet the existing conditions.	V	No such circumstances
	Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.		

(2) In addition to the items in the preceding items, other resolutions passed by two-thirds of all the Directors but yet to be approved by the Audit Committee: No such occurrences.

II. Independent Directors abstaining in certain proposals for being a stakeholder, (the name of the Independent Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated): No such occurrences.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.):

(1) Frequency and method of communication:

1. The Company quarterly convenes the meetings of the Audit Committee and the Board of Directors. The auditor supervisor will attend every meeting of the Audit Committee and the Board of Directors, and report the internal audit business as appropriate.
2. The Company quarterly convenes the meetings of the Audit Committee and the Board of Directors, at which the CPAs will attend to report the financial statements every quarter when the financial reports are adopted.
3. The auditor supervisor and the CPAs shall directly contact the independent directors to communicate the proposed discussions as appropriate if any.
4. Independent directors hold communication meetings with CPAs whenever necessary.

(2) Contents and conclusions of communication:

1. The independent directors of the Company engaged in smooth communication on the execution and effectiveness of the audit business.

Date	Key Points in Discussion	Suggestions	Implementation Status
Audit Committee (March 18, 2020)	1.Implementation of the audit plan 2.Approved the submission of the "Statement of Internal Control System". 3. Amendment of the "Internal Control System" and "Internal Audit Rules"	None	Approved by Committee and submit to BOD meeting
Audit Committee (May 8, 2020)	1.Implementation of the audit plan	None	Approved by Committee and submit to BOD meeting
Audit Committee (August 11, 2020)	1.Implementation of the audit plan 2.Amendment to the "Internal Audit Rules" 3.Amendment to the 2020 Audit Plan	None	Approved by Committee and submit to BOD meeting
Audit Committee (November 10, 2020)	1.Implementation of the audit plan 2.Approved submission of the 2021 Audit Plan	None	Approved by Committee and submit to BOD meeting
Audit Committee (December 29, 2020)	Attended without report	None	None
Audit Committee (March 11, 2021)	1.Implementation of the audit plan 2.Approved the submission of the "Statement of Internal Control System".	None	Approved by Committee and submit to BOD meeting

2. The independent directors of the Company engaged in smooth communication with CPAs.

Date	Key Points in Discussion	Suggestions	Implementation Status
Audit Committee (March 18, 2020)	CPA explained and communicated the parent company only and consolidated financial reports of 2019 in brief.	None	Approved by Committee and submit to BOD meeting
Audit Committee (May 8, 2020)	CPA explained and communicated the consolidated financial reports of the first quarter in 2020 in brief.	None	Approved by Committee and submit to BOD meeting
Audit Committee (August 11, 2020)	CPA explained and communicated the consolidated financial reports of the second quarter in 2020 in brief.	None	Approved by Committee and submit to BOD meeting
Audit Committee (November 10, 2020)	CPA explained and communicated the consolidated financial reports of the third quarter in 2020 in brief.	None	Approved by Committee and submit to BOD meeting
Audit Committee (March 11, 2021)	CPA explained and communicated the parent company only and consolidated financial reports of 2020 in brief.	None	Approved by Committee and submit to BOD meeting

(III)Implementation of corporate governance and the deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reasons thereof:

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons" thereof
	Yes	No	Description	
I. Does the Company establish and disclose its "Corporate Governance Best Practice Principles" based on the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established and published at its website the "Corporate Governance Best Practice Principles" for the purpose of implementing corporate governance and protecting shareholders' interests.	None
II. Shareholding Structure & Shareholders' Rights				
(I) Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The Company has appointed a spokesperson and acts as a spokesperson in accordance with the "Corporate Governance Best Practice Principles" to effectively handle shareholders' suggestions, questions, disputes and litigations. In addition, the Company has appointed KGI Securities to process related stock affairs.	None
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) The Company obtains the list of the more than 5% of the major shareholders, and possesses the list of the major shareholders on its websites.	None
(III) Has the company established and enforced risk control and firewall systems with its affiliate companies?	✓		(III) Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms are clearly defined to prevent non-arm's-length transactions.	None
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		(IV) In order to ensure the consistency and correctness of the information published by the Company to the public and to prevent insider trading, the Company has formulated the "Regulations on Management of Material Information and Prevention of Insider Trading" for compliance. (IV) To increase internal personnel's awareness from time to time, the Company has formulated the "Code of Business Conduct", and disclosed the Code on the Company's website to expressly stipulate that the directors, managers, employees, and actual controllers of the Company shall not obtain any improper benefits for themselves or others by means of their position or influence in the Company.	None

<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(I) Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?</p>	✓		<p>(I) The Board members of the Company have many years of working experience and professional qualifications in business, laws, and finance, and come from different countries, including three female directors. Please refer to Note 1, page 30.</p>	None
<p>(II) In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p>		✓	<p>(II) The Company has now established the Remuneration Committee and the Audit Committee and its Articles of Association, which, in the future, will be developed depending on the Company's development needs and provisions of laws.</p>	None
<p>(III) Does the Company formulate rules and procedures for the Board of Directors' performance evaluation, conduct performance evaluation on the Board of Directors on a regular basis every year, report the results of performance evaluation to the Board of Directors, and apply the results to the individual Directors' remuneration and nomination for reappointment?</p>	✓		<p>(III) The Company has set up the "Regulations for Evaluating the Performance of the Board of Directors", and has submitted the performance evaluation results to the Board of Directors. The evaluation results of the Board of Directors' performance in 2020 were all excellent, and the evaluation results have been reported to the Board of Directors on March 11, 2021. For the performance evaluation of the Board of Directors, please refer to "Other Disclosures in the Operations of the Board of Directors".</p>	None
<p>(IV) Does the Company regularly assess on the independence of CPAs?</p>	✓		<p>(IV) The Company obtains a form on assessment for independence and competency of the CPA each year, and the results of the form on assessment for independence and competency of the CPA in 2020 are consistent. The results have been passed by resolution of the Board of Directors on March 11, 2021. The independence assessment items for CPAs are as in Note 2, Page 30-31.</p>	None
<p>IV. Has the Company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?</p>	✓		<p>The Company has designated a Corporate Governance Office by the resolution of the Board of Directors on August 11, 2020. Vice General Manager & CFO of the Finance Department Chai Li Huang has been appointed as the Company's Corporate Governance Officer to take charge of the corporate governance matters so as to protect the interests of the shareholders and process matters related to the Board and shareholders' meetings. The business execution status and training hours of the corporate governance unit are as in Note 3, Page 31.</p>	None

V. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		(I) The Company has set up a stakeholders' section on the Company's website, and specified the contact methods of the spokesperson and businesses on the Company's website. (II) The Company has also disclosed the stakeholder, concerns, communication methods and channels, frequency and response methods, in order to adequately respond to the relevant issues raised by the stakeholders.	None
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed KGI Securities to process affairs related to shareholders meetings.	None
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status? (II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)? (III) Has the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and declared the financial reports of the first, second and third quarter and the operating conditions of each month before the prescribed period?	✓ ✓ ✓		(I) Information on the Company's financial operations and corporate governance has been disclosed on the Company's website. The Company's website is www.theil.com. (II) The Company has set up an investor section on its website to disclose financial information and related information on investor conferences and corporate governance. A stakeholders' section has been set up to adequately respond to relevant questions. (III) The Company's annual financial report and quarterly financial reports and monthly operating conditions are filed and announced within the prescribed time limit.	None None None
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?	✓		The important information to facilitate a better understanding of the Company's corporate governance practices is set out below.	None

Important information to facilitate a better understanding of the Company's corporate governance practices:

- (I) Employee rights and benefits: The Company focuses on employee rights, shows loving care for the employees, and provides the employees with a good environment that prioritize work-life balance, and reasonable benefits, including:
- (1)Welfare systems: distribution/allotment, bonus/gifts for festivals and holidays, various insurances and subsidies, and leave system according to the labor laws.
 - (2)Leisure activities: domestic tours , department banquets , club activities and contracted stores, etc.
 - (3)Working environment: all-round education and training sessions, smooth promotion channels, staff canteen, and nursing rooms, etc.
 - (4)Job safety: motor vehicles parking spaces, dormitory, shuttle bus (Longtan Plant), health examination, and business phone.
- (II) Staff Care: Canteens and a good working environment is provided; to guarantee the employee's welfare benefits. Furthermore, the Company also offers dinner banquets, education and training programs, and club activities to help employees to achieve a balance between work and life.
- (III) Investor Relationship: In addition to the spokesperson system, the Company also allows the investors to access to the website of MOPS and the Company for relevant information; moreover, the Company also invites the investors to attend the Company's investor conferences every year, and learn about ~~knowing~~ the quarterly operation status, and future directions.
- (IV) Supplier Relationship: The Company and suppliers have clearly defined the rights and obligations of both parties to protect the mutual legitimate rights and interests.
- (v) Stakeholders: The Company maintains smooth communication channels and good relationship with the stakeholders. Concerns, communication channels and response methods of the stakeholders are shown in the following table:

Stakeholder	Meaning for CSC	Communication Channels or Methods	Response Methods
Employee	<ul style="list-style-type: none"> *Labor Relationship *Salary and Welfare Benefits *Training and Development *Occupational Safety and Health *Company Policy and Strategies *Relationship with Employees 	<ul style="list-style-type: none"> *Labor management meeting *Employee Welfare Committee *Intranets and training courses *Non-scheduled communication meetings/ advocating meetings *Employee suggestion box/ monthly meetings *Health center/ staff canteens / lounges 	<ul style="list-style-type: none"> *Quarterly labor management meetings *Gifts for holidays and festivals, staff travel, employee's internal and external training courses, and employee's physical examination *On-site medical care services *On-site bank services
Shareholders Investors	<ul style="list-style-type: none"> * Company Policy and Strategies *Corporate governance *Risk Management *Corporate Economic/Financial Performance *Dividend policy 	<ul style="list-style-type: none"> *Annual shareholders' meeting *Website/ important information * Inquiries by phone, and collection of feedback *Road shows/ visits of investors or analysts *Company's website/ annual report 	<ul style="list-style-type: none"> *Convention of annual shareholders' meeting *Non-scheduled updates of the Company's website *Visiting of investors *Inquiries from investors by phone
Customers	<ul style="list-style-type: none"> *Process Technology *Product Quality and Reliability *Customer Service *Product Delivery and Capacity 	<ul style="list-style-type: none"> *Visiting of customers/ communication seminars *Customer audits *Questionnaires/ statements 	<ul style="list-style-type: none"> *Customer's annual audits *Regular visits to customers

Supplier	*Non-conflict Mineral Reporting survey *Protection of Confidential Information *Supply Chain Management *Delivery of Raw Materials and ts Availability *Environmental Protection, Safety and Health Management *Compliance with Laws and Regulations	*Annual visiting to or from suppliers *On-site audit to outsourcing manufacturers *On-site audit to manufacturers	*Regular visitsof suppliers *On-site audits to outsourcing manufacturers. *Evaluation of waste disposal service provider
Government	*Compliance with Laws and Regulations *Policy Advocacy and Risk Management	*Reduction of greenhouse gas emission *Water resource management *Office documents in relation to conservation of water and electricity *Factory on-site audit *Publicity of labor relationship *Publicity of fire protection *Publicity of dormitory fire safety *Publicity of safety and health management	*Regular reporting according to laws *Participation in-public meetings held by the government agencies *Publicity of domestic laws and regulations from time to time
Media	*Economic/Financial Performance/ Future Prospects	*Questioning by phone or letter, collection of feedbacks on a regular basis *Interview	*Clarification of important information on media *Media inquiry by phone or letters
Society/Public	*Compliance with Environmental Laws and Regulations *Environmental Safety *Public Benefit Activities	*Regular audits *Suggestion box/complaint channels *Public service advertising/blood donation	*Participation in public benefit activities- public service advertising *Blood donation-blood donation car-

- (VI) Director’s continuing education: In 2020, all directors have completed continuing education, and the continuing education hours have been disclosed on MOPS and the Company’s website. Refer to Note 4, Page 32 for details of directors’ continuing education hours.
- (VII) Risk management policy and execution : The Company measures and reviews its risk management policies and risk measurement standards through monthly production and sales meetings. Therefore, the implementation of these policies has been sound.
- (VIII) Execution of the customer service policy: The Company has appointed professional customer service personnel to provide channels for services and solutions for customers' questions, and to maintain smooth communication channels with the customers.
- (IX) The Company’s purpose of liability insurances for the directors: The liability insurances purchased by the Company for all directors and important employees as below.

The Insured	Insurance Company	Insurance Amount (Unit: NT\$)	Period of Insurance (commencement and termination)
All directors and supervisors	Anda	150,000,000	From February 1, 2019 to January 31, 2020
All directors	Anda	300,000,000	From February 1, 2019 to February 1, 2021

- IX Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.
- (1) Improvement: The Company has appointed the Corporate Governance Officer, and has disclosed the corporate governance information on the Company’s website and annual report, to protect the interest of shareholders, and increase information transparency.
- (2) Company’s priority to improvement: The Company increases real-time information in both Chinese and English, plans to publish and announce the financial reports of the first quarter, the second quarter and the third quarter ahead of the stipulated timeframe, and will disclose the risk management scope, organization structure and operation.

Note 1: The diversification policy of directors includes but is not limited to the two standards below:

I. Basic conditions and value:

Gender, age, nationality and culture, the background information of directors as disclosed in the annual report, and execution of the Company's diversification policy:

(1) Gender: among 9 directors of the Company, there are 3 female directors, accounting for 33%, and 6 male directors, accounting for 67%.

(2) Nationality: among 9 directors of the Company, there is a Dominican director, accounting for 11%.

II. Professional knowledge and skills: Professional background (such as legal, accounting, industrial, financial, marketing, or technical experience), professional skills, and industrial experience. All members of the Board of Directors shall have the knowledge, skills and competence necessary to perform their duties. Based on the main experience (educational background) and performance appraisal results as disclosed in the annual report, and execution of the professional knowledge and skills:

✓: Yes

Title	Name	Gender	Diversity Indicators							
			Operational Judgment	Accounting and Finance	Business Administration	Crisis Management	Industrial Knowledge	Global Market Viewpoint	Leadership Skills	Decision-Making Capability
Chairman	Tie-Min Chen	Male	✓	✓	✓	✓	✓	✓	✓	✓
Vice Chairman	Hsi-Hu Lai	Male	✓	✓	✓	✓	✓	✓	✓	✓
Directors	Shao-Pin Ru	Male	✓	✓	✓	✓	✓	✓	✓	✓
Directors	Shu-Hwei Chen	Female	✓	✓	✓	✓	✓	✓	✓	✓
Directors	Pen-Chi Chen	Female	✓	✓	✓	✓	✓	✓	✓	✓
Directors	Shu-Chen Tsai	Female	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Shih-Chien Yang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Tun-Son Lin	Male	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Chin-Tsai Chen	Male	✓	✓	✓	✓	✓	✓	✓	✓

Note 2: CPAs' independence evaluation items

Item	Evaluation results	Independence of the CPAs
1. As of the most recent audit performed, no CPA has been changed for seven (7) consecutive years.	Yes	Yes
2. The CPA is not involved in any significant financial interests with the Company.	Yes	Yes
3. The CPA avoids any improper relationships with the Company.	Yes	Yes
4. The CPA should ensure ethical conduct and independence of his/her assistants.	Yes	Yes
5. The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before CPA practice.	Yes	Yes
6. The CPA may not permit others to practice under his/her name.	Yes	Yes
7. The CPA does not own any shares of the Company or its affiliated companies.	Yes	Yes
8. The CPA does not engage in lending or borrowing of money with the Company and its affiliated companies.	Yes	Yes
9. The CPA and the Company or its affiliated companies are not engaged in any joint investments or profit sharing.	Yes	Yes
10. The CPA does not engage in regular work for the Company or its affiliated companies concurrently and does not receive a fixed salary from them.	Yes	Yes
11. The CPA is not involved in the strategy-making and management of the Company and its affiliated companies.	Yes	Yes
12. The CPA does not concurrently engage in other businesses that may lead to the loss of his/her independence.	Yes	Yes
13. The CPA does not have spouse, lineal relatives by blood or by marriage, or collateral relatives by blood within the second degree of kinship with the management level of the Company.	Yes	Yes
14. The CPA does not receive any commission related to his/her service.	Yes	Yes
15. As of now, the CPA has not engaged in any matters that may result in disciplinary actions taken against him/her or may compromise his/her independence.	Yes	Yes

Note 3: Business execution status and continuing education hours of corporate governance units

- I. The corporate governance responsibilities include: (1) handling matters related to the Board and the shareholders' meeting, (2) preparing meeting minutes of Board and shareholders' meetings, (3) assisting the directors to take office and continuing education, (4) providing materials and information necessary for the directors to perform the duties; (5) assisting the directors to comply with the laws and regulations; and (6) other matters stipulated in the Article of Incorporation or contracts.
- II. Key business points in 2020 include: (1) sending the data of the meetings of the Board of Directors and the Audit Committee to the directors; (2) publishing major information and announcements regarding major resolutions on the date of closure of the Board and shareholders' meetings; (3) conducting the relevant affairs of the shareholders' meeting according to laws; (4) conduct change registration for the Company's operations; and (5) providing the directors with the relevant information of continuing education, and completing the relevant declarations.

III. Continuing education hours of Corporate Governance Officer in 2020:

Title	Name	Continuing education date	Organizer	Class	Training Hours
Corporate Governance Officer	Jia-Li Huang	September 24, 2020	Securities and Futures Market Development Foundation of the Republic of China	Proposal on how the Company plans the equity in the recent years through acquisition of the operation rights, and strategies of the Board of Directors and the shareholders' meeting	3.0 hours
		October 21, 2020	Securities and Futures Market Development Foundation of the Republic of China	Enterprise Merger and Acquisition Practice Sharing – centralized on hostile acquisition	3.0 hours
		November 26, 2020	Accounting Research and Development Foundation of the Republic of China	Continuing Education and Training for Accounting Managers	12.0 hours

Note 4: Director's continuing education hours in 2020:

Title	Name	Continuing Education Date	Organizer	Class	Training Hours
Directors	Tie-Min Chen	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Director Representative of Corporate Shareholder	Hsi-Hu Lai	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Director Representative of Corporate Shareholder	Chi-Sheng Weng	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Director Representative of Corporate Shareholder	Shao-Pin Ru	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Director Representative of Corporate Shareholder	Shu-Chen Tsai	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Director Representative of Corporate Shareholder	Pen-Chi Chen	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Independent Director	Shih-Chien Yang	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Independent Director	Tun-Son Lin	August 11, 2020	Taiwan Corporate Governance Association	10 Compulsory Lessons on Corporate Governance	3.0 hours
		August 11, 2020	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3.0 hours
Independent Director	Chin-Tsai Chen	August 6, 2020	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Plans	3.0 hours
		July 17, 2020	Taiwan Insurance Institute	International Anti-Corruption and Detractor Protection Practice-Discussion on Money Laundering Control and Combating of Terrorism Financing Transactions	3.0 hours
Legal Representative of Director	Shu-Hwei Chen	There is no record about continuing education hours in 2020 due to her reappointment on March 10, 2021.			

(IV) Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

(1) Members of the 4th Remuneration Committee

Title	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		Serve as an instructor or hold higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	Currently serve as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shih-Chien Yang			✓	✓		✓	✓	✓			✓	✓	✓	2	
Independent Director	Tun-Son Lin			✓	✓		✓	✓	✓			✓	✓	✓	2	
Independent Director	Chin-Tsai Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please put a tick in the corresponding column(s).

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its related companies (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not the spouse, lineal relative within the second degree of kinship or relative within the third degree of kinship of the managers listed in (1) or the personnel listed in (2) and (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who directly holds more than 5% of the total issued shares of the Company, or ranks top five in terms of number of shares held, or appoints representatives as directors or supervisors of the company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).

- (6) Not a director, supervisor or employee of other companies whose half of the shares are controlled by the same person holding more than half of the number of directors or voting shares of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (7) Not a (managing) director, (managing) supervisor or employee of other companies or institutions who is the same person or spouse of the Chairman, General Manager or equivalent of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (8) Not a (managing) director, (managing) supervisor, manager or shareholder holding more than 5% of the shares of a particular company or institution that has financial or business relationship with the Company (not applicable to the companies or institutions holding more than 20%, but less than 50% of shares of the Company, and the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (9) Not a business owner, partner, director, supervisor, manager and spouse thereof of a professional, sole proprietorship, partnership, company or institution that provides auditing, business, legal, financial, accounting or other related services for which the cumulative remuneration in the last two years has not exceeded NT\$500,000. Provided that, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) No condition defined in Article 30 of the Company Act applies.

2.The Status of Remuneration Committee's Participation in the Board Meetings

I. There are three members in the Remuneration Committee of the Company.

II. Tenure of the members: The tenure of 4th Remuneration Committee is from June 21, 2019 to June 20, 2022. A total of 2 meetings of the Remuneration Committee were held in the 2020 (A). The attendance status of the Remuneration Committee members was as follows:

Title	Name	Attendance in person (B)	Attendance by Proxy	Attendance Rate (%) (B)/(A)	Remarks
Convener	Tun-Son Lin	2	0	100%	
Committee Member	Shih-Chien Yang	2	0	100%	
Committee Member	Chin-Tsai Chen	0	2	0%	

Other Matters:

- I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Board Meeting, sessions, the contents discussed, results of meeting resolutions, and the company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail: No such occurrences.
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the

record or in writing, please state the meeting date, term, contents of proposal, and opinions of all members and the Company's handling of said opinions:

Board of Directors Date/Term	Resolution	Resolution of the Meeting of the Remuneration Committee	The Company's Response to the Remuneration Committee's Opinions
January 8, 2020– 4th Committee The 3rd meeting	1. Proposal for the distribution of 2019 year-end bonus for managerial officers.	Proposal passed without objections from all present committee members.	Approved by all directors present unanimously.
March 18, 2020 4th Committee The 4th meeting	1. Proposal for the Company's distribution of remuneration for employees and directors in 2020. 2. Establishment of the Rules for Year-end Bonus and Employee Compensation.	Proposal passed without objections from all present committee members.	Approved by all directors present unanimously.

(V) Performance of social responsibility and differences between the performance and "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof.

Assessment Item	Implementation Status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company conducts annual social responsibility risk surveys and audits through different units, and formulates improvement measures and tracks their implementation according to the results of risk surveys and audits. The Company has established its corporate social responsibility policy and holds annual review meetings to continuously promote corporate social responsibility.	None
II. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		✓	The Company conducts annual social responsibility risk surveys and audits through different units and organizes review meetings to continue to promote corporate social responsibility.	The Company will continue to improve and establish a dedicated unit according to the Company's development needs and statutory requirements to report to the Board of Directors.
III. Environmental issues				
(I) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(I) The Company has established the Environmental Safety and Health Management Regulations which are in compliance with relevant regulations, and has also obtained ISO- 14001 Environmental Management System certification (from April 2, 2020 to April 2, 2023).	None
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(II) The Company has set up dedicated units to take charge of air and water pollution prevention and waste management, and has appointed qualified waste disposal companies to clear, dispose of, and recycle waste. In addition to compliance with relevant regulations, we also continue to promote wastewater recycling and reuse and reduce the use of resources to reduce environmental pollution. The Company also publishes information regarding its greenhouse gas emission, water consumption and total weight of waste in the past two years on the annual report and the Company's website. Please refer to "Business Overview and Environmental Protection Expenditures" of this annual report.	None

Assessment Item	Implementation Status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(III) The Company formulates energy conservation and carbon emissions reduction strategies based on the impact of operating activities. We implement various energy-saving measures to reduce the impact of the Company's operations on the natural environment.	None
(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		(IV) The Company compiles monthly statistics on water consumption, electricity consumption, and total weight of waste, and sets improvement goals and schedules to achieve energy conservation, carbon emissions reduction, and cost reduction. The Company reviews the execution effect at the end of every year, and sets the goals of the next year. The Company also publishes information regarding its greenhouse gas emission, water consumption and total weight of waste in the past two years on the Company's website. Please refer to "Business Overview and Environmental Protection Expenditures" of this annual report.	None
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company establishes and amends the "Work Rules" in accordance with the Labor Standards Act, and other relevant labor laws and regulations. Meanwhile, we also protect our labors by reference to the code of conduct formulated by the Responsible Business Alliance (RBA; formerly known as Electronic Industry Citizenship Coalition (EICC)) as the code for internal management. Human rights management related guidance is set out in the following documents: (1) Labor management meeting is held in accordance with the "Regulation for Implementing Labor-Management Meeting" (2) Regulations for Prevention and Control of Sexual Harassment in Workplace are established to protect rights and privacy of the victim. (3) The Social Responsibility Management Manual is established to respect human rights. (4) The Code of Business is established to fulfill the responsibilities.	None

Assessment Item	Implementation Status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		(II) The Company complies with the “Standards of Appraisal and Salary for New Employees”, the “Employee Salary Management Measures” and the “Regulations on Payment of Performance Bonus”, including payment of the salary, and remuneration in relation to the Company’s operation performance and employee’s individual performance.	None
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Company establishes an environmental friendly, safe and health workplace, and obtains ISO-45001 Occupational Safety and Health Management System Certification (validity period: from March 20, 2020 to March 20, 2023)in accordance with the requirements of the environmental protection, occupational safety, fire protection and other related laws and regulations, and the safety risk evaluation results. In addition, the Company organizes regular health examination for employees and fire drills from time to time to familiarize employees with emergency response plans and procedures and minimize the impact of such emergencies on them. For the protection of the work environment and personal safety of employees, please refer to “V. Labor Relations”.	None
(IV) Does the company provide its employees with career development and training sessions?	✓		(IV) The Company formulates the annual education and training programs and professional training courses in accordance with the annual business strategies, new policies, laws and regulations, and job function requirements, such as external training courses for professional skills, online education training, presentation skills and English language continuing education, so as our employee cultivate their future development in their job with sound education and training system.	None

Assessment Item	Implementation Status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
(V) Has the Company established related protection policies and complaint procedures to protect customer health and safety, privacy, and marketing strategy and logos subject to relevant laws, regulations and international guidelines for the?	✓		(V) The Company provides process and services by following the customer requirements, relevant laws and regulations, and international standards, and has passed verification of the following standards to protect the right and interest of the consumers and customers; (1) ISO 9001 Quality Management System Certification (2) ISO/TS 16949 Automobile Quality Management System Certification (3) ISO 14001 EMS Certification (4) OHSAS18001 Safety and Health Management System Certification	None
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	✓		(VI) The Company has established supplier management procedures and requires suppliers to provide a CSR statement to comply with CSR requirements. In 2020, all of the new suppliers (100%) were required to sign the "Social Responsibility Policy Notice" and to abide by and cooperate with this policy together.	None
V. Has the Company followed the international reports to prepare standards or guidelines, corporate social responsibility reports and other reports that disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		✓	The Company has yet to produce a Corporate Social Responsibility Report, but the Company has established the "Corporate Social Responsibility Policy" and implements the Policy in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies".	The Company makes evaluations depending on the requirements of development, and laws and regulations.
VI. If the Company has established the "Corporate Social Responsibility Best Practice Principles" based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and the implementation: The Company has established the "Corporate Social Responsibility Policy" and implements the Policy in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies".				
VII. Other important information to facilitate better understanding of the Company's CSR practices: 1. Environmental Protection: All our products are fully ROHS-compliant (environmental protection) according to the business waste disposal plan and related laws and regulations, and wastes are legally disposed and recycled according to laws. The Company continues promoting recycle and reuse of the waste water, so as to reduce load caused by various resources to the environment. Please refer to "Business Overview and Environmental Protection Expenditures" of this annual report. 2. Public Welfare: The Company participates in the activities related to charitable organizations from time to time, such as public welfare advertising or blood donation car event, in order to fulfill corporate social responsibility. 3. Well-Being Enterprise: Tong Hsing positively creates jobs employment opportunities, and emphasizes the importance of our employee's "balance between work and life", by offering regular physical examination, club activities or domestic tours, etc. Please refer to "Business Overview and Labor-Management Relationship" of this annual report.				

Assessment Item	Implementation Status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
4. Other Activities: Specially-assigned officer is appointed to take charge of collecting and disclosing the Company's information on the Company's website and MOPS, to ensure that the information that may affect decisions of the shareholders and stakeholders can be disclosed promptly and properly.				

(VI) Implementation of Ethical Corporate Management and Difference between the "Ethical Corporate Management Best Practice Principles and the implementation for TWSE & TPEX Listed Companies" and Reasons.

Assessment Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
I. Establishment of Ethical Corporate Management Policies and Programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Company's Ethical Corporate Management Best Practice Principles have been approved by the Board of Directors and disclosed on the Company's website, and every employee is required to implement the integrity policy, and the Company has described its ethical corporate management policy and active implementation by the Board of Directors and the management in the annual report.	None
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) The Company has formulated its Ethical Corporate Management Best Practice Principles. With that, it regularly analyzes and evaluates operating activities with a high risk of unethical conduct within the business scope, and formulates measures to prevent unethical conduct.	None
(III) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	✓		(III) The Company has established the Ethical Corporate Management Best Practice Principles which specify unethical conduct and procedures for punishment. The Company also established a reward and penalty system and set up a reporting mailbox under the charge of dedicated personnel to ensure implementation.	None

Assessment Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
<p>II. Fulfillment of Integrity Policy</p> <p>(I) Has the company evaluated business partners' ethical records and include ethics-related clauses in business contracts?</p>	✓		(I) The Company operates based on an ethical business model, has evaluated its transaction counterparties for a record of unethical behavior, and conveys the Company's principles of unethical corporate management to the counterparties.	None
<p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p>		✓	(II) The Company has yet to establish a dedicated unit to promote corporate ethical management but has implemented operations in accordance with the "Ethical Corporate Management Best Practice Principles". We shall continue to promote the establishment of dedicated units and regularly report to the Board of Directors.	The Company will continue to improve and establish a dedicated unit according to the Company's development needs and statutory requirements to report to the Board of Directors.
<p>(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p>	✓		(III) The Company has established the Ethical Corporate Management Best Practice Principles to prevent conflicts of interest and set up a suggestion mailbox and a complaint mailbox to provide channels for reports and communication. Individuals may report any conflict of interest or unethical conduct to the Company for immediate response.	None
<p>(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p>	✓		(IV) The Company has set up the Audit Office which is responsible for auditing all operations of the Company and its subsidiaries. In addition to implementing the audit plans approved by the Board of Directors, personnel of the Audit Office regularly attend meetings of the Board of Directors to report its audits. Where unethical conduct is discovered, the Audit Office also immediately reports to Independent Directors.	None
<p>(V) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	✓		(V) New employees are introduced to the "ethical management" and "social responsibility" on the first date of work; in respect of courses, the Company plans the internal (external) education and training on ethical management every year.	None

Assessment Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Description	
III. Operations of Integrity Channel				
(I) Has the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(I) The Company has established a complaint channel and set up a suggestion mailbox to process employee complaints and disciplinary matters. The Company has also set up a stakeholders' section on its website as a reporting channel.	None
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(II) The Company has established the Ethical Corporate Management Best Practice Principles which specify the reporting channels and relevant operating procedures for confidentiality.	None
(III) Has the company provided proper whistleblower protection?	✓		(III) The Company has established the Ethical Corporate Management Best Practice Principles and specified relevant confidentiality procedures to protect reporters from retaliation or improper treatment.	None
IV. Enhancement of Information Disclosure				
(I) Has the company disclosed its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(I) The Company will continue to improve the contents of information disclosure in accordance with laws and regulations. The Company's website is www.theil.com.	None
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has formulated the Ethical Corporate Management Best Practice Principles, and all employees, managers and members of the Board of Directors of the Company must abide by the principles and relevant regulations.				
VI. Other information relating to the "Ethical Corporate Management Best Practice Principles": (such as the amendment of the "Ethical Corporate Management Best Practice Principles") None.				

(VII) How the Information of the Company's Corporate Governance Policy Can be Obtained in Public: The Company has set up “Corporate Governance Best-Practice Principles” and disclosed information about stakeholders and corporate governance on the company's website and MOPS. The corporate website is www.theil.com.tw

(VIII) Other Information That Provides a Better Understanding of the Company's Corporate Governance Status:

1. Tracking and Assessment of Laws and Regulations: In order to ensure compliance with relevant laws and regulations, the Company has always paid close attention to any domestic and international policies and laws that may have a material impact on the Company's business and finances, while regularly reviewing the Company's compliance with laws and regulations.
2. Diverse Education and Training: Various online courses are offered to help employees to learn at any time, and various online courses are successively offered, including anti-harassment, insider trading, confidential information protection, and personal data protection, and updated in line with amended laws and regulations and the Company's internal management regulations to ensure the immediacy and correctness of the course content.
3. The Supply Chain of Non-Conflict Raw Materials: The Company supports the Conflict Minerals Reporting Statement, and requires the whole supply chain to investigate the sources of the raw materials used, and will continue to strive hard to establish a supply chain free of conflict minerals.

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Statement of Internal Control System

Date: March 11, 2021

Based on the self-assessment findings, the Company states the following with regard to its internal control system during the year 2020.

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals.
Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and TH takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company's annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegalities in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 11, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Tie-Min Chen, Chairman of the Board

Shao-Ping Lu, General Manager

2. CPA Audit Report for Internal Control System of the Company: None.

(X) In the Most Recent Fiscal Year up to The Publication Date of This Annual Report, There Has Been Punishment of the Company or Its Internal Personnel, or Punishment of the Company to Its Internal Personnel for Violating Internal Control System Regulation, and Its Punishment Results Might Have Significant Influence on Shareholders' Equity or Securities' Price, the Punishment, Main Deficiencies and Improvements Shall Be Listed: No such occurrences.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major Resolutions of Shareholders' Meeting and Implementation Status:

(1) The Company's first extraordinary shareholders' meeting in 2020 was held at No. 398, Taoying Road, Taoyuan City (Chu Hsiang Hall, Chuto Plaza Hotel) on February 14, 2020 and the key resolutions and implementation status were as follows:

Major Resolutions	Implementation Status
* Approved the amendment of the Company's "Articles of Incorporation".	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the amendment of the "Procedures for Acquisition or Disposal of Assets".	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the Company's proposal for a share conversion with Kingpak Technology Inc. with new shares as the consideration and issued new shares.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.

(2) The Company's general shareholders' meeting in 2020 was held at No. 398, Taoying Road, Taoyuan City (Chu Hsiang Hall, Chuto Plaza Hotel) on June 5, 2019, and the key resolutions and implementation status were as follows:

Major Resolutions	Implementation Status
* Ratified the Company's Business Report and Financial Statement in 2019.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.
* Ratified the Company's 2019 earnings distribution plan in 2019.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Designated July 18, 2020 as the ex-right (dividend) baseline date, and August 6, 2020 as the payment date of cash dividends. (NT\$2.44484149 shall be distributed for each share)
* Approved the Company's capital structure adjustment.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Designated November 12, 2020 as the payment date for reduced capital in cash. (NT\$2.43 per share is refunded to reduced capital in cash)
* Approved the amendment of the Company's "Articles of Incorporation".	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.

2. Major Resolutions of Board Meetings

Date	Item	Major Resolutions
January 8, 2020 5th meeting of the 17th Board	Board of Directors	* Approved distribution of 2019 year-end bonus for managerial officers.
March 18, 2020 6th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the Company's "Internal Control Statement" of the year 2019 after self-evaluation of internal control. * Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules". * Approved evaluation on the independence and competency of the Company's CPA. * Approved Company's distribution of remuneration for employees and directors for 2019. * Approved the Company's Business Report and Financial Statement in 2019.. * Approved the Company's distribution of earnings in 2019. * Approved the Company's capital structure adjustment. * Approved the Company's proposal for capital reduction without adjusting the ratio of the share conversion with Kingpak Technology Inc. with new shares as the consideration. * Approved the authorization for the Chairman to establish the baseline date for the share conversion between the Company and Kingpak Technology Inc. and the issuance of new shares for capital increase based on actual requirements. * Approved the amendment of the Company's "Articles of Incorporation". * Approved the Company's Business Plan in 2020. * Approved the date, location, and reasons for convening the general shareholders' meeting of the Company in 2020. * Approved period and venue for the Company's general shareholders' meeting in 2020 to accept the shareholders' proposals. * Approved the Company's application for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate management. * Investment of US\$9.5 million in USD-denominated Wise Road Industry Investment Fund I (pledged investment amount) under the management of Wise Road Capital.
May 8, 2020 7th meeting of the 17th Board	Board of Directors	* No discussion and election items.
August 11, 2020 8th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the amendment of the "Internal Audit Rules". * Approved the submission of the Annual Audit Plan in 2020. * Approved the submission of the "Regulations for Evaluating the Performance of the Board of Directors" * Approved the Company's Q2 employee stock plan and establishment of base date in 2020. * Approved application for middle-term and long-term credit lines for the "Speed-up Investment Project of Enterprises in Taiwan". * Approved the Company's Appointment of the Corporate Governance Officer.

Date	Item	Major Resolutions
November 10, 2020 9th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the submission of the Annual Audit Plan in 2021. * Approved the loaning funds to the subsidiary Kingpak Technology Inc. * Approved cancellation of the Company's new restricted shares that do not meet the existing conditions. * Approved the Company's application for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate management.
December 29, 2020 10th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the submission of the Business Plan in 2021. * Approved cancellation of the Company's new restricted shares that do not meet the existing conditions.
March 11, 2021 11th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the submission of the Company's "Statement of Internal Control System" in 2020. * Approved evaluation on the independence and competency of the Company's CPA. * Approved the proposal for the Company's distribution of remuneration for employees and directors in 2020. * Approved the Company's Business Report and Financial Statement in 2020.. * Approved the proposal for distribution of earnings in 2020. * Approved the amendment of the Company's "Rules for Director Election". * Approved the date, location, and reasons for convening the 2021 general shareholders' meeting of the Company. * Approved period and venue for the Company's general shareholders' meeting in 2021 to accept the shareholders' proposals. * Approved the Company's application for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate management.
April 22, 2021 12th meeting of the 17th Board	Board of Directors	<ul style="list-style-type: none"> * Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". * Approved the amendment of the Company's "Procedures for the Acquisition and Disposal of Assets" * Approved the Revision to the Announcement of the Annual Shareholders' meeting in 2021.

(XII) Directors' or Supervisors' Objections on the Major Resolutions of Board Meetings: None.

(XIII) In The Most Recent Fiscal Year up to the Publication Date of the Annual Report, Summary on Resignation of the Company's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit and R&D and Corporate Governance Officer: None

V. Information on CPA Professional Fees

Name of CPA Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Szu-Chuan Chien	Jui-Lan Lo	January 1, 2020- December 31, 2020	

Unit: NTD thousand dollars

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000	-	-	-
2	NT\$2,000,000 (inclusive)~NT\$4,000,000	-	-	-
3	NT\$4,000,000 (inclusive)~NT\$6,000,000	3,380	753	4,133
4	NT\$6,000,000 (inclusive)~NT\$8,000,000	-	-	-
5	NT\$8,000,000 (inclusive)~NT\$10,000,000	-	-	-
6	More than NT\$10,000,000 (inclusive)	-	-	-

If any of the following conditions occurs to Accton, it should disclose CPA service fees:

(I) Non-audit fees paid to CPA, CPA firms and their affiliates exceed more than 1/4 of the audit fees:

Unit: NTD thousand dollars

Name of CPA Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	Subtotal		
KPMG	Szu-Chuan Chien	3,420	-	-	-	713	713	2020.01.01-2020.12.31	
	Jui-Lan Lo								

(Note) Non-audit fees include: (1) R&D tax consulting service fees NT\$132 thousand dollars; (2) Transfer pricing tax service fee NT\$171 thousand dollars; (3) Master file service fee NT\$80 thousand dollars; (4) Subsidiary acquisition service fee NT\$330 thousand dollars.

(II) Replacement of CPA Firm and Audit Fee Paid for The Year of Change Less Than the Audit Fee Paid for the Preceding Year before Change: None.

(III) Audit fees less than that of the preceding year by more than 10%: None.

VI. Replacement of CPA: None

VII. The Company's Chairman, General Manager, or Financial or Accounting Officers holding Any Positions in the Company's CPA Firm or Its Affiliates in the Recent Year: None.

VIII. Transfer of Equity and Changes to Equity Pledge of Directors, Supervisors, Managers and Shareholders Representing more than 10% of Shares in the Recent Years and up to the Date of Publication of the Annual Report

1.Changes in shareholding of directors, supervisors, managers and major shareholders

Title	Name	2020		The Information as of April 9, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tie-Min Chen	(2,643,848)	--	-	-
Corporate Director Vice Chairman	Tong Hsing Food Ind. Corp. (Representative: Hsi-Hu Lai)	(12,469)	-	-	-
Corporate Director	Multifield Investment Inc. Representative: Shao-Pin Ru	(25,916)	-	-	-
Corporate Director	Kaimei Electronic Corporation Representative: Shu-Hwei Chen	(2,993,468)	-	(130,000)	-
Corporate Director	Mu Yeh Wen Investment Corp. Representative: Pen-Chi Chen	(1,222,421)	-	-	-
Corporate Director	Shi Hen Enterprise Limited Representative: Shu-Chen Tsai	(2,445)	-	-	-
Chairman and General Manager and CEO	Shao-Pin Ru	(165,986)	-	-	-
Independent Director	Tun-Son Lin	-	-	-	-
Independent Director	Shih-Chien Yang	-	-	-	-
Independent Director	Chin-Tsai Chen	-	-	-	-
COO	Jia-Shuai Chang	(16,381)	-	-	-
Factory Manager	Jin-Xing Lin	(17,523)	-	-	-
Factory Manager	Shou-Jen Hou	-	-	-	-
Factory Manager	Cheng-Yi, Tsai	-	-	-	-
Treasurer	Jia-Li Huang	(11)	-	-	-
Vice Plant Manager	Bao-Yuan Chen	(2,000)	-	-	-

2. Transferees of the Equity from the Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in The Company are Related Parties: None.
3. Pledges of the Equity from the Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in The Company are Related Parties: None.

IX. Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders as Related Party or Their Spouses or Relatives within the Second Degree of Kinship

Name	Current Shareholdings		Spouse & Minor Shareholding		TH Shareholdings by Nominee Arrangement		Name and Relationship of Top Ten Shareholders if They Are Related Parties or Spouse, or Relatives Within the Second Degree of Kinship to The Other Party.		Remarks
	Shares	%	Shares	%	Shares	%	Company Name	Relationship	
Kaimei Electronic Corporation	9,321,414	5.22%	Not Applicable	Not Applicable	3,777,579	2.11%	Mu Yeh Wen Investment Corp.	Same Representative	
Tie-Min Chen	8,170,134	4.57%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Cathay Life Insurance Co., Ltd	6,913,943	3.87%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Special Account of Trusteeship FIL Investment of Standard Chartered International Commercial Bank Dunbei Branch	4,417,000	2.47%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Mu Yeh Wen Investment Corp.	3,777,579	2.11%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Kaimei Electronic Corporation	Same Representative	
Kingmax Digital Inc.	3,635,234	2.03%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
TransGlobe Life Insurance Inc.	3,373,650	1.89%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Chunghwa Post Co., Ltd.	3,256,153	1.82%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Goldman Sachs Asset Management Global Services Limited. Global Emerging Market Corporate Bond	2,302,189	1.29%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
JPMorgan Chase Bank N.A.	2,009,453	1.12%	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	

X. Number of Shares and Total Equity Stake Held in Any Reinvested Undertakings by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company, and Total Shareholding Ratio

December 31, 2020; Unit: Thousand shares; %

Investee business	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	Ownership (%)	Shares	Ownership (%)	Shares	Ownership (%)
Tong Hsing Electronics Phils. Inc. (Tong Hsing- Philippines)	28,793	100%	-	-	28,793	100%
Kingpak Technology Inc.	57,307	100%	-	-	57,307	100%

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Source of Capital

1. Historical Information of Capitalization

The information as of April 9, 2021

Unit: NT\$; Share

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
1975.08	10	3,000,000	30,000,000	3,000,000	30,000,000	Initial establishment.	None	None
1978.10	10	6,000,000	60,000,000	6,000,000	60,000,000	Capital increase by cash NTD 30,000,000.	None	None
1986.08	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital increase by cash NTD 6,000,000. Capital increase by retained earnings NTD 14,000,000.	None	None
1988.09	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by cash NTD 2,000,000. Capital increase by retained earnings NTD 18,000,000. None	None	None
1989.12	10	12,000,000	120,000,000	12,000,000	120,000,000	Capital increase by retained earnings NTD 20,000,000.	None	None
1990.12	10	13,500,000	135,000,000	13,500,000	135,000,000	Capital increase by retained earnings NTD 15,000,000.	None	None
1991.12	10	16,065,000	160,650,000	16,065,000	160,650,000	Capital increase by retained earnings NTD 10,800,000. Capital increase by capital surplus NTD 14,850,000.	None	None
1997.11	10	19,965,000	199,650,000	19,965,000	199,650,000	Capital increase by cash NTD 39,000,000.	None	None
1999.07 (Note 1)	10	80,000,000	800,000,000	36,000,000	360,000,000	Capital increase by cash NTD 160,350,000.	None	None
2000.07 (Note 2)	10	80,000,000	800,000,000	54,800,000	548,000,000	Capital increase by retained earnings NTD 180,000,000. Capital increase by employee bonus NTD 8,000,000.	None	None
2001.07 (Note 3)	10	80,000,000	800,000,000	67,110,000	671,100,000	Capital increase by retained earnings NTD 109,600,000. Capital increase by employee bonus NTD 13,500,000.	None	None
2002.07 (Note 4)	10	93,000,000	930,000,000	73,821,000	738,210,000	Capital increase by retained earnings NTD 67,110,000.	None	None
2003.07 (Note 5)	10	93,000,000	930,000,000	77,912,050	779,120,500	Capital increase by retained earnings NTD 36,910,500. Capital increase by employee bonus NTD 4,000,000. None	None	None
2006.09 (Note 6)	10	93,000,000	930,000,000	81,807,652	818,076,520	Capital increase by retained earnings NTD 38,956,020.	None	None
2007.08 (Note 7)	10	150,000,000	1,500,000,000	86,698,034	866,980,340	Capital increase by retained earnings NTD 40,903,820. Capital increase by employee bonus NTD 8,000,000.	None	None
2007.11 (Note 8)	10	150,000,000	1,500,000,000	98,698,034	986,980,340	Capital increase by cash NTD 120,000,000.	None	None
2008.09 (Note 9)	10	150,000,000	1,500,000,000	105,132,935	1,051,329,350	Capital increase by retained earnings NTD 49,349,010. Capital increase by employee bonus NTD 15,000,000.	None	None
2008.10 (Note 10)	10	150,000,000	1,500,000,000	115,132,935	1,151,329,350	Capital increase by cash NTD 100,000,000.	None	None
2009.02 (Note 11)	10	150,000,000	1,500,000,000	114,341,935	1,143,419,350	Capital reduction by treasury stock NTD 7,910,000.	None	None
2009.08 (Note 12)	10	150,000,000	1,500,000,000	120,059,031	1,200,590,310	Capital increase by retained earnings NTD 57,170,960.	None	None
2009.11 (Note 13)	10	150,000,000	1,500,000,000	122,017,531	1,220,175,310	Executive employee warrants in the third quarter of 2009 NTS 19,585,000 in total	None	None
2009.12 (Note 14)	10	150,000,000	1,500,000,000	125,017,531	1,250,175,310	Issuance of common stock through merger, NTD 30,000,000.	None	None

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
2009.12 (Note 15)	10	150,000,000	1,500,000,000	125,086,531	1,250,865,310	Executive employee warrants in the fourth quarter of 2009 NT\$ 690,000 in total	None	None
2010.07 (Note 16)	10	200,000,000	2,000,000,000	141,086,531	1,410,865,310	Capital increase by cash NTD 160,000,000.	None	None
2010.11 (Note 17)	10	200,000,000	2,000,000,000	141,790,531	1,417,905,310	Executive employee warrants in the third quarter of 2010 NT\$ 7,040,000 in total	None	None
2011.04 (Note 18)	10	200,000,000	2,000,000,000	141,810,531	1,418,105,310	Executive employee warrants in the third quarter of 2010 NT\$ 200,000 in total	None	None
2011.08 (Note 19)	10	200,000,000	2,000,000,000	161,810,531	1,618,105,310	Capital increase by cash NTD 200,000,000.	None	None
2011.11 (Note 20)	10	200,000,000	2,000,000,000	162,535,031	1,625,350,310	Executive employee warrants in the third quarter of 2011, NTD 7,245,000.	None	None
2012.03 (Note 21)	10	200,000,000	2,000,000,000	162,708,031	1,627,080,310	Executive employee warrants in the fourth quarter of 2011, NTD 1,730,000.	None	None
2012.05 (Note 22)	10	200,000,000	2,000,000,000	162,878,031	1,628,780,310	Executive employee warrants in the first quarter of 2012, NTD 1,700,000.	None	None
2012.09 (Note 23)	10	200,000,000	2,000,000,000	162,886,031	1,628,860,310	Executive employee warrants in the second quarter of 2012, NTD 80,000.	None	None
2012.11 (Note 24)	10	200,000,000	2,000,000,000	162,907,031	1,629,070,310	Executive employee warrants in the third quarter of 2012, NTD 210,000.	None	None
2017.03 (Note 25)	10	200,000,000	2,000,000,000	165,357,520	1,653,575,200	Convertible bond transferred to common stock, 2,450,489 shares.	None	None
2020.03 (Note 26)	10	400,000,000	4,000,000,000	165,357,520	1,653,575,200	Approved raising Authorized Capital by Ministry of Economic Affairs, R.O.C.	None	None
2020.08 (Note 27)	10	400,000,000	4,000,000,000	236,647,569	2,366,475,690	Transfer of shares with Kingpak Technology Inc. and issuance of 71,290,049 new shares	None	None
2020.10 (Note 28)	10	400,000,000	4,000,000,000	178,848,321	1,788,483,210	Executive employee warrants in June 2020, NT\$ 758,840 in total Return of NT\$ 578,751,320 for capital reduction in cash	None	None
2021.01 (Note 29)	10	400,000,000	4,000,000,000	178,730,839	1,787,308,390	Cancellation of new restricted employee shares, with capital reduction of NT\$ 1,174,820 in total	None	None
2021.01 (Note 30)	10	400,000,000	4,000,000,000	178,708,282	1,787,082,820	Cancellation of new restricted employee shares, with capital reduction of NT\$ 225,570 in total	None	None

Note 1: Approved No. (88)Tai Cai Zheng (1)63696, Securities and Futures Commission, Ministry of Finance on July 16, 1999.

Note 2: Approved No. (89)Tai Cai Zheng (1)58483, Securities and Futures Commission, Ministry of Finance on July 6, 2000.

Note 3: Approved No. (90)Tai Cai Zheng (1)148167, Securities and Futures Commission, Ministry of Finance on July 25, 2001.

Note 4: Approved No. Tai Cai Zheng Zi (1)0910137224, Securities and Futures Commission, Ministry of Finance on July 9, 2002.

Note 5: Approved No. Tai Cai Zheng Zi (1)0920129941, Securities and Futures Commission, Ministry of Finance on July 9, 2003.

Note 6: Approved No. Jin Guan Zheng Zi (1)0960028615, Financial Supervisory Commission, Executive Yuan on July 11, 2006.

Note 7: Approved No. Jin Guan Zheng Zi (1)0960028615, Financial Supervisory Commission, Executive Yuan on June 5, 2007.

Note 8: Approved No. Jin Guan Zheng Zi (1)0960057360, Financial Supervisory Commission, Executive Yuan on October 17, 2007.

Note 9: Approved No. Jin Guan Zheng Zi (1)0970032788, Financial Supervisory Commission, Executive Yuan on July 1, 2008.

Note 10: Approved No. Jin Guan Zheng Zi (1)0970032789, Financial Supervisory Commission, Executive Yuan on July 8, 2008.

Note 11: Approved No. Jin Guan Zheng Zi (3)0980003332, Financial Supervisory Commission, Executive Yuan on January 23, 2009.

Note 12: Approved No. Jin Guan Zheng Fa Zi 0980034440, Financial Supervisory Commission, Executive Yuan on July 10, 2009.

Note 13: Approved No. Tai Zheng Shang Zi 09800300531, Taiwan Stock Exchange on November 25, 2009.

Note 14: Approved No. Jin Guan Zheng Fa Zi 0980063108, Financial Supervisory Commission, Executive Yuan on December 2, 2009.

Note 15: Approved No. Tai Zheng Shang Zi 09900090711, Taiwan Stock Exchange on April 9, 2010.

Note 16: Approved No. Jin Guan Zheng Fa Zi 0990022159, Financial Supervisory Commission, Executive Yuan on May 18, 2010.

Note 17: Approved No. Tai Zheng Shang Zi 09900359141, Taiwan Stock Exchange on November 26, 2010.

Note 18: Approved No. Tai Zheng Shang Zi (1)10000118511 on April 20, 2011.

Note 19: Approved No. Jin Guan Zheng Fa Zi 1000022470 on June 7, 2011.

Note 20: Approved No. Tai Zheng Shang Zi (1)10000366751 on November 18, 2011.

Note 21: Approved No. Tai Zheng Shang Zi (1)10100061041 on March 23, 2012.

Note 22: Approved No. Tai Zheng Shang Zi (1)10100113671 on May 24, 2012.

Note 23: Approved No. Tai Zheng Shang Zi (1)10100217031, 09/25/2012.

Note 24: Approved No. Tai Zheng Shang Zi (1)10100264601, 11/22/2012.

Note 25: Approved No. Jing Shou Shang Zi 10601080420, 06/20/2017.

Note 26: Approved No. Jing Shou Shang Zi 10901031460, 03/20/2020, Ministry of Economic Affairs.

Note 27: Approved No. Jing Shou Shang Zi 10901125850, 08/04/2020, Ministry of Economic Affairs.

Note 28: Approved No. Jin Guan Zheng Fa Zi 1090143160, 08/26/2020, Financial Supervisory Commission, Executive Yuan.

Note 29: Approved No. Jing Shou Shang Zi 10901238970, 01/15/2021, Ministry of Economic Affairs.

Note 30: Approved No. Jing Shou Shang Zi 11001005960, 01/21/2021, Ministry of Economic Affairs.

2.Type of Stock

The information as of 04/09/2021
Unit: Shares

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stocks	178,708,282	221,291,718	400,000,000	Listed on TWSE.

3.Information for Shelf Registration: None.

(II) Status of Shareholders

The information as of April 9, 2021
Unit: Shares

Item	Structure					
	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	25	209	27,794	193	28,221
Shareholding	0	15,575,390	33,953,849	81,844,178	47,334,865	178,708,282
Ownership (%)	0%	8.72%	19.00%	45.80%	26.48%	100.00%

(III) Distribution of Shares

1. Common Shares

The information as of April 9, 2021

Range of Shares	Number of Shareholders	Shareholding	Ownership (%)
1~ 999	7,696	2,507,051	1.40
1,000~ 5,000	17,624	31,520,629	17.64
5,001~ 10,000	1,562	11,986,869	6.71
10,001~ 15,000	435	5,492,480	3.07
15,001~ 20,000	230	4,106,519	2.30
20,001~ 30,000	213	5,326,772	2.98
30,001~ 50,000	167	6,490,870	3.63
50,001~ 100,000	127	8,711,081	4.87
100,001~ 200,000	78	11,218,994	6.28
200,001~ 400,000	38	11,115,063	6.22
400,001~ 600,000	20	9,501,102	5.32
600,001~ 800,000	4	2,866,168	1.60
800,001~1,000,000	6	5,047,037	2.82
Over 1,000,001	21	62,817,647	35.16
Total	28,221	178,708,282	100.00

2. Preferred Share: None.

(IV) Major Shareholders

More than 5% shareholding ratio of the shareholders or name, total shareholding and proportion of the top 10 shareholders

The information as of April 9, 2021

Name of Major Shareholders	Shareholding	Shareholding	Ownership (%)
Kaimei Electronic Corporation		9,321,414	5.22%
Tie-Min Chen		8,170,134	4.57%
Cathay Life Insurance Co., Ltd		6,913,943	3.87%
Special Account of Trusteeship FIL Investment of Standard Chartered International Commercial Bank Dunbei Branch		4,417,000	2.47%
Mu Yeh Wen Investment Corp.		3,777,579	2.11%
Kingmax Digital Inc.		3,635,234	2.03%
TransGlobe Life Insurance Inc.		3,373,650	1.89%
Chunghwa Post Co., Ltd.		3,256,153	1.82%
Goldman Sachs Asset Management Global Services Limited. Global Emerging Market Corporate Bond		2,302,189	1.29%
JPMorgan Chase Bank N.A.		2,009,453	1.12%

(V) Market Price, Net Worth, Earnings and Dividends per Share

Unit: NT\$; Share

Item	Year		2019	2020	2021 (The Information as of March 31) (Note 4)
Market Price Per Share	Highest		166.00	217.00	238.00
	Lowest		96.20	89.10	188.00
	Average		117.32	141.40	208.59
Net Worth per Share	Before Distribution		61.54	118.68	121.40
	After Distribution (Note 1)		-	-	-
Earnings per Share (Note 3)	Weighted Average Shares		165,357,520 shares	184,001,021 shares	178,474,257 shares
	Earnings per share		4.49	7.88	2.68
Dividends per Share (Note 2)	Cash dividends		2.44484149 (Note 5)	5.50 (Note 6)	-
	Stock Dividends	from Retained Earnings	-	-	-
		from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Returns on Investment (Note 3)	Price/Earnings Ratio		26.13	17.94	-
	Price/Dividend Ratio		47.99 (Note 5)	25.71 (Note 6)	-
	Cash Dividends Yield		2.08 (Note 5)	3.89 (Note 6)	-

Note 1: The appropriation of earnings shall be determined by the next Annual General Shareholders' Meeting.

Note 2: Dividends per share of each year will be distributed in the next year. Distribution of dividends per share for 2020 has not been approved by the shareholders' meeting yet.

Note 3: It shall be determined by the Annual General Shareholders' Meeting.

Note 4: Net worth per share and earnings per share are calculated based on the financial information reviewed by independent auditors in the most recent quarter of the printing date.

Note 5: Dividend of NT\$ 2.44484149 per share is distributed out of the earnings.

Note 6: It has been approved by the resolution of the Board of Directors dated March 11, 2021. As of the date of publication of the annual report, it has not been approved by the shareholders' meeting yet.

(VI) Dividends policy and Implementation Status:

1.Dividends Policy in the Company's Articles of Incorporation

Any after-tax net income shall first be used to offset the accumulated losses, if there's any, and then to appropriate 10% of the earnings as legal reserve until its amount reaches the actual paid-in capital. The remaining earnings, together with accumulated retained earnings, can be distributed as shareholders' dividends according to the Board of Directors' proposal and after the approval from the shareholders' meeting.

We intend to distribute dividends no less than 60% of the distributable earnings in current year and composed of no less than 30% of cash dividends, after considering various factors including future development plans, capital market status, funding needs, earning prospects, industry competition and shareholders' benefits.

The actual distribution will be proposed by the Board for the shareholders' meeting approval. Our dividends paid in the past five years have all been in cash with a distribution of no less than 60%. Please refer to the investor section in our website for details.

2.Proposed Distribution of Dividends

The Company's proposal for distribution of earnings for 2020 has been approved by the resolution of the Board of Directors dated March 11, 2021. The proposed dividend per share is NT\$ 5.5, and the total cash dividends are NT\$ 982,895,551, which has not been approved by the shareholders' meeting. Cash dividend per share is calculated based on the Company's current outstanding 178,708,282 shares.

3.Material Change in Dividend Policy Expected: None.

(VII) Impact of Stock Dividends on the Operating Results and EPS: Not applicable (the Company did not disclose the financial forecast for 2021).

(VIII) Compensation of Employees, Directors and Supervisors:

1.Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

The Company shall appropriate no less than 5% and no more than 2% of the earnings, respectively, as employee's compensation and directors' remunerations when the operation is profitable for the year (meaning the pre-tax net income is positive before making distribution to employees and directors. However, if the Company suffers from accumulative losses, a sum shall be set aside out of the earnings for recovery of the losses, and then, distribution as employee's compensation and directors' remunerations shall be calculated pro rata as stipulated in the preceding paragraph.

The distribution can be made in the form of cash or stocks for employees, but only in the form of cash for the directors and supervisors.

Proposals of distributions to employees, directors and supervisors shall be taken to the shareholders' meeting for approval after the resolution is reached by a majority of the Board with two thirds in attendance.

2.Accounting Treatments when Differences Occur between Estimated and Actual Distributed Amount of Employee, Director, and Supervisor Compensation.

(1) Estimation Basis for Compensations of the Employees and Directors for the Current Period:

Directors' Compensation: The Company calculates the directors' compensation according to the "Policy on Compensations to the Directors and Managers" and the "Articles of Incorporation", including the relevant service fees of the directors, and the compensations to the directors and supervisors under the proposal on distribution of earnings.

Employee's Compensation: The Company draws up the earnings distribution proposal pursuant to the "Articles of Incorporation", and pays the distributions within the limit with approval of the Chairman after the proposal is adopted by the Remuneration Committee and the Board of Directors.

(2) Estimation Basis for Employee Stock Compensation for the Current Period: the Company's undistributed dividends for 2020.

(3) Accounting Treatment of Discrepancy between the Estimation and Actual Distribution for the Current Period: Discrepancy between the estimated amounts of employee's and directors' compensations and the actual distribution amount for the current period will be presented as the profit or losses for 2021.

3. Employee Compensation Distribution Proposals Adopted in Board of Directors Meeting:

(1) If the amount of employee compensation distributed in cash or stocks and compensation for directors and supervisors differs from the recognized expenses, the discrepancy, its cause and the status of treatment shall be disclosed:

The Company's proposal on distribution to the employee's and directors' compensations for 2020 was approved by the resolution of the Board of Directors on March 11, 2021. The proposed employee's compensation and the directors' compensation were respectively NT\$ 106,720 thousand and NT\$ 38,354 thousand, which was in line with the estimates.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

4. The actual distribution of compensation to the employees, directors and supervisors for the previous fiscal year (including the number of shares, monetary amount, and stock price and if there is any discrepancy between the actual distribution and the recognized employees, directors, or supervisors compensation, state the discrepancy, reasons and how it is treated:

Actual employee and director remuneration paid in 2019 included NT\$ 66,728 thousand for the employees and NT\$18,938 thousand for the directors, which was in line with the actual distribution.

(IX) Buyback of Treasury Stock: None.

II. Corporate Bonds: None

III. Preferred Shares: None.

IV. Global Depository Receipts (GDRs): None.

V. Employee Stock Options: None.

VI. New Employee Restricted Stock: None.

VII. Issuance of New Shares for Merger or Acquisition:

(I) If, during the most recent fiscal year up to the date of publication of the annual report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall specify the following matters regarding mergers or acquisitions in progress:

1. The securities underwriter's opinion on the issue of new shares for acquisition of shares of another company in the most recent quarter:

Tong Hsing Electronic Industries, Ltd. (hereinafter referred to as "Tong Hsing" or the "Company") has issued 71,290,049 new shares for capital increment on June 19, 2020, to acquire 100% common shares from Kingpak Technology Inc. (hereinafter referred to as "Kingpak") in the form of share transfer, namely, 57,307,114 shares. The change registration was completed on August 4, 2020. securities underwriter's opinion regarding the impact of Tong Hsing's acquisition of Kingpak on the financial position, results and shareholders' equity at of the first quarter of 2021 pursuant to Item 8 of Paragraph 1 of Article 9 of the Criteria for Handling of Offering and Issuance of Securities by the Issuer:

(1) Impact on the Finance

The Company's consolidated revenue in the first quarter of 2021 was NT\$ 3,141,262 thousand, increased by 60.83% compared with the revenue of NT\$ 1,953,205 thousand during the same period of the previous year, indicating that it is positive to the Company's finance.

(2) Impact on Business

After the Company acquired Kingpak, in addition to further deepening of their respective professional fields, both companies may accelerate the development of new products, new process and new technologies, and optimize mutual capacity configuration efficiency and product resources through research and development, production technology and factory management. Besides, in combination with the advantages of Tong Hsing's consumer electronic products and CMOS image sensors of Kingpak in the field of automobile electronics, applications in such fields and markets as smart mobile phones, IoT, advanced driving, car networking, virtual and augmented reality will spring up diversified CMOS image sensor packaging testing services to strengthen the products' depth and width, capture the market opportunities for key components, and increase the market share. In addition, in light of the cutting-edge production technology of Kingpak and experience on cooperation with the international manufacturers in electronics fields, Tong Hsing accelerated to develop potential customers in order to expand the market layout, which is conducive to improvement of the overall competitiveness. The combination of these two companies not only retained the existing long-term customers, but also integrated the relevant marketing and promotion activities of the business team of the two companies, with multiplicative effect of the marketing capabilities.

To sum up, this acquisition proposal takes effect on the Company's business.

(3) Impact on the Shareholders' Rights and Interests

After the Company acquired Kingpak, these two companies shared resources on niche products and customer channels, and exchanged ideas on R&D capabilities, technologies, and experience. They also made use of the synergy created by effective distribution of logistics and management resources to strengthen overall competitiveness in the market, achieve continuous growth in the revenues of both

companies, and thereby create higher values for shareholders of both companies. In conclusion, the reorganization and adequate use of the parties' resources will increase operating revenue, reduce operating costs, and strengthen profitability. Thus, it is positive to the shareholders' rights and interest.

(4) Significance of the Effect

The base date for share conversion between Tong Hsing and Kingpak was June 19, 2020. Change registration was completed on August 4, 2020. After conversion of shares, both companies benefited from integration of resources in terms of finance, business and shareholders' equity. It was expected that the effect of acquisition became significantly gradually.

2. The status of implementation in the most recent quarter. If the implementation has not achieved the expected target, a statement on the impact on shareholders' equity and improvement plan shall be provided: Not applicable.

- (II) Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the implementation status and the basic information of the merged or acquired company. The implementation of ongoing merger or acquisition of other companies through the issuance of new shares and the impact on shareholders' equity shall be disclosed: None

VIII. Capital Utilization Plan: None.

IX. Capital Utilization Plan Implementation Status: None.

Chapter 5 Business Overview

I. Business Activities

(I)Major Business

1. Major Products and Weights

Major Products	Unit: NT\$ thousands/ %	
	Net operating revenue for 2020	
	Amount	%
RF Module	692,910	6.81
Hybrid Modules & Specialty Packaging	2,045,891	20.10
Ceramic Metalized Substrates	2,249,826	22.10
Image Products	4,972,603	48.86
Other	216,772	2.13
Total	10,178,002	100.00

2. Current Products and Services:

- a. Power amplifier (PA) modules
- b. RF front-end modules
- c. System in Package (SiP)
- d. High-Brightness LED ceramic heat dissipation substrates
- e. High-power semiconductor ceramic heat dissipation substrates
- f. Edge emission laser (EEL) module ceramic heat dissipation substrates
- g. Thick film substrates and hybrid circuit modules for automotive electronics
- h. Hybrid circuit modules for aerospace electronics
- i. Hybrid circuit modules for medical electronics
- j. Module packaging of Vertical Cavity Surface Emission Laser (VCSEL)
- k. Image Sensor packaging and final testing
- l. Reconstruct Wafer (RW)
- m. Chip probing (CP)
- n. Micro display module assembly and testing
- o. Ultra-high brightness LED module assembly and testing
- p. Direct bonded copper (DBC) ceramic substrates
- q. Biomedical chip packaging and testing
- r. Ceramic circuit board of thermoelectric coolers (TEC)

3. Products Development:

In addition to the basic research and development of new production processes and materials, our application of new products will be focused on areas covering communication, high-frequency package, high-power package, various detectors, image sensors, automotive, and bio-med field. The new products planned for future development are as followings:

- a ∙ Power semiconductor module assembly and testing
- b ∙ 3D sensing module assembly
- c ∙ Optoelectronic semiconductor module assembly
- d ∙ Packaging of BAW filter
- e ∙ Biomedical chip packaging including structure and process development
- f ∙ High-frequency RF module packaging process development
- g ∙ Development of high-density ceramic substrates with multi- layers circuits
- h ∙ Development of anti-corrosive automotive ceramic substrates

- i、Development of SIP packages for multi-layered chips covering both image sensors and image processing chips for automotive applications.
- j、High-precision vehicle-mounted image sensing module packaging
- k、Development of packaging for embedded driver chips for 3D ceramic sensor modules

(II) Industry Overview:

1. Current Industry Products and Development:

Our business scope consists of the service for RF module packaging and hybrid IC modules, and the backend process for image sensors, and ceramic substrate. Ceramic metalized substrates are important raw materials for module assemblies. In addition to external sales, certain ceramic metalized substrates were produced for internal demand.

a. RF Module:

The RF modules are mostly used in front-end modules consisting of power amplifiers (PA), antenna switches, and other wave filter circuits in RF applications for mobile phones, wireless local area network (WLAN), etc. They also include System in Package (SiP) with transceivers and baseband.

The increase in the use of smart phones and tablet computers has slowed the growth of mobile phones across the globe. The growth rate of smart phones has slowed from 20% in 2014 to almost zero growth in 2018 as the growth in global network service revenue slowed. However, the establishment of 5G technology standards has given rise to new applications of network communication and business models, which have also accelerated new developments in the wireless communication industry, including the opening up of high-frequency bandwidths and the focus on LTE-Vehicle communication service (LTE V2x) standards.

In terms of IoT technologies, the establishment and introduction of LPWAN, Wi-Fi Halow, NB-IOT, and LTE-M1 standards, which specify different transmission speeds and low-power technologies, also stimulated the growth of the Cellular IoT. Cellular IoT makes it possible the ubiquitous positioning, motions detections, multicast services, and advanced power-efficient functions in real-time environments, and will creates more corporate and personal application demands and immense business opportunities in logistics, transportation, industrial manufacturing, agriculture, healthcare, and tracking services for children and pets.

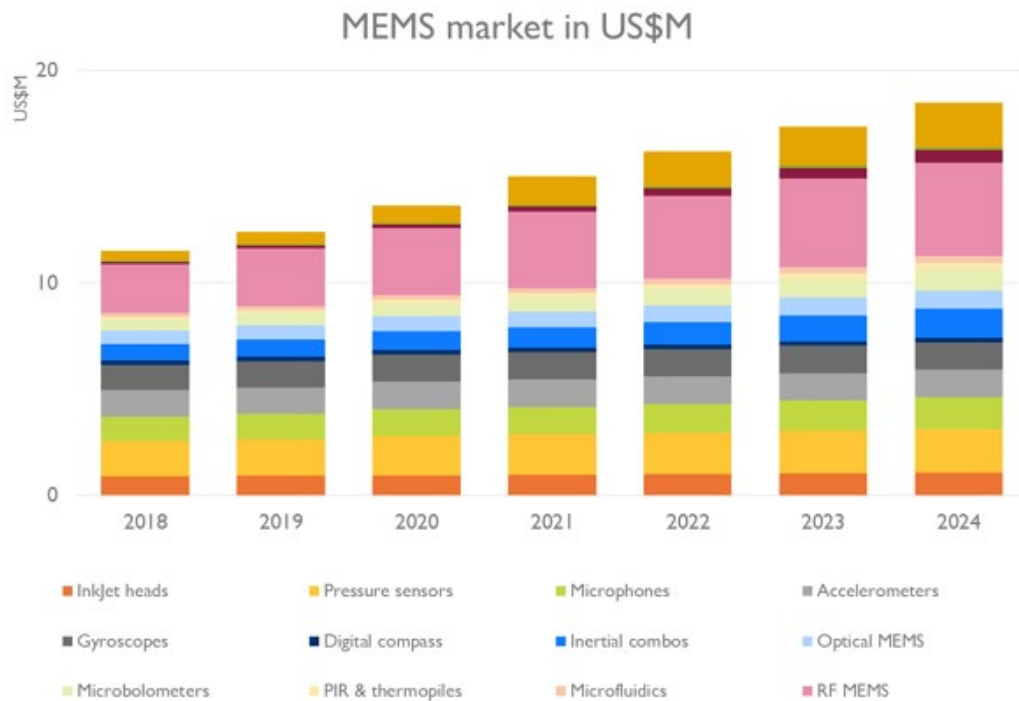
With the development of intelligence transportation and vehicle, wireless communication technologies will help disassemble road surface or traffic in a Vehicle to Vehicle (V2V), Vehicle to Roadside/Vehicle to Infrastructure (V2R/V2I), Vehicle to Home (V2H), and Vehicle to People (V2P) mode to help drivers avoid road accidents.

In addition, the development of new wireless communication technologies and applications will also lead to an equal amount of investments in infrastructure, including massive amounts of data centers and fixed network facilities.

b. Hybrid Circuits:

Products with hybrids modules and specialty packaging are mostly assembled in processes with ceramic metalized substrates using either thick film or thin film processes. Compared to regular PCBs, which require high power and high frequency, hybrids offer greater product stability and are widely adopted in automotive, communication, consumption, industrial control, test instruments, aerospace, and computer equipment markets. Thick film hybrids are mainly produced by companies in North America, Europe, and Japan to meet the demand in the two major application markets - automotive and aerospace.

A micro-electromechanical system (MEMS) is a chip that integrates miniaturized optical, mechanical, and electronic components on the same chip through sophisticated semiconductor processes to achieve minizturization. MEMS technologies are widely adopted in markets including applications in mechanics, optics, biology, and electronics. In terms of automotive applications, the accelerometers, pressure meters, gyrometer sensors, and mass flow meters are gradually gaining prominence. As for consumer electronics, RF MEMS, microphones (MIC), G sensors, and gyrometer sensors are taking over the market with the rapid growth of high-end smart phones, tablet computers, and hand-held devices. According to market research conducted by the French research institute Yole Development, the global MEMS market is expected to grow from US\$11.6 billion in 2018 to US\$18 billion in 2024.



In terms of biomedicine applications, the development of arrayed MEMS sensor array platform has evolved for biomedical applications to manufacture a chip-array on a chip, which is able to work on short time scale, and greatly increase test speeds and lower costs. Network connections and artificial intelligence also greatly expand the applications of the technology.

In addition, the development of smart vehicles has made Advanced Driver Assistance Systems (ADAS) technologies key in the development of the automobile industry. Light detection and ranging (LiDAR) technologies uses beams of lasers to detect range and build real-time 3D maps to help drivers keep driving distance and evade obstacles. The high-power semiconductor lasers are also important for the development of such applications

c. Ceramic Metalized Substrates

(1) DPC Ceramic Metalized Substrates

Ceramic metalized substrates are mostly intended for use used in applications in harsh environments such as aerospace, automotive, and medical. Tong Hsing is one of the few large-scale ceramic metalized substrate manufacturers in Taiwan. The Company has been continuously optimizing thick film printing process technologies and developing the direct plated copper (DPC) process which offers precision circuits that cannot be provided by traditional thick film and co-fired ceramics. Its main current application is in heat dissipation substrates for high-brightness LED.

(2) DBC Ceramic Circuit Boards

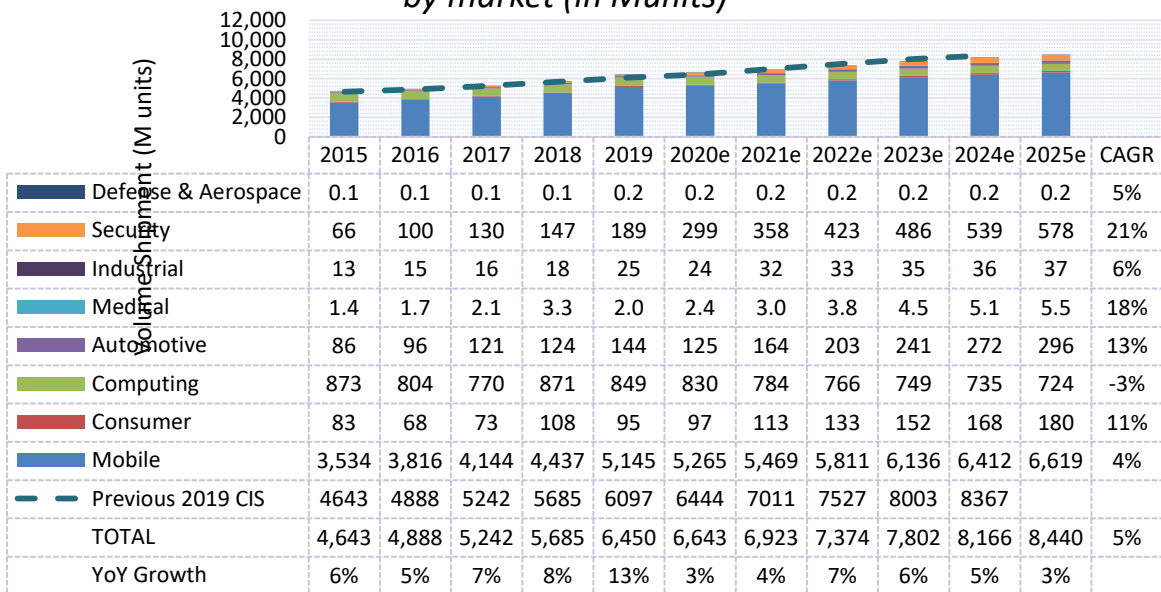
Direct Bonded Copper Ceramic Substrates DBC is a technology that directly bonds copper to ceramic substrates under high temperature. It uses the exposure, development, and etching processes to create circuit patterns. DBC substrates are currently widely adopted in the following applications:

- (i) Insulated-gate bipolar transistor (IGBT)
- (ii) Thermoelectric cooler (TEC)
- (iii) Automotive electronics and components

d. Image Products

Image sensors are mainly used in digital cameras, digital video cameras, mobile phones, tablet computers, AR/VR applications, laptop computers, security surveillance cameras, automobile video applications, medical imaging, toys, and industrial control. According to Yole Development’s market research report, as global CMOS image sensor applications become matured gradually, the demand of the aforesaid applications will grow each year till 2024. Please see the following trend charts:

**2015-2025 CIS volume shipment forecast
by market (in Munits)**



The trend chart shows that mobile phones are the most important applications. As the smart phones and tablet computers evolve in recent years, the demand for image sensors also increased enabling high resolution and image quality, and the new technologies such as backside illumination (BSI) and silicon stacking sensors of image sensors have also been invented. In addition, 3D face recognition using 3D sensing technology is the basic function in the latest high-end smartphones. Additional image sensors are required for structured light, time of flight, and active

stereo vision technologies. In addition to mobile phones and tablet computers, 3D sensing technology has the potential to become one of the main components for AR/VR solutions. In average, a mobile phone may use up to 3 to 5 image sensors.

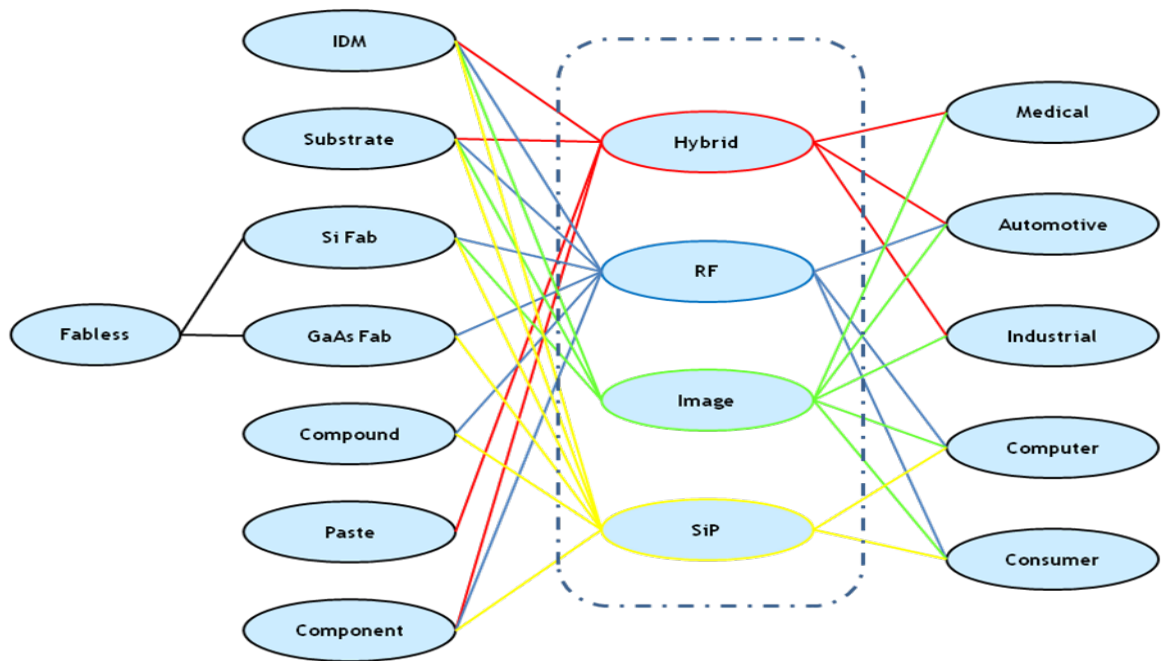
In terms of the automotive applications, in addition to passive driver assisted parking, imaging technologies used for active safety control system, lane departure warning, and active parking have become the standard features for high-end vehicles. LiDAR used for real-time 3D maps future self-driving technologies, a technology necessary for 3D sensing, has also advanced rapidly. In addition, there is a growing trend of the for electric vehicles. The Company provides CMOS image sensor solutions to customers with services including wafer testing, wafer reconstruction, different types of packaging, testing of finished products, and module manufacturing.

We provide process services for the leading CMOS image sensor suppliers for mobile phones, tablet computers, laptop computers, digital cameras, digital video cameras, security surveillance cameras, medical imaging, and automobile video applications. Kinpak, acquired by the Company in 2020, become a recognized image sensor supplier.

In addition to traditional 2D image sensors, our 3D distance measurement and image sensors with image captured with 3D technology have also advanced rapidly in recent years. They are currently used for rapid auto focus, facial recognition assistance, and gesture control in cameras on mobile phones. We have used 3D modeling software extensively to provide manufacturing services for customized products and sales service. Automotive, robotic, and drone applications have made use of 3D imaging to create real-time 3D structures of the external environment for the rapid advancement of automatic navigation and obstacle avoidance.

2. The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services

The relationship between the Company's products and the overall industry can be summarized as follows:



3. Development Trends of Products

Electronic products are getting smaller. They have become more versatile in functions, and the build-in features that can function with tablet devices or vehicles, and are used much more frequently. Higher bandwidth and more diversified channel options that provide seamless mobile communication will be the trend in the future.

In terms of energy industries, high-brightness LED with power-efficient and low-pollution advantages, wind power, and solar energy will gradually become commonplace in our daily lives. The Company's modules are mainly applied to the following new processes of various products:

- a. Using copper plating, gold plating, and silver plating technologies for AlN and Al₂O₃ substrates. They are used in combination with exposure and etching technologies to produce high-density circuits and ceramic substrates with high thermal conductivity to increase their high-frequency performance
- b. Combining surface mount, flip chip packaging, die wire bonding and RDL processes to minimize product size, satisfy high frequency properties, and enhance of RF packaging structure.
- c. Combining ceramic substrates of high thermal conductivity and power semiconductor packaging technology to satisfy the packaging structure features of WBG.
- d. Providing wafer reconstruction process to camera producers and manufacture thin camera modules camera modules with more than one million or 100 million pixels necessary for the fast-growing smart phones and tablet computers.
- e. Providing high reliability image sensor packaging technologies customers—for security surveillance cameras and automotive applications.

- f. Providing back-end processes of 12-inch BSI and stack sensor technology for CMOS image sensor.
- g. Manufacturing customized bio-medical modules for handheld ultrasound scanner.

4. Status of Competition:

The Company is a professional and niche manufacturer of integrated circuits and ceramic metalized substrates fabrication. For years, we have upheld held to customer-centric principle, and actively and efficiently invested in R&D in processes and optimized technologies to enhance the Company's competitive advantages. The fabrication of integrated circuit modules and ceramic metalized substrates over the years have made Tong Hsing become the main international supplier in the DPC substrates for LED applications and image sensors.

By continuing to invest in R&D and processes, and refine resources, the Company has become a leading manufacturer of thick film ceramic metalized substrates in Taiwan. Using independently developed processes for thin film ceramic substrates, we combined the unique characteristics of ceramics for its resistance to corrosion and high temperature, and high stability with sophisticated assembly technologies accumulated in the aerospace industry to meet the stability and precision requirements of the automotive industry. We therefore take the lead in business opportunities in the procurement of major automotive manufacturers in Asia. In addition, the Company actively invests in MEMS assembly research and development, and developed packaging and process technologies of the next-generation MEMS modules for biomedical applications.

In terms of image sensors, the Company is the first one to develop the wafer reconstruction technologies suitable for silicon stacking sensors. We also worked with customers to supply of large quantities of 64Mp and 48Mp image sensors for several well-known smart phones and tablet computers. With respect to image sensors for vehicles, Kingpak is also an international image sensors supplier for vehicles. After being acquired by the Company in June 2020, Kingpak continues driving growth of the Company.

(III) Research and Development Achievements and Plans

1. Research and Development (R&D) Expenses In The Most Recent Fiscal Year up to the Publication Date of the Annual Report

Unit: NT\$ thousand dollars

Year	2020	Q1 of 2021
R&D Expense	206,758	61,907
As % of net revenue	2.03	1.97

2. Successfully Developed Technologies or Products in the Most Recent Fiscal Year up to the Publication Date of the Annual Report

Year	Process Technologies	Product Applications
2020	Development of structure for hybrid ceramic substrate with air cavity.	3D Sensing
	Advanced package development for driver embedded ceramic substrate	3D Sensing
	High resolution CMOS image sensor package development for ADAS and autonomous driving in automotive.	Image Sensor
	Thin film laser submount development for optical interconnection application.	Optical Communication
	Development of fan-out package structure with double side cooling.	High Frequency
	Process Development of AMB (active metal brazing) on SiN substrate.	High-Power Components

(IV) Long-Term and Short-Term Business Development Plan:

1. Short-Term Business Plan

- a 、 Develop next-generation module technologies by following market trends and production roadmap from the customer to strengthen and expand relationships with current business.
- b 、 Enhance market share by applying strategies that covers pricing and technology.
- c 、 Acquire new business relationships by leveraging the current sales network.
- d 、 Further implement the product management mechanism to set the clear directions for each product line and utilize in-house resources with better efficiency.

2. Long-Term Business Plan

- a 、 Look for strategic partners, especially from components, materials and intellectual property aspects to ensure a leading position in the production technology.
- b 、 Expand investment in next-generation products and necessary technologies.
- c 、 Optimize teamwork between production sites in Taiwan and Philippine to maximize scale of economy.
- d 、 Promote turnkey solutions (including chip probing, wafer reconstruction, packaging, final testing and module making) to create further price advantage.
- e 、 Continue to provide services required by the customers in connection with vehicles, bio-medicine and 5G.

II. Market, Production, and Sales

(I) Market Analysis

1. Sales and Service Regions of Main Products and Services

2020 Sales Regions and Weights

Unit: NT\$ thousand dollars

Regions	Net Revenue	%
Americas	3,742,767	36.77%
Europe	2,008,962	19.74%
Other	4,426,273	43.49%
Total	10,178,002	100.00%

2. Market Share

According to Yole's research report, our total shipments of CMOS image sensors accounted for about 23% of the total worldwide demand, 7 billion units in 2020.

This research report also forecasted the shipment growth of CMOS image sensors with a steady increase, and will reach 7.4 billion units in 2021, despite of influence of the epidemic. Quantity of vehicle image sensors in 2020 was about 120 million units.

3. Future Market Supply, Demand, and Growth Potential

a. RF Module:

The demand from the mobile phone market has increased, and the RF communication modules assembled by the Company are critical components for mobile phones. In addition to stable growth in the overall mobile phone market, the technology of mobile phones has advanced toward higher-end bandwidth services (5G) in recent years. Nowadays, the semiconductor and display technologies has enriched mobile phone processors with support for calculation and display which notebook computers can do in the fast with very low power consumption, and thereby powered the rapid development of smart phones. The power-efficient and high-performance computing features has created an environment for Internet access from mobile phones, which has led to a rapid increase in bandwidth demand. This in turn depletes the bandwidth provided by mobile communication networks of large base stations and triggers the development of small low-power base station architectures and technologies.

With advanced deployment of network bandwidth and the sensor technologies, IoT applications with all kinds of miniature sensors in the living environment can be achieved with wireless connection. Humans can lead a life more efficiently and smarter by setting up sensors in the environment and wirelessly transmitting information to individuals.

b. Hybrid Modules:

According to statistics in the market research conducted by the research institute

Yole Development, the global MEMS market is expected to grow from US\$11.6 billion in 2018 to US\$18 billion in 2024. Except for small-scale growth in the existing automotive, IT equipment, industrial equipment, and medical equipment markets, the growth is mainly fueled by new applications in hand-held communication devices and consumer electronics. Foreseeing the features of the miniaturization, high integration, and low cost of MEMS technology,—many application markets have adopted MEMS component technologies and thereby brightened the prospects of the MEMS industry.

In terms of the biomedical market, the advancement of semiconductor technologies and microelectromechanical technologies has facilitated the gradual entry of biomedical inspection technologies with single chip from the laboratory to the markets.

Semiconductor lasers were mainly used in optical storage applications. In the past decades. The market of optical storage devices have gradually dwindling or even become obsolete with the rise of flash memory in terms of storage capacity and access speed. However, as the various 3D sensing technologies evolve, efficient and high-power semiconductor laser technologies have been widely used in smart phones, tablets, and other hand-held devices. In the future, 3D sensing may also be used in wearable devices for AR/VR applications. In addition, LiDAR will also be necessary for future autonomous driving.

c. Ceramic Metalized Substrates:

(1)DPC Ceramic Metalized Substrates

Ceramic metalized substrates with its excellent resistance to corrosion, and high temperature, and high stability made it a suitable material for the harsh environments required for automotive components. In addition, the automotive industry has shifted toward more environmentally friendly hybrid vehicles (HEV) and electric vehicles (EV) in recent years. Based on such development trends, the demand for power modules in the automotive industry will grow rapidly as more vehicles become electric. We expect the demand for ceramic metalized substrates used for automotive power modules to increase with the rapid expansion of business opportunities in the automotive industry.

The other proponent for the growth of ceramic metalized substrates is the high-brightness LED. As high-brightness LED technologies gradually mature, DPC ceramic metalized substrates become suitable for large-scale production, which help customers effectively reduce production costs. They will continue to be the main choice of substrate material in the high-brightness LED market.

According to the market research institute MAXIMIZE Market Research, the market scale of high-brightness LED was US\$17 billion in 2017, and it is expected to grow to US\$31 billion by 2026 with an annual compound growth rate of 7.8%. The benefits of high-brightness LED are in its longer lifetime and lower material costs. With growth in the demand of monitors and larger screens, high-brightness LED has become more important for mobile devices which have become the main momentum for growth for high-brightness LED. In addition, its high market share, diverse varieties, gradual rise in energy conservation awareness, and the ability to be easily installed on any circuit have also contributed to the growth of the high-brightness LED industry.

(2) DBC Ceramic Metalized Substrates

The demand for power modules necessary for AC/DC conversion, power factor correction, and output power management has grown rapidly with the gradual expansion of the clean energy market and the electricity storage market created by the inherent instability of clean energy. Power modules are used extensively in power and electronic applications, such as:

- i. Power semiconductor device, such as IGBT.
- ii. Frequency converter, electronic speed control and AC contactless switch.
- iii. Hybrid power circuits and new power supply unit.
- iv. Solid state relay (SCR) and High-frequency switch module power supply.
- v. Temperature control unit for electronic heating devices.
- vi. Structural unit for automotive and aerospace technologies.

With technological advancement, we have gradually developed modules with higher power, higher efficiency, higher reflow temperature, smaller dimensions, and higher integration. In addition to the traditional Al₂O₃ DBC, the market is also trending toward AlN, SiN, and other substrates with higher heat conductivity and mechanical strength, as well as the development of hybrids technologies that offer both high voltage/current and high-density circuits.

d. Image Products:

In terms of image sensors, the mobile phone market is the greatest segment in the market. Smartphones have become the mainstay of this market segment and growth has apparently slowed.

Due to market preferences for the thickness of mobile phones and the impact of reduced pixels of image sensors on image quality, the increase in the pixels of image sensors will gradually come to a halt.

The market pursues better photography quality and more additional functions and dual lens camera modules that provide superior image quality, camera focusing functions, depth adjustment, and therefore; 3D image sensors have become important. The image sensors market in this market segment has grown with the increase in the number of image sensors installed on a single mobile phone. The growth of the overall market will outpace that of the mobile phone market.

In addition, 3D image sensors and iris recognition technologies for facial recognition that use time of flight and structured light offer alternatives for biometrics beyond fingerprint recognition. Biometrics has gradually become important for mobile phones as more transactions and financial payments are performed on mobile phones.

As vehicles become smarter and more autonomous, the number of image sensors installed on vehicles has also increased. The image sensors used by a single vehicle has gradually increased from the reverse camera to a variety of image sensor applications such as surround-view, lane keeping assist system, blind spots on the sides and rear, nighttime distant vision, and driver monitoring. In addition, the use of 3D image sensor technologies such as time of flight and structured light for gesture control, and the use of LiDAR technology for real-time road and obstacle model construction have also become crucial for future development.

The increase in bandwidth and wireless broadband development have gradually expanded security and surveillance from the public realm and corporate applications to IP-based home and personal remote monitoring and control applications.

In terms of image displays, the rise of wearable devices, particularly wearable devices in the form of glasses, has made micro display chips key to development. The development of automotive electronics in regard to information display has also shifted to safer head-up display technologies built with micro display chips.

4. Competitive Advantages

The Company's business consists of the assembly of ceramic metalized substrates, RF modules, hybrid modules & specialty packaging, System in Package (SiP), and image sensors.

In terms of hybrid circuits, the main applications include medical services, aerospace, industries, and automobiles. The Company is required to continuously work with customers in the development of new process technologies to meet the requirements for functions and features of the products. This cooperation and development model is the

cradle for the Company's new process technologies and has helped the Company continuously refine and maintain its lead over competitors.

The assembly of ceramic metalized substrates, RF modules, hybrid modules and packaging, System in Package (SiP), and image sensors requires large-scale customization for the products. As the life cycle of mobile phone products continue to shorten, flexible process response that can help customers launch new products quickly and gain opportunities on the market has become the key to winning purchase orders in the industry.

The Company has provided module assembly services for more than 20 years and has a profound knowledge of the industry. We adjust production capacity flexibly to fully meet all customer requirements. In terms of the wireless communication industry, the continuous growth in the output of the mobile phone market and the development of wireless technologies and new applications have also gradually changed people's lifestyles with new technologies and functions. As the Company closely monitors changes in the market and retains the R&D capacity for keeping up with the latest technological requirements, we maintain full control over competitive advantages and satisfy all customer demands in both quality and quantity to provide the best and most stable services.

We continue to develop high-end processes for module assembly technologies from existing surface-mount technology (SMT), chip on board (COB), and various packaging technologies including ball grid array (BGA), land grid array (LGA), and chip-scale package (CSP) toward high-end packaging processes such as flip chip, 3D Package), micro-electromechanical system (MEMS), System in package (SiP). At the meantime, we will reduce the size of the modules while increasing and integrating the functions of circuits and modules to meet customer requirements, help customers take the lead in the market, and achieve desired effects.

With regard to special image sensors with high cleanliness requirements, the Company has focused on the continuous development of process technologies of image sensors for many years. We have developed a variety of process technologies necessary for the mobile phone, digital camera, healthcare, security monitoring, and automobiles. Meanwhile, we also provide customers with high-yield assembly and wafer reconstruction process services from VGA up to 64Mp image sensors, including one-stop services from wafer to the shipment of finished products to help customers reduce production time, reduce outsourcing management and logistics costs and time, and increase competitiveness.

In the recent two years, about 4-5 sets of image sensors were adopted in each vehicle. It is expected that up to 10 or more sets of image sensors will be used in the future. In addition to front view, back view and surround view, image sensors will be also widely used for driving monitoring, lane departure warning and gesture control. Level-3 self-driving will synchronously fuel the demand of radar, laser and IR image sensors, ultrasonic sensors, fatigue driving warning and anti-collision sensors, and all of these applications will facilitate rapid growth of the image sensors.

5. Positive and Negative Factors Relating to Future Development

a. Favorable Factors:

(1) Production:

The gradual completion of the automation of the DPC electroplating lines and the production profile systems means saving manpower and preventing crack growth rate, increasing yield, and quality. It also enables us to identify causes precisely, and reduces costs to create stable competitive advantages and entry barriers. We gradually introduced SMT, COB, and back-end AOI into the assembly processes to significantly reduce manpower requirements and increase quality. With the purchase of new equipment such as ball mounters and gas-sealed enclosure machines, we have increased the competitiveness of multiple niche products. Backend process capacity of the image products was greatly improved in 2020, resulting in the improvement of overall capacity. Our vehicle image sensors were qualified by the major international manufacturers, and we expanded the capacity in line with the increasing market demands.

(2) Research and Development:

(i) The successful development of copper plating processes for ceramic metalized substrates and related technologies in nickel, gold, and silver plating process technologies has greatly improved package performance of high-brightness LED, high-frequency RF modules, high-power modules, and micro-assembly IC and is able to increase comprehensive business opportunities. We completed the development of copper free DPC process, and will gradually phase in mass production to support customers for broader automotive applications.

(ii) The massive engineering graduates and the assistance from foreign consultants help us lead the market in new product R&D and technologies.

b. Negative Factors:

(1) Maturing Industry and Shifting Markets Trends:

As LED technologies gradually mature, Asian countries have spurred heavy investments to support LED related industries.

Pricing, costs, and rapid response to market determine the competitive advantages, therefore, most of the Western LED lighting companies to outsource their parts manufacturing to China, and Asia eventually holds the largest market share in LED lighting.

In terms of image sensors, Sony and Samsung have actively invested in this market, and crowded out the existing main high-end suppliers of the market. The impact has caused shifts in the existing market share. The trade war between the United States and China, forced Chinese mobile phone manufacturers to seek local suppliers to secure the availability of to important components during the trade war.

(2) Labor Shortage and Rising Wages:

Rapid changes in social values in recent years have led to labor shortages for industries in Taiwan to meet production demands. The restriction of hiring foreign laborers from labor regulations also forces industries to set up or expand operations in foreign countries.

(3) The products developed and produced by the Company are components for mobile phones in an emerging industry with rapid growth potential. The emerging industry needs heavy investments in and equipment and the market changes rapidly. If the Company fails to keep up with market and technical changes, a crisis would quickly ensue.

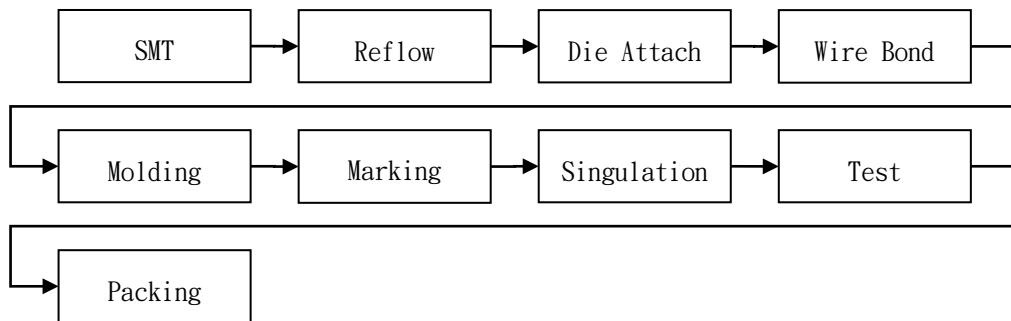
c. Strategies

- (1) Actively diversify our customers in individual market to avoid the impact of changes in a single customer's business.
- (2) Strengthen production automation and actively expand the market to achieve economies of scale, save manpower, and reduce production costs.
- (3) Ramp up production capacity to expand its scale of purchases, strengthens purchase bargaining power, and reduce the purchasing costs of raw material to create competitive niches.
- (4) Continue to develop new products and technologies, and build and strengthen the entry barriers with advanced technical capabilities that lead the industry.

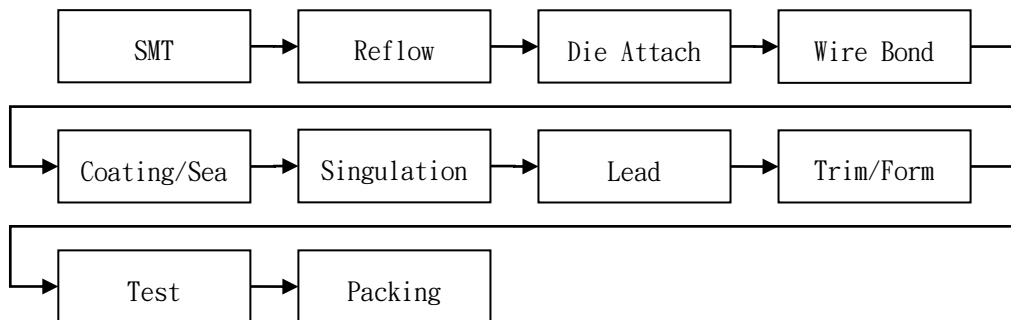
- (5) Increase investments in machines and equipment to enhance automation of production, and relocate the production of certain labor-intensive products to foreign countries for the international division of labor.
- (6) Gradually increase the use of contract workers and establish a healthy outsourcing supply chain to increase the flexibility of production capacity, reduce risks and respond to the rapid changes in demands for production capacity.

(II) Applications and Manufacture Processing of Main Products

1. RF Module: RF Power Amplifier and front-end modules of mobile phones, and broadband digital communication modules.

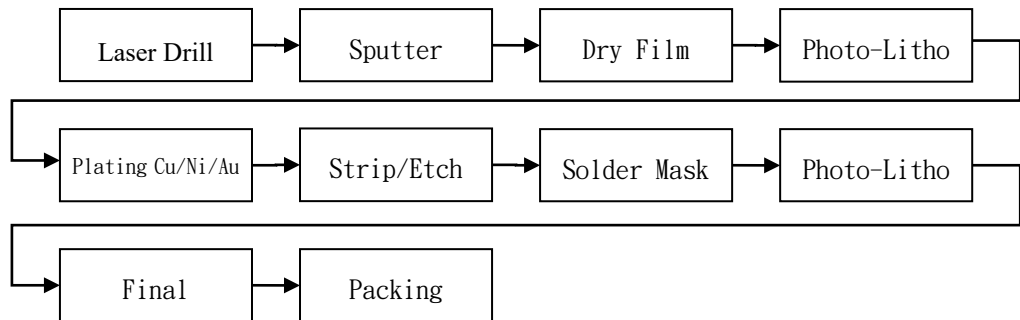


2. Thick Film Hybrid Integrated Circuits: Automotive, navigation/communication equipment, medical sensors, etc.



3. Ceramic Circuit Board: High brightness LED, general lighting, vehicle lighting, laser, industrial automatic control, RF switches, semiconductor devices, etc.

A. Plated Ceramic Substrates



4. Image sensors:

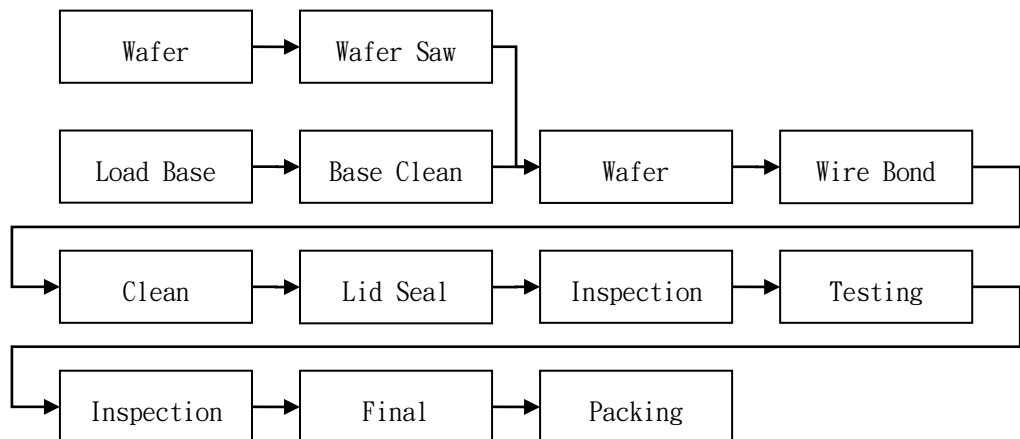
Consumer electronics: Digital cameras, digital video recorders, and mobile phones

IT electronics: laptop computers and monitors

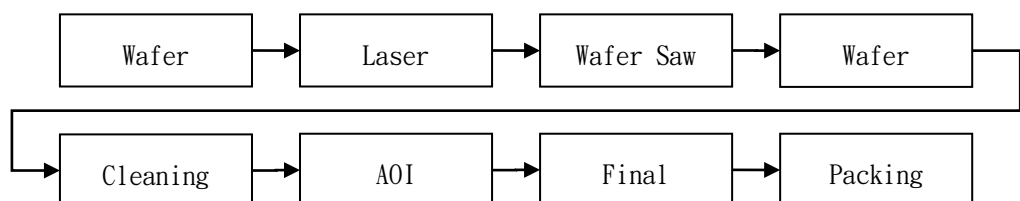
Automotive: reverse cameras, lane divider tracking, blind spot monitoring during turns, front and rear wheel monitoring, remote obstacle monitoring, and dash cams.

Industrial control and safety monitors: Products with image and video recording functions.

a. Image sensor packaging



b. Image Sensor Reconstructed Wafer



(III) Supply Situation for the Major Raw Materials

Major Raw Materials	Source of Supply	Supply Situation
Substrate	United States, Japan, Taiwan, Malaysia	Abundant
Paste	United States, Japan, Taiwan, United Kingdom	Abundant
Capacitor	Japan, Taiwan, United States, China	Abundant
Inductor	Japan, Taiwan, United States, China	Abundant
Integrated circuits (IC)	Belgium, Bulgaria, Germany, United States	Abundant
Epoxy	United States, Japan, Taiwan, China	Abundant
PKPGC	Taiwan	Abundant

(IV) Major Vendors and Customers Accounted for at Least 10% of the Annual Consolidated Net Revenue

1. Major Vendors

Unit: NT\$ thousand dollars

Item	2019				2020				2021 (The information as of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percentage to Net Purchase in the Year up to the First Quarter (%)	Relation with Issuer
1	Company G	511,008	18.70	None	Company I	637,233	18.92	None	Company I	144,416	12.99	None
2	Company I	491,786	17.99	None	Company G	395,796	11.75	None	Company G	130,873	11.77	None
	Other	1,730,494	63.31	-	Other	2,334,533	69.33	-	Other	836,304	75.24	-
	Net Total Purchases	2,733,288	100.00	-	Net Total Purchases	3,367,562	100.00	-	Net Total Purchases	1,111,593	100.00	-

Note: The amount of purchase from the supplier did not reach 10% of the net purchase amount of the period.

Reason for the Change: Due to the changes in market supply and demand, product mix, and the Company's stock strategy, the total purchase amount increased by 23% compared with that in the last year.

2. Major Customers

Unit: NT\$ thousand dollars

Item	2019				2019				2020 (The information as of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percentage to Net Purchase in the Year up to the First Quarter (%)	Relation with Issuer
1	Company F	1,439,177	19.37	None	Company F	2,536,871	24.92	None	Company F	658,836	20.97	None
2	Company H	1,176,592	15.83	None	Company H	1,192,013	11.71	None	Company I	456,837	14.54	None
	-	-	-	-	-	-	-	-	Company H	383,391	12.20	-
	Other	4,814,885	64.80	-	Other	6,450,802	63.37	--	Other	1,642,198	52.29	-
	Net Total Sales	7,430,654	100.00	-	Net Total Sales	10,179,686	100.00	--	Net Total Sales	3,141,262	100.00	-

Reason for the Change:

Due to changes in market supply and demand, and the customer's adjustment of the order amount, the sales amount increased by about 37% compared with that in the last year.

(V) Production Capacity

Unit: NT\$ thousand dollars

Output Major Products	Year	2019			2020		
		Capacity (Note 1)	Quantity	Amount	Capacity (Note 1)	Quantity	Amount
RF Module Hybrid Modules & Specialty Packaging Ceramic Metalized Substrates Image Products		6,572,262	3,783,293	5,923,667	6,213,592	4,793,248	7,524,410

Note 1: The production capacity should be combined, since the production for each product segments is substitutable.

(VI) Sales-Revenue

Unit: NT\$ thousand dollars

Shipments & Sales Major Products	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		QTY	Amounts	QTY	Amounts	QTY	Amounts	QTY	Amounts
RF Module Hybrid Modules & Specialty Packaging Ceramic Metalized Substrates Image Products		148,441	307,720	3,670,853	7,122,934	183,515	321,660	4,471,856	9,856,342

Note: Information on other products is not comparable and not provided.

III. Information on Employees in the Last Two Years and as of the Published Date of the Annual Report

Unit: person; age; year

Item/ Year		2019	2020 (Note)	2021 (The information as of March 31)
Number of Employees	Direct labor	2,182	2,544	2,530
	Indirect labor	694	911	1,021
	Management	111	210	219
	Total	2,987	3,665	3,770
Average Age		33.64	34.95	34.86
Average Years of Service (Years)		6.28	6.70	6.61
Academic distribution ratio	Ph.D.	5	9	10
	Masters	197	266	274
	Bachelor's Degree	1,514	1,697	1,747
	Senior High School	1,199	1,596	1,640
	Below Senior High	72	97	99

(Note) The number of employees in 2020 include the employees of Tong Hsing Philippines and Kingpak.

IV. Information on Environmental Protection Expenditure

- (I) Total amount of losses (including the compensation and violations of environmental protection regulations the results of environmental protection audits; the date of the penalty, penalty document number, articles in regulations violated, contents of violation, and contents of penalties) and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

There were no penalties for violation of environmental protection laws and regulations in the most recent fiscal year up to the publication date of the Annual Report.

- (II) Explanation of the measures to be taken and possible disbursements to be made in the future:

1. We have built exhaust gas and sewage treatment equipment and assigned personnel dedicated to matters related to the environmental issues. Relevant environmental certifications were obtained: Wastewater for sewage emission license and stationary pollution source operation license, ISO-14001 Environmental Management System Certification (validity period from April 2, 2020 to April 2, 2023) and ISO-45001 Occupational Safety and Health Management System Certification (validity period from March 20, 2020 to March 20, 2023).

The Company shall continue to provide a safe and healthy work environment to employees, preventing occupational injury and health risks to sustain a culture where EHS is given the same priority as business performance.

2. To reduce pollution in the environment, save energy, and reduce carbon emissions, the Company will continue to evaluate the recycling and reuse of wastewater created by general use or production. We shall also adopt variable frequency drives to the related sewage system based on evaluation results to reduce electricity consumption and support the government's energy conservation and carbon emissions reduction policies.
3. The following table describes the Company's greenhouse gas emission, water consumption and total weight of waste in the past two years:

Item	2019	2020
Greenhouse Gas Emission (MT)	33,620	34,140
Water Consumption (T)	856,390	1,022,773
Total Weight of Waste (T)	1,053	1,172

4. All of the Company's current products met the EU's RoHS Directive (environmental protection policy) and are processed in accordance with the industrial waste cleanup plan. We also dispose of waste and recycle resources in accordance with governmental regulations.
5. The Company is building Bade Plant, where there will be wastewater recycling and treatment system, exhaust gas treatment system, waste collection system, rainwater collecting system, and other environmental protection facilities.

V. Labor Relations

(I) Employee benefit plans, continuing education, training programs, retirement systems, and implementation, and the status of labor-management agreements and measures for preserving employees' rights and interest:

1. The employee's benefits related to measures are as follows to provide physical and mental relaxation, and enhance mutual communication:
 - a. Employee Benefit Plan: To ensure that our employees are devoted to work when working and relieve their family from financial burdens, apart from the relevant laws and regulations, we also provide extra insurance to employees to protect them in case of casualties or hospitalization. Employees also receive special subsidies for weddings and funerals, according to the Company's regulations for the matter.
 - b. Professional physicians are appointed to offer medical care services, and conduct various health promotion knowledge advocacy and other activities.
 - c. The Company provides the employees with a variety of meals (canteen, vegetarian, staff meals or light meals for Filipino employees) and dormitory.
 - d. Employee benefits plan also includes cash gifts for birthday and National holidays (Labor Day and Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival), and lottery in the year-end dinner party.
 - e. The Company also establishes independent medical and nursing room which opens 24 hours day.
 - f. A variety of club activities with subsidy mechanism are set up, such as jogging club and other clubs.
 - g. Employee Welfare Committee regularly holds communication meetings, employee outgoing and other activities.

2. Retirement System and Implementation Status

In order to provide employees with safety and security at work, the Company has formulated specific measures below per the laws and regulations:

- a. The Company appropriates the retirement reserves every year pursuant to the "Labor Act". Adequate appropriation of the retirement reserves is made through a professional actuary. The pension is calculated based on the service length of the employees and the average salary of the employee over the 6 months before retirement. The monthly appropriated amount of the retirement reserve is based on 80% of the total salary of the employee (old system), and is deposited in the special retirement reserve account with a bank in Taiwan. By the end of 2020, the fair value of the planned assets was NT\$ 278,283 thousand (NT\$278 million). The amounts to be appropriated in the future were presented as the accrued pension liabilities. By the end of 2020, the balance was NT\$ 486,779 thousand (NT\$486 million).
- b. In addition, pursuant to the Regulation on Labor Pension, 6% of the monthly salary of the employee (the new retirement system) will be appropriated to the pension

and is deposited in the special individual pension account with the Labor Insurance Bureau. The annual salary of the employees before July 1, 2005 was retained in this account. The pension appropriated in 2020 (including old and new systems) was NT\$ 80,213 thousand (NT\$80 million).

- c. In addition to complying with the aforementioned relevant retirement laws and regulations, in order to express gratitude towards employees for their contributions, the Company has prepared commemorative medals for retirement as a token of its appreciation towards the retirees for their contribution.

3. Continuing education and training

- a. On-the-Job Learning: To implement the concept that "Employee growth drives company progress", the Company provides domestic and international courses for related training from time to time to enhance professional knowledge of our employees and cultivate talents. The Company's internal training courses include ordinary training, professional and skills training, managerial function training, quality and occupational safety training, etc. In 2020, the total man-hour of the training courses was 33,037 hours.
- b. Education Subsidies: We highly value our employees' and their children's education and provide scholarships when qualifications are met.
- c. Company Celebration and Sports Events: To relieve the daily work pressure of employees, the Company holds various recreational events and gatherings from time to time.

4. Employee Communication or Disputes:

Since our establishment, we've been committed to establishing a trustworthy, cooperative working atmosphere and environment to form a harmonious relationship with the employees and to discuss and resolve problems as they arise.

All provisions concerning employee benefits are implemented in accordance with the relevant laws and regulations. Any new or revised provisions will be finalized after a thorough discussion by both parties.

The following measures are taken to prevent future labor disputes:

- a. Implement an employee benefits plan that is superior to the "Labor Act" requirements.
- b. Hold labor meetings on a regular basis
- c. Provide extra channels to facilitate communication between management and employee.
- d. Reinforce Labor-Management Ethics
- e. Establish employee's complaint channels.
- f. Appoint interpreters to assist the foreign peers for smooth communication and offer them with feedback channels.
- g. Formulate the "Code of Conduct" for all employees.

5. Protective Measures for Work Environment and Employees' Personal Safety:

The Company follows the Labor Safety and Health Act and its implementation rules, and the relevant regulations.;

The key routine environmental safety and health management achievements in 2020 were as follows:

Target	Description	Results
Testing for Drinking Water Quality	Testing of the concentration of coliform bacteria contained in the driving water machines is performed through samples every three months pursuant to the "Management Measures Regarding Use and Maintenance of Continuous Water Supply Fixed Equipment for Drinking Water" in order to protect drinking water hygiene and quality, and employee's health.	Quantity of tested drinking water machines: 51 sets Percentage of pass: 100%
Detection of working environment	Detection of carbon dioxide, noise, and chemical substances in the workplaces is performed pursuant to the "Implementation Rules for Monitoring of Workplace" to analyze the concentration of the chemical substances in the environment through the samples from machines, equipment, operation or environment that uses or stores chemicals so as to protect the employees from and against physical and chemical hazards.	Tested 1,799 items in total Percentage of pass: 100%
Health Examination	General and special physical examination will be performed for the employees working in specific workplaces every two years. General physical examination: 1538 Employees Physical examination for special type of work: 1.Arsenic and its compounds: 123Employees 2.Ionizing radiation: 55 Employees	Work related physical examination Abnormal: 0 person (without Level-3 and Level-4 management exception)
Environmental Protection and Labor Safety Training Subject to the "Rules for Occupational Safety and Health Education and Training".	The following education and training are organized to protect the employee's safety and health: 1.Occupational safety and health training for new employees: to establish employee's awareness of safety and health. 2.Occupational safety and health training for supervisors: to establish the supervisor's awareness of safety and health. 3.General hazard training for new employees:to establish employee's awareness of chemical hazards, and teach them how to use protective supplies. 4.In-service labor security, fire fighting, fire extinguishing, and refuge refresher training. 5.Emergency response drills every quarter in every plant. 6. Monthly environmental safety and health education.	Enhance protection of employee's safety and health and 6 training sessions of motor vehicle safety driving.
Patrol Inspection, Safety Check-up and Internal Audit	1.Daily environmental safety and health patrol inspection and audit 2.Execution of "Safety Checking of High-Risk Machines and Equipment". 3.Periodical checking of tread depth of motor vehicles. 4.Internal audit of environmental safety and health management system.	Take the initiative to detect the problems systematically, and reduce the Company's potential operation risks
Greenhouse Gas Control	The Company assesses the economic and technological feasibility, and reduces greenhouse gas emission.	Check the gas concentration, and declare the importance of environmental protection according to laws as basis of gas emission reduction

(II) Loss sustained as a result of labor disputes in the most recent fiscal year and up to the date of publication of the annual report (including labor inspection results in violation of the Labor Act; please state the date of punishment actions, punishment document number, violated provisions, contents in violation of the laws and regulations, and contents of punishments), and disclosure of the present and future possible estimated amounts and corresponding mitigation measures, or otherwise description of the facts that no reasonable estimate is available, if any: None.

VI. Important Contracts

Agreement	Parties	Period	Major Contents	Restrictions
Medium-term loan contract	Yuanta Bank	2019.10~2021.10	Medium-term revolving credit	None
Medium-term loan contract	KGI Bank	2020.01~2023.04	Medium-term revolving credit	None
Medium-term loan contract	Mega International Commercial Bank	2020.01~2022.01	Medium-term revolving credit	None
Medium-term loan contract	Mega International Commercial Bank	2021.04~2028.04	Action for Accelerating Investments of Enterprises in Taiwan	None
Long-term loan contract	Chang Hwa Bank	2021.04~2031.04	Action for Accelerating Investments of Enterprises in Taiwan	None
Medium-term loan contract	Hua Nan Commercial Bank	2021.04~2026.04	Action for Accelerating Investments of Enterprises in Taiwan	None
Engineering contracts	Chung-Lin General Contracts	From June 22, 2020 to February 1, 2022	Factory Construction of Bade Plant	None
Engineering contracts	Acter Engineering	From October 20, 2020 to February 1, 2022	Electromechanical Engineering of Bade Plant	None

Chapter 6 Overview of the Financial Status (Financial Status Overview)

I. Condensed Balance Sheet and Consolidated Income Statements for the Last Five Years

(I) Abbreviated Balance Sheets and Income Statements-IFRS

1. Abbreviated Consolidated Balance Sheet-IFRS

Unit: NT\$ thousand dollars

Item	Year	Most Recent 5-Year Financial Information					As of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current Assets		10,156,154	8,310,650	8,052,786	6,491,899	7,962,533	8,591,678
Property, Plant and Equipment		4,894,075	4,400,965	4,197,116	5,584,092	7,825,277	7,714,428
Intangible Assets		55,360	56,149	65,240	68,940	8,614,290	8,584,692
Other Assets		193,622	196,423	148,199	277,860	1,035,073	1,043,726
Total assets		15,299,211	12,964,187	12,463,341	12,422,791	25,437,173	25,934,524
Current Liabilities	Before Distribution	4,215,368	2,230,873	1,718,682	1,762,168	3,801,650	3,821,650
	After Distribution	5,192,810	3,223,018	2,710,827	2,340,919	Note 2	Note 2
Non-current Liabilities		937,002	319,376	295,974	483,897	425,990	418,429
Total liabilities	Before Distribution	5,152,370	2,550,249	2,014,656	2,246,065	4,227,640	4,240,079
	After Distribution	6,129,812	3,542,394	3,006,801	2,824,816	Note 2	Note 2
Equity Attributable to Shareholders of the Parent		10,146,841	10,413,938	10,448,685	10,176,726	21,209,533	21,694,445
Share capital		1,629,071	1,653,575	1,653,575	1,653,575	1,787,083	1,787,083
Capital Surplus	Before Distribution	4,926,351	5,233,426	5,063,801	4,997,188	15,120,168	15,120,168
	After Distribution	4,926,351	5,063,801	4,997,188	15,120,168	Note 2	Note 2
Retained earnings	Before Distribution	3,584,470	3,598,786	3,772,201	3,589,674	4,432,991	4,912,114
	After Distribution	2,607,028	2,776,266	2,846,669	3,010,923	Note 2	Note 2
Others Equity		6,949	(71,849)	(40,892)	(63,711)	(130,709)	(124,920)
Treasury stock		-	-	-	-	-	-
Minority equity		-	-	-	-	-	-
Total Equity	Before Distribution	10,146,841	10,413,938	10,448,685	10,176,726	21,209,533	21,694,445
	After Distribution	9,169,399	9,421,793	9,456,540	9,597,975	Note 2	Note 2

Note 1: The financial information of Q1, 2021 has been reviewed by independent auditors.

Note 2: The proposal on distribution of earnings for 2020 has been adopted by the resolution of the Board of Directors on March 11, 2021, but has not been approved by the shareholders' meeting yet.

2. Abbreviated Parent-Company-Only Balance Sheet-IFRS

Unit: NT\$ thousand dollars

Item	Year	Financial Information for the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		9,303,613	7,593,398	7,201,928	5,732,095	5,258,584
Property, Plant and Equipment		3,865,506	3,608,387	3,469,211	4,990,787	5,840,724
Intangible Assets		55,360	56,149	65,240	68,940	65,354
Other Assets		1,623,238	1,484,023	1,506,265	1,529,820	12,894,304
Total assets		14,847,717	12,741,957	12,242,644	12,321,642	24,058,966
Current Liabilities	Before Distribution	3,807,654	2,058,884	1,538,357	1,743,427	2,544,838
	After Distribution	4,785,096	3,051,029	2,530,502	2,322,178	Note 2
Non-current Liabilities		893,222	269,135	255,602	401,489	304,595
Total liabilities	Before Distribution	4,700,876	2,328,019	1,793,959	2,144,916	2,849,433
	After Distribution	5,678,318	3,320,164	2,786,104	2,723,667	Note 2
Equity Attributable to Shareholders of the Parent		-	-	-	-	-
Share capital		1,629,071	1,653,575	1,653,575	1,653,575	1,787,083
Capital Surplus	Before Distribution	4,926,351	5,233,426	5,063,801	4,997,188	15,120,168
	After Distribution	4,926,351	5,063,801	4,997,188	15,120,168	Note 2
Retained earnings	Before Distribution	3,584,470	3,598,786	3,772,201	3,589,674	4,432,991
	After Distribution	2,607,028	2,776,266	2,846,669	3,010,923	Note 2
Others Equity		6,949	(71,849)	(40,892)	(63,711)	(130,709)
Treasury stock		-	-	-	-	-
Minority equity		-	-	-	-	-
Total Equity	Before Distribution	10,146,841	10,413,938	10,448,685	10,176,726	21,209,533
	After Distribution	9,169,399	9,421,793	9,456,540	9,597,975	Note 2

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The proposal on distribution of earnings for 2020 has been adopted by the resolution of the Board of Directors on March 11, 2021, but has not been approved by the shareholders' meeting yet.

(II)Income Statement

1. Abbreviated Consolidated Income Statement -IFRS

Unit: NTD thousand dollars (EPS: NTD)

Item	Year	Most Recent 5-Year Financial Information					As of March 31, 2021 Financial information (Note 1)
	2016	2017	2018	2019	2020		
Operating revenue	8,057,845	7,745,602	7,413,512	7,430,654	10,178,002	3,141,262	
Gross profit	1,995,184	1,897,712	1,901,684	1,599,744	2,895,796	833,507	
Operating Income	1,233,754	1,161,816	1,138,561	911,877	2,005,447	558,319	
Non-operating Income and Expenses	(10,640)	(62,047)	106,722	30,369	(156,642)	26,817	
Income before Income Tax	1,223,114	1,099,769	1,245,283	942,246	1,848,805	585,136	
Income from Continuing Operations	1,025,006	973,889	1,013,603	741,956	1,450,675	479,123	
Loss from Discontinuing Operations	-	-	-	-	-	-	
Net Income	1,025,006	973,889	1,013,603	741,956	1,450,675	479,123	
Other Comprehensive Income (Loss), After Tax	(37,507)	(60,929)	3,496	(21,770)	(72,410)	1,721	
Comprehensive Income	987,499	912,960	1,017,099	720,186	1,378,265	480,844	
Net Income Attributable to Shareholders of the Parent	1,025,006	973,889	1,013,603	741,956	1,450,675	479,123	
Net Income Attributable to Minority Equity	-	-	-	-	-	-	
Comprehensive Income Attributable to Shareholders of the Parent	987,499	912,960	1,017,099	720,186	1,378,265	480,844	
Comprehensive Income Attributable to Minority Equity	-	-	-	-	-	-	
Earnings per share	6.29	5.91	6.13	4.49	7.88	2.68	

Note 1: The financial information of Q1, 2021 has been reviewed by independent auditors.

2. Abbreviated Parent-Company-Only Income Statement-IFRS

Unit: NTD thousand dollars (EPS: NTD)

Item	Year	Financial Information for the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Operating revenue		7,988,711	7,683,997	7,358,728	7,369,789	8,761,895
Gross profit		1,896,473	1,670,519	1,642,659	1,411,069	2,383,249
Operating Income		1,359,607	1,158,853	1,086,108	922,850	1,764,660
Non-operating Income and Expenses		(148,122)	(75,498)	141,811	3,787	32,315
Income before Income Tax		1,211,485	1,083,355	1,227,919	926,637	1,796,975
Income from Continuing Operations		1,025,006	973,889	1,013,603	741,956	1,450,675
Loss from Discontinuing Operations		-	-	-	-	-
Net Income		1,025,006	973,889	1,013,603	741,956	1,450,675
Other Comprehensive Income (Loss), After Tax		(37,507)	(60,929)	3,496	(21,770)	(72,410)
Comprehensive Income		987,499	912,960	1,017,099	720,186	1,378,265
Net Income Attributable to Shareholders of the Parent		1,025,006	973,889	1,013,603	741,956	1,450,675
Net Income Attributable to Minority Equity		-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent		987,499	912,960	1,017,099	720,186	1,378,265
Comprehensive Income Attributable to Minority Equity		-	-	-	-	-
Earnings per share		6.29	5.91	6.13	4.49	7.88

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

(III) Names of the Auditors and their Opinions

Year	Name of CPA Firm	CPA	Auditors' Opinion
2016	KPMG	Yi-Wun Wang, Hsin-Fu Yen	Unqualified opinion
2017	KPMG	Szu-Chuan Chien, Hsin-Fu Yen	Unqualified opinion
2018	KPMG	Szu-Chuan Chien, Hsin-Fu Yen	Unqualified opinion
2019	KPMG	Szu-Chuan Chien and Jui-Lan Lo	Unqualified opinion
2020	KPMG	Szu-Chuan Chien and Jui-Lan Lo	Unqualified opinion

II. Financial Analysis of the Last Five Years

(I) Consolidated Financial Analysis -IFRS

Analysis items (Note 3)		Year	Most Recent 5-Year Financial Analysis					The information as of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020		
Capital Structure (%)	Debt Ratio	33.68	19.67	16.16	18.08	16.62	16.35	
	Long-term Funds to Property, Plant and Equipment (%)	226.47	243.89	256.00	186.68	272.70	282.69	
Liquidity%	Current Ratio	240.93	372.53	468.54	368.40	209.45	224.82	
	Quick Ratio	217.58	328.62	388.83	298.13	168.47	183.26	
	Times Interest Earned (Times)	26.50	41.13	148.55	126.17	337.70	428.11	
Operating Performance	Average Collection Turnover (Times)	6.07	5.63	5.71	5.70	6.45	6.54	
	Average Collection Days	60	65	64	64	57	56	
	Average Inventory Turnover (Times)	6.50	6.11	4.81	4.57	5.34	6.00	
	Average Payable Turnover (Times)	14.55	13.28	11.62	11.88	10.17	9.55	
	Inventory Turnover Days	56	60	76	80	68	61	
	Property, Plant and Equipment Turnover (Times)	1.59	1.67	1.72	1.50	1.49	1.59	
	Total Assets Turnover (Times)	0.53	0.60	0.59	0.60	0.54	0.49	
Profitability	Return on Total Assets (%)	6.95	7.05	8.03	6.01	7.69	7.48	
	Return on Equity (%)	10.11	9.47	9.72	7.19	9.24	8.93	
	Income before Income Tax to Issued Capital (%)	75.08	66.51	75.31	56.98	103.45	130.97	
	Net Income to Sales (%)	12.72	12.57	13.67	9.99	14.25	15.25	
	Earnings Per Share (NT\$)	6.29	5.91	6.13	4.49	7.88	2.68	
Cash Flow	Cash Flow Ratio (%)	51.64	137.22	89.13	106.77	66.49	8.62	
	Cash Flow Adequacy Ratio (%)	96.77	114.96	101.11	92.28	95.05	77.18	
	Cash Flow Re-investment Ratio (%)	7.50	14.04	3.74	6.34	7.51	-2.47	
Leverage	Operating Leverage	1.91	1.87	1.77	1.82	1.52	1.71	
	Financial Leverage	1.04	1.02	1.01	1.01	1.00	1.00	

Explanations for Significant Changes (over 20%)

1. Increase in Long-term Funds to Property, Plant and Equipment: Mainly due to increase in the shareholders' equity by acquisition of the subsidiaries.
2. Decrease in Current Ratio and Quick Ratio, and Increase in Interest Coverage Ratio: Mainly due to increase in the current liabilities and pre-tax net profits by acquisition of the subsidiaries.
3. Increase in Return on Asset, Return on Equity, Pre-tax Net Profit to Paid-in Capital Ratio, Net Profit Rate and Earnings Per Share: Mainly due to increase in profits of the year.
4. Decrease in Cash Flow Ratio: Mainly due to increase in current liabilities by acquisition of the subsidiaries.

Note 1: The financial information of Q1, 2021 has been reviewed by independent auditors.

Note 2: The Cash Flow Adequacy Ratio can't provide due to insufficient data.

Note 3: Formula for Financial Analysis:

1.Capital Structure

(1)Debt ratio = Total liabilities/Total assets

(2)Long-term funds to property, plant and equipment = (Stockholders' equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2.Liquidity

(1)Current ratio = Current assets/Current liability

(2)Quick ratio = (Current asset-Inventories-Pre-paid Expense -Current Deferred Income Tax) /Current Liability

(3)Times interest earned = Earnings before interest and Taxes/Interest Expense

3.Operating Performance

(1)Average collection turnover (times) (including accounts receivable and notes receivable from operating) = Net Sales / Average Trade Receivable (including accounts receivable and notes receivable from operating)

(2)Average collection days = 365 / Average Collection Turnover (Times)

(3)Average inventory turnover (times) = Cost of Goods Sold / Average Inventory

(4)Average payable turnover (times) (including accounts payable and notes payable from operating) = Cost of Goods Sold /Average Trade Payables (including accounts payable and notes payable from operating)

(5)Inventory turnover days = 365 / Average Inventory Turnover (times)

(6)Property, plant and equipment turnover (times) = Net Sales / Average Property, Plant and Equipment

(7)Total assets turnover (times) = Net sales / Average Total Assets

4.Profitability

(1)Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2)Return on Equity = Net Income after Tax / Average Stockholders' Equity.

(3)Net income to sales = Net Income after Tax / Net Sales.

(4)EPS = (Net Income after Tax-Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5.Cash Flow

(1)Cash flow ratio = Net operating cash flow/Current liability.

(2)Cash flow adequacy ratio = Net operating cash flow over the last 5 years/over the last 5 years (capital expense + inventory+ cash dividend)

(3)Cash flow re-investment ratio = (Net operating cash flow-cash dividends) / (Gross property, plant and equipment + long-term investment + other assets + working capital)

6.Leverage:

(1)Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations

(2)Financial leverage = Income from Operations/(Income from Operations-Interest Expenses)

(II) Parent Company Financial Analysis -IFRS

Analysis items (Note 3)		Financial Analysis for the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Capital Structure (%)	Debt Ratio	31.66	18.27	14.65	17.41	11.84
	Long-term Funds to Property, Plant and Equipment (%)	278.67	290.41	301.18	206.71	362.33
Liquidity%	Current Ratio	244.34	368.81	468.16	328.78	206.64
	Quick Ratio	227.61	331.38	403.67	274.20	164.51
	Times Interest Earned (Times)	31.84	56.81	395.58	393.64	658.75
Operating Performance	Average Collection Turnover (Times)	6.11	5.66	5.73	5.73	6.42
	Average Collection Days	60	64	64	64	57
	Average Inventory Turnover (Times)	9.80	8.80	6.66	6.28	6.47
	Average Payable Turnover (Times)	12.92	12.10	11.38	12.04	10.75
	Inventory Turnover Days	37	41	55	58	56
	Property, Plant and Equipment Turnover (Times)	2.02	2.06	2.08	1.72	1.59
	Total Assets Turnover (Times)	0.54	0.60	0.60	0.60	0.48
Profitability	Return on Total Assets (%)	7.11	7.18	8.13	6.06	7.99
	Return on Equity (%)	10.11	9.47	9.72	7.19	9.24
	Income before Income Tax to Issued Capital (%)	74.37	65.52	74.26	56.04	100.55
	Net Income to Sales (%)	12.83	12.67	13.77	10.07	16.56
	Earnings Per Share (NT\$)	6.29	5.91	6.13	4.49	7.88
Cash Flow	Cash Flow Ratio (%)	58.18	135.06	96.33	92.17	85.85
	Cash Flow Adequacy Ratio (%)	(Note 2)	117.06	102.06	89.59	91.03
	Cash Flow Re-investment Ratio (%)	8.72	13.83	3.92	5.07	6.87
Leverage	Operating Leverage	1.68	1.71	1.65	1.66	1.43
	Financial Leverage	1.03	1.02	1.00	1.00	1.00

Explanations for Significant Changes (over 20%)

1. Decrease in Debt-to-Asset Ratio, and Increase in Long-Term Funds to Property, Plant and Equipment: Mainly due to increase in the assets and shareholders' equity by acquisition of the subsidiaries.
2. Decrease in Current Ratio and Quick Ratio, and Increase in Interest Coverage Ratio: Mainly due to increase in the current liabilities and pre-tax net profits by acquisition of the subsidiaries.
3. Decrease in Turnover in Total Capital: Mainly due to increase in assets by acquisition of the subsidiaries.
4. Increase in Return on Asset, Return on Equity, Pre-tax Net Profit to Paid-in Capital Ratio, Net Profit Rate and Earnings Per Share: Mainly due to increase in profits of the year.
5. Increase in Cash Flow Reinvestment Ratio: Mainly due to increase in the pre-tax net profits by acquisition of the subsidiaries, leading to increase in net cash inflows of the operating activities in this year.

Note1: The financial information over the past 5 years has been audited by independent auditors.

Note 2: The Cash Flow Adequacy Ratio can't provide due to insufficient data.

Note 3: Formula for Financial Analysis:

1.Capital Structure

(1)Debt ratio = Total liabilities/Total assets

(2)Long-term funds to property, plant and equipment = (Stockholders' equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2.Liquidity

(1)Current ratio = Current assets/Current liability

(2)Quick ratio = (Current asset-Inventories-Pre-paid Expense -Current Deferred Income Tax) /Current Liability

(3)Times interest earned = Earnings before interest and Taxes/Interest Expense

3.Operating Performance

(1)Average collection turnover (times) (including accounts receivable and notes receivable from operating) = Net Sales / Average Trade Receivable (including accounts receivable and notes receivable from operating)

(2)Average collection days = 365 / Average Collection Turnover (Times)

(3)Average inventory turnover (times) = Cost of Goods Sold / Average Inventory

(4)Average payable turnover (times) (including accounts payable and notes payable from operating) = Cost of Goods Sold /Average Trade Payables (including accounts payable and notes payable from operating)

(5)Inventory turnover days = 365 / Average Inventory Turnover (times)

(6)Property, plant and equipment turnover (times) = Net Sales / Average Property, Plant and Equipment

(7)Total assets turnover (times) = Net sales / Average Total Assets

4.Profitability

(1)Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2)Return on Equity = Net Income after Tax / Average Stockholders' Equity.

(3)Net income to sales = Net Income after Tax / Net Sales.

(4)EPS = (Net Income after Tax-Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5.Cash Flow

(1)Cash flow ratio = Net operating cash flow/Current liability.

(2)Cash flow adequacy ratio = Net operating cash flow over the last 5 years/over the last 5 years (capital expense + inventory+ cash dividend)

(3)Cash flow re-investment ratio = (Net operating cash flow-cash dividends) / (Gross property, plant and equipment + long-term investment + other assets + working capital)

6.Leverage:

(1)Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations

(2)Financial leverage = Income from Operations/(Income from Operations-Interest Expenses)

III. Audit Committee's Review Report on the Financial Reports of the Most Recent Year

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Audit Committee's Review Report

The Board of Directors has approved the Company's Financial Statements, Business Report, and proposal for distribution of earnings in 2020. Ms. Szu-Chuan Chien and Ms. Jui-Lan, LO, the engagement partners from KPMG was retained to audit Tong Hsing's Financial Statements and have issued an audit report relating to the Financial Statements. We have examined the Company's Financial Statements, Business Report, and the proposal for distribution of earnings that have been approved by the Board of Directors in 2020. We hereby respectfully prepare and present this Report in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of The Company Act for your review.

Sincerely

General Shareholders' Meeting in 2021

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Convener of the Audit Committee: Tun-Son Lin

Date: March 11, 2021

IV. Financial Reports of the Recent Years

Representation Letter

The entities that are required to be included in the combined financial statements of Tong Hsing Electronic Industries, Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tong Hsing Electronic Industries, Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tong Hsing Electronic Industries, Ltd.

Chairman: Tie-Min, Chen

Date: March 11, 2021



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Tong Hsing Electronic Industries, Ltd. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tong Hsing Electronic Industries, Ltd. and its subsidiaries as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Tong Hsing Electronic Industries, Ltd. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of other auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of KINGPAK Technology Inc. (KINGPAK), a subsidiary of the Group. Those financial statements were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KINGPAK, is based solely on the report of other auditor. The financial statements of KINGPAK reflect the total assets amounting to \$3,200,464 thousand, constituting 12.58% of the consolidated total assets as of December 31, 2020; and the total net sales revenue amounting to \$1,358,600 thousand from the date of merger to December 31, 2020, constituting 13.35% of the consolidated total net sales for the year ended December 31, 2020.

Tong Hsing Electronic Industries, Ltd. has additionally prepared its parent company only financial statements for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion with other matter paragraph.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. Valuation of inventories

Please refer to Note (4)(h) and Note (5)(a) of the consolidated financial statements for inventories accounting policy, and accounting assumptions and estimation uncertainty of inventory valuation, respectively. Information regarding inventory and related expenses are shown in Note (6)(e) of the consolidated financial statements.

Explanation to key audit matter:

Due to the impact of product life cycle and industrial competition in electronics industry, the price variability for the inventory of Tong Hsing Electronic Industries, Ltd. and its subsidiaries is expected. Therefore, the inventory valuation is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing control of inventory usage and storage management; inspecting the inventory aging statement, and analyzing the change of aging for different periods; performing sampling procedures and inspecting the rationality in order to verify the correctness of inventories aging statement; performing a retrospective review of historical accuracy of inventory valuation, considering the impact of COVID-19 pandemic, and reviewing the adequacy of the accounting policies.

2. Business combination

Please refer to Note (4)(r) of the consolidated financial statements for business combination accounting policy. Information regarding to acquire of KINGPAK Technology Inc. is shown in Note (6)(f) of the consolidated financial statements.

Explanation to key audit matter:

Tong Hsing Electronic Industries, Ltd. and its subsidiaries acquired 100% of KINGPAK's issued and outstanding shares through stock exchange on June 19, 2020 (the effective date). Due to the subjective nature of evaluation and complexity of calculation the consideration transferred decided by the management for the share exchange and the fair value of the underlying assets being obtained. Therefore, the business combination transaction is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Evaluating the external professional's capability, independence, and relevant experiences of evaluation.
- Determining the appropriateness and correctness of the variables from the external professional's appraisal pertaining to the acquisition of KINGPAK Technology Inc.
- Obtaining account record, checking the record with report of purchase price allocation and the relevant internal and external documents to assess its conformity with the International Financial Reporting Standards and the fairness of the management's disclosure on the business combination.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Tong Hsing Electronic Industries, Ltd. and its subsidiaries or to cease its operations, or there is no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tong Hsing Electronic Industries, Ltd. and its subsidiaries's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tong Hsing Electronic Industries, Ltd. and its subsidiaries's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tong Hsing Electronic Industries, Ltd. and its subsidiaries to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Tong Hsing Electronic Industries, Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2021

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 3,791,174	15	3,704,146	30	2100			
1110 Current financial assets at fair value through profit or loss (note 6(b))	615,940	3	100,937	1	2110			
1170 Notes and accounts receivable, net (note 6(d))	1,820,573	7	1,337,301	11	2130			
1200 Other receivables	57,024	-	39,873	-	2170			
1310 Inventories (note 6(e))	1,519,181	6	1,207,682	10	2200			
1410 Prepayments	38,892	-	30,645	-	2230			
1470 Other current assets (note 6(t))	82,892	-	32,097	-	2250			
1476 Other financial assets – current (note 8)	36,857	-	39,218	-	2280			
	<u>7,962,533</u>	<u>31</u>	<u>6,491,899</u>	<u>52</u>	<u>2300</u>			
Non-current assets:								
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	452,443	2	-	-				
1535 Non-current financial assets at amortized cost (note 6(c))	227,840	1	-	-	2527			
1600 Property, plant and equipment (notes 6(g), 7 and 8)	7,825,277	31	5,584,092	45	2570			
1755 Right-of-use assets (note 6(h))	108,648	-	126,520	1	2580			
1780 Intangible assets (note 6(i))	8,614,290	34	68,940	1	2640			
1840 Deferred tax assets (note 6(p))	219,233	1	138,110	1	2645			
1900 Other non-current assets (note 6(o))	21,504	-	8,230	-				
1980 Other financial assets – non-current (note 8)	5,405	-	5,000	-				
	<u>17,474,640</u>	<u>69</u>	<u>5,930,892</u>	<u>48</u>				
Total assets	<u>\$ 25,437,173</u>	<u>100</u>	<u>12,422,791</u>	<u>100</u>				
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (note 6(j))								
Short-term notes and bills payable								
Contract liabilities – current (note 6(t))								
Notes and accounts payable								
Other payables (notes 6(l) and 12)								
Current tax liabilities								
Current provisions (note 6(m))								
Lease liabilities – current (note 6(n))								
Other current liabilities								
	<u>56,760</u>	<u>-</u>	<u>48,454</u>	<u>-</u>				
	<u>3,801,650</u>	<u>15</u>	<u>1,762,168</u>	<u>14</u>				
Non-Current liabilities:								
Contract liabilities – non-current (note 6(i))								
Deferred tax liabilities (note 6(p))								
Lease liabilities – non-current (note 6(n))								
Net defined benefit liability – non-current (note 6(o))								
Guarantee deposits received								
	<u>4,130</u>	<u>-</u>	<u>-</u>	<u>-</u>				
	<u>425,990</u>	<u>2</u>	<u>483,897</u>	<u>4</u>				
	<u>4,227,640</u>	<u>17</u>	<u>2,246,065</u>	<u>18</u>				
Total liabilities								
Equity:								
Equity attributable to owners of parent: (note 6(q))								
Ordinary shares	1,787,083	7	1,653,575	13				
Capital surplus	15,120,168	59	4,997,188	40				
Legal reserve	1,410,144	5	1,335,844	11				
Special reserve	97,411	-	74,592	1				
Unappropriated retained earnings	2,925,436	12	2,179,238	18				
Other equity interest	(130,709)	-	(63,711)	(1)				
	<u>21,209,533</u>	<u>83</u>	<u>10,176,726</u>	<u>82</u>				
Total equity	<u>\$ 25,437,173</u>	<u>100</u>	<u>12,422,791</u>	<u>100</u>				
Total liabilities and equity								

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenue	\$ 10,259,318	101	7,567,846	102
4170	Less: sales returns and allowances	<u>81,316</u>	<u>1</u>	<u>137,192</u>	<u>2</u>
4100	Net sales revenue (notes 6(t) and 14)	10,178,002	100	7,430,654	100
5110	Cost of sales (notes 6(e), 6(i), 6(o) and 12)	<u>7,282,206</u>	<u>72</u>	<u>5,830,910</u>	<u>78</u>
5900	Gross profit	<u>2,895,796</u>	<u>28</u>	<u>1,599,744</u>	<u>22</u>
6000	Operating expenses: (notes 6(i), 6(o) and 12)				
6100	Selling expenses	182,048	1	152,371	2
6200	Administrative expenses	517,253	5	434,303	6
6300	Research and development expenses	206,758	2	113,872	2
6450	Expected credit gains	<u>(15,710)</u>	<u>-</u>	<u>(12,679)</u>	<u>-</u>
		<u>890,349</u>	<u>8</u>	<u>687,867</u>	<u>10</u>
6900	Net operating income	<u>2,005,447</u>	<u>20</u>	<u>911,877</u>	<u>12</u>
	Non-operating income and expenses:				
7100	Interest income	13,858	-	29,383	-
7190	Other income	33,795	-	25,973	-
7230	Foreign exchange (losses) gains, net (note 6(v))	(173,916)	(2)	(18,002)	-
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	(16,077)	-	543	-
7510	Finance cost—interest expense	(5,491)	-	(7,528)	-
7590	Miscellaneous disbursements (note 6(g))	<u>(8,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(156,642)</u>	<u>(2)</u>	<u>30,369</u>	<u>-</u>
7900	Profit before tax	1,848,805	18	942,246	12
7950	Less: tax expenses (note 6(p))	<u>398,130</u>	<u>4</u>	<u>200,290</u>	<u>2</u>
	Profit	<u>1,450,675</u>	<u>14</u>	<u>741,956</u>	<u>10</u>
	Other comprehensive income: (note 6(p))				
	Items that may not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	(35,396)	-	1,311	-
8349	Income tax on items that may not be reclassified to profit or loss	<u>6,716</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
		<u>(28,680)</u>	<u>-</u>	<u>1,049</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(59,433)	-	(30,313)	-
8399	Income tax on items that may be reclassified to profit or loss	<u>15,703</u>	<u>-</u>	<u>7,494</u>	<u>-</u>
		<u>(43,730)</u>	<u>-</u>	<u>(22,819)</u>	<u>-</u>
	Other comprehensive income	<u>(72,410)</u>	<u>-</u>	<u>(21,770)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 1,378,265</u>	<u>14</u>	<u>720,186</u>	<u>10</u>
	Earnings per share (note 6(s))				
9750	Basic earnings per share	<u>\$ 7.88</u>		<u>4.49</u>	
9850	Diluted earnings per share	<u>\$ 7.84</u>		<u>4.47</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 Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Legal reserve	Retained earnings			Total retained earnings	Other equity interest			
				Special reserve	Unappropriated retained earnings	Special reserve		Unearned employee compensation	Total other equity interest	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2019	1,653,575	5,063,801	1,234,484	105,549	2,432,168	3,772,201	-	-	-	-	10,448,685
Consolidated net income for the year ended December 31, 2019	-	-	-	-	741,956	741,956	-	-	-	-	741,956
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	1,049	1,049	(22,819)	-	-	-	(21,770)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	743,005	743,005	(22,819)	-	-	-	720,186
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	101,360	-	(101,360)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(30,957)	30,957	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(925,532)	(925,532)	-	-	-	-	(925,532)
Cash dividends from capital surplus	-	(66,613)	-	-	-	-	-	-	-	-	(66,613)
Balance on December 31, 2019	1,653,575	4,997,188	1,335,844	74,592	2,179,238	3,589,674	(63,711)	-	-	(63,711)	10,176,726
Consolidated net income for the year ended December 31, 2020	-	-	-	-	1,450,675	1,450,675	-	-	-	-	1,450,675
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(28,680)	(28,680)	(43,730)	-	-	-	(72,410)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,421,995	1,421,995	(43,730)	-	-	-	1,378,265
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	74,300	-	(74,300)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	22,819	(22,819)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(578,751)	(578,751)	-	-	-	-	(578,751)
Capital reduction	(578,751)	-	-	-	-	-	-	-	-	-	(578,751)
Shares issued for business combination	712,901	10,144,616	-	-	-	-	-	(57,074)	-	(57,074)	10,800,443
Share-based payments	(642)	(21,636)	-	73	-	73	-	33,806	-	33,806	11,601
Balance on December 31, 2020	1,787,083	15,120,168	1,410,144	97,411	2,925,436	4,432,991	(107,441)	(23,268)	(130,709)	(130,709)	21,209,533

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 years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,848,805	942,246
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	968,147	741,436
Amortization expense	67,379	8,422
Expected credit gains	(15,710)	(12,679)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,077	(543)
Interest expense	5,491	7,528
Interest income	(13,858)	(29,383)
Compensation cost of share-based payments	8,714	-
Loss (gain) on disposal of property, plant and equipment	1,220	(8,491)
Impairment loss of property, plant and equipment recognized in profit or loss	3,380	-
Gain on disposal of intangible assets	(2,573)	-
Other	(2,238)	2,310
Total adjustments to reconcile profit (loss)	<u>1,036,029</u>	<u>708,600</u>
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(510,814)	-
(Increase) decrease in contract assets	(52,439)	111
Increase in notes and accounts receivable	(69,724)	(55,581)
(Increase) decrease in other receivables	(10,297)	3,601
Decrease in inventories	25,057	133,885
Increase in prepayments	(1,646)	(2,237)
Increase (decrease) in other current assets	2,413	(996)
Increase in net deferred benefit assets	(94)	-
Increase (decrease) in notes and accounts payable	169,569	(14,643)
Increase (decrease) in other payables	356,709	(11,607)
Increase in provisions	1,684	-
Increase (decrease) in other current liabilities	(2,642)	1,323
Increase (decrease) in contract liabilities - current and non - current	(15,483)	300,431
Increase in net deferred benefit liabilities	5,488	155
	<u>(102,219)</u>	<u>354,442</u>
Cash inflow generated from operations	2,782,615	2,005,288
Interest received	16,108	29,015
Interest paid	(5,579)	(7,528)
Income taxes paid	(265,498)	(145,271)
Net cash flows from operating activities	<u>2,527,646</u>	<u>1,881,504</u>
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(472,709)	-
Acquisition of non-current financial assets at amortized cost	(227,840)	-
Acquisition of property, plant and equipment	(1,754,335)	(2,144,025)
Proceeds from disposal of property, plant and equipment	9,004	43,251
(Increase) decrease in refundable deposits	(755)	3,564
Acquisition of intangible assets	(8,082)	(11,036)
Proceeds from disposal of intangible assets	2,573	-
Cash inflows due to business combination	1,211,838	-
Decrease in other financial assets	7,859	31,410
Net cash flows used in investing activities	<u>(1,232,447)</u>	<u>(2,076,836)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(11,000)	(251,430)
Increase in guarantee deposits received	4,130	-
Payments of lease liabilities	(11,060)	(9,490)
Cash dividends paid	(578,678)	(992,145)
Capital reduction by cash	(578,751)	-
Exercise of employee share options	2,814	-
Net cash flows used in financing activities	<u>(1,172,545)</u>	<u>(1,253,065)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(35,626)</u>	<u>(15,887)</u>
Net increase (decrease) in cash and cash equivalents	87,028	(1,464,284)
Cash and cash equivalents at beginning of period	3,704,146	5,168,430
Cash and cash equivalents at end of period	<u>\$ 3,791,174</u>	<u>3,704,146</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tong Hsing Electronic Industries, Ltd. (“the Company”) was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is at 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The consolidated financial statements of the Company as at and for the year ended December 31, 2020 comprised the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2021.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) 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, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC (hereinafter referred to as “IFRS endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(o).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Nature of operation	Shareholding		Note
			December 31, 2020	December 31, 2019	
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Sales and manufacturing of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors	100 %	100 %	-
"	KINGPAK Technology Inc. (KINGPAK)	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	100 %	- %	Note

Note: In December 2019, a resolution was approved by the board of directors to acquire 100% of KINGPAK’s issued and outstanding shares through stock exchange. After the effective date of the stock exchange (June 19, 2020), KINGPAK became a fully owned subsidiary of the Company and was delisted on the Taipei Exchange. The related registration procedures were completed on August 4, 2020.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

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

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences form such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

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

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

(Continued)

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

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

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

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, refundable deposits and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

(Continued)

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

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

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

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and structures: 2 ~ 50 years
- 2) Machinery and equipment: 2 ~10 years
- 3) Office equipment: 2 ~10 years
- 4) Leasehold improvements: 5 ~ 25 years
- 5) Building and equipment constitutes mainly building, air conditioning equipment and elevator engineering equipment and its related facilities. Each part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents the right-of-use asset that do not meet the definition of investment and the lease liability as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets, including copying machines. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Patents	5~11 years
3) Customer relationships	7~13.5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost interest expense.

(n) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells electronic components to electronic manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. For certain image sensors product contracts, the customer controls all of the work in progress as the products are being manufactured. In such case, revenue will be recognized as the products are being manufactured.

The Group often offers trade discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that is highly probable that a significant reversal will not occur. A contract liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 90 days, which is consistent with the market practice.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(r) **Business combination**

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and have been updated to reflect the impact of COVID-19 pandemic is as follows:

(a) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Due to the impact of product life cycle and industrial competition in electronic industry, which tends to devalue the inventories, the Group evaluates the costs of inventories using the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to note (6)(e) of the consolidated financial statement for inventory valuation.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(b) Business combination

The Group acquired KINGPAK Technology Inc. (KINGPAK) with a consideration of \$10,800,443 in 2020; the Group allocated the value to identifiable assets based on the report of business combination price allocation issued by the independent experts. The Group then recognized other intangible assets and goodwill. Because the report of business combination price allocation relies on relevant assumptions and estimations, fair value of each asset may be affected if the assumptions and estimations change. Please refer to note 6(f).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash and foreign currency on hand	\$ 516	403
Checking accounts and demand deposits	3,583,676	2,321,497
Time deposits	206,982	1,382,246
	\$ 3,791,174	3,704,146

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

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

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Open-end mutual funds	\$ 331,054	100,937
Structured deposits	284,886	-
Stock listed in domestic markets	272,946	-
Foreign private funds	179,497	-
	\$ 1,068,383	100,937
Current	615,940	100,937
Non-current	452,443	-
	\$ 1,068,383	100,937

As of December 31, 2020 and 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(c) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Foreign corporate bonds	\$ 227,840	-

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

- (i) The Group purchased the bond with a face value of USD 8,000 thousand, in October 2020, with a coupon rate of 3.75%.
- (ii) Please refer to note (6)(v) for credit risk.
- (iii) As of December 31, 2020 and 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable – measured at amortized cost	\$ 1,871,703	1,402,772
Less: allowance for impairment	(51,130)	(65,471)
	\$ 1,820,573	1,337,301

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

(i) Credit rate A

Aging interval	December 31, 2020		
	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 69,930	-	-
31 to 60 days	74,494	0.50%	373
61 to 90 days	21,013	1.50%	315
91 to 120 days	1,725	5.00%	86
121 to 180 days	983	10.00%	99
181 to 360 days	1,211	50.00%	605
More than 361 days	211	100.00%	211
	\$ 169,567		1,689

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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December 31, 2019			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 74,852	-	-
31 to 60 days	44,397	0.50%	222
61 to 90 days	11,672	1.50%	175
91 to 120 days	1,310	5.00%	65
121 to 180 days	6,506	10.00%	651
181 to 360 days	134	50.00%	67
	\$ 138,871		1,180

(ii) Credit rate B

December 31, 2020			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 899,531	1.24%	11,143
31 to 60 days	620,275	3.41%	21,160
61 to 90 days	160,226	7.78%	12,469
91 to 120 days	21,471	20.00%	4,294
121 to 180 days	515	50.00%	257
181 to 360 days	1	100.00%	1
More than 361 days	117	100.00%	117
	\$ 1,702,136		49,441

December 31, 2019			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 587,911	1.50%	8,912
31 to 60 days	464,517	5.00%	23,226
61 to 90 days	130,908	10.00%	13,091
91 to 120 days	73,258	20.00%	14,652
121 to 180 days	5,794	50.00%	2,897
181 to 360 days	1,496	100.00%	1,496
More than 361 days	17	100.00%	17
	\$ 1,263,901		64,291

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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The movements in the allowance for notes and accounts receivable were as follows:

	<u>2020</u>	<u>2019</u>
The beginning of period	\$ 65,471	79,464
Acquisition through business combination	626	-
Impairment loss reversed	(14,884)	(13,898)
Effect of movements in exchange rates	<u>(83)</u>	<u>(95)</u>
The end of period	<u>\$ 51,130</u>	<u>65,471</u>

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

(e) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 197,628	164,870
Semi-finished goods	182,700	166,665
Work in progress	299,637	187,561
Raw materials	619,627	500,460
Indirect materials	<u>219,589</u>	<u>188,126</u>
	<u>\$ 1,519,181</u>	<u>1,207,682</u>

(i) The details of the cost of sales for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Cost of sales and expense	\$ 7,280,676	5,782,175
Costs for write-downs on inventory valuation and obsolescence	<u>1,530</u>	<u>48,735</u>
	<u>\$ 7,282,206</u>	<u>5,830,910</u>

(ii) As of the reporting date, the Group did not provide any inventories as collaterals for its loans.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(f) Business combination

Acquisition of subsidiary

On June 19, 2020, the Group obtained control over KINGPAK by acquiring 100% of its issued and outstanding shares through stock exchange. The major business activities of KINGPAK are the sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.

Taking control over KINGPAK will not only integrate the customers, product lines, and technology of the Group and KINGPAK, it will also improve their production resource efficiency. The Group continuously enhances the technology of CMOS image sensor in order to expand the application of smartphones, internet usage for logistics and vehicles, unmanned vehicles, market on virtual and augmented reality to provide more complete CMOS image sensor packaging testing services to customers and lead the market on electronic parts and components manufacturing.

From the date of the merger to December 31, 2020, KINGPAK contributed the net sales revenue of \$1,358,600 and the profit of \$153,872 to the Group. If the acquisition had occurred on January 1, 2020, the management estimates that the consolidated net sales revenue would have been \$11,237,494 and the consolidated profit would have been \$1,220,255. In determining these amounts, the management has assumed that the fair value adjustments that arose on the acquisition date would have been the same.

The acquisition-related costs amounted to \$1,500 on accountant and attorney's fees, and printing fees, etc. These costs have been recognized as operating expenses in the consolidated statements of comprehensive income.

The following table summarizes the consideration transferred, the assets acquired and the liabilities assumed at the acquisition date.

(i) Consideration transferred

Equity instruments issued	<u>\$ 10,800,443</u>
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71,290,049 ordinary shares, with fair value of \$10,800,443, were issued as the consideration transferred for the purchase of KINGPAK based on the listed share price of the Company on June 19, 2020.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$ 1,211,838
Notes and accounts receivable, net	398,664
Other receivables	7,176
Other financial assets	5,903
Inventories	335,215
Prepayments	6,601
Other current assets	769
Property, plant and equipment	1,456,247
Right-of-use assets	4,374
Intangible assets	1,204,487
Deferred tax assets	46,880
Other non-current assets	10,154
Short-term borrowings	(280,000)
Short-term notes and bills payable	(50,000)
Contract liabilities	(53,460)
Notes and accounts payable	(296,533)
Other payables	(347,754)
Current tax liabilities	(102,297)
Current provisions	(139,124)
Lease liabilities	(4,208)
Other current liabilities	(10,948)
Deferred income tax liabilities	(217)
	<u>\$ 3,403,767</u>

- (iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 10,800,443
Less: Fair value of identifiable net assets	<u>3,403,767</u>
	<u>\$ 7,396,676</u>

Goodwill is mainly derived from control premium, synergies, sales increase, market trend and employee value. However, the benefits resulting from those items mentioned above failed to meet the conditions of identifiable intangible assets; therefore, they cannot be recognized separately.

(Continued)

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

(g) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:							
Balance on January 1, 2020	\$ 1,850,862	2,583,318	4,001,748	379,311	1,994	121,224	8,938,457
Acquisition through business combination	543,768	257,053	1,009,362	9,654	-	220,269	2,040,106
Additions	-	166,040	1,416,059	22,968	-	178,753	1,783,820
Transferred in (out)	-	604	157,403	(622)	-	(163,276)	(5,891)
Disposals	-	(21,317)	(402,700)	(79,254)	-	(5,779)	(509,050)
Effects of movements in exchange rates	-	(22,919)	(82,861)	(11,108)	(100)	(952)	(117,940)
Balance on December 31, 2020	<u>\$ 2,394,630</u>	<u>2,962,779</u>	<u>6,099,011</u>	<u>320,949</u>	<u>1,894</u>	<u>350,239</u>	<u>12,129,502</u>
Balance on January 1, 2019	\$ 413,719	2,606,047	4,358,883	373,410	6,704	144,618	7,903,381
Additions	1,439,544	87,860	490,757	53,945	-	94,787	2,166,893
Transferred in (out)	-	24,671	89,351	2,642	-	(118,373)	(1,709)
Disposals	(2,401)	(123,804)	(896,568)	(44,858)	(4,664)	-	(1,072,295)
Effects of movements in exchange rates	-	(11,456)	(40,675)	(5,828)	(46)	192	(57,813)
Balance on December 31, 2019	<u>\$ 1,850,862</u>	<u>2,583,318</u>	<u>4,001,748</u>	<u>379,311</u>	<u>1,994</u>	<u>121,224</u>	<u>8,938,457</u>
Depreciation and impairment loss:							
Balance on January 1, 2020	\$ -	551,651	2,520,521	281,395	798	-	3,354,365
Acquisition through business combination	-	75,549	503,812	4,498	-	-	583,859
Depreciation for the year	-	155,103	752,302	48,402	79	-	955,886
Impairment loss	-	-	3,380	-	-	-	3,380
Disposals	-	(21,317)	(399,449)	(78,060)	-	-	(498,826)
Effects of movements in exchange rates	-	(8,805)	(75,720)	(9,871)	(43)	-	(94,439)
Balance on December 31, 2020	<u>\$ -</u>	<u>752,181</u>	<u>3,304,846</u>	<u>246,364</u>	<u>834</u>	<u>-</u>	<u>4,304,225</u>
Balance on January 1, 2019	\$ -	522,260	2,894,616	285,658	3,731	-	3,706,265
Depreciation for the year	-	132,922	552,484	45,296	183	-	730,885
Disposals	-	(99,491)	(890,088)	(44,858)	(3,098)	-	(1,037,535)
Effects of movements in exchange rates	-	(4,040)	(36,491)	(4,701)	(18)	-	(45,250)
Balance on December 31, 2019	<u>\$ -</u>	<u>551,651</u>	<u>2,520,521</u>	<u>281,395</u>	<u>798</u>	<u>-</u>	<u>3,354,365</u>
Book value:							
Balance on December 31, 2020	<u>\$ 2,394,630</u>	<u>2,210,598</u>	<u>2,794,165</u>	<u>74,585</u>	<u>1,060</u>	<u>350,239</u>	<u>7,825,277</u>
Balance on January 1, 2019	<u>\$ 413,719</u>	<u>2,083,787</u>	<u>1,464,267</u>	<u>87,752</u>	<u>2,973</u>	<u>144,618</u>	<u>4,197,116</u>
Balance on December 31, 2019	<u>\$ 1,850,862</u>	<u>2,031,667</u>	<u>1,481,227</u>	<u>97,916</u>	<u>1,196</u>	<u>121,224</u>	<u>5,584,092</u>

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Considering the Group's future growth and production, the board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyuan City with a purchase consideration of \$1,413,316. The above payments had been fully paid and the legal procedures of transaction had been completed.

The Group expected the reduction of part of the future cash flow of the equipment cause the carrying amount of the equipment exceeds its recoverable amount, and an impairment loss was recognized amounting to \$3,380 during 2020, which was included in miscellaneous disbursements.

As of December 31, 2020 and 2019, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(h) Right-of-use assets

The Group leases many assets including land, staff dormitories and office equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 97,756	16,823	19,949	134,528
Acquisition through business combination	4,956	1,671	2,958	9,585
Additions	9,926	5,200	5,120	20,246
Deductions	<u>(28,018)</u>	<u>(7,710)</u>	<u>(8,811)</u>	<u>(44,539)</u>
Balance on December 31, 2020	<u>\$ 84,620</u>	<u>15,984</u>	<u>19,216</u>	<u>119,820</u>
Balance on January 1, 2019	\$ 97,756	18,004	11,996	127,756
Additions	-	10,796	14,901	25,697
Deductions	<u>-</u>	<u>(11,977)</u>	<u>(6,948)</u>	<u>(18,925)</u>
Balance on December 31, 2019	<u>\$ 97,756</u>	<u>16,823</u>	<u>19,949</u>	<u>134,528</u>
Depreciation and impairment loss:				
Balance on January 1, 2020	\$ 2,715	3,685	1,608	8,008
Acquisition through business combination	4,361	529	321	5,211
Depreciation for the year	3,989	4,592	3,680	12,261
Deductions	<u>(8,350)</u>	<u>(3,869)</u>	<u>(2,089)</u>	<u>(14,308)</u>
Balance on December 31, 2020	<u>\$ 2,715</u>	<u>4,937</u>	<u>3,520</u>	<u>11,172</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	2,715	5,480	2,356	10,551
Deductions	<u>-</u>	<u>(1,795)</u>	<u>(748)</u>	<u>(2,543)</u>
Balance on December 31, 2019	<u>\$ 2,715</u>	<u>3,685</u>	<u>1,608</u>	<u>8,008</u>
Book value:				
Balance on December 31, 2020	<u>\$ 81,905</u>	<u>11,047</u>	<u>15,696</u>	<u>108,648</u>
Balance on January 1, 2019	<u>\$ 97,756</u>	<u>18,004</u>	<u>11,996</u>	<u>127,756</u>
Balance on December 31, 2019	<u>\$ 95,041</u>	<u>13,138</u>	<u>18,341</u>	<u>126,520</u>

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

(i) Intangible Assets

(i) Goodwill from a business combination

- 1) The Group merged with Impac Technology Co., Ltd. in 2009 in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 25 “Business Combinations”, and the cost of acquisition was allocated to the fair value of the assets acquired and the liabilities assumed within one year of acquisition date. The cost of investment exceeds the fair value of identifiable net assets is recognized as goodwill.

The aforementioned acquisition price was assessed by the independent experts, and the allocations of the cost of acquisition were as follows:

Acquisition price	\$ <u>209,880</u>
Less: the fair value of identifiable net assets	
Net working capital	26,809
Fixed assets	56,382
Net other assets	11,510
Intangible assets	<u>63,243</u>
Total	<u>157,944</u>
Goodwill	<u>\$ <u>51,936</u></u>

- 2) The Group obtained goodwill and other intangible assets because of acquiring KINGPAK on June 19, 2020. Please refer to note (6)(f) for details.

(ii) The cost and amortization of intangible assets of the Group were as follows:

	Goodwill	Patents and others	Cost of computer software	Customer relationship	Total
Cost:					
Balance on January 1, 2020	\$ 51,936	25,462	29,242	41,776	148,416
Acquisition through business combination	7,396,676	933,804	6,754	363,700	8,700,934
Additions	-	-	8,082	-	8,082
Transferred in (out)	-	(1,253)	3,780	-	2,527
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ 7,448,612</u>	<u>958,013</u>	<u>43,949</u>	<u>405,476</u>	<u>8,856,050</u>
Balance on January 1, 2019	\$ 51,936	25,462	17,640	41,776	136,814
Additions	-	-	11,036	-	11,036
Transferred in (out)	-	-	1,086	-	1,086
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	<u>\$ 51,936</u>	<u>25,462</u>	<u>29,242</u>	<u>41,776</u>	<u>148,416</u>

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

	<u>Goodwill</u>	<u>Patents and others</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Amortization and impairment loss:					
Balance on January 1, 2020	\$ -	25,462	12,238	41,776	79,476
Acquisition through business combination	-	97,404	2,367	-	99,771
Amortization for the year	-	41,390	11,621	14,368	67,379
Transferred in (out)	-	(957)	-	-	(957)
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ -</u>	<u>163,299</u>	<u>22,317</u>	<u>56,144</u>	<u>241,760</u>
Balance on January 1, 2019	\$ -	25,462	4,336	41,776	71,574
Amortization for the year	-	-	8,422	-	8,422
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	<u>\$ -</u>	<u>25,462</u>	<u>12,238</u>	<u>41,776</u>	<u>79,476</u>
Book value:					
Balance on December 31, 2020	<u>\$ 7,448,612</u>	<u>794,714</u>	<u>21,632</u>	<u>349,332</u>	<u>8,614,290</u>
Balance on January 1, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>13,304</u>	<u>-</u>	<u>65,240</u>
Balance on December 31, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>17,004</u>	<u>-</u>	<u>68,940</u>

(iii) Amortization recognized

As of December 31, 2020 and 2019, the amortization expenses of intangible assets in the statement of comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	<u>\$ 4,156</u>	<u>2,390</u>
Operating expenses	<u>\$ 63,223</u>	<u>6,032</u>

(iv) Test of goodwill impairment

For the purpose of impairment test, goodwill was mainly allocated to the cash-generating units – BU2 and BU3.

The recoverable amount of cash-generating unit-BU3 is determined based on the value in use, which was calculated based on the cash flow forecast from the financial budgets covering the future one-year period, and the Group used the annual discount rates of 11.51% to 11.60% and of 9.57%, respectively, in its impairment test for the years ended December 31, 2020 and 2019. The estimation of discount rate was based on the weighted-average capital cost.

Based on the result of impairment test, the recoverable amounts determined by the value in use were both higher than the carrying amounts of goodwill as of December 31, 2020 and 2019. Therefore, the Group did not recognize any impairment loss on goodwill.

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

(v) Collateral

As of December 31, 2020 and 2019, the Group did not provide intangible assets as collaterals for its loans.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	December 31, 2020	December 31, 2019
Credit loans	<u>\$ 269,000</u>	<u>-</u>
Unused short-term credit lines	<u>\$ 3,262,545</u>	<u>2,036,614</u>
Range of interest rates	<u>0.89%~0.9%</u>	<u>-</u>

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

(ii) Please refer to note (6)(v) for the exchange rate risk, interest risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(k) Long-term borrowings

Details of long-term borrowings were as follows:

	December 31, 2020	December 31, 2019
Secured loans	<u>\$ -</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 5,300,000</u>	<u>1,565,000</u>

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

(l) Other payables

Details of other payables were as follows:

	December 31, 2020	December 31, 2019
Salaries, employees' compensation and directors' and supervisors' remuneration	\$ 724,361	321,713
Payable on machinery and equipment	125,812	92,253
Accrued employee benefit liabilities	47,484	42,278
Accrued expenses	<u>597,991</u>	<u>327,135</u>
	<u>\$ 1,495,648</u>	<u>783,379</u>

The accrued expenses included professional service fees, commission, labor insurance and health insurance, etc.

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(m) Provision

	December 31, 2020
Compensation	\$ 140,808

The Group increased its provision of \$139,124 through business combination. The provision for compensation losses was due to product defects. The Group has determined the most likely outcome of the compensation in accordance with the best estimation expenditure required for the obligation to recognize the compensation liabilities.

(n) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ 13,189	8,973
Non-current	\$ 96,175	118,514

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ 1,995	2,347
Variable lease payments not included in the measurement of lease liabilities	\$ 114,082	109,740
Expenses relating to short-term leases	\$ 9,277	9,939
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 46	19

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

	2020	2019
Total cash outflow for leases	\$ 136,460	131,535

(i) Real estate leases

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

(ii) Other leases

The Group leases office equipment, with lease terms of 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.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Some lease payments are based on actual usage in the period.

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

(o) Employee benefits

(i) Defined benefit plans

- 1) Reconciliation of the defined benefit obligation at present value and plan assets at fair value of the Company were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ (335,236)	(364,031)
Fair value of plan assets	226,024	270,307
Net defined benefit liabilities	\$ (109,212)	(93,724)

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

- 2) Reconciliation of defined benefit obligations at present value and plan assets at fair value of THEPI were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ (118,316)	(87,552)
Fair value of plan assets	8,241	5,144
Net defined benefit liabilities	\$ (110,075)	(82,408)

THEPI makes defined benefit plan contributions to the pension fund account at local bank in Philippines. The plans entitle a retired employee to receive retirement benefits based on years of service and average salary prior to retirement.

- 3) Reconciliation of defined benefit obligations at present value and plan assets at fair value of KINGPAK were as follows:

	December 31, 2020
Present value of defined benefit obligations	\$ (33,227)
Fair value of plan assets	44,018
Net defined benefit assets	\$ 10,791

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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KINGPAK makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

4) Composition of plan assets

The Company and KINGPAK allocate their pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company and KINGPAK's Bank of Taiwan labor pension reserve account balance amounted to \$270,042 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of labor.

The plan assets of THEPI is composed of cash, and is managed by local bank in Philippines. The plant assets balance amounted to \$8,253 at the end of the reporting period.

5) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation on January 1	\$ (451,583)	(497,820)
Acquisition through business combinations	(34,019)	-
Current service costs and interest	(22,818)	(18,258)
Benefits paid by the plan	64,554	70,271
Re-measurement of the net defined benefit liability		
-Return on plan assets (excluding current interest income)	1,144	4,068
-Actuarial gains (losses) arose from changes in financial assumptions	(43,421)	(8,856)
Exchange difference on foreign plan	(636)	(988)
Defined benefit obligation on December 31	<u>\$ (486,779)</u>	<u>(451,583)</u>

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

6) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets on January 1	\$ 275,451	320,532
Acquisition through business combinations	42,445	-
Interest income	3,722	4,484
Benefits paid by the plan	(64,554)	(70,271)
Re-measurements of the net defined benefit asset		
-Return on plan assets (excluding current interest income)	6,882	6,099
Contributions paid by the employer	14,340	14,550
Exchange difference on foreign plan	(3)	57
Fair value of plan assets on December 31	<u>\$ 278,283</u>	<u>275,451</u>

7) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Current service cost and settlement losses (gains)	\$ 13,634	8,826
Net interest on the net defined benefit liabilities	5,460	4,948
	<u>\$ 19,094</u>	<u>13,774</u>
Cost of sales	\$ 15,945	9,743
Selling expense	251	189
Administrative expense	2,666	3,668
Research and development expense	232	174
	<u>\$ 19,094</u>	<u>13,774</u>

8) Re-measurement of the net defined benefit liabilities recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount on January 1	\$ 116,432	117,743
Recognized during the period	35,396	(1,311)
Accumulated amount on December 31	<u>\$ 151,828</u>	<u>116,432</u>

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

9) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020			December 31, 2019	
	The Company	THEPI	KINGPAK	The Company	THEPI
Discount rate	0.750 %	4.100 %	0.800 %	1.125 %	5.500 %
Future salary increasing rate	2.800 %	8.000 %	3.750 %	2.800 %	8.000 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$26,559.

The weighted-average lifetime of the defined benefit plan is 11.20 to 16.88 years.

10) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

A. The Company	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
Actuarial assumption		
December 31, 2020		
Discount rate	\$ (11,703)	12,289
Future salary increasing rate	11,848	(11,359)
December 31, 2019		
Discount rate	(12,665)	13,271
Future salary increasing rate	12,839	(12,331)
B. THEPI	Influences of defined benefit obligations	
Actuarial assumption	Increased 1.00%	Decreased 1.00%
December 31, 2020		
Discount rate	\$ (19,516)	24,491
Future salary increasing rate	22,487	(18,485)
December 31, 2019		
Discount rate	(14,159)	17,704
Future salary increasing rate	16,495	(13,567)

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

C. KINGPAK	Influences of defined benefit obligations	
<u>Actuarial assumption</u>	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2020		
Discount rate	\$ (855)	888
	Influences of defined benefit obligations	
	<u>Increased 1.00%</u>	<u>Decreased 1.00%</u>
December 31, 2020		
Future salary increasing rate	3,631	(3,202)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method amounted to \$61,119 and \$44,131 for the years ended December 31, 2020 and 2019, respectively,

(p) Income Taxes

(i) Income tax expenses

1) The components of income tax expense for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 415,259	208,744
Deferred tax expense		
Origination and reversal of temporary differences	(17,129)	(8,454)
Income tax expense	<u>\$ 398,130</u>	<u>200,290</u>

(Continued)

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

- 2) The amount of income tax expense (benefit) recognized in other comprehensive income for 2020 and 2019 were as follows:

	2020	2019
Items that may not be reclassified to profit or loss:		
Re-measurement of the defined benefit plans	\$ (6,716)	262
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	(15,703)	(7,494)
	\$ (22,419)	(7,232)

- 3) Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	2020	2019
Profit before income tax	\$ 1,848,805	942,246
Income tax using the Company's domestic tax rate	369,761	188,449
Effect of tax rates in foreign jurisdiction	2,056	12,487
Tax-exempt income	3,215	(109)
Others	23,098	(537)
	\$ 398,130	200,290

(ii) Deferred tax assets and liabilities

The Group has no unrecognized deferred tax assets and liabilities. Changes in the amount of recognized deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Defined benefit plans	Provision for the land value increment tax	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2020	\$ -	80,950	30,536	111,486
Acquisition through business combination	217	-	-	217
Recognized in profit or loss	-	-	(5,088)	(5,088)
Recognized in other comprehensive income	(217)	-	-	(217)
Balance on December 31, 2020	\$ -	80,950	25,448	106,398
Balance on January 1, 2019	\$ 4,430	80,950	33,306	118,686
Recognized in profit or loss	194	-	(2,770)	(2,576)
Recognized in other comprehensive income	(4,624)	-	-	(4,624)
Balance on December 31, 2019	\$ -	80,950	30,536	111,486

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

	Foreign currency translation adjustment	Defined benefit plans	Loss in investments for using equity method	Others	Total
Deferred tax assets:					
Balance on January 1, 2020	\$ 9,500	32,227	63,595	32,788	138,110
Acquisition through business combination	-	-	-	46,880	46,880
Recognized in profit or loss	-	(1,080)	(9,546)	22,667	12,041
Recognized in other comprehensive income	15,703	6,499	-	-	22,202
Balance on December 31, 2020	<u>\$ 25,203</u>	<u>37,646</u>	<u>54,049</u>	<u>102,335</u>	<u>219,233</u>
Balance on January 1, 2019	\$ 2,006	38,666	56,319	32,633	129,624
Recognized in profit or loss	-	(1,553)	7,276	155	5,878
Recognized in other comprehensive income	7,494	(4,886)	-	-	2,608
Balance on December 31, 2019	<u>\$ 9,500</u>	<u>32,227</u>	<u>63,595</u>	<u>32,788</u>	<u>138,110</u>

(iii) The Group's income tax returns are calculated and filed based on the local tax law of the Company, KINGPAK and THEPI.

(iv) Examination and approval

The ROC tax authorities have examined the Company and KINGPAK's income tax returns through 2018 and 2015, respectively.

(q) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the number of authorized ordinary shares was 400,000 and 200,000 thousand shares, respectively, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$4,000,000 and \$2,000,000, respectively, of which \$200,000 and \$100,000, were reserved for the issuance of employee stock options. As of the date, 178,708 thousand and 165,357 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

As of June 19, 2020, the Company issued 71,290 thousand ordinary shares as the consideration transferred for acquiring 100% ownership of KINGPAK through stock exchange. Please refer to note (6)(f) for the information on business combination.

The employee stock options were exercised due to business combination for the year ended 2020 amounted to \$758, resulting in a capital surplus of \$2,056. The registration procedure of the employee stock options was completed on October 23, 2020.

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

The annual stockholders' meeting resolved to conduct a capital reduction by cash amounting to \$578,751 on June 5, 2020, whereby 57,875 thousand ordinary shares were cancelled, resulting in the capital to decrease by 24.4%. The capital reduction was approved by the authority on August 26, 2020. In addition, the effective date of capital reduction was September 1, 2020, and the registration procedure was completed on October 23, 2020.

The restricted stocks were cancelled due to the employees fail to meet the vesting conditions amounting to \$1,400, and registration procedures were completed on January 15, 2021, and January 21, 2021, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Capital surplus – additional paid-in capital	\$ 15,002,891	4,940,969
Employment restricted shares	61,058	-
Other	56,219	56,219
	\$ 15,120,168	4,997,188

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Cash dividends from capital surplus amounting to \$66,613, representing \$0.40284293 per share, was approved during the annual meeting of the shareholders held on June 21, 2019.

(iii) Retained earnings

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

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company shall reclassify its unrealized revaluation gains amounting to \$161,156 as retained earnings. According to the Rule No. 1010012865 issued by FSC on April 6, 2012, the company is able to reclassify its net increasing retained earnings as special earnings reserve which resulted from the first-time adoption of the IFRS after the adoption date. When the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve both amounted to \$33,700 on December 31, 2020 and 2019.

In accordance with the guidelines of the above Rule, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2019 and 2018 were approved via the annual meeting of shareholders held on June 5, 2020 and June 21, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 2.44484149	<u>578,751</u>	5.59715707	<u>925,532</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Earnings distribution for 2020 was approved by the board of directors of the Company held on March 11, 2021. The relevant dividend distributions was as follow:

	2020	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders from unappropriated earnings	\$ 5.50	982,896

The related information about earnings distribution can be accessed from the Market Observation Post System Website.

(r) Shares-based payment

(i) Employee stock options

- 1) The Company assumed all of the employee stock options granted by KINGPAK prior to the stock exchange effective date. The terms of exercise procedures and requirements are the same except for the exercise price and the number of shares which will be adjusted based on the stock exchange ratio and the exercise subject that will be changed into the Company's ordinary shares.

<u>Option holding period</u>	<u>Exercised percentage (cumulative)</u>
2 years	100 %

- 2) The information on the option issued which were granted by KINGPAK for the year ended December 31, 2020 was as follows:

<u>Approval date</u>	<u>Issue date</u>	<u>Number of units issued</u>	<u>Subscription period</u>	<u>Period in which subscription is restricted</u>	<u>Original subscription price per share (NTD)</u>	<u>Adjusted subscription price per share (NTD)</u>
2015.8.5	2015.8.10	1,117	2015.8.10~ 2021.8.10	2015.8.10~ 2017.8.10	60.5	37.1

- 3) The information about the employee stock options was as follows:

	2020	
	Units (thousand)	Weighted- average exercise price (NTD)
Original number of units issued	1,117	\$ 60.5
Outstanding units at beginning period	61	46.1
Adjustment due to business combination	15	-
Current units abandoned	-	-
Current units exercised	76	37.1
Outstanding units at ended period	-	
Exercisable shares at ended period	-	

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

(ii) Employee restricted shares

At the meeting held on May 30, 2019, the KINGPAK's shareholders adopted a resolution to issue 500 thousand employee restricted shares, with a par value of \$10 per share, amounting to \$5,000. The terms of issuance and vested requirements of the shares are the same as of the stock exchange effective date, except for the shares which were changed into the Company's ordinary shares according to the exchange ratio. The terms of the employee restricted shares were as follows:

- 1) Employees who work for KINGPAK from the issuance dates (the effective date of the share issuance) to the following vested periods, having met KINGPAK's financial and personal performance, without violating the KINGPAK's working policy, will receive the vested shares as below:
 - a) 1-year service: 30% of the restricted shares will be vested
 - b) 2-year service: 30% of the restricted shares will be vested
 - c) 3-year service: 40% of the restricted shares will be vested
- 2) The restricted rights before the vesting period are as follows:
 - a) The restricted shares are kept by a trust which is appointed by KINGPAK. Also, employees should comply with all procedures and sign the related documents accordingly.
 - b) Except for inheritance, employees may not sell, pledge, transfer, gift, or dispose, by any other means, to third parties.
 - c) The rights of restricted share plan for employees, including dividends, bonuses, the distribution rights of legal reserve and capital surplus, the voting rights at the shareholders' meeting, etc., are the same as those of KINGPAK's issued ordinary shares except for the new shares which could be subscribed in proportion to their original shareholding. The right of attendance, proposal, speech, voting, etc. of the shareholders are exercised according to the agreement which was entered into by the trust.
 - d) Employees may not demand KINGPAK or the trust appointed by KINGPAK to return the restricted shares in any ways.
- 3) The shares of the employees who fail to meet the vesting conditions will be retrieved and cancelled. The related guidelines on restricted stocks should be complied accordingly if the employees retire, succumb to any unfortunate events, voluntarily resign, have been dismissed or transferred to another post, or abandon their restricted shares.

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

Information on restricted stock to employee was as follows:

	2020
	Units (thousand)
Outstanding units at beginning period	500
Adjustments due to business combination	122
Adjustments due to capital reduction	(152)
Current units forfeited	(140)
Outstanding units at ended period	330

After the restricted shares plan was approved with Rule No.1080333428 issued by the FSC on October 22, 2019, KINGPAK issued 500 thousand shares on November 1, 2019, the effective date.

As of December 31, 2020, the unearned employee compensation was \$23,268. The compensation cost for KINGPAK related to the restricted shares amounted to \$8,714 from June 19 to December 31, 2020.

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2020 and 2019 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	\$ 1,450,675	741,956

2) Weighted-average number of ordinary shares (thousands)

	2020	2019
Weighted-average number of ordinary shares	184,001	165,357

3) Basic earnings per share (NTD)

	2020	2019
Basic earnings per share	\$ 7.88	4.49

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

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2020 and 2019 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 1,450,675	741,956

2) Weighted-average number of ordinary shares (diluted) (thousands)

	2020	2019
Weighted-average number of ordinary shares (basic) (thousands)	184,001	165,357
Effect of employee remuneration (thousands)	1,010	592
Effect of employee restricted shares (thousands)	99	-
Weighted-average number of ordinary shares (diluted) on December 31	185,110	165,949

3) Diluted earnings per share (NTD)

	2020	2019
Diluted earnings per share	\$ 7.84	4.47

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 247,455	85,967	2,799,775	33,119	3,166,316
Malaysia	625,037	792,504	46,749	189	1,464,479
United States	141,084	75,342	1,055,314	83,708	1,355,448
Hong Kong	100,996	9,521	1,124,364	2,767	1,237,648
China	227,589	343,206	169,571	801	741,167
Switzerland	524	867,758	28,796	4,681	901,759
Others	207,363	497,762	514,553	91,507	1,311,185
	\$ 1,550,048	2,672,060	5,739,122	216,772	10,178,002

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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	2020				
	BU1	BU2	BU3	Others	Total
Major products/services lines:					
Metalized ceramic substrates	\$ 1,549,460	-	700,366	-	2,249,826
Image sensors	-	1,410,419	3,562,184	-	4,972,603
Hybrid integrated circuits	382	1,207,390	838,119	-	2,045,891
RF modules	206	54,251	638,453	-	692,910
Others	-	-	-	216,772	216,772
	\$ 1,550,048	2,672,060	5,739,122	216,772	10,178,002
	2019				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 291,125	15,291	1,672,932	36,179	2,015,527
Malaysia	660,593	786,269	90,293	1,973	1,539,128
United States	157,134	104,715	707,686	49,065	1,018,600
Hong Kong	127,453	1,180	823,832	1,719	954,184
China	391,871	142,413	198,527	1,255	734,066
Switzerland	-	94,256	17,722	613	112,591
Others	295,990	85,539	573,131	101,898	1,056,558
	\$ 1,924,166	1,229,663	4,084,123	192,702	7,430,654
Major products/services lines:					
Metalized ceramic substrates	\$ 1,923,764	-	694,243	-	2,618,007
Image sensors	-	109,547	2,085,184	-	2,194,731
Hybrid integrated circuits	246	1,057,964	960,749	-	2,018,959
RF modules	156	62,152	343,947	-	406,255
Others	-	-	-	192,702	192,702
	\$ 1,924,166	1,229,663	4,084,123	192,702	7,430,654

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	\$ 1,871,703	1,402,772	1,347,286
Contract assets – image sensors product (recorded under other current assets)	82,344	29,905	30,016
Less: allowance for impairment	(51,130)	(65,471)	(79,464)
Total	\$ 1,902,917	1,367,206	1,297,838
Contract liabilities – advance sales receipts (including current and non-current portion)	\$ 339,573	301,596	1,165

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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For details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liabilities balance at the beginning of the period were \$180 and \$0, respectively.

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

(u) Employee compensation and directors' remuneration

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

Based on the Company's articles of incorporation which were amended during the annual meeting of shareholders held on June 21, 2019, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$106,720 and \$66,728, and directors' and supervisors' remuneration amounting to \$38,354 and \$18,938, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. 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.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2020 and 2019. Related information would be available on the Market Observation Post System Website.

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Notes to the Consolidated Financial Statements

(v) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) The concentration of credit risk

The Group caters to a wide variety of customers and has a diverse market distribution, therefore, the Group does not have a significant credit risk concentration. In order to reduce the credit risk, the Group monitors the financial conditions of customers regularly. However, the Group usually does not require customers to provide any collateral.

3) Receivables credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(d). Other financial assets at amortized cost, including other receivables and investment in bonds, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g).

The allowance for impairment of other receivables for the years ended December 31, 2020 and 2019 were as follows:

	Other receivables
Balance on January 1, 2020	\$ 1,504
Impairment loss reversed	(826)
Effects of movements in exchange rates	<u>(39)</u>
Balance on December 31, 2020	<u>\$ 639</u>
Balance on January 1, 2019	\$ 312
Impairment loss recognized	1,219
Effects of movements in exchange rates	<u>(27)</u>
Balance on December 31, 2019	<u>\$ 1,504</u>

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Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
December 31, 2020				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 269,000	(269,000)	(269,000)	-
Short-term notes and bills payable	50,000	(50,000)	(50,000)	-
Notes and accounts payable	948,815	(948,815)	(948,815)	-
Other payables	1,495,648	(1,495,648)	(1,495,648)	-
Lease liabilities (including current and non-current portion)	109,364	(135,431)	(14,973)	(120,458)
Guarantee deposits received	4,130	(4,130)	-	(4,130)
	<u>\$ 2,876,957</u>	<u>(2,903,024)</u>	<u>(2,778,436)</u>	<u>(124,588)</u>
December 31, 2019				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 483,624	(483,624)	(483,624)	-
Other payables	783,379	(783,379)	(783,379)	-
Lease liabilities (including current and non-current portion)	127,487	(162,651)	(11,194)	(151,457)
	<u>\$ 1,394,490</u>	<u>(1,429,654)</u>	<u>(1,278,197)</u>	<u>(151,457)</u>

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

(iii) Currency risk

1) Exposure to currency risk

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 163,774	USD/NTD =28.480	4,664,284	75,796	USD/NTD =29.980	2,272,364
<u>Financial liabilities</u>						
Monetary items						
USD	15,618	USD/NTD =28.480	444,801	11,967	USD/NTD =29.980	358,771
JPY	792,829	JPY/NTD =0.2763	219,059	457,295	JPY/NTD =0.2760	126,213

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2) Sensitivity analysis

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, notes and accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the years ended December 31, 2020 and 2019 would have increased or decreased the net profit before tax as follows:

	<u>2020</u>	<u>2019</u>
USD (against the NTD)		
Strengthening 5%	\$ 210,974	95,680
Weakening 5%	(210,974)	(95,680)
JPY (against the NTD)		
Strengthening 5%	(10,953)	(6,311)
Weakening 5%	10,953	6,311

(iv) Foreign exchange gains or losses on monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange losses, including realized and unrealized portion, amounted to \$(173,916) and \$(18,002), respectively.

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fixed-rate instruments:		
Financial assets	\$ 477,084	1,426,464
Financial liabilities	(50,000)	-
	<u>\$ 427,084</u>	<u>1,426,464</u>
Variable-rate instruments:		
Financial assets	\$ 3,580,101	2,317,958
Financial liabilities	(269,000)	-
	<u>\$ 3,311,101</u>	<u>2,317,958</u>

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$8,278 and \$5,795 for the years ended December 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) 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:

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Bonds investment –					
Open-end mutual funds	\$ 331,054	331,054	-	-	331,054
Structured deposits	284,886	-	284,886	-	284,886
Stock listed in domestic markets	272,946	272,946	-	-	272,946
Foreign private funds	<u>179,497</u>	-	-	179,497	179,497
Subtotal	<u>1,068,383</u>				

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

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	3,791,174	-	-	-	-
Notes and accounts receivable, net	1,820,573	-	-	-	-
Other receivables	6,815	-	-	-	-
Other financial assets – current	36,857	-	-	-	-
Foreign corporate bonds	227,840	-	-	-	-
Other financial assets – non-current	5,405	-	-	-	-
Refundable deposits (recorded under other non-current assets))	<u>10,713</u>	-	-	-	-
Subtotal	<u>5,899,377</u>				
Total	<u>\$ 6,967,760</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 269,000	-	-	-	-
Short-term notes and bills payable	50,000	-	-	-	-
Notes and accounts payable	948,815	-	-	-	-
Other payables	1,495,648	-	-	-	-
Lease liabilities (including current and non-current portion)	109,364	-	-	-	-
Guarantee deposits received	<u>4,130</u>	-	-	-	-
Total	<u>\$ 2,876,957</u>				

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

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss					
Bonds investment – Open-end mutual funds	\$ <u>100,937</u>	100,937	-	-	100,937
Financial assets measured at amortized cost					
Cash and cash equivalents	3,704,146	-	-	-	-
Notes and accounts receivable, net	1,337,301	-	-	-	-
Other receivables	9,984	-	-	-	-
Other financial assets – current	39,218	-	-	-	-
Other financial assets – non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets))	<u>8,230</u>	-	-	-	-
Subtotal	<u>5,103,879</u>				
Total	<u>\$ 5,204,816</u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable	483,624	-	-	-	-
Other payables	783,379	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>127,487</u>	-	-	-	-
Total	<u>\$ 1,394,490</u>				

There were no transfers of financial instruments between any levels for the years ended December 31, 2020 and 2019.

2) Valuation techniques for financial instruments measured at fair value – 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.

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

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

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

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

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

3) Changes between Level 3

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2020	\$ -
Total gains and losses recognized in profit or loss	(7,868)
Purchased	<u>187,365</u>
Balance on December 31, 2020	<u>\$ 179,497</u>

For the year ended December 31, 2020, total gains and losses were included in gains (losses) on current assets (liabilities) at fair value through profit or loss.

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

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

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

The quantified information of significant unobservable inputs was as follows:

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

(w) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group minimizes the risk exposure by purchasing derivative financial instruments. The Board of Directors regulated the transaction of derivative and non-derivative financial instruments in accordance with the Group's procedures for acquisition and disposal of assets. The internal auditors of the Group continually review the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. The Group has no transactions in the financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group offers standard payment term and shipment term. New customers may transact with the Group only on a prepayment basis.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly assesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including listed company and unlisted company. In order to avoid the excess of credit limitation of the customer, the Group constantly monitors the status of the customers. The Group will stop trading with the customer who has no credit limits, unless, the payment has been paid or approved. Furthermore, credit limits of the customers will be assessed quarterly.

The Group sets the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2020 and 2019, the Group did not provide any guarantees.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes (6)(j) and (6)(k) for unused short-term and long-term bank facilities as of December 31, 2020 and 2019.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily NTD and USD. The currencies used in these transactions are denominated in NTD, EUR, JPY, USD, and PHP.

2) Interest rate risk

Entities in the Group borrow funds with floating interest rates which results to risks of cash flows.

3) Other market price risk

The Group is exposed to equity price risk due to stocks listed in domestic markets and the quoted open-end fund at fair value.

(x) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 4,227,640	2,246,065
Total equity	21,209,533	10,176,726
Debt-to-equity ratio	20 %	22 %

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

(i) The Group's investing and financing activities, which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

- 1) The acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(h).
- 2) The acquisition of 100% shares of KINGPAK through stock exchange. For related information, please refer to note (6)(f).

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Other	Acquisition through business combination	
Short-term borrowings	\$ -	(11,000)	-	280,000	269,000
Short-term notes and bill payable	-	-	-	50,000	50,000
Lease liabilities (including current and non-current portion)	127,487	(11,060)	(11,271)	4,208	109,364
Guarantee deposits received	-	4,130	-	-	4,130
Total liabilities from financing activities	<u>\$ 127,487</u>	<u>(17,930)</u>	<u>(11,271)</u>	<u>334,208</u>	<u>432,494</u>

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Other	Foreign exchange movement	
Short-term borrowings	\$ 249,859	(251,430)	-	1,571	-
Lease liabilities (including current and non-current portion)	127,756	(9,490)	9,221	-	127,487
Total liabilities from financing activities	<u>\$ 377,615</u>	<u>(260,920)</u>	<u>9,221</u>	<u>1,571</u>	<u>127,487</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) 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.

Name of related party	Relationship with the Group
Multi-field	Other related party

(c) Other transaction with related party

For operational needs, THEPI acquired land for \$57,713 (91,110 thousand Philippine pesos) beginning in 2004, which was recorded as property, plant and equipment. Because the Philippine regulations prohibit foreigners from owning land, therefore, the Group paid for the land, under the title deed of Multi-field to assure the right to the land. THEPI also entered into an agreement with Multi-field to reserve its right to sell, or dispose the property.

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

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 136,770	82,793
Post-employment benefits	738	2,886
	\$ 137,508	85,679

(8) Pledged assets

Pledged assets	Subject	December 31, 2020	December 31, 2019
Other financial assets – current – time deposits	Credit lines for letters of credit, short-term borrowings and short-term borrowings	\$ 34,695	36,301
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	5,000	5,000
"	Guarantee for cooperative education program	405	-
Property, plant and equipment – land, buildings, machinery and equipment	Long-term and short-term borrowings and credit lines	674,024	380,748
Other financial assets – current – reserve account	Customs duty guarantee	903	-
		\$ 715,027	422,049

(9) Commitments and contingencies

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

	December 31, 2020	December 31, 2019
Future payments for the purchase of equipment and construction in progress	\$ 877,983	95,522

(b) The Group contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City. As of December 31, 2020, the payment amounting to \$3,184,000 has not been paid.

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

	December 31, 2020	December 31, 2019
Unused and outstanding letters of credit and the deposit for customs duties	\$ 30,455	22,726

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

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

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

By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,640,229	452,373	2,092,602	1,158,407	302,868	1,461,275
Labor and health insurance	129,179	19,662	148,841	98,932	15,745	114,677
Pension	66,579	13,634	80,213	45,137	12,768	57,905
Other employee benefits	109,289	12,267	121,556	70,832	23,183	94,015
Depreciation	918,292	49,855	968,147	700,200	41,236	741,436
Amortization	4,156	63,223	67,379	2,390	6,032	8,422

- (b) In August 2014, Mr. Zhang, who was the former director of KINGPAK, filed a lawsuit to the Taipei District Court against KINGPAK, demanding KINGPAK to pay him the outstanding payment of \$25,058. However, the Taipei District Court denied his request on October 1, 2015. Therefore, Mr. Zhang appealed to the Taiwan High Court, who ruled in his favor on August 31, 2016. KINGPAK disagreed with the decision made by the Taiwan High Court; hence, filed an appeal to the Supreme Court, on November 8, 2018, and the Supreme Court handed the case back to the Taiwan High Court for reconsideration. On October 16, 2019, the Taiwan High Court ordered KINGPAK to pay Mr. Zhang the amount of \$5,428, plus, an annual interest rate of 5% from the day following the service of the complaint to the repayment day. In November 2019, KINGPAK filed an appeal to the Supreme Court, which handed the case back to the Taiwan High Court for reconsideration in December 2020. The Group had assessed the damages amounting to \$8,703 and recorded them under other payables.
- (c) On March 14, 2014, Boschman Technologies BV (Boschman) filed a lawsuit to the Hsinchu District Court against KINGPAK for breach of contract. On September 22, 2014, Hsinchu District Court ruled in favor of Boschman, requesting KINGPAK to pay Boschman the amount of USD \$249, plus, a monthly interest rate of 0.75% from March 17, 2013. In October 2014, KINGPAK was dissatisfied with the decision made by Hsinchu District Court; thus, filed an appeal to the Taiwan High Court, who ruled in its favor on June 30, 2020. On August 3, 2020, Boschman filed an appeal to the Supreme Court. The Group had assessed the damages amounting to \$12,906 and recorded them under other payables.

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2020:

(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 4)	Maximum limit of fund financing (Note 3)
												Item	Value		
0	The Company	KINGPAK	Other receivables- related parties	900,000	900,000	-	Note 5	2	-	Business turnover	-	None	-	2,120,953	8,483,813

Note1: The companies are coded as follows:

1.0 represents the parent company.

2.1 represents the subsidiaries.

Note2: 1.Represents entities with business dealings. 2.Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note3: The total amount available for financing purposes shall not exceed 40% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note4: When funds are loaned to a company for reasons of business dealings, the total amount of loans shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed the total amount of trading between the two companies. The trading amount refers to the year preceding the date of occurrence of the amount of purchase or sale between the parties, whichever is higher. When funds are loaned to a company with short-term financial need, the total amount of loans shall not exceed 30% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note5: The range of interest rates based on bank's published loan rates.

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

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value		
The Company	Open-end mutual funds: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	22,144	331,054	-	331,054	-	
"	Structured deposit: President Securities 1346 DSU 100% Principal Guaranteed Note	"	"	-	284,886	-	284,886	-	
"	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss - non - current	Note	179,497	1.93%	179,497	-	
"	Stock: Shin Kong Financial Holding Co.,Ltd. Preferred Shares B	"	"	6,445	272,946	-	272,946	-	
	Bond:								

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TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES
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Name of holder	Category and name of security	Relationship with Company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value		
The Company	Chailease International Bond	"	Financial assets at amortized cost - non - current	-	227,840	-	227,840	-	
KINGPAK	Stock: eGran Corporation	"	Financial assets at fair value through other comprehensive income - non - current	22	-	-	-	-	

Note: The amount of investment is USD 6,414 thousand.

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

Unit: thousand units/ thousand shares

Company holding securities	Category and name of security	Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Open-end mutual funds: Jin Sun Money Market Fund	Financial assets at fair value through profit or loss-current	-	None	-	-	73,787	1,101,054 (Note 1)	51,643	771,679	770,000	1,679	22,144	331,054
"	Taishin 1699 Money Market Fund	"	-	"	-	-	22,050	300,000 (Note 1)	22,050	300,595	300,000	595	-	-
"	Structured deposits: President Securities 1346 DSU 100% Principal Guaranteed Note	"	-	"	-	-	-	1,150,386 (Note 1)	-	863,241	865,500	(2,259)	-	284,886
"	KINGPAK Technology Inc.	Investment accounted for using equity method	Note 2	"	-	-	57,307	10,735,702 (Note 3)	-	-	-	-	57,307	10,735,702

Note 1 : Included the adjustments on financial assets value.

Note 2 : On June 19, 2020, the Company acquired 100% of KINGPAK's issued and outstanding shares through stock exchange.

Note 3 : Included the consideration transferred for the stock exchange, share of profit (loss) accounted for using equity method and cash dividends.

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

Units: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Plant	August 31, 2020	3,200,000	Paid 16,000	Chung-Lin General Contractors, LTD.	None	N/A	N/A	N/A	-	Open bid	Extension of the plant	None

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- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	1,322,904	39 %	Monthly closing and paid by cash	-	-	Accounts payable (86,267)	(12)%	(Note 2)
"	"	"	Manufacturing fee	308,596	9 %	"	-	-	Note 1	- %	"
THEPI	The Company	Parent Company	Sale	(1,322,904)	(79)%	Monthly closing and received by cash	-	-	Accounts receivable 86,267	75 %	"
"	"	"	Manufacturing revenue	(308,596)	(18)%	"	-	-	Accounts receivable 29,802	26 %	"

Note 1 : The other payables amounted to \$29,802 as of December 31, 2020.

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

- (viii) Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the Company's paid-in capital: None.
- (ix) Information regarding trading in derivative financial instruments: None.
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the years ended December 31, 2020:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Trading terms	
1	THEPI	The Company	2	Sale	1,322,904	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.	13.00 %
1	"	"	2	Manufacturing Revenue	308,596	"	3.03 %
1	"	"	2	Accounts Receivable	86,267	"	0.34 %

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Highest percentage during the year of Ownership	Net income (losses) of the investee	Share of profit (losses) of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying amount				
The Company	THEPI	Philippines	Sales and manufacturing of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensors	2,016,853	2,016,853	28,793	100 %	1,209,616	100 %	40,304	28,648	Note 2
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	10,800,443 (Note 1)	-	57,307	100 %	10,735,702	100 %	153,298	100,747	"

Note 1 : The invested amount was based on the 71,290,049 ordinary shares, which were issued for the stock exchange, and the listed price of the Company on June 19, 2020 (date of stock exchange).

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

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
KAI MEI Electronic Corp.		9,451,414	5.28 %

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

(14) Segment information

(a) General Information

The Group has three reportable segments: segment BU1, segment BU2, and segment BU3. Segment BU1 is responsible for the process of plating SF with gold. Segment BU2 is responsible for the packing process of subsidiaries. Segment BU3 is responsible for the process of non-plating SF with gold, SMT, AS, RW and CP.

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The reportable segments are the Group's strategic divisions. Different technology and marketing strategies are required for the three segments to offer different products and services. Therefore, the above segments are managed separately.

The Group's operating segment information and reconciliation are as follows:

2020						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 1,550,048	2,672,060	5,739,122	216,772	-	10,178,002
Inter-segment revenues	-	1,631,626	-	-	(1,631,626)	-
Total revenue	<u>\$ 1,550,048</u>	<u>4,303,686</u>	<u>5,739,122</u>	<u>216,772</u>	<u>(1,631,626)</u>	<u>10,178,002</u>
Reportable segment profit (loss)	<u>\$ 178,213</u>	<u>303,658</u>	<u>1,463,032</u>	<u>60,544</u>	<u>(156,642)</u>	<u>1,848,805</u>
2019						
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	\$ 1,924,166	1,229,663	4,084,123	192,702	-	7,430,654
Inter-segment revenues	-	1,621,127	-	-	(1,621,127)	-
Total revenue	<u>\$ 1,924,166</u>	<u>2,850,790</u>	<u>4,084,123</u>	<u>192,702</u>	<u>(1,621,127)</u>	<u>7,430,654</u>
Reportable segment profit (loss)	<u>\$ 214,995</u>	<u>14,055</u>	<u>585,896</u>	<u>96,931</u>	<u>30,369</u>	<u>942,246</u>

The material reconciling items of the above reportable segments were as below:

The total segment revenue should deduct the inter-segments revenue amounting to \$1,631,626 and \$1,621,127 for 2020 and 2019, respectively.

(b) Product information

Revenue from the external customers of the Group was as follows:

Products	2020	2019
Metalized ceramic substrates	\$ 2,249,826	2,618,007
Image sensors	4,972,603	2,194,731
RF modules	692,910	406,255
Hybrid integrated circuits	2,045,891	2,018,959
Others	<u>216,772</u>	<u>192,702</u>
Total	<u>\$ 10,178,002</u>	<u>7,430,654</u>

(Continued)

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

(c) Geographic information

Information on the geographical location of customers and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

<u>Country</u>	<u>2020</u>	<u>2019</u>
Singapore	\$ 3,166,316	2,015,527
United States	1,355,448	1,018,600
Malaysia	1,464,479	1,539,128
Hong Kong	1,237,647	954,184
China	741,167	734,066
Switzerland	901,759	112,591
Others	<u>1,311,186</u>	<u>1,056,558</u>
Total	<u>\$ 10,178,002</u>	<u>7,430,654</u>

(ii) Non-current Assets:

<u>Country</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan	\$ 16,074,367	5,194,260
Philippines	<u>489,966</u>	<u>598,522</u>
Total	<u>\$ 16,564,333</u>	<u>5,792,782</u>

Non-current assets include property, plant and equipment, intangible assets, refundable deposits and other non-current assets (excluding deferred tax assets, financial instruments and pension fund assets).

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income are summarized as follows:

	<u>2020</u>	<u>2019</u>
C2650	\$ 2,536,871	1,439,177
C1167	<u>1,192,013</u>	<u>1,176,592</u>
	<u>\$ 3,728,884</u>	<u>2,615,769</u>

V. Parent-Company-Only Financial Reports Audited by the CPA of the Most Recent Years



安侯建業聯合會計師事務所

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Independent Auditors' Report

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

Opinion

We have audited the parent company only financial statements of Tong Hsing Electronic Industries, Ltd. which comprise the parent company only balance sheets as of December 31, 2020 and 2019, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of Tong Hsing Electronic Industries, Ltd. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of Tong Hsing Electronic Industries, Ltd. in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of other auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of KINGPAK Technology Inc. (KINGPAK), which represented investment in other entity accounted for using the equity method of the Company. Those financial statements were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KINGPAK, is based solely on the report of other auditor. The Investment of KINGPAK accounted for using the equity method constituting 44.62% of the total assets as of December 31, 2020; and the related share of profit of subsidiaries, associates and joint ventures accounted for the using equity method from the date of merger to December 31, 2020, constituting 5.61% of the total profit before tax for the year ended December 31, 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:



1. Valuation of inventories

Please refer to Note (4)(g) and Note (5)(a) of the parent company only financial statements for inventories accounting policy, and accounting assumptions and estimation uncertainty of inventory valuation, respectively. Information regarding inventory and related expenses are shown in Note (6)(e) of the parent company only financial statements.

Explanation to key audit matter:

Due to the impact of product life cycle and industrial competition in electronics industry, the price variability for the inventory of Tong Hsing Electronic Industries, Ltd. is expected. Therefore, the inventory valuation is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing control of inventory usage and storage management; inspecting the inventory aging statement, and analyzing the change of aging for different periods; performing sampling procedures and inspecting the rationality in order to verify the correctness of inventories aging statement; performing a retrospective review of historical accuracy of inventory valuation, considering the impact of COVID-19 pandemic, and reviewing the adequacy of the accounting policies.

2. Business combination

Please refer to Note (4)(q) of the parent company only financial statements for business combination accounting policy. Information regarding to business combination is shown in Note (6)(f) of the parent company only financial statements.

Explanation to key audit matter:

Tong Hsing Electronic Industries, Ltd. acquired 100% of KINGPAK' s issued and outstanding shares through stock exchange on June 19, 2020 (the effective date). Due to the subjective nature of evaluation and complexity of calculation the consideration transferred decided by the management for the share exchange and the fair value of the underlying assets being obtained. Therefore, the business combination transaction is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Evaluating the external professional's capability, independence, and relevant experiences of evaluation.
- Determining the appropriateness and correctness of the variables from the external professional' s appraisal pertaining to the acquisition of KINGPAK Technology Inc.
- Obtaining account record, checking the record with report of purchase price allocation and the relevant internal and external documents to assess its conformity with the International Financial Reporting Standards and the fairness of the management's disclosure on the business combination.



Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing Tong Hsing Electronic Industries, Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Tong Hsing Electronic Industries, Ltd. or to cease its operations, or there is no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing Tong Hsing Electronic Industries, Ltd.'s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tong Hsing Electronic Industries, Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tong Hsing Electronic Industries, Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tong Hsing Electronic Industries, Ltd. to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Jui-Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019				
	Amount	%	Amount	%	Amount	%	Amount	%			
Assets					Liabilities and Equity						
Current assets:					Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 2,022,398	9	3,286,975	27	2130 Contract liabilities – current (note 6(n))			\$ 301,487	1	223,831	2
1110 Current financial assets at fair value through profit or loss (note 6(b))	615,940	3	100,937	1	2170 Notes and accounts payable			629,246	3	421,106	4
1170 Notes and accounts receivable, net (note 6(d))	1,406,685	6	1,321,702	11	2180 Accounts payable to related parties (note 7)			86,325	-	49,827	-
1180 Accounts receivable due from related parties, net (notes 6(d) and 7)	729	-	-	-	2200 Other payables (notes 6(l) and 7)			1,096,437	5	783,265	6
1200 Other receivables (note 7)	58,163	-	38,833	-	2230 Current tax liabilities			369,969	2	207,932	2
1310 Inventories (note 6(e))	1,044,403	4	925,992	8	2280 Lease liabilities – current (note 6(m))			8,753	-	8,973	-
1410 Prepayments	27,588	-	25,559	-	2300 Other current liabilities			52,621	-	48,493	-
1470 Other current assets (note 6(s))	82,678	-	32,097	-				2,544,838	11	1,743,427	14
	<u>5,258,584</u>	<u>22</u>	<u>5,732,095</u>	<u>47</u>	Non-Current liabilities:						
Non-current assets:					2527 Contract liabilities – non-current (note 6(s))			-	-	77,765	-
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	452,443	2	-	-	2570 Deferred tax liabilities (note 6(o))			106,398	-	111,486	1
1535 Non-current financial assets at amortized cost (note 6(c))	227,840	1	-	-	2580 Lease liabilities – non-current (note 6(m))			88,985	-	118,514	1
1550 Investments accounted for using equity method (note 6(f))	11,945,318	50	1,257,177	10	2640 Net defined benefit liability – non-current (note 6(n))			109,212	1	93,724	1
1600 Property, plant and equipment (notes 6(g), 7 and 8)	5,840,724	24	4,990,787	41				304,595	1	401,489	3
1755 Right-of-use assets (note 6(h))	97,041	-	126,520	1	Total liabilities			2,849,433	12	2,144,916	17
1780 Intangible assets (note 6(i))	65,354	-	68,940	-	Equity (note 6(p)):						
1840 Deferred tax assets (note 6(o))	162,154	1	138,110	1	Ordinary shares			1,787,083	8	1,653,575	13
1920 Refundable deposits	4,103	-	3,013	-	Capital surplus			15,120,168	63	4,997,188	41
1980 Other financial assets – non-current (note 8)	5,405	-	5,000	-	Legal reserve			1,410,144	6	1,335,844	11
	<u>18,800,382</u>	<u>78</u>	<u>6,589,547</u>	<u>53</u>	Special reserve			97,411	-	74,592	-
					Unappropriated retained earnings			2,925,436	12	2,179,238	18
					Other equity interest			(130,709)	(1)	(63,711)	-
					3350			21,209,533	88	10,176,726	83
					3400			<u>24,058,966</u>	<u>100</u>	<u>12,321,642</u>	<u>100</u>
Total assets	<u>\$ 24,058,966</u>	<u>100</u>	<u>12,321,642</u>	<u>100</u>	Total liabilities and equity						

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenue	\$ 8,812,211	101	7,492,252	102
4170	Less: sales returns and allowances	<u>50,316</u>	<u>1</u>	<u>122,463</u>	<u>2</u>
4100	Net sales revenue (note 6(s))	8,761,895	100	7,369,789	100
5110	Cost of sales (notes 6(e), 6(i), 6(n), 7 and 12)	<u>6,378,646</u>	<u>73</u>	<u>5,958,720</u>	<u>81</u>
5900	Gross profit	<u>2,383,249</u>	<u>27</u>	<u>1,411,069</u>	<u>19</u>
6000	Operating expenses: (notes 6(i), 6(n) and 12)				
6100	Selling expenses	149,955	2	152,371	2
6200	Administrative expenses	343,711	4	237,630	3
6300	Research and development expenses	136,039	1	113,872	1
6450	Expected credit gains	<u>(11,116)</u>	<u>-</u>	<u>(15,654)</u>	<u>-</u>
		<u>618,589</u>	<u>7</u>	<u>488,219</u>	<u>6</u>
6900	Net operating income	<u>1,764,660</u>	<u>20</u>	<u>922,850</u>	<u>13</u>
	Non-operating income and expenses:				
7100	Interest income	10,836	-	23,645	-
7190	Other income	17,094	-	17,965	-
7230	Foreign exchange (losses) gains, net (note 6(u))	(105,598)	(1)	10,602	-
7235	Gains (losses) on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	<u>(16,077)</u>	<u>-</u>	<u>543</u>	<u>-</u>
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	129,395	1	(43,536)	-
7510	Finance cost—interest expense	(2,732)	-	(2,360)	-
7590	Miscellaneous disbursements	<u>(603)</u>	<u>-</u>	<u>(3,072)</u>	<u>-</u>
		<u>32,315</u>	<u>-</u>	<u>3,787</u>	<u>-</u>
7900	Profit before tax	1,796,975	20	926,637	13
7950	Less: tax expenses (note 6(o))	<u>346,300</u>	<u>4</u>	<u>184,681</u>	<u>3</u>
	Profit	<u>1,450,675</u>	<u>16</u>	<u>741,956</u>	<u>10</u>
	Other comprehensive income: (notes 6(n)) and 6(o))				
	Items that may not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	(20,891)	-	35,430	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>(11,967)</u>	<u>-</u>	<u>(27,295)</u>	<u>-</u>
8349	Income tax on items that may not be reclassified to profit or loss	<u>4,178</u>	<u>-</u>	<u>(7,086)</u>	<u>-</u>
		<u>(28,680)</u>	<u>-</u>	<u>1,049</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(59,433)	-	(30,313)	-
8399	Income tax on items that may be reclassified to profit or loss	<u>15,703</u>	<u>-</u>	<u>7,494</u>	<u>-</u>
		<u>(43,730)</u>	<u>-</u>	<u>(22,819)</u>	<u>-</u>
	Other comprehensive income	<u>(72,410)</u>	<u>-</u>	<u>(21,770)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 1,378,265</u>	<u>16</u>	<u>720,186</u>	<u>10</u>
	Earnings per share (note 6(r))				
9750	Basic earnings per share	<u>\$ 7.88</u>		<u>4.49</u>	
9850	Diluted earnings per share	<u>\$ 7.84</u>		<u>4.47</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)
TONG HSING ELECTRONIC INDUSTRIES, LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings			Total retained earnings	Exchange differences on translation of foreign financial statements	Unearned employee compensation	Total other equity interest	Total equity
					Unappropriated retained earnings	Special reserve	Total retained earnings					
Balance on January 1, 2019	\$ 1,653,575	5,063,801	1,234,484	105,549	2,432,168	741,956	3,772,201	(40,892)	-	-	(40,892)	10,448,685
Net income for the year ended December 31, 2019	-	-	-	-	741,956	741,956	741,956	-	-	-	-	741,956
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	1,049	1,049	1,049	(22,819)	-	-	(22,819)	(21,770)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	743,005	743,005	743,005	(22,819)	-	-	(22,819)	720,186
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	101,360	-	(101,360)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(30,957)	30,957	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(925,532)	(925,532)	-	-	-	-	-	(925,532)
Cash dividends from capital surplus	-	(66,613)	-	-	-	-	-	-	-	-	-	(66,613)
Balance on December 31, 2019	1,653,575	4,997,188	1,335,844	74,592	2,179,238	3,589,674	3,589,674	(63,711)	-	-	(63,711)	10,176,726
Net income for the year ended December 31, 2020	-	-	-	-	1,450,675	1,450,675	1,450,675	-	-	-	-	1,450,675
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(28,680)	(28,680)	(28,680)	(43,730)	-	-	(43,730)	(72,410)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,421,995	1,421,995	1,421,995	(43,730)	-	-	(43,730)	1,378,265
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	74,300	-	(74,300)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	22,819	(22,819)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(578,751)	(578,751)	-	-	-	-	-	(578,751)
Capital reduction	(578,751)	-	-	-	-	-	-	-	-	-	-	(578,751)
Shares issued for business combination	712,901	10,144,616	-	-	-	-	-	-	(57,074)	(57,074)	(57,074)	10,800,443
Share-based payments	(642)	(21,636)	-	-	73	73	73	-	33,806	33,806	33,806	11,601
Balance on December 31, 2020	\$ 1,787,083	15,120,168	1,410,144	97,411	2,925,436	4,432,991	4,432,991	(107,441)	(23,268)	(23,268)	(130,709)	21,209,533

See accompanying notes to parent company only financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,796,975	926,637
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	752,706	600,066
Amortization expense	10,501	8,422
Expected credit gains	(11,116)	(15,654)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,077	(543)
Interest expense	2,732	2,360
Interest income	(10,836)	(23,645)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(129,395)	43,536
Loss on disposal of property, plant and equipment	32	3,072
Other	(1,277)	(94)
Total adjustments to reconcile profit (loss)	629,424	617,520
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(510,814)	-
(Increase) decrease in contract assets	(52,439)	111
Increase in notes and accounts receivable	(74,596)	(55,137)
(Increase) decrease in other receivables	(18,833)	2,197
(Increase) decrease in inventories	(118,411)	44,615
Increase in prepayments	(2,029)	(4,047)
(Increase) decrease in other current assets	1,858	(996)
Increase (decrease) in notes and accounts payable	244,638	(47,881)
Increase (decrease) in other payables	296,178	(63,823)
Increase in other current liabilities	4,128	1,362
Increase (decrease) in contract liabilities – current and non-current	(109)	300,431
Decrease in net defined benefit liabilities	(5,403)	(7,762)
	(235,832)	169,070
Cash inflow generated from operations	2,190,567	1,713,227
Interest received	11,441	24,489
Dividends received	176,019	-
Interest paid	(2,732)	(2,360)
Income taxes paid	(190,522)	(128,490)
Net cash flows from operating activities	2,184,773	1,606,866
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(472,709)	-
Acquisition of non-current financial assets at amortized cost	(227,840)	-
Acquisition of property, plant and equipment	(1,597,294)	(2,095,901)
Proceeds from disposal of property, plant and equipment	19,901	4,510
(Increase) decrease in refundable deposits	(1,090)	3,483
Acquisition of intangible assets	(6,915)	(11,036)
Increase in other financial assets	(405)	-
Net cash flows used in investing activities	(2,286,352)	(2,098,944)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	-	(4,730)
Payments of lease liabilities	(8,383)	(9,490)
Cash dividends paid	(578,678)	(992,145)
Capital reduction by cash	(578,751)	-
Exercise of employee share options	2,814	-
Net cash flows used in financing activities	(1,162,998)	(1,006,365)
Net decrease in cash and cash equivalents	(1,264,577)	(1,498,443)
Cash and cash equivalents at beginning of period	3,286,975	4,785,418
Cash and cash equivalents at end of period	\$ 2,022,398	3,286,975

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tong Hsing Electronic Industries, Ltd. (“the Company”) was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The Company is primarily involved in the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors.

(2) Approval date and procedures of the financial statements

The parent company only financial statements were authorized for issue by the Board of Directors on March 11, 2021.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	January 1, 2023

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

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

The Company 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 parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(n).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(Continued)

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences form such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

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

(d) Classification of current and non-current assets and liabilities

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

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

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, refundable deposits and other financial assets), and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and structures: 2 ~ 50 years
- 2) Machinery and equipment: 2 ~10 years
- 3) Office equipment: 3 ~10 years
- 4) Building and equipment constitute mainly building, air conditioning equipment, elevator engineering equipment and its related facilities. Each part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

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

(j) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

(Continued)

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and the lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets, including copying machines. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Patents	5 years
3) Customer relationship	7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells electronic components to electronic manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. For certain image sensors product contracts, the customer controls all of the work in progress as the products are being manufactured. In such case, revenue will be recognized as the products are being manufactured.

The Company often offers trade discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that is highly probable that a significant reversal will not occur. A contract liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 90 days, which is consistent with the market practice.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(o) Shares-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(q) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segments information in the parent company only financial statements.

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

The preparation of the financial statements in Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and have been updated to reflect the impact of COVID-19 pandemic is as follows:

(a) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Due to the impact of product life cycle and industrial competition in electronic industry, which tends to devalue the inventories, the Company evaluates the costs of inventories using the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to note (6)(e) of the parent company only financial statement for inventory valuation.

(b) Business combination

The Company acquired KINGPAK Technology Inc. (KINGPAK) with a consideration of \$10,800,443 in 2020; the Company allocated the value to identifiable assets based on the report of purchase price allocation issued by the independent experts. The Company then recognized other intangible assets and goodwill. Because the report of purchase price allocation relies on relevant assumptions and estimations, fair value of each asset may be affected if the assumptions and estimations change. Please refer to note 6(f).

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash and foreign currency on hand	\$ 50	300
Checking accounts and demand deposits	1,973,442	1,986,675
Time deposits	48,906	1,300,000
	\$ 2,022,398	3,286,975

Refer to note (6)(u) for the interest risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Open-end mutual funds	\$ 331,054	100,937
Structured deposits	284,886	-
Stock listed in domestic markets	272,946	-
Foreign private funds	179,497	-
	\$ 1,068,383	100,937
Current	\$ 615,940	100,937
Non-current	452,443	-
	\$ 1,068,383	100,937

As of December 31, 2020 and 2019, the Company did not provide any aforementioned financial assets as collaterals for its loans.

(c) Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Foreign corporate bonds	\$ 227,840	-

The Company 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.

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TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

- (i) The Company purchased the bond with a face value of USD 8,000 thousand, in October 2020, with a coupon rate of 3.75%.
- (ii) Please refer to note (6)(u) for credit risk.
- (iii) As of December 31, 2020 and 2019, the Company did not provide any aforementioned financial assets as collaterals for its loans.
- (d) Notes and accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Accounts receivable—measured at amortized cost	\$ 1,457,344	1,382,748
Less: allowance for impairment	(49,930)	(61,046)
	\$ 1,407,414	1,321,702
Notes and accounts receivable, net	\$ 1,406,685	1,321,702
Accounts receivable due from related parties, net	\$ 729	-

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

- (i) Credit rate A

	December 31, 2020		
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 69,930	-	-
31 to 60 days	74,494	0.50%	373
61 to 90 days	21,013	1.50%	315
91 to 120 days	1,725	5.00%	86
121 to 180 days	983	10.00%	99
181 to 360 days	1,211	50.00%	605
More than 361 days	211	100.00%	211
	\$ 169,567		1,689

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

December 31, 2019			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 74,852	-	-
31 to 60 days	44,397	0.50%	222
61 to 90 days	11,672	1.50%	175
91 to 120 days	1,310	5.00%	65
121 to 180 days	6,506	10.00%	651
181 to 360 days	134	50.00%	67
	\$ 138,871		1,180

(ii) Credit rate B

December 31, 2020			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
Related parties	\$ 729	-	-
1 to 30 days	731,257	1.50%	11,068
31 to 60 days	415,543	5.00%	20,777
61 to 90 days	118,955	10.00%	11,895
91 to 120 days	20,668	20.00%	4,134
121 to 180 days	515	50.00%	257
181 to 360 days	1	100.00%	1
More than 361 days	109	100.00%	109
	\$ 1,287,777		48,241

December 31, 2019			
Aging interval	Carrying amount of notes and accounts receivable	Weighted- average expected loss rate	Loss allowance provision
1 to 30 days	\$ 584,887	1.50%	8,867
31 to 60 days	458,622	5.00%	22,931
61 to 90 days	128,839	10.00%	12,884
91 to 120 days	70,042	20.00%	14,008
121 to 180 days	623	50.00%	312
181 to 360 days	855	100.00%	855
More than 361 days	9	100.00%	9
	\$ 1,243,877		59,866

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

The movements in the allowance for notes and account receivable were as follows:

	<u>2020</u>	<u>2019</u>
The beginning of period	\$ 61,046	76,700
Impairment loss reversed	<u>(11,116)</u>	<u>(15,654)</u>
The end of period	<u>\$ 49,930</u>	<u>61,046</u>

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

(e) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 203,641	152,808
Semi-finished goods	155,951	162,423
Work in progress	200,738	143,563
Raw materials	317,048	347,927
Indirect materials	<u>167,025</u>	<u>119,271</u>
	<u>\$ 1,044,403</u>	<u>925,992</u>

(i) The details of costs of sales for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Cost of sales and expense	\$ 6,371,620	5,915,904
Cost for write-downs on inventory valuation and obsolescence	<u>7,026</u>	<u>42,816</u>
	<u>\$ 6,378,646</u>	<u>5,958,720</u>

(ii) As of the reporting date, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 11,945,318</u>	<u>1,257,177</u>

(i) Please refer to the consolidated financial statement for the year ended December 31, 2020.

(ii) On June 19, 2020, the Company obtained control over KINGPAK Technology Inc. (KINGPAK) by acquiring 100% of its issued and outstanding shares through stock exchange. Please refer to note 6(f) of the consolidated financial statement for the year ended December 31, 2020 for the related information.

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

(iii) As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collaterals for its loans.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:						
Balance on January 1, 2020	\$ 1,793,148	2,125,714	2,345,489	156,788	111,693	6,532,832
Additions	-	160,667	1,343,688	21,718	88,215	1,614,288
Transferred in (out)	-	-	57,456	-	(58,558)	(1,102)
Disposals	-	(20,167)	(335,730)	(73,531)	(5,779)	(435,207)
Balance on December 31, 2020	<u>\$ 1,793,148</u>	<u>2,266,214</u>	<u>3,410,903</u>	<u>104,975</u>	<u>135,571</u>	<u>7,710,811</u>
Balance on January 1, 2019	\$ 356,005	2,066,365	2,582,792	133,279	109,662	5,248,103
Additions	1,439,544	74,144	478,902	31,639	95,530	2,119,759
Transferred in (out)	-	6,372	84,593	1,448	(93,499)	(1,086)
Disposals	(2,401)	(21,167)	(800,798)	(9,578)	-	(833,944)
Balance on December 31, 2019	<u>\$ 1,793,148</u>	<u>2,125,714</u>	<u>2,345,489</u>	<u>156,788</u>	<u>111,693</u>	<u>6,532,832</u>
Depreciation and impairment loss:						
Balance on January 1, 2020	\$ -	390,872	1,059,390	91,783	-	1,542,045
Depreciation for the year	-	126,068	579,956	37,292	-	743,316
Disposals	-	(20,167)	(321,576)	(73,531)	-	(415,274)
Balance on December 31, 2020	<u>\$ -</u>	<u>496,773</u>	<u>1,317,770</u>	<u>55,544</u>	<u>-</u>	<u>1,870,087</u>
Balance on January 1, 2019	\$ -	300,399	1,411,505	66,988	-	1,778,892
Depreciation for the year	-	111,640	443,502	34,373	-	589,515
Disposals	-	(21,167)	(795,617)	(9,578)	-	(826,362)
Balance on December 31, 2019	<u>\$ -</u>	<u>390,872</u>	<u>1,059,390</u>	<u>91,783</u>	<u>-</u>	<u>1,542,045</u>
Book value:						
Balance on December 31, 2020	<u>\$ 1,793,148</u>	<u>1,769,441</u>	<u>2,093,133</u>	<u>49,431</u>	<u>135,571</u>	<u>5,840,724</u>
Balance on January 1, 2019	<u>\$ 356,005</u>	<u>1,765,966</u>	<u>1,171,287</u>	<u>66,291</u>	<u>109,662</u>	<u>3,469,211</u>
Balance on December 31, 2019	<u>\$ 1,793,148</u>	<u>1,734,842</u>	<u>1,286,099</u>	<u>65,005</u>	<u>111,693</u>	<u>4,990,787</u>

Considering the Company's future growth and production, the board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyuan City with a purchase consideration of \$1,413,316. The above payments had been fully paid and the legal procedures of transaction had been completed.

As of December 31, 2020 and 2019, the Company had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

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

(h) Right-of-use assets

The Company leases many assets including land, staff dormitories and office equipment. Information about leases for which the Company as a lessee is presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 97,756	16,823	19,949	134,528
Additions	-	5,200	2,328	7,528
Deductions	<u>(23,062)</u>	<u>(6,578)</u>	<u>(5,853)</u>	<u>(35,493)</u>
Balance on December 31, 2020	<u>\$ 74,694</u>	<u>15,445</u>	<u>16,424</u>	<u>106,563</u>
Balance on January 1, 2019	\$ 97,756	18,004	11,996	127,756
Additions	-	10,796	14,901	25,697
Deductions	<u>-</u>	<u>(11,977)</u>	<u>(6,948)</u>	<u>(18,925)</u>
Balance on December 31, 2019	<u>\$ 97,756</u>	<u>16,823</u>	<u>19,949</u>	<u>134,528</u>
Depreciation and impairment loss:				
Balance on January 1, 2020	\$ 2,715	3,685	1,608	8,008
Depreciation for the year	2,291	4,193	2,906	9,390
Deductions	<u>(3,394)</u>	<u>(3,256)</u>	<u>(1,226)</u>	<u>(7,876)</u>
Balance on December 31, 2020	<u>\$ 1,612</u>	<u>4,622</u>	<u>3,288</u>	<u>9,522</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	2,715	5,480	2,356	10,551
Deductions	<u>-</u>	<u>(1,795)</u>	<u>(748)</u>	<u>(2,543)</u>
Balance on December 31, 2019	<u>\$ 2,715</u>	<u>3,685</u>	<u>1,608</u>	<u>8,008</u>
Book value:				
Balance on December 31, 2020	<u>\$ 73,082</u>	<u>10,823</u>	<u>13,136</u>	<u>97,041</u>
Balance on January 1, 2019	<u>\$ 97,756</u>	<u>18,004</u>	<u>11,996</u>	<u>127,756</u>
Balance on December 31, 2019	<u>\$ 95,041</u>	<u>13,138</u>	<u>18,341</u>	<u>126,520</u>

(i) Intangible Assets

(i) Goodwill from a business combination

The Company merged with Impac Technology Co., Ltd. in 2009 in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 25 "Business Combinations", and the cost of acquisition was allocated to the fair value of the assets acquired and the liabilities assumed within one year of acquisition date. The cost of investment exceeds the fair value of identifiable net assets is recognized as goodwill.

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

The aforementioned acquisition price was assessed by the independent experts, and the allocations of the cost of acquisition were as follows:

Acquisition price	\$ <u>209,880</u>
Less: the fair value of identifiable net assets	
Net working capital	26,809
Fixed assets	56,382
Net other assets	11,510
Intangible assets	<u>63,243</u>
Total	<u>157,944</u>
Goodwill	<u>\$ <u>51,936</u></u>

The goodwill both amounted to \$51,936 as of December 31, 2020 and 2019.

(ii) The cost and amortization of intangible assets of the Company were as follows:

	<u>Goodwill</u>	<u>Patents</u>	<u>Cost of computer software</u>	<u>Customer relationship</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 51,936	25,462	29,242	41,776	148,416
Additions	-	-	6,915	-	6,915
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ 51,936</u>	<u>25,462</u>	<u>32,248</u>	<u>41,776</u>	<u>151,422</u>
Balance on January 1, 2019	\$ 51,936	25,462	17,640	41,776	136,814
Additions	-	-	11,036	-	11,036
Transferred in (out)	-	-	1,086	-	1,086
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	<u>\$ 51,936</u>	<u>25,462</u>	<u>29,242</u>	<u>41,776</u>	<u>148,416</u>
Amortization:					
Balance on January 1, 2020	\$ -	25,462	12,238	41,776	79,476
Amortization for the year	-	-	10,501	-	10,501
Disposals	-	-	(3,909)	-	(3,909)
Balance on December 31, 2020	<u>\$ -</u>	<u>25,462</u>	<u>18,830</u>	<u>41,776</u>	<u>86,068</u>
Balance on January 1, 2019	\$ -	25,462	4,336	41,776	71,574
Amortization for the year	-	-	8,422	-	8,422
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	<u>\$ -</u>	<u>25,462</u>	<u>12,238</u>	<u>41,776</u>	<u>79,476</u>
Book value:					
Balance on December 31, 2020	<u>\$ 51,936</u>	<u>-</u>	<u>13,418</u>	<u>-</u>	<u>65,354</u>
Balance on January 1, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>13,304</u>	<u>-</u>	<u>65,240</u>
Balance on December 31, 2019	<u>\$ 51,936</u>	<u>-</u>	<u>17,004</u>	<u>-</u>	<u>68,940</u>

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

(iii) Amortization recognized

As of December 31, 2020 and 2019, the amortization expenses of intangible assets in the statement of comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ <u>3,929</u>	<u>2,390</u>
Operating expenses	\$ <u>6,572</u>	<u>6,032</u>

(iv) Test of goodwill impairment

For the purpose of impairment test, goodwill was mainly allocated to the cash-generating units – BU3.

The recoverable amount of cash-generating unit – BU3 is determined based on the value in use, which was calculated based on the cash flow forecast from the financial budgets covering the future one-year period, and the Company used the annual discount rates of 11.51% and of 9.57%, respectively, in its impairment test for the years ended December 31, 2020 and 2019. The estimation of discount rate was based on the weighted-average capital cost.

Based on the result of impairment test, the recoverable amounts determined by the value in use were both higher than the carrying amounts of goodwill as of December 31, 2020 and 2019. Therefore, the Company did not recognize any impairment loss on goodwill.

(v) Collateral

As of December 31, 2020 and 2019, the Company did not provide intangible assets as collaterals for its loans.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Credit loans	\$ <u>-</u>	<u>-</u>
Unused short-term credit lines	\$ <u>2,173,140</u>	<u>1,377,054</u>

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

(k) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Secured loans	\$ <u>-</u>	<u>-</u>
Unused long-term credit lines	\$ <u>4,900,000</u>	<u>1,565,000</u>

(Continued)

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

Please refer to note (8) for the information about the Company providing assets as collateral for part of its long-term borrowings.

(l) Other payables

Details of other payables were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries, employees' compensation and directors' and supervisors' remuneration	\$ 566,428	316,943
Payable on manufacturing	29,802	30,400
Payable on machinery and equipment	109,247	92,253
Accrued employee benefit liabilities	47,484	42,278
Accrued expenses	<u>343,476</u>	<u>301,391</u>
	<u>\$ 1,096,437</u>	<u>783,265</u>

The accrued expenses included professional service fees, commission, labor insurance and health insurance, etc.

(m) Lease liabilities

The details of lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 8,753</u>	<u>8,973</u>
Non-current	<u>\$ 88,985</u>	<u>118,514</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 1,941</u>	<u>2,347</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 114,082</u>	<u>109,740</u>
Expenses relating to short-term leases	<u>\$ 3,671</u>	<u>3,609</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 46</u>	<u>19</u>

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 128,123</u>	<u>125,205</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

(i) Real estate leases

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

(ii) Other leases

The Company leases office equipment, with lease terms of three 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 leases payments are based on actual usage in the period.

The Company also leases vehicles and copying machines with lease terms of one to three years. These leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligation at present value and plan assets at fair value of the Company were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ (335,236)	(364,031)
Fair value of plan assets	226,024	270,307
Net defined benefit liabilities	<u>\$ (109,212)</u>	<u>(93,724)</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates its pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$226,024 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of labor.

(Continued)

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

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation on January 1	\$ (364,031)	(452,999)
Current service costs and interest	(8,891)	(10,286)
Benefits paid by the plan	64,105	69,817
Re-measurement of the net defined benefit liability		
-Return on plan assets (excluding current interest income)	(9,054)	1,770
-Actuarial gains (losses) arose from changes in financial assumptions	<u>(17,365)</u>	<u>27,667</u>
Defined benefit obligation on December 31	<u>\$ (335,236)</u>	<u>(364,031)</u>

3) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets on January 1	\$ 270,307	316,083
Interest income	3,013	4,129
Benefits paid by the plan	(64,105)	(69,817)
Re-measurements of the net defined benefit asset		
-Return on plan assets (excluding current interest income)	5,528	5,993
Contributions paid by the employer	<u>11,281</u>	<u>13,919</u>
Fair value of plan assets on December 31	<u>\$ 226,024</u>	<u>270,307</u>

(Continued)

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

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2020	2019
Current service cost	\$ 4,888	4,426
Net interest on the net defined benefit liabilities	990	1,731
	\$ 5,878	6,157
Cost of sales	\$ 3,830	3,444
Selling expense	202	189
Administrative expense	1,614	2,350
Research and development expense	232	174
	\$ 5,878	6,157

5) Re-measurement of the net defined benefit liabilities recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Accumulated amount on January 1	\$ 96,549	131,979
Recognized during the period	20,891	(35,430)
Accumulated amount on December 31	\$ 117,440	96,549

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.750 %	1.125 %
Future salary increasing rate	2.800 %	2.800 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$10,742.

The weighted-average lifetime of the defined benefit plan is 16.88 years.

(Continued)

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

7) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

Actuarial assumption	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	\$ (11,703)	12,289
Future salary increasing rate	11,848	(11,359)
December 31, 2019		
Discount rate	(12,665)	13,271
Future salary increasing rate	12,839	(12,331)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution method amounted to \$49,187 and \$44,131 for the years ended December 31, 2020 and 2019, respectively.

(o) Income Taxes

(i) Income tax expenses

1) The components of income tax expense for 2020 and 2019 were as follows:

	2020	2019
Current tax expense		
Current period	\$ 352,559	193,135
Deferred tax expense		
Origination and reversal of temporary differences	(6,259)	(8,454)
Income tax expense	\$ 346,300	184,681

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

- 2) The amounts of income tax expense (benefit) recognized in other comprehensive income for 2020 and 2019 were as follows:

	2020	2019
Items that may not be reclassified to profit or loss:		
Re-measurement of the defined benefit plans	\$ (4,178)	7,086
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income	(2,992)	(6,824)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	(15,703)	(7,494)
	\$ (22,873)	(7,232)

- 3) Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	2020	2019
Profit before income tax	\$ 1,796,975	926,637
Income tax using the Company's domestic tax rate	359,395	185,327
Tax-exempt income	(16,935)	(109)
Others	3,840	(537)
	\$ 346,300	184,681

- (ii) Deferred tax assets and liabilities

The Company has no unrecognized deferred tax assets and liabilities. Changes in the amount of recognized deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Provision for the land value increment tax	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 80,950	30,536	111,486
Recognized in profit or loss	-	(5,088)	(5,088)
Balance on December 31, 2020	\$ 80,950	25,448	106,398
Balance on January 1, 2019	\$ 80,950	37,736	118,686
Recognized in profit or loss	-	(2,576)	(2,576)
Recognized in other comprehensive income	-	(4,624)	(4,624)
Balance on December 31, 2019	\$ 80,950	30,536	111,486

(Continued)

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

	Foreign currency translation adjustment	Defined benefit plans	Loss in investments for using equity method	Others	Total
Deferred tax assets:					
Balance on January 1, 2020	\$ 9,500	30,027	63,595	34,988	138,110
Recognized in profit or loss	-	(1,080)	(9,546)	11,797	1,171
Recognized in other comprehensive income	15,703	4,178	-	2,992	22,873
Balance on December 31, 2020	<u>\$ 25,203</u>	<u>33,125</u>	<u>54,049</u>	<u>49,777</u>	<u>162,154</u>
Balance on January 1, 2019	\$ 2,006	38,666	56,319	32,633	129,624
Recognized in profit or loss	-	(1,553)	7,276	155	5,878
Recognized in other comprehensive income	7,494	(7,086)	-	2,200	2,608
Balance on December 31, 2019	<u>\$ 9,500</u>	<u>30,027</u>	<u>63,595</u>	<u>34,988</u>	<u>138,110</u>

(iii) Examination and approval

The ROC tax authorities have examined the Company's income tax returns through 2018.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the number of authorized ordinary shares was 400,000 and 200,000 thousand shares, respectively, with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$4,000,000 and \$2,000,000, respectively, of which \$200,000 and \$100,000, were reserved for the issuance of employee stock options. As of the date, 178,708 thousand and 165,357 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

As of June 19, 2020, the Company issued 71,290 thousand ordinary shares as the consideration transferred for acquiring 100% ownership of KINGPAK through stock exchange. The information on business combination, please refer to note 6(f) of the consolidated financial statement for the year ended December 31, 2020.

The employee stock options were exercised due to business combination for the year ended 2020 amounted to \$758, resulting in a capital surplus of \$2,056. The registration procedure of the employee stock options was completed on October 23, 2020.

The annual stockholders' meeting resolved to conduct a capital reduction by cash amounting to \$578,751 on June 5, 2020, whereby 57,875 thousand ordinary shares were cancelled, resulting in the capital to decrease by 24.4%. The capital reduction was approved by the authority on August 26, 2020. In addition, the effective date of capital reduction was September 1, 2020, and the registration procedure was completed on October 23, 2020.

(Continued)

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

The restricted stocks were cancelled due to the employees fail to meet the vesting conditions amounting to \$1,400, and the registration procedure were completed on January 15, 2021, and January 21, 2021, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Capital surplus — additional paid-in capital	\$ 15,002,891	4,940,969
Employee restricted shares	61,058	-
Other	56,219	56,219
	<u>\$ 15,120,168</u>	<u>4,997,188</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Cash dividends from capital surplus amounting to \$66,613, representing \$0.40284293 per share, was approved during the annual meeting of the shareholders held on June 21, 2019.

(iii) Retained earnings

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

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Report Standards", the Company shall reclassify its unrealized revaluation gains amounting to \$161,156 as retained earnings. According to the Rule No. 1010012865 issued by FSC on April 6, 2012, the company is able to reclassify its net increasing retained earnings as special earnings reserve which resulted from the first-time adoption of the IFRS after the adoption date. When the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve both amounted to \$33,700 on December 31, 2020 and 2019.

In accordance with the guidelines of the above Rule, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2019 and 2018 were approved via the annual meeting of shareholders held on June 5, 2020 and June 21, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.44484149	<u>578,751</u>	5.59715707	<u>925,532</u>

Earnings distribution for 2020 was approved by the board of directors of the Company held on March 11, 2021. The relevant dividend distributions was as follow:

(Continued)

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

	2020	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders from unappropriated earnings	\$ 5.50	982,896

The related information about earnings distribution can be accessed from the Market Observation Post System Website.

(q) Shares-based payment

(i) Employee stock options

- 1) The Company assumed all of the employee stock options granted by KINGPAK prior to the merger effective date. The terms of exercise procedures and requirements are the same except for the exercise price and the number of shares which will be adjusted based on the stock exchange ratio and the exercise subject that will be changed into the Company's ordinary shares.

<u>Option holding period</u>	<u>Exercised percentage (cumulative)</u>
2 years	100 %

- 2) The information on the option issued which were granted by KINGPAK for the year ended December 31, 2020 was as follows:

<u>Approval date</u>	<u>Issue date</u>	<u>Number of units issued</u>	<u>Subscription period</u>	<u>Period in which subscription is restricted</u>	<u>Original subscription price per share (NTD)</u>	<u>Adjusted subscription price per share (NTD)</u>
2015.8.5	2015.8.10	1,117	2015.8.10~ 2021.8.10	2015.8.10~ 2017.8.10	60.5	37.1

- 3) The information about the employee stock options was as follows:

	2020	
	Units (thousand)	Weighted- average exercise price (NTD)
Original number of units issued	1,117	\$ 60.5
Outstanding units at beginning period	61	46.1
Adjustment due to business combination	15	-
Current units abandoned	-	-
Current units exercised	76	37.1
Outstanding units at ended period	-	
Exercisable shares at ended period	-	

(Continued)

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

(ii) Employee restricted shares

At the meeting held on May 30, 2019, the KINGPAK's shareholders adopted a resolution to issue 500 thousand employee restricted shares, with a par value of \$10 per share, amounting to \$5,000. The terms of issuance and vested requirements of the shares are the same as of the stock exchange effective date, except for the shares which were changed into the Company's ordinary shares according to the exchange ratio. The terms of the employee restricted shares were as follows:

- 1) Employees who work for KINGPAK from the issuance dates (the effective date of the share issuance) to the following vested periods, having met KINGPAK's financial and personal performance, without violating the KINGPAK's working policy, will receive the vested shares as below:
 - a) 1 year service: 30% of the restricted shares will be vested
 - b) 2 year service: 30% of the restricted shares will be vested
 - c) 3 year service: 40% of the restricted shares will be vested
- 2) The restricted rights before the vesting period are as follows:
 - a) The restricted shares are kept by a trust which is appointed by KINGPAK. Also, employees should comply with all procedures and sign the related documents accordingly.
 - b) Except for inheritance, employees may not sell, pledge, transfer, gift, or dispose, by any other means, to third parties.
 - c) The rights of restricted share plan for employees, including dividends, bonuses, the distribution rights of legal reserve and capital surplus, the voting rights at the shareholders' meeting, etc., are the same as those of KINGPAK's issued ordinary shares except for the new shares which could be subscribed in proportion to their original shareholding. The right of attendance, proposal, speech, voting, etc. of the shareholders are exercised according to the agreement which was entered into by the trust.
 - d) Employees may not demand KINGPAK or the trust appointed by KINGPAK to return the restricted shares in any ways.
- 3) The shares of the employees who fail to meet the vesting conditions will be retrieved and cancelled. The related guidelines on restricted stocks should be complied accordingly if the employees retire, succumb to any unfortunate events, voluntarily resign, have been dismissed or transferred to another post, or abandon their restricted shares.

(Continued)

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

Information on restricted stock to employee was as follows:

	2020
	Units (thousand)
Outstanding units at beginning period	500
Adjustment due to business combination	122
Share adjustment due to capital reduction	(152)
Current units forfeited	(140)
Outstanding units at ended period	330

After the restricted shares plan was approved with Rule No.1080333428 issued by the FSC on October 22, 2019, KINGPAK issued 500 thousand shares on November 1, 2019, the effective date.

As of December 31, 2020, the unearned employee compensation was \$23,268.

(r) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2020 and 2019 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	\$ 1,450,675	741,956

2) Weighted-average number of ordinary shares (thousands)

	2020	2019
Weighted-average number of ordinary shares	184,001	165,357

3) Basic earnings per share (NTD)

	2020	2019
Basic earnings per share	\$ 7.88	4.49

(Continued)

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

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2020 and 2019 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,450,675</u>	<u>741,956</u>

2) Weighted-average number of ordinary shares (diluted) (thousands)

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares (basic) (thousands)	184,001	165,357
Effect of employee remuneration (thousands)	1,010	592
Effect of employee restricted shares (thousands)	<u>99</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) on December 31	<u>185,110</u>	<u>165,949</u>

3) Diluted earnings per share (NTD)

	<u>2020</u>	<u>2019</u>
Diluted earnings per share	<u>\$ 7.84</u>	<u>4.47</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>				
	<u>BU1</u>	<u>BU2</u>	<u>BU3</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:					
Singapore	\$ 247,455	-	2,799,775	33,119	3,080,349
Malaysia	625,037	792,504	46,749	189	1,464,479
United States	141,084	74,000	1,055,314	83,708	1,354,106
Hong Kong	100,996	954	1,124,364	2,767	1,229,081
China	227,589	321,822	169,571	801	719,783
Others	<u>207,887</u>	<u>124,180</u>	<u>543,439</u>	<u>38,591</u>	<u>914,097</u>
	<u>\$ 1,550,048</u>	<u>1,313,460</u>	<u>5,739,212</u>	<u>159,175</u>	<u>8,761,895</u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

	2020				
	BU1	BU2	BU3	Others	Total
Major products/services lines:					
Metalized ceramic substrates	\$ 1,549,460	-	700,366	-	2,249,826
Image sensors	-	51,819	3,562,274	-	3,614,093
Hybrid integrated circuits	382	1,207,390	838,119	-	2,045,891
RF modules	206	54,251	638,453	-	692,910
Others	-	-	-	159,175	159,175
	<u>\$ 1,550,048</u>	<u>1,313,460</u>	<u>5,739,212</u>	<u>159,175</u>	<u>8,761,895</u>
	2019				
	BU1	BU2	BU3	Others	Total
Primary geographical markets:					
Singapore	\$ 291,125	15,291	1,672,932	36,179	2,015,527
Malaysia	660,593	786,269	90,293	1,973	1,539,128
United States	157,134	104,715	707,686	49,065	1,018,600
Hong Kong	127,453	1,180	823,832	1,719	954,184
China	391,871	142,413	198,527	1,255	734,066
Others	295,990	179,795	590,853	41,646	1,108,284
	<u>\$ 1,924,166</u>	<u>1,229,663</u>	<u>4,084,123</u>	<u>131,837</u>	<u>7,369,789</u>
Major products/services lines:					
Metalized ceramic substrates	\$ 1,923,764	-	694,243	-	2,618,007
Image sensors	-	109,547	2,085,184	-	2,194,731
Hybrid integrated circuits	246	1,057,964	960,749	-	2,018,959
RF modules	156	62,152	343,947	-	406,255
Others	-	-	-	131,837	131,837
	<u>\$ 1,924,166</u>	<u>1,229,663</u>	<u>4,084,123</u>	<u>131,837</u>	<u>7,369,789</u>

(Continued)

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

(ii) Contract balances

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>January 1, 2019</u>
Accounts receivable (including related parties)	\$ 1,457,344	1,382,748	1,327,611
Contract assets – image sensors product (recorded under other current assets)	82,344	29,905	30,016
Less: allowance for impairment	<u>(49,930)</u>	<u>(61,046)</u>	<u>(76,700)</u>
Total	<u>\$ 1,489,758</u>	<u>1,351,607</u>	<u>1,280,927</u>
Contract liabilities - advance sales receipts (including current and non-current portion)	<u>\$ 301,487</u>	<u>301,596</u>	<u>1,165</u>

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liabilities balance at the beginning of the period were \$180 and \$0, 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, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' and supervisors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors and supervisors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

Based on the Company's articles of incorporation which were approved during the annual meeting of shareholders held on June 21, 2019, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

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

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$106,720 and \$66,728, and directors' and supervisors' remuneration amounting to \$38,354 and \$18,938, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. 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.

The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions in 2020 and 2019. Related information would be available on the Market Observation Post System Website.

(u) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) The concentration of credit risk

The Company caters to a wide variety of customers and has a diverse market distribution, therefore, the Company does not have a significant credit risk concentration. In order to reduce the credit risk, the Company monitors the financial conditions of customers regularly. However, the Company usually does not require customers to provide any collateral.

3) Receivables credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(d). 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)(f).

There were no changes on the allowance for impairment of other receivables for the years ended December 31, 2020 and 2019.

(Continued)

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

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over a year</u>
December 31, 2020				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 629,246	(629,246)	(629,246)	-
Accounts payable to related parties	86,325	(86,325)	(86,325)	-
Other payables	1,096,437	(1,096,437)	(1,096,437)	-
Lease liabilities (including current and non-current portion)	<u>97,738</u>	<u>(123,645)</u>	<u>(10,441)</u>	<u>(113,204)</u>
	<u>\$ 1,909,746</u>	<u>(1,935,653)</u>	<u>(1,822,449)</u>	<u>(113,204)</u>
December 31, 2019				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 421,106	(421,106)	(421,106)	-
Accounts payable to related parties	49,827	(49,827)	(49,827)	-
Other payables	783,265	(783,265)	(783,265)	-
Lease liabilities (including current and non-current portion)	<u>127,487</u>	<u>(162,651)</u>	<u>(11,194)</u>	<u>(151,457)</u>
	<u>\$ 1,381,685</u>	<u>(1,416,849)</u>	<u>(1,265,392)</u>	<u>(151,457)</u>

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 108,458	USD/NTD =28.480	3,088,884	75,796	USD/NTD =29.980	2,272,364
<u>Financial liabilities</u>						
Monetary items						
USD	14,397	USD/NTD =28.480	410,027	11,967	USD/NTD =29.980	358,771
JPY	724,832	JPY/NTD =0.2763	200,271	457,295	JPY/NTD =0.2760	126,213

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY for the years ended December 31, 2020 and 2019 would have increased or decreased the net profit before tax as follows:

	2020	2019
USD (against the NTD)		
Strengthening 5%	\$ 133,943	95,680
Weakening 5%	(133,943)	(95,680)
JPY (against the NTD)		
Strengthening 5%	(10,014)	(6,311)
Weakening 5%	10,014	6,311

(iv) Foreign exchange gains or losses on monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gains (losses), including realized and unrealized portion, amounted to \$(105,598) and \$10,602, respectively.

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2020	December 31, 2019
Fixed-rate instruments:		
Financial assets	\$ 282,151	1,305,000
Variable-rate instruments:		
Financial assets	\$ 1,970,358	1,983,135

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 Company's management assessment of the reasonably possible interest rate change.

(Continued)

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$4,926 and \$4,958 for the years ended December 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings with variable interest rates.

(vi) 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 Company'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:

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
mandatorily measured at fair value through profit or loss (including current and non-current portion)					
Bonds investment –					
Open-end mutual funds	\$ 331,054	331,054	-	-	331,054
Structured deposits	284,886	-	284,886	-	284,886
Stock listed in domestic markets	272,946	272,946	-	-	272,946
Foreign private funds	<u>179,497</u>	-	-	179,497	179,497
Subtotal	<u>1,068,383</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,022,398	-	-	-	-
Notes and accounts receivable, net	1,406,685	-	-	-	-
Accounts receivable due from related parties, net	729	-	-	-	-
Other receivables	12,838	-	-	-	-
Foreign corporate bonds	227,840	-	-	-	-
Refundable deposits	4,103	-	-	-	-
Other financial assets – non-current	<u>5,405</u>	-	-	-	-
Subtotal	<u>3,679,998</u>				
Total	<u>\$ 4,748,381</u>				

(Continued)

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

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
measured at amortized cost					
Notes and accounts payable	\$ 629,246	-	-	-	-
Accounts payable to related parties	86,325	-	-	-	-
Other payables	1,096,437	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>97,738</u>	-	-	-	-
Total	<u>\$ 1,909,746</u>				
	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
mandatorily measured at fair value through profit or loss					
Bonds investment—					
Open-end mutual funds	\$ <u>100,937</u>	100,937	-	-	100,937
Financial assets measured at amortized cost					
Cash and cash equivalents	3,286,975	-	-	-	-
Notes and accounts receivable, net	1,321,702	-	-	-	-
Other receivables	8,944	-	-	-	-
Refundable deposits	3,013	-	-	-	-
Other financial assets—					
non-current	<u>5,000</u>	-	-	-	-
Subtotal	<u>4,625,634</u>				
Total	<u>\$ 4,726,571</u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 421,106	-	-	-	-
Accounts payables to related parties	49,827	-	-	-	-
Other payables	783,265	-	-	-	-
Lease liabilities (including current and non-current portion)	<u>127,487</u>	-	-	-	-
Total	<u>\$ 1,381,685</u>				

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

There were no transfers of financial instruments between any levels for the years ended December 31, 2020 and 2019.

- 2) Valuation techniques for financial instruments measured at fair value— Non-derivative financial instruments

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

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

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

The fair values of the Company'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.

- 3) Changes between Level 3

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2020	\$ -
Total gains and losses recognized in profit or loss	(7,868)
Purchased	<u>187,365</u>
Balance on December 31, 2020	<u><u>\$ 179,497</u></u>

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

For the year ended December 31, 2020, total gains and losses were included in gains (losses) on current assets (liabilities) at fair value through profit or loss.

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

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

The quantified information of significant unobservable inputs was as follows:

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

- (v) Financial risk management

- (i) Overview

The Company has exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following, likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent company only financial statements.

- (ii) Structure of risk management

The Company minimizes the risk exposure by purchasing derivative financial instruments. The Board of Directors regulated the transaction of derivative and non-derivative financial instruments in accordance with the Company's procedures for acquisition and disposal of assets. The internal auditors of the Company continually review the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The Company has no transactions in the financial instruments (including derivative financial instruments) for the purpose of speculation.

(Continued)

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company offers standard payment term and shipment term. New customers may transact with the Company only on a prepayment basis.

In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including listed company and unlisted company. In order to avoid the excess of credit limitation of the customer, the Company constantly monitors the status of the customers. The Company will stop trading with the customer who has no credit limits, unless, the payment has been paid or approved. Furthermore, credit limits of the customers will be assessed quarterly.

The Company sets the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2020 and 2019, the Company did not provide any guarantees.

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TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to notes 6(j) and 6(k) for unused short-term and long-term bank facilities as of December 31, 2020 and 2019.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily NTD. The currencies used in these transactions are denominated in NTD, EUR, USD, and JPY.

2) Interest rate risk

Entities in the Company borrow funds with floating interest rates which results to risks of cash flows.

3) Other market price risk

The Company is exposed to equity price risk due to stocks listed in domestic markets and the quoted open-end fund at fair value.

(w) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 2,849,433	2,144,916
Total equity	21,209,533	10,176,726
Debt-to-equity ratio	13 %	21 %

(Continued)

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

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

(i) The Company's investing and financing activities, which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

- 1) The acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(h).
- 2) The acquisition of 100% shares of KINGPAK through stock exchange. For related information, please refer to note (6)(f).

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

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes Other</u>	<u>December 31, 2020</u>
Lease liabilities (including current and non-current portion)	\$ <u>127,487</u>	<u>(8,383)</u>	<u>(21,366)</u>	<u>97,738</u>
			<u>Non-cash changes Other</u>	<u>December 31, 2019</u>
Short-term borrowings	\$ 4,730	(4,730)	-	-
Lease liabilities (including current and non-current portion)	<u>127,756</u>	<u>(9,490)</u>	<u>9,221</u>	<u>127,487</u>
Total liabilities from financing activities	\$ <u>132,486</u>	<u>(14,220)</u>	<u>9,221</u>	<u>127,487</u>

(7) Related-party transactions

(a) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Tong Hsing Electronics Phils. Inc. (THEPI)	Subsidiary
KINGPAK Technology Inc. (KINGPAK)	Subsidiary

(Continued)

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

(b) Other transaction with related party

(i) Sales

The amounts of significant sales by the Company to related parties were as follow:

	2020	2019
Subsidiary	\$ 713	-

Sales prices for related parties were not significantly different from those of other customers.

(ii) Manufacturing fee

After the Company sold raw materials to THEPI for manufacturing, THEPI will directly transport the products to the customers of the Company. During 2020 and 2019, the manufacturing fee amounted to \$308,596 and \$512,466, respectively. The term is a monthly payment by cash.

(iii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	2020	2019
THEPI	\$ 1,322,904	1,108,661
KINGPAK	126	-
Subsidiaries	\$ 1,323,030	1,108,661

The purchase prices from related parties were not significantly different from those offered by other vendors. The payment terms were monthly closing, which were not significantly different from the payment terms given by other vendors.

(iv) Receivables from related parties

The receivables from related parties were as follows:

Account	Related party categories	December 31, 2020	December 31, 2019
Accounts Receivable	Subsidiaries	\$ 729	-

(Continued)

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

(v) Payable to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Subsidiaries	\$ <u>86,325</u>	<u>49,827</u>
Other payables	"	\$ <u>54</u>	-
Payable on manufacturing (under other payables)	"	\$ <u>29,802</u>	<u>30,400</u>

(vi) Lease

The Company rents parts of its office to its related parties starting from December 2020. The rental revenue for the year ended December 31, 2020, amounted to \$24 and recorded as other income. The above-mentioned amount had been received.

(vii) Property transactions

The disposals of property, plant and equipment to related parties were as follows:

<u>Related party categories</u>	<u>2020</u>		<u>2019</u>	
	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Subsidiaries	\$ <u>13,855</u>	-	<u>3,362</u>	-

The amounts of significant property transactions between the Company and related parties were as follows:

<u>Related party categories</u>	<u>2020 Acquisition price</u>	<u>2019 Acquisition price</u>
Subsidiary	\$ <u>15,383</u>	-

The term is monthly closing and received by cash.

(viii) Other receivables

The receivables due from related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivable	Subsidiaries	\$ <u>12,312</u>	<u>3,156</u>

(Continued)

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

(c) Transactions with key management personnel

	2020	2019
Short-term employee benefits	\$ 135,564	81,676
Post-employment benefits	738	2,886
	\$ 136,302	84,562

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Subject	December 31, 2020	December 31, 2019
Other financial assets – non-current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	\$ 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	352,478	380,748
		\$ 357,883	385,748

(9) Commitments and contingencies

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

	December 31, 2020	December 31, 2019
Future payments for the purchase of equipment and construction in progress	\$ 851,899	95,522

(b) The Company contracted with Chung-Lin General Contractors, Ltd. for the construction of the plant in Bade District, Taoyuan City. As of December 31, 2020, the payment amounting to \$3,184,000 has not been paid.

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

	December 31, 2020	December 31, 2019
Unused and outstanding letters of credit and the deposit for customs duties	\$ 22,300	22,726

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

(Continued)

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

(12) Other

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

By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,268,480	338,044	1,606,524	1,007,196	245,038	1,252,234
Labor and health insurance	106,662	16,065	122,727	98,932	15,745	114,677
Pension	43,776	11,289	55,065	38,838	11,450	50,288
Remuneration of directors	-	38,354	38,354	-	18,938	18,938
Other employee benefits	52,402	6,496	58,898	48,480	6,054	54,534
Depreciation	728,627	24,079	752,706	581,064	19,002	600,066
Amortization	3,929	6,572	10,501	2,390	6,032	8,422

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company were as follows:

	2020	2019
Number of employees	<u>1,932</u>	<u>1,772</u>
Number of directors (non-employees)	<u>8</u>	<u>8</u>
Average employee benefit expense	<u>\$ 958</u>	<u>834</u>
Average employee salary expense	<u>\$ 835</u>	<u>710</u>
Percentage of change in average employee salary expense	<u>17.61 %</u>	<u>(2.61)%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's compensation policy (including directors, managers, and employees) was as follows:

- (i) Compensation of Directors: The Directors' compensation is stipulated according to the Directors' and Managers' Remuneration Policy and the Company's Articles of Incorporation. Compensation of Directors includes professional service fees and remuneration which is determined in accordance with the year ended earning distribution.
- (ii) Remuneration of Managers: The managers' remuneration is determined in accordance with the Directors and Managers' Remuneration Policy and the Company's Articles of Incorporation. Remuneration to Managers includes salary and employee remuneration, which are determined by Company's operating performance and personal performance.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

- (iii) Salary of employees: The employees' salaries are stipulated according to the New Employees' Salary Standard, Management Measures for Employee Salary and Measures for Issuance of Performance Bonus. The salary of employee includes salary, bonus, and employee remuneration which are determined by Company's operating performance and personal performance.
- (iv) Remuneration of employees: According to the Company's Articles, the Company made an earnings distribution which should be approved by salary and compensation committee and Board of Director. Remunerations were paid within authorized limits after approved by the chairman.

(13) Other disclosure items

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2020:

- (i) Loans to other parties:

Unit: In Thousands of New Taiwan Dollars

Number (Noe 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 4)	Maximum limit of fund financing (Note 3)
												Item	Value		
0	The Company	KINGPAK	other receivables- related parties	900,000	900,000	-	Note 5	2	-	Business turnover	-	None	-	2,120,953	8,483,813

Note1: The companies are coded as follows:

1.0 represents the parent company.

2.1 represents the subsidiaries.

Note2: 1.Represents entities with business dealings. 2.Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note3: The total amount available for financing purposes shall not exceed 40% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note4: When funds are loaned to a company for reasons of business dealings, the total amount of loans shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed the total amount of trading between the two companies. The trading amount refers to the year preceding the date of occurrence of the amount of purchase or sale between the parties, whichever is higher. When funds are loaned to a company with short-term financial need, the total amount of loans shall not exceed 30% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note5: The range of interest rates based on bank's published loan rates.

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

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Notes to the Financial Statements

- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account title	Ending balance				Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Open-end mutual funds: Jin Sun Money Market Fund	None	Financial assets at fair value through profit or loss-current	22,144	331,054	-	331,054	
"	Structured deposit: President Securities 1346 DSU 100% Principal Guaranteed Note	"	"	-	284,886	-	284,886	
"	Fund: Wise Road Industry Investment Fund I, L.P.	"	Financial assets at fair value through profit or loss - non - current	Note	179,497	1.93%	179,497	
"	Stock: Shin Kong Financial Holding Co.,Ltd. Preferred Shares B	"	"	6,445	272,946	-	272,946	
"	Bond: Chailase International Bond	"	Financial assets at amortized cost - non - current	-	227,840	-	227,840	
KINGPAK	Stock: eGran Corporation	"	Financial assets at fair value through other comprehensive income - non - current	22	-	-	-	

Note: The amount of investment is USD 6,414 thousand.

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

Unit: thousand units / thousand shares

Company holding securities	Category and name of security	Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Open-end mutual funds: Jin Sun Money Market Fund	Financial assets at fair value through profit or loss-current	-	None	-	-	73,787	1,101,054 (Note 1)	51,643	771,679	770,000	1,679	22,144	331,054
"	Taishin 1699 Money Market Fund	"	-	"	-	-	22,050	300,000 (Note 1)	22,050	300,595	300,000	595	-	-
"	Structured deposits: President Securities 1346 DSU 100% Principal Guaranteed Note	"	-	"	-	-	-	1,150,386 (Note 1)	-	863,241	865,500	(2,259)	-	284,886
"	KINGPAK Technology Inc.	Investment accounted for using equity method	Note 2	"	-	-	57,307	10,735,702 (Note 3)	-	-	-	-	57,307	10,735,702

Note 1 : Included the adjustments on financial assets value.

Note 2 : On June 19, 2020, the Company acquired 100% of KINGPAK's issued and outstanding shares through stock exchange.

Note 3 : Included the consideration transferred for the stock exchange, share of profit (loss) accounted for using equity method and cash dividends.

(Continued)

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

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

Unit: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Plant	August 31, 2020	3,200,000	Paid 16,000	Chung-Lin General Contractors, LTD.	None	N/A	N/A	N/A	-	Open bid	Expansion of the plant	None

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

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

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	1,322,904	39 %	Monthly closing and paid by cash	-	-	Accounts payable (86,267)	(12)%	
"	"	"	Manufacturing fee	308,596	9 %	"	-	-	Note 1	- %	
THEPI	The Company	Parent Company	Sale	(1,322,904)	(79)%	Monthly closing and received by cash	-	-	Accounts receivable 86,267	75 %	
"	"	"	Manufacturing revenue	(308,596)	(18)%	"	-	-	Accounts receivable 29,802	26 %	

Note 1: The other payables amounted to \$29,802 as of December 31, 2020.

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

- (ix) Information regarding trading in derivative financial instruments: None.

- (b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Losses) of the Investee	Share of profit (losses) of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying amount			
The Company	THEPI	Philippines	Sales and manufacturing of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensors	2,016,853	2,016,853	28,793	100 %	1,209,616	40,304	28,648	-
"	KINGPAK	Taiwan	Sales and manufacturing of automobile related packing field and safety monitoring related CMOS image sensor.	10,800,443 (Note)	-	57,307	100 %	10,735,702	153,298	100,747	-

Note: The invested amount was based on the 71,290,049 ordinary shares, which were issued for the stock exchange, and the listed price of the Company on June 19, 2020 (date of stock exchange).

(Continued)

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

- (c) Information on investment in mainland China: None.
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
KAIMEI Electronic Corp.		9,451,414	5.28 %

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

(14) Segment information

Please refer to the consolidated financial report of 2020.

VI. Impact of Financial Difficulties of the Company and Its Affiliates on the Company's Financial Position during the Most Recent Years and up to the Date of Publication of the Annual Report: None

Chapter 7 Financial Status and Operating Results

I. Financial Status

Comparative Analysis of Financial Status

Unit: NT\$ thousand dollars

Item	Year	2020	2019	Difference	
				Amount	%
Current Assets		7,962,533	6,491,899	1,470,634	22.65
Property, Plant and Equipment		7,825,277	5,584,092	2,241,185	40.14
Intangible Assets		8,614,290	68,940	8,545,350	12395.34
Other Assets		1,035,073	277,860	757,213	272.52
Total assets		25,437,173	12,422,791	13,014,382	104.76
Current Liabilities		3,801,650	1,762,168	2,039,482	115.74
Non-current Liabilities		425,990	483,897	-57,907	-11.97
Total liabilities		4,227,640	2,246,065	1,981,575	88.22
Equity Attributable to Shareholders of the Parent		21,209,533	10,176,726	11,032,807	108.41
Share capital		1,787,083	1,653,575	133,508	8.07
Capital Surplus		15,120,168	4,997,188	10,122,980	202.57
Retained earnings		4,432,991	3,589,674	843,317	23.49
Others Equity		(130,709)	(63,711)	-66,998	105.16
Treasury stock		-	-	-	-
Total Equity		21,209,533	10,176,726	11,032,807	108.41

Description and explanation of significant changes (over 20% before and after change, with change amount of up to NT\$ 10 million or more):

1. Increase in Current Assets: Mainly due to increase in accounts receivable and inventories by acquisition of the subsidiaries.
2. Increase in Property, Plant and Equipment: Mainly due to increase in property, plant and equipment by acquisition of the subsidiaries.
3. Increase in Intangible Assets: Mainly due to increase in intangible assets by acquisition of the subsidiaries.
4. Increase in Other Assets: Mainly due to increase in non-derivative financial assets of the year.
5. Increase in Total Assets: Mainly due to increase in assets by acquisition of the subsidiaries.
6. Increase in Current Liabilities: Mainly due to increase in short-term borrowings and accounts payable by acquisition of the subsidiaries.
7. Increase in Total Liabilities: Mainly due to increase in liabilities by acquisition of the subsidiaries.
8. Increase in Equity attributable to Owners of Parent Company: Mainly due to increase in capital reserve by acquisition of the subsidiaries.
9. Increase in Capital Reserve: Mainly due to increase in capital reserve by acquisition of the subsidiaries.
10. Increase in Retained Earnings: Mainly due to increase in profits of the year.
11. Decrease in Other Equity: Mainly due to appreciation of NT dollars, leading to decrease in accumulated conversion adjustments and acquisition of subsidiaries.
12. Increase in Total Equity: Mainly due to increase in capital reserve by acquisition of the subsidiaries.

II. Financial Performance

(I) Financial Performance

Unit: NT\$ thousand dollars

Item \ Year	2020	2019	Increase (Decrease) Amount	% of Change
Operating revenue	10,178,002	7,430,654	2,747,348	36.97
Gross profit	2,895,796	1,599,744	1,296,052	81.02
Net Operating Income	2,005,447	911,877	1,093,570	119.93
Non-operating Income and Expenses	(156,642)	30,369	-187,011	-615.80
Income before Income Tax	1,848,805	942,246	906,559	96.21
Income from Continuing Operations	1,450,675	741,956	708,719	95.52
Loss from Discontinuing Operations	-	-	-	-
Net Income	1,450,675	741,956	708,719	95.52
Other Comprehensive Income (Loss), After Tax	(72,410)	(21,770)	-50,640	232.61
Comprehensive Income	1,378,265	720,186	658,079	91.38
Net Income Attributable to Shareholders of the Parent	1,450,675	741,956	708,719	95.52
Net Income Attributable to Minority Equity	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	1,378,265	720,186	658,079	91.38
Comprehensive Income Attributable to Minority Equity	-	-	-	-

Explanations for Significant Changes (over 20%):

1. Increase in Operating Income, Gross Profits and Net Profits: Mainly due to increase in acquisition of the subsidiaries.
2. Decrease in Non-operating Income and Expenses: Mainly due to the increase in foreign exchange losses arising from the fluctuation to exchange rate.
3. Increase in Pre-tax Net Profits, Net Profits of Surviving Unit during the Period, and Net Profits of the Period: Mainly due to increase in profits of the year.
4. Decrease in Other Comprehensive Income: Mainly due to decrease in defined benefit plan of the year.
5. Increase in Total Comprehensive Income of the Period, Net Profits attributable to Owners of the Parent Company and Total Comprehensive Income attributable to the Parent Company: Mainly due to increase in net profits of the year.

III. Cash Flow

(I) Analysis Cash Flow Changes during the Most Recent Fiscal Year

Unit: NT\$ thousand dollars

Cash at Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investing and Financing Activities	Effect of Change to Exchange Rate	Cash balance (Deficit)	Remedial Measures for Cash Inadequacy	
					Investment Plan	Financing Plan
3,704,146	2,527,646	(2,404,992)	(35,626)	3,791,174	-	-

1. Net cash flows increased by NT\$ 1,551,312 thousand compared with that of the previous period mainly because:

	2020	2019	Increase (decrease) in Net Cash Inflow (Outflow)
Operating Activities	2,527,646	1,881,504	646,142
Investing Activities	(1,232,447)	(2,076,836)	844,389
Financing Activities	(1,172,545)	(1,253,065)	80,520
Foreign Currency Exchange Rate	(35,626)	(15,887)	(19,739)
Net Cash Flow	87,028	(1,464,284)	1,551,312

- a. Increase in Net Cash Inflow of Operating Activities: Mainly due to increase in pre-tax net profits arising from acquisition of the subsidiaries, leading to increase in net cash inflow of the operating activities of the year.
- b. Increase in Net Cash Inflow of the Investment Activities: Mainly due to acquisition and construction of property, plant and equipment in 2019.
- c. Increase in Net Cash Inflow of the Financing Activities: Mainly due to decrease in the short-term borrowings of the year.
- d. Foreign Currency Exchange Rate: Mainly from the impact of exchange difference on the translation of financial reports of foreign operating agencies.

2. Action Plans to Improve the Cash Flow: Not Applicable.

(II) Cash Liquidity Analysis for the Upcoming Year

The Company's estimated cash outflows in the next year mainly relate to future operating plan and investment demands. In addition to cash inflow expenditures of the operating activities, we plan to take bank loans to finance the capital demands if the cash balance is not sufficient.

IV. Significant Capital Expenditure and Its Impact on the Company's Financial Operations in the Most Recent Fiscal Year

(I) Application of Major Capital Expenditures and Capital Source Unit: NT\$ thousands

Plan	Actual or Planned Source of Capital	Application of Actual Capital for 2020
Property, plant and equipment	Own funds and bank loans	1,783,820

(II) Expected Benefits

1. Expand the production capacity of ceramic metalized substrates and increase product quality to satisfy customer requirements.
2. Expand the production capacity of image sensors and enhance process technologies to satisfy customer requirements.
3. These measures will help us reduce costs and increase operating profits.

V. Investment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Profitability, and Investment Plans for the Coming Year

(I) Profits or losses from reinvestments as of December 31, 2020

Unit: NT\$ thousand dollars

Investee Business	Number of Shares Invested (thousand shares)	Investment Shares Percentage	Net Equity	Accounting Method	2020 Losses on Investments
Tong Hsing Electronics Phils, Inc.	28,793	100.00%	1,228,002	Equity Method	28,648
Kingpak Technology Inc.	57,307	100.00%	1,944,982	Equity Method	100,747

(II) Investee business analysis table

Unit: NT\$ thousand dollars

Investee Business	Investment Amount	Policies	Main Reasons for Profit or Loss	Improvement Plan	Other Future Investment Plans
Tong Hsing Electronics Phils, Inc.	0	100% owned - a low-cost production hub	There are risks of rise in costs and losses because the production capacity of the profitable production portfolio is reduced, which fails to attain the economies of scale.	Adjust product portfolio	None
Kingpak Technology Inc.	10,800,443 (Note 1)	Expand the field of application and increase the market share in combination of the advantage of the image sensors.	Continue to expand the capacity, facilitate automation production, and develop new customers to maintain profit making.	Enhance expansion of business	None

Note: The investment amount is based on the stock exchange per 71,290,049 shares and stock price per share on June 19, 2020.

VI. Risk Analysis and Assessment

(I) Impact on Corporate Profitability from Fluctuating Interest Rates, Exchange Rates, and Inflation

The Company prioritizes security management for the allocation of capital and regularly evaluates reasonable return on investments. We established specific foreign exchange operating strategies and rigorous monitoring procedures to monitor changes in foreign exchange rates. In addition, we also closely monitor changes in market prices and maintain good interactions with suppliers and customers. By collecting information of the inflation and government pricing policy, we have not suffered material impact as a result of inflation and will continue to uphold the risk management strategy to reduce the impact of interest rate, exchange rate variation, and inflation on the Company's income.

(II) Profit or Loss from Activities in High Risk and Highly Leveraged Investments, Loans Provided to Others, Endorsements and Guarantees, and Derivatives:

The Company does not engage in high-risk and high-leverage investments. All investments are carefully evaluated before implementation. The Company did not engage in endorsements and guarantees or transactions in derivatives in 2020, and only formulated the measures for the loans and the limit, passed by the Board of Directors, for the Company's wholly-owned subsidiary in the Philippines and Kingpak Technology Inc. Related matters were handled in accordance with the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees".

(III) Future R&D Plans and Expected R&D Spending

Apart from the basic research and development on new production processes and materials, we will continue to focus on the technology developments in the application areas of communication, high frequency, high power, detector, image sensors, automobiles, and biomedicine, etc. Total capital put in for R&D is estimated at NT\$150 million.

(IV) Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Domestic and International Policies and Regulations:

The Company's operation follows the relevant laws and regulations as the top guidelines. Thus, our operation team pays attention to any changes of the appropriate laws and regulations at any time, so as to cope with various situations arising from changes to the laws and regulations. So far, the Company's significant strategies have not been altered with changes to laws and regulation.

(V) Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Technology

Our business is closely linked to mobile communication, energy saving, clean energy and automotive industries.

4G Wireless communication technologies have advanced through many generations. As new applications such as IoT and autonomous vehicles gradually become main industrial development trends of the future, the demand for wireless connection bandwidths will significantly increase. The existing technologies will no longer be able to support the 5G requirements of these new applications and new technologies must be adopted. Facing the transition, the Company is fully dedicating to developing SAW Filter packaging used in wireless communications and new ceramic substrate production technology for quartz oscillators.

The mobile communication industry is mainly powered by smart phones, tablet computers, and wearable devices. After the boom in the past few years, market demands for smartphones, tablet and wearable devices have slowed down. Therefore, the focus of development has shifted to increased diversification in applications. The market is now oriented toward the integration of more wireless functions, smaller and more energy-efficient designs, image sensors with higher pixels, dual-lens designs, high-speed laser auto focus, and 3D image sensing applications. It requires more integrated MEMS applications, micro base stations that supply high bandwidths and seamless connections, and other new technologies. To cater to the trend, we will keep polishing our packaging technologies and expand the capacity for image sensors, in addition to the on-going developments on 3D image and autofocus sensors and on VCSEL products.

For energy saving applications, amid the heating-up competition in LED market, we will continue to improve the cost structure to stay competitive; in the meantime, we will expand towards new applications, such as substrates used for TEC and semiconductor laser module packaging.

In the clean energy field, several sectors, including high-power AC/DC converting IC and the associated module and packaging service, are rising, as they are needed in solar and wind power generation, as well as in electronic vehicles. One of the important components is the power module, which has high requirements for heat dissipation and insulation. The next-generation products will be SiC power components with higher working temperature. DBC substrates will offer strengths such as a high working temperature, high heat conductivity, high insulation resistance, and low thermal expansion coefficient and currently the ideal choice for power module substrate.

In the automobile market, LED lights have also gradually replaced halogen lamps and HID lamps. The Company actively develops various high-reliability ceramic substrates to meet customer demands and expand market share. In smart vehicle and autonomous driving applications, gesture control and LiDAR technologies have gradually gained prominence in the market. In addition, our packaging and testing solutions for 3D image sensors and laser application are on the way to fit the needs of gesture control and LiDAR for smart cars and the self-driving platforms.

We will strive to meet the customers' needs in terms of capacity and future applications.

(VI) Impact on the Company's Risk Management and Contingency Action Regarding Recent Changes in Corporate Image: None.

(VII) Anticipated Benefits, Possible Risks and Contingency Action of Mergers and Acquisition:

The Company acquired 100% of equity from Kingpak on June 19, 2020 in the form of share transfer, to have control over Kingpak. Kingpak mainly engages in the production and sales of packaging test car and security control CMOS image sensors. After acquiring Kingpak, in addition to synergy of production lines and customer base, the Company also integrated technology and improved production resource efficiency, expanded application in such fields and markets as intelligent mobile phones, IoT, advanced driving, car networking, virtual and augmented reality with cutting-edge CMOS image sensor technology, provided customers with more complete CMOS image sensor packaging test service, and gave full play to a comprehensive effect, so as to seize the market share of the key components.

From the acquisition date to December 31, 2020, the revenue and net profits from Kingpak were NT\$ 1,358,600 thousand and NT\$ 153,872 thousand respectively. If such acquisition occurred on January 1, 2020, the Administration estimated that the revenue and net profits of the Company after acquisition in 2020 were NT\$ 11,237,494 thousand and NT\$ 1,220,255 thousand respectively.

Therefore, shareholders' rights, the Company's business effect and operating revenue and profits arising from acquisition were in line with the expectation.

(VIII) Risk of Excess Capacity from Fluctuating Economics Conditions

The Company purchased the land in Bade District of Taoyuan City after obtaining the approval of the Board of Directors on June 13, 2019. The land shall be used for the construction of a plant to expand production capacity to respond to growing demands in the industry. It is estimated that the use permit will be obtained on February 1, 2022. Although the expansion of plant buildings requires heavy capital investments, it extends the range of the Company's product line and expands production capacity to attain economies of scale, which will in turn increase revenue and profits, and expand our market share. In conclusion, the Company's current phase of plant expansion was carefully evaluated and planned with the aim of satisfying customer demand, while making optimal use of capital. Therefore, the benefits of future plant expansion will be gradually visible and the risks of plant building expansion are limited.

(IX) Risk of Profit/Loss if Sales/Material Is Concentrated on a Single or Few Customers/Suppliers, and a Major Customers / Supplier Reduces Its Orders / Supplies

The Company shall continue to actively develop new products and new customers to reduce the risks of over reliance on one single customer.

The Company has not had any individual suppliers that account for more than 20% of overall net purchases or individual customers that account for more than 20% of overall net sales. Therefore, there are currently no risks of over-reliance on one single supplier. In addition to maintaining positive relations with existing customers, the Company also develops new customers and new businesses to expand the scale of revenues and reduce dependency on individual customers.

(X) Risk of Change of Control and Stock Price Fluctuation from Large Scale Transfer of Shares: None.

(XI) Impact and risk associated with changes in Management Rights, and Countermeasures: None.

(XII) In terms of litigation or non-litigation matters, the Company and the Company's directors, supervisors, general manager, actual responsible person, and shareholders holding more than 10% of the company shares, who are involved in a major lawsuit of a subsidiary company that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed:

Except for the following litigation involving Kaimei Electronic Corp., a Director with more than 10% of shares, and Kingpak Technology Inc., there are no concluded or pending litigious, non-litigious, or administrative litigation events involving a Director, Supervisor, General Manager, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company that may have a significant impact on shareholders' equity or securities prices:

1. Kaimei Electronic Corp., a Director with more than 10% of shares

Kaimei Electronic Corp., a Director with more than 10% of shares of the Company, was dissolved after its merger with Teapo Electronic Corp. (hereinafter referred to as Teapo) on September 30, 2019. The surviving company, Teapo, took over the rights and obligations of Kaimei Electronic Corp. after the merger and took over Kaimei Electronic Corp.'s role as Director. Teapo was renamed Kaimei Electronic Corp. (hereinafter referred to as Kaimei) and therefore the litigations involving Kaimei Electronic Corp. include those of Teapo.

(1) The plaintiff XX Chen claimed that the plaintiff has been employed by Kaimei (previously Teapo) since April 1, 2013. As the plaintiff objected to the severance notice delivered by Kaimei on December 21, 2016, the plaintiff filed a claim to Taipei District Court for the confirmation of the employment relationship between the parties and requested Kaimei to pay unpaid salaries totaling NT\$379,801 and, starting from December 1, 2017 to the date of reinstatement, pay a monthly salary of NT\$44,700 and a quarterly bonus of NT\$44,274. In the trial in the court of first instance, Taipei District Court found Kaimei's dismissal illegal and rendered a verdict on February 13, 2018 confirming the existence of the employment relationship between the parties. The Court deducted the severance pay of NT\$128,289 previously paid by Kaimei to XX Chen, required Kaimei to pay the plaintiff's unpaid salary totaling NT\$377,830 and the monthly salary of NT\$44,700 from December 1, 2017 to the date of the reinstatement of the plaintiff, and revoked other claims of the plaintiff. Kaimei rejected the judgment and filed an appeal. The court of second instance, Taiwan High Court, rendered a judgment on April 9, 2019 and rejected Kaimei's appeal. Kaimei refrained from filing additional appeals and paid XX Chen's salary totaling NT\$1,093,030 and litigation expenses for the court of first instance totaling NT\$27,631 based on the judgment for the court of second instance. Therefore, the case was concluded.

(2)Kaimei (previously Teapo) filed a suit against XX Chen in 2017 for breach of trust based on the sales representative XX Chen's deliberate quotation to an external party at a price lower than the Company's pricing standards while fully aware of the Company's pricing standards, and the acceptance of the purchase order. Taipei District Prosecutors Office dropped the case on May 29, 2019 and Kaimei did not petition for a review. The case was thus concluded.

In conclusion, the aforementioned cases were concluded. Based on the capital and business scale of Kaimei, the results of litigation of the aforementioned cases had no material impact on the finances and businesses of Kaimei. Therefore, the ultimate results had no material negative impact on the Company's finances and businesses, or the stockholders' equity or securities prices of the Company.

2.Subsidiary Kingpak Technology Inc.

(1)The former director Mr. Chang requested the Company to pay the outstanding accounts payable of NT\$ 25,058 thousand in August 2014.Taipei District Court rendered a judgment on October 1, 2015 that both the claim of the former director Mr. Chang and the claim for execution were rejected. The Company prevailed. (Case No. : CSZ 832/ 2014). Mr. Chang instituted an appeal. The High Court judged against the Company on August 31, 2016 (Case No. : CSZ 1032/2015). The Company instituted an appeal. The Supreme Court remanded the case to the High Court for retrial on November 8, 2018 (Case No.: TSZ 1699/ 2018). On October 16, 2019, the High Court ruled against the Company in part with compensation to former director Mr. Chang amounted to NT\$ 5,428 thousand, bearing interest at annual interest rate of 5% from the date following service of the complaint to the date of settlement (Case No.: CSGYZ 164/ 2018). Both parties instituted an appeal. The Supreme Court remanded the case to the High Court for retrial in December 2020 (Case No.: TSZ 2928/ 2020). This case is now being tried by Taipei High Court.

The Company has estimated the damage compensation amount of NT\$8,703,000.

(2)Holland Boschman Technologies BV filed a lawsuit against the Company for violation of the Machinery Equipment Order Contract in March 2014.Hsinchu District Court rendered a verdict in the first instance on September 22, 2014 against the Company, ordering the Company to pay USD 249 thousand and bear overdue interest at monthly interest rate of 0.75% from March 17, 2013 (Case No.: CSZ 40/ 2014). The Company filed an appeal in October 2014.Taipei High Court ruled in favor of the Company in June 2020.The counterparty instituted an appeal. This case is now being tried by the Supreme Court.

The Company has estimated the damage compensation amount of NT\$12,906,000.

(XIII) Other Significant Risks: None.

VII. Other Important Matters: None.

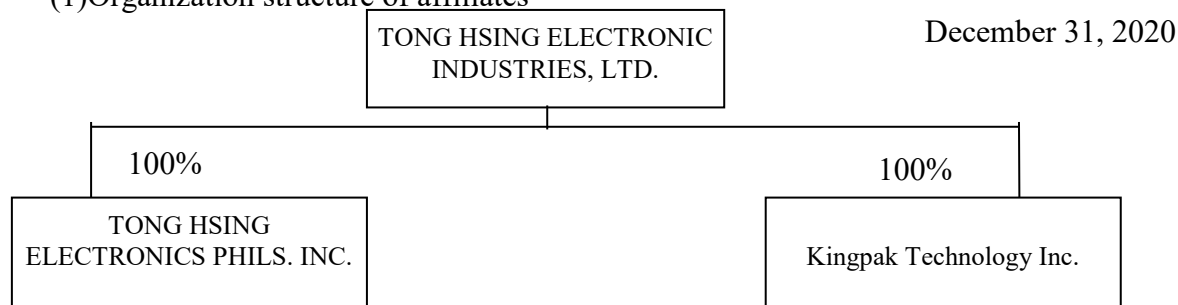
Chapter 8 Special Disclosure

I. Information on Affiliates

(I) Consolidated Operating Report

1. Organizational Chart

(1) Organization structure of affiliates



(2) Basic Information of the Company's Affiliated Enterprises:

December 31, 2020; Unit: NT\$ thousand dollars

Name of Corporation	Date of incorporation	Region	Capital	Major Business
TONG HSING ELECTRONICS PHILS. INC.	Sep. 1994	Philippines	1,633,651	Sale and Production for RF modules, hybrid, ceramic substrates and image sensor products.
Kingpak Technology Inc.	May 1991	Tai Wan	573,071	Packaging test for vehicle and security control CMOS image sensor

(3) Information for Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

(4) Industry of the overall business of the affiliates: The industry of the Company includes production and sale of RF communication modules, ceramic circuit boards, hybrid integrated circuit modules, image products and other electronic products. Business of affiliates and their relationship: Production and sale of RF communication modules, ceramic circuit boards, hybrid integrated circuit modules, image products and other electronic products.

(5) Directors, Supervisors and General Manager of Affiliated Enterprises

Unit: thousand shares; %

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	Ownership (%)
TONG HSING ELECTRONICS PHILS. INC.	Chairman	Hsi-Hu Lai	28,793	100%
	Director/General Manager	Lin Ching-Hsing		
	Directors	Chia Li Huang		
	Directors	Jocelyn C. Francia		
	Directors	Roberto Jose Castillo		
Kingpak Technology Inc.	Chairman	Hsi-Hu Lai	57,307	100%
	Directors	Tai Ming Chen		
	Director/General Manager	Chai Shuai Chang		

(II) Summarized Operation Results of Affiliated Enterprises

December 31, 2020; Unit: NT\$ thousand dollars

Name of Corporation	Capital	Total Assets	Total liabilities	Net Worth	Operating revenue	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share (\$)
Tong Hsing Electronics Phils, Inc.	1,633,651	1,554,951	326,949	1,228,002	1,678,646	43,854	40,304	1.40
Kingpak Technology Inc.	573,071	3,200,576	1,255,594	1,944,982	2,418,697	60,135	(76,641)	(1.34)

Note: Exchange rate as of December 31, 2020: US\$ / NT\$ = 28.48

Average exchange rate in 2020: US\$ / NT\$ = 29.549

(III) Consolidated Financial Statements Covering Affiliated Enterprises

Statement of Declaration

The entities that are required to be included in the consolidated financial statements of Tong Hsing Electronic Industries, Ltd. for 2020 (ended December 31, 2020) under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of the affiliates is included in the parent-subsidary consolidated financial statements. Consequently, Tong Hsing Electronic Industries, Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company name: Tong Hsing Electronic Industries, Ltd.

Chairman: Tai Ming Chen

Date: March 11, 2021

(IV) Report on Affiliations: None.

- II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the following information shall be disclosed: the date on which the placement was approved by the Board of Directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None.**
- III. Holding or Disposal of Shares in the Company by Subsidiaries During the Most Recent Years and up to the Date of Publication of Annual Report: None.**
- IV. Supplementary Disclosures: None.**

Chapter 9 Occurrence of Any Events that have Significant Impact on the Shareholders' Rights or Securities Prices as Stated in Item 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act During the Most Recent Years and up to the Date of Publication of the Annual Report: None.

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Chairman: Tie-Min Chen