

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of SINHER TECHNOLOGY INC. 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 endorsed 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, SINHER TECHNOLOGY INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: SINHER TECHNOLOGY INC.

Chairman: Ting-Hung Su

Date: February 25, 2021

Independent Auditors' Report

To the Board of Directors of SINHER TECHNOLOGY INC.:

Opinion

We have audited the consolidated financial statements of SINHER TECHNOLOGY INC. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statement 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group 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 the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

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. In our judgment, the key audit matters to that should communicate in the audit report are as follows:

1. Valuation of Inventories

Please refer to note (4)(h) "Inventories" for accounting policies with respect to valuating inventories; note (5) "Valuation of inventories" for accounting estimates and uncertainties of affairs for inventory valuation; and to note (6)(c) for the information regarding the estimation of net realizable value of inventories.

Description of key audit matter:

The inventory is measured at the lower of cost or net realizable value. The Group produces the electronic products which are customized with short life cycle; therefore, if the quantities of products manufactured are more than the quantities of customers' order, the book value of inventory may be lower than net realizable value of inventories. Therefore, the valuation of inventories is one of the significant assessment items in our audit procedures.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matter included: assessing whether the policies for the inventory valuation of the Group are in accordance with the related accounting standards and consider the possible impact of COVID-19; inspecting the aging inventory reports; analyzing the changes in the aging reports, as well as testing the classification of the range of the aging and the calculation at the lower of cost or net realizable value.

2. Operating Revenue

Please refer to note (4)(m) "revenue recognition" for the accounting policies of operating revenue recognition (including revenue recognition of external warehouse).

Description of key audit matter:

The main activities of the Group include researching-developing, manufacturing and selling the parts of hinge. The operating revenue is a significant item for the consolidated financial statements, and the amounts and the changes of operating revenue may affect the users' understanding of the entire financial statements. Therefore, the test of revenue recognition is one of the significant assessment items in our audit procedures.

How the matter was addressed in our audit:

Our main audit procedures for the aforementioned key audit matter included: testing the related controls surrounding revenue recognition in the sales and collection cycle; performing the detailed test of sales; as well as selectively conducting confirmations on accounts receivables and revenue recognition of external warehouse; evaluating whether the timing of the operating revenue recognition of the Group is in accordance with the related accounting standards and consider the possible impact of COVID-19.

Other Matter

SINHER TECHNOLOGY INC. has additionally prepared its parent company only financial statements as of and for the year's ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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 and issued into effect 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, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the Group's 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 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 the Group'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 the Group'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 the Group 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 the Group 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 Kuan-Ying Kuo and Hsing-Fu Yen.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 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' 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' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
SINHER TECHNOLOGY INC. 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	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 1,146,401	26	1,297,167	34	2100	Short-term borrowings (note (6)(f))	\$ 57,119	1	-	-
1150	Notes receivable (note (6)(b))	262	-	295	-	2170	Accounts payable	407,549	9	168,526	4
1170	Accounts receivable, net (note (6)(b))	1,385,218	31	996,199	26	2219	Other payables (note (7))	269,723	6	231,789	6
1310	Inventories (note (6)(c))	523,377	12	285,674	7	2230	Current tax liabilities	75,442	2	78,278	2
1476	Other current financial assets	38,207	1	18,877	1	2280	Current lease liabilities (note (6)(g))	687	-	1,000	-
1479	Other current assets	17,173	-	10,080	-			810,520	18	479,593	12
		3,110,638	70	2,608,292	68						
Non-current assets:						Non-Current liabilities:					
1600	Property, plant and equipment (note (6)(d))	1,122,081	26	1,014,741	26	2570	Deferred tax liabilities	67,214	2	74,935	2
1755	Right-of-use assets (note (6)(e))	71,024	2	72,748	2	2580	Non-current lease liabilities (note (6)(g))	256	-	943	-
1840	Deferred tax assets (note (6)(j))	97,196	2	142,200	4	2640	Net defined benefit liability, non-current	564	-	516	-
1920	Guarantee deposits paid	4,230	-	1,251	-			68,034	2	76,394	2
1990	Other non-current assets	12,727	-	13,057	-			878,554	20	555,987	14
		1,307,258	30	1,243,997	32						
						Total liabilities					
						Equity: (note (6)(k))					
						3110	Ordinary share	744,172	17	744,172	19
						3200	Capital surplus	440,035	10	440,035	12
							Retained earnings:				
						3310	Legal reserve	423,519	10	402,810	10
						3320	Special reserve	43,940	1	-	-
						3350	Unappropriated retained earnings	1,923,255	43	1,753,225	46
								2,390,714	54	2,156,035	56
						3410	Exchange differences on translation of foreign financial statements	(35,579)	(1)	(43,940)	(1)
							Total equity	3,539,342	80	3,296,302	86
Total assets		\$ 4,417,896	100	3,852,289	100	Total liabilities and equity		\$ 4,417,896	100	3,852,289	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
SINHER TECHNOLOGY INC. 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 Common Share)

		2020		2019	
		Amount	%	Amount	%
4100	Operating revenues (note (6)(m))	\$ 2,940,744	100	2,247,357	100
5110	Cost of sales (notes (6)(c), (6)(i), (6)(n), (7) and (12))	1,959,814	67	1,613,988	72
5900	Gross profit	980,930	33	633,369	28
	Operating expenses (notes (6)(i), (6)(n), (7) and (12))				
6100	Selling expenses	75,938	3	70,971	3
6200	Administrative expenses	126,351	4	126,722	5
6300	Research and development expenses	123,388	4	127,894	6
		325,677	11	325,587	14
6900	Net operating income	655,253	22	307,782	14
	Non-operating income and expenses:				
7100	Interest income	9,578	-	19,262	1
7190	Other income	16,395	1	6,368	-
7230	Foreign exchange gains, net (note (6)(o))	(132,832)	(5)	(60,087)	(3)
7050	Finance costs	(67)	-	(201)	-
7590	Miscellaneous disbursements	(3,252)	-	(884)	-
		(110,178)	(4)	(35,542)	(2)
7900	Profit before tax	545,075	18	272,240	12
7950	Less: Tax expenses (note (6)(j))	124,196	4	65,147	3
	Profit	420,879	14	207,093	9
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(i))	(196)	-	3	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (note (6)(j))	(39)	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(157)	-	3	-
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	10,451	-	(58,726)	(3)
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (note (6)(j))	2,090	-	(11,745)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss	8,361	-	(46,981)	(2)
8300	Other comprehensive income	8,204	-	(46,978)	(2)
8500	Comprehensive income	<u>\$ 429,083</u>	<u>14</u>	<u>160,115</u>	<u>7</u>
	Earnings per common share (note (6)(l))				
9750	Basic earnings per share (expressed in dollars)	<u>\$ 5.66</u>		<u>2.78</u>	
9850	Diluted earnings per share (expressed in dollars)	<u>\$ 5.6</u>		<u>2.77</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		Retained earnings					Exchange differences on translation of foreign financial statements	Total equity
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
A1	Balance at January 1, 2019	\$ 744,172	462,360	355,793	32,846	1,798,435	3,041	3,396,647
Appropriation and distribution of retained earnings:								
B1	Legal reserve appropriated	-	-	47,017	-	(47,017)	-	-
B5	Cash dividends of ordinary share	-	(22,325)	-	-	(238,135)	-	(260,460)
B17	Reversal of special reserve	-	-	-	(32,846)	32,846	-	-
		-	(22,325)	47,017	(32,846)	(252,306)	-	(260,460)
D1	Profit for the year ended December 31, 2019	-	-	-	-	207,093	-	207,093
D3	Other comprehensive income for the year ended December 31, 2019	-	-	-	-	3	(46,981)	(46,978)
D5	Total comprehensive income for the year ended December 31, 2019	-	-	-	-	207,096	(46,981)	160,115
Z1	Balance at December 31, 2019	744,172	440,035	402,810	-	1,753,225	(43,940)	3,296,302
Appropriation and distribution of retained earnings:								
B1	Legal reserve appropriated	-	-	20,709	-	(20,709)	-	-
B3	Special reserve appropriated	-	-	-	43,940	(43,940)	-	-
B5	Cash dividends of ordinary share	-	-	-	-	(186,043)	-	(186,043)
		-	-	20,709	43,940	(250,692)	-	(186,043)
D1	Profit for the year ended December 31, 2020	-	-	-	-	420,879	-	420,879
D3	Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(157)	8,361	8,204
D5	Total comprehensive income for the year ended December 31, 2020	-	-	-	-	420,722	8,361	429,083
Z1	Balance at December 31, 2020	\$ 744,172	440,035	423,519	43,940	1,923,255	(35,579)	3,539,342

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

		<u>2020</u>	<u>2019</u>
AAAA	Cash flows from (used in) operating activities:		
A10000	Profit before tax	\$ 545,075	272,240
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	153,532	163,626
A20200	Amortization expense	6,567	6,324
A20300	Expected credit loss (gain)	214	(474)
A20900	Interest expense	67	201
A21200	Interest income	(9,578)	(19,262)
A29900	Others	1,148	738
A20010	Total adjustments to reconcile profit (loss)	<u>151,950</u>	<u>151,153</u>
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets:		
A31130	Decrease in notes receivable	33	426
A31150	Decrease (increase) in accounts receivable	(389,268)	124,435
A31200	Decrease (increase) in inventories	(237,703)	47,374
A31240	Decrease (increase) in other current assets	(7,093)	8,952
A31250	Decrease (increase) in other current financial assets	(21,619)	3,485
A31000	Total changes in operating assets	<u>(655,650)</u>	<u>184,672</u>
A32000	Changes in operating liabilities:		
A32150	Increase (decrease) in accounts payable	239,023	(41,035)
A32180	Increase (decrease) in other payables	39,816	(15,573)
A32240	Decrease in net defined benefit liability	(148)	(144)
A32000	Total changes in operating liabilities	<u>278,691</u>	<u>(56,752)</u>
A30000	Total changes in operating assets and liabilities	<u>(376,959)</u>	<u>127,920</u>
A20000	Total adjustments	<u>(225,009)</u>	<u>279,073</u>
A33000	Cash inflow (outflow) generated from operations	320,066	551,313
A33100	Interest received	11,867	20,893
A33300	Interest paid	(67)	(201)
A33500	Income taxes paid	(92,125)	(185,432)
AAAA	Net cash flows from (used in) operating activities	<u>239,741</u>	<u>386,573</u>
BBBB	Cash flows from (used in) investing activities:		
B02700	Acquisition of property, plant and equipment	(255,868)	(96,145)
B02800	Proceeds from disposal of property, plant and equipment	227	303
B03800	Decrease (increase) in guarantee deposits paid	(2,979)	243
B04500	Acquisition of intangible assets	(6,230)	(1,822)
BBBB	Net cash flows from (used in) investing activities	<u>(264,850)</u>	<u>(97,421)</u>
CCCC	Cash flows from (used in) financing activities:		
C00100	Increase in short-term borrowings	57,119	-
C00200	Decrease in short-term borrowings	-	(80,000)
C03000	Increase (decrease) in guarantee deposits received	27	(239)
C04020	Payment of lease liabilities	(1,000)	(1,137)
C04500	Cash dividends paid	(186,043)	(260,460)
CCCC	Net cash flows from (used in) financing activities	<u>(129,897)</u>	<u>(341,836)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>4,240</u>	<u>(16,292)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	<u>(150,766)</u>	<u>(68,976)</u>
E00100	Cash and cash equivalents at beginning of period	<u>1,297,167</u>	<u>1,366,143</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 1,146,401</u>	<u>1,297,167</u>

See accompanying notes to consolidated financial statements.

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to 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

Sinher Technology Inc. (the "Company") was incorporated in January, 2002 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 27-1, Ln. 169, Kangning St., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.). The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4(C) for related information. The major business activities of the Group are the research, development, manufacturing and sale of hinges. The Company's common shares were listed in June, 2013 on the Taiwan Stock Exchange (TWSE).

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 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 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, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

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

The Group assesses that the adoption of the 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, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB) but have yet to be endorsed by the FSC:

Effective date per IASB	New, Revised or Amended Standards and Interpretations	The Amendment included:
January 1, 2023	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirement 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.

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

The Group does not expect the 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”
- 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 Cycle
- 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.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to 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 IFRSs, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss is measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note (4)(n).

(ii) Functional and presentation currency

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

(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.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of operation	Shareholding	
			December 31, 2020	December 31, 2019
The Company	Million On International Co., Ltd. (MOI)	General investing	100%	100%
MOI	Sinher (H.K.) Limited	General investing	100%	100%
MOI	Cingher (H.K.) Limited	General investing	100%	100%
Sinher (H.K.) Limited	Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	Manufacturing and selling hinges	100%	100%
Cingher (H.K.) Limited	Chongqing SNR Technology Co., Ltd. (Chongqing SNR)	Manufacturing and selling hinges	100%	100%
The Company	Profit Earn International Co., Ltd. (Profit)	General investing	100%	100%
Profit	Great Info International Co., Ltd. (Great Info)	Selling of hinges	100%	100%
Profit	Top Trading Group Limited (Top Trading)	Selling of hinges	100%	100%
Kunshan Wanhe	Kunshan Qianquan Precision Metal Co., Ltd. (Qianquan)	Manufacturing and selling hinges	100%	100%

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the 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. Nonmonetary 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. Non-monetary 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.

(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.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 any 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 interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and 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 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 a cash equivalent 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.

An entity shall classify a liability as current when:

- (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 are recognized as cash equivalents.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(g) Financial instruments

Accounts 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 an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts 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. 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) 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, notes and accounts receivables, other receivable, guarantee deposit paid and other financial 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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

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- 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 accounts 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.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor 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 ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that results 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is 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). ECL is discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is 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 asset have occurred. Evidence that a financial asset 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)

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- 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 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.

3) 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.

(Continued)

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Notes to Consolidated Financial Statements

3) Financial liabilities

Financial liabilities classified as measured at amortized cost 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 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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the 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.

(ii) Subsequent expenditure

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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: 3~30 years
- 2) Machinery equipment: 3~10 years
- 3) Office and other equipment: 3~9 years

Buildings and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities, etc. Each such part is depreciated based on its useful life.

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

(j) Leases

(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 represents 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:

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- 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 an 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 Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset

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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 right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-to-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low value assets, including office equipment, dormitory, vehicles and parking space. 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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(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 that are acquired by the Group 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

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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.

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 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.

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 recognition

(i) Revenue from contracts with customers

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 to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures hinge components and sells them to electronic manufacturers.

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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.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) 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.

(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 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

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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.

(o) 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.

(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 are 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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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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 Group's undistributed earnings additional tax will be recognized as current income tax expenses after the earnings distribution has been approved during the general meeting of the shareholders to be held the following year.

(q) **Earnings per share**

The Group discloses the Group'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 Group divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is 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, such as employee compensation.

(r) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may incur 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 financial statements in conformity with the Regulations and the IFRSs endorsed by

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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 next period.

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

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

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the industrial and market changes, there may be changes in the net realizable value of inventories. Please refer to note (6)(c) for further description on the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,389	2,094
Checking accounts and demand deposits	732,052	365,693
Time deposits	412,960	929,380
	<u><u>\$ 1,146,401</u></u>	<u><u>1,297,167</u></u>

Please refer to note (6)(o) for the sensitivity analysis for foreign currency of the financial assets and liabilities of the Group.

(b) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 262	295
Accounts receivable	1,387,300	998,032
Less: loss allowance	(2,082)	(1,833)
	<u><u>\$ 1,385,480</u></u>	<u><u>\$ 996,494</u></u>
Notes receivable	<u><u>\$ 262</u></u>	<u><u>\$ 295</u></u>
Accounts receivable, net	<u><u>\$ 1,385,218</u></u>	<u><u>996,199</u></u>

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation.

The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 1,260,370	0.011%	141
Aging 121~150 days	116,730	0.133%	155
Aging 151~240 days	8,775	1.128%	99
Aging over 241 days	1,687	100.00%	1,687
	<u>\$ 1,387,562</u>		<u>2,082</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 907,362	0.025%	226
Aging 121~150 days	67,098	0.387%	260
Aging 151~240 days	22,742	0.976%	222
Aging over 241 days	1,125	100.00%	1,125
	<u>\$ 998,327</u>		<u>1,833</u>

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

	2020	2019
Balance on January 1	\$ 1,833	2,378
Impairment loss recognized (reversed)	214	(474)
Foreign exchange (gains) losses	35	(71)
Balance on December 31	<u>\$ 2,082</u>	<u>1,833</u>

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

(c) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 191,312	63,943
Work in progress	64,274	27,633
Finished goods	267,791	194,098
	<u>\$ 523,377</u>	<u>285,674</u>

The write-down of the inventories to net realizable value amounted to \$53,492 and \$197,475, which was recorded as cost of sales for the years ended December 31, 2020 and 2019, respectively.

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As of December 31, 2020 and 2019, the Group did not provide any inventories as collateral for its loans.

(d) Property, plant and equipment

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

		Land	Buildings and construction	Machinery equipment	Office and other facilities equipment	Unfinished construction and equipment under acceptance	Total
Cost:							
Balance on January 1, 2020	\$	362,813	523,934	733,070	60,898	18,187	1,698,902
Additions		-	4,932	94,317	8,626	143,107	250,982
Disposals		-	(17,563)	(164,295)	(9,053)	-	(190,911)
Effect of movements in exchange rates		-	4,824	3,868	580	2,120	11,392
Reclassifications		-	2,977	53,543	1,190	(54,952)	2,758
Balance on December 31, 2020	\$	362,813	519,104	720,503	62,241	108,462	1,773,123
Balance on January 1, 2019	\$	362,813	546,646	715,130	60,653	16,019	1,701,261
Additions		-	2,574	44,833	5,815	44,100	97,322
Disposals		-	(3,380)	(30,369)	(5,309)	-	(39,058)
Effect of movements in exchange rates		-	(33,429)	(22,450)	(3,957)	(302)	(60,138)
Reclassifications		-	11,523	25,926	3,696	(41,630)	(485)
Balance on December 31, 2019	\$	362,813	523,934	733,070	60,898	18,187	1,698,902
Depreciation and impairments loss:							
Balance on January 1, 2020	\$	-	180,217	462,743	41,201	-	684,161
Depreciation for the year		-	35,498	106,944	8,223	-	150,665
Disposals		-	(17,563)	(163,428)	(8,764)	-	(189,755)
Effect of movements in exchange rates		-	2,292	3,185	494	-	5,971
Balance on December 31, 2020	\$	-	200,444	409,444	41,154	-	651,042
Balance on January 1, 2019	\$	-	152,458	396,497	41,903	-	590,858
Depreciation for the year		-	41,706	111,305	7,516	-	160,527
Disposals		-	(3,380)	(29,853)	(5,269)	-	(38,502)
Effect of movements in exchange rates		-	(10,567)	(15,206)	(2,949)	-	(28,722)
Balance on December 31, 2019	\$	-	180,217	462,743	41,201	-	684,161
Book value:							
Balance on December 31, 2020	\$	362,813	318,660	311,059	21,087	108,462	1,122,081
Balance on January 1, 2019	\$	362,813	394,188	318,633	18,750	16,019	1,110,403
Balance on December 31, 2019	\$	362,813	343,717	270,327	19,697	18,187	1,014,741

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As of December 31, 2020 and 2019, the property, plant and equipment of the Group had not been pledged as collateral.

(e) Right-of-use assets

The Group leases many assets including land and vehicles. Information about leases for which the Group as a lessee is presented below:

	Land	Vehicles	Total
Cost:			
Balance on January 1, 2020	\$ 72,694	3,080	75,774
Effect of movements in exchange rates	1,216	-	1,216
Balance on December 31, 2020	<u>\$ 73,910</u>	<u>3,080</u>	<u>76,990</u>
Balance on January 1, 2019	\$ 83,667	3,080	86,747
Effect of movements in exchange rates	(10,973)	-	(10,973)
Balance on December 31, 2019	<u>\$ 72,694</u>	<u>3,080</u>	<u>75,774</u>
Depreciation and impairment loss:			
Balance on January 1, 2020	\$ 1,879	1,147	3,026
Depreciation for the year	1,868	999	2,867
Effect of movements in exchange rates	\$ 73	-	73
Balance on December 31, 2020	<u>\$ 3,820</u>	<u>\$ 2,146</u>	<u>\$ 5,966</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the year	1,952	1,147	3,099
Effect of movements in exchange rates	(73)	-	(73)
Balance on December 31, 2019	<u>\$ 1,879</u>	<u>1,147</u>	<u>3,026</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 70,090</u>	<u>934</u>	<u>71,024</u>
Balance on January 1, 2019	<u>\$ 83,667</u>	<u>3,080</u>	<u>86,747</u>
Balance on December 31, 2019	<u>\$ 70,815</u>	<u>1,933</u>	<u>72,748</u>

- (i) In June, 2013, Kunshan Wanhe acquired the land leasehold rights in Kuanshan City Jiangsu Province, PRC, to construct plants. The total land-leasehold rights during the period from 2013 to 2055 amounted to CNY 13,587 thousand, all the amounts were paid.
- (ii) On March 30, 2011, Chongqing SNR acquired the land leasehold rights with the government Chongqing City, PRC, to construct plants. The total land-leasehold rights during the period from 2013 to 2063 amounted to CNY 5,565 thousand, and all the amounts were paid.

(f) Short-term borrowings

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	December 31, 2020		
	Currency	Range of interest rates	Amount
Unsecured bank loans	USD	0.82%	<u>\$ 57,119</u>
Unused short-term credit lines			<u>\$ 267,840</u>

	December 31, 2019		
	Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	1.01%	<u>\$ -</u>
Unused short-term credit lines			<u>\$ 349,860</u>

- (i) For information on the Group's liquidity risk, please refer to note (6)(o).
- (ii) As of December 31, 2020 and 2019, the Company provides endorsements and guarantees for the credit loans and the credit lines of the subsidiaries of the Group, please refer to note (13)(a) for details.
- (iii) As of December 31, 2020 and 2019, the Group did not provide any assets pledged as collaterals.

(g) Lease liabilities

The lease liabilities of the Group were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 687</u>	<u>1,000</u>
Non-current	<u>\$ 256</u>	<u>943</u>

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

The amounts recognized in profits or losses were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 15</u>	<u>26</u>
Income from sub-leasing of use assets	<u>\$ (52)</u>	<u>(92)</u>
Expenses relating to short-term leases	<u>\$ 2,898</u>	<u>2,661</u>
Expenses relating to leases of low-value assets, (excluding short-term leases of low-value assets)	<u>\$ 181</u>	<u>175</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	2020	2019
Total cash outflow for leases	<u>\$ 4,094</u>	<u>3,999</u>

(i) Leases of land and vehicles

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The Group leases land and vehicles, with lease terms of 1 to 50 years. The Group sub-leases to some of its right-of-use assets under operating leases; please refer to note 6(h).

(ii) Other leases

The Group leases office equipment, dormitories, vehicles and parking space with contract terms of one year. Since these leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(h) Operating lease - as lessor

The Group leased out several vehicles and parking space. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risk and rewards incidental to the ownership of the assets, or these leases are short-term leases and are adapted for exemption. For the years ended December 31, 2020 and 2019, the income recognized in profit or loss under operating lease were \$186 and \$154, respectively.

(i) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value of the Group are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 2,942	2,657
Fair value of plan assets	(2,378)	(2,141)
Net defined benefit liabilities (assets)	<u><u>\$ 564</u></u>	<u><u>516</u></u>

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates 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, Ministry of Labor. 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 Group's Bank of Taiwan labor pension reserve account balance amounted to \$2,378 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.

2) Movements in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 2,657	2,570
Current service costs and interest	27	28
Remeasurement in net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from: financial assumptions	258	59
Defined benefit obligation at December 31	<u><u>\$ 2,942</u></u>	<u><u>2,657</u></u>
3) Movements of 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 at January 1	\$ 2,141	1,907
Interest income	23	22
Remeasurement in net defined benefit liability (assets)		
— Return on plan assets excluding interest income	62	62
Contributions paid by the employer	152	150
Fair value of plan assets at December 31	<u><u>\$ 2,378</u></u>	<u><u>2,141</u></u>
4) Movements of the effect of the asset ceiling		

As of December 31, 2020 and 2019, the Group did not have any movements of the effect of the asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the Group were as follows:

	<u>2020</u>	<u>2019</u>
Net interest of net liabilities for defined benefit obligations	<u><u>\$ 4</u></u>	<u><u>6</u></u>
Operating cost	\$ 2	2
Administration expenses	1	2
Research and development expenses	1	2
	<u><u>\$ 4</u></u>	<u><u>6</u></u>

6) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liabilities (asset) recognized in

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other comprehensive income for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ (1,365)	(1,368)
Recognized during the period	(196)	3
Accumulated amount at December 31	<u><u>\$ (1,561)</u></u>	<u><u>(1,365)</u></u>

7) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.625%	1.000%
Future salary increase rate	4.000%	4.000%

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 \$155.

The weighted average lifetime of the defined benefits plans is 11.54 years.

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2020		
Discount rate	\$ (92)	96
Future salary increasing rate	91	(88)
December 31, 2019		
Discount rate	(87)	91
Future salary increasing rate	87	(83)

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.

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(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$7,699 and \$7,025 for the years ended December 31, 2020 and 2019, respectively. The pension expenses recognized by the other subsidiaries included in the consolidated financial statements for the years ended December 31, 2020 and 2019 were amounted to \$2,487 and \$32,044, respectively.

(j) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 88,927	148,168
Undistributed earnings additional tax	-	7,796
Adjustment for prior periods	37	2,731
	<u>88,964</u>	<u>158,695</u>
Deferred tax expense		
Origination and reversal of temporary differences	25,404	(93,734)
The difference from unrealized gains (losses) tax rates between the trade of companies	9,828	186
	<u>35,232</u>	<u>(93,548)</u>
Income tax expense	<u><u>\$ 124,196</u></u>	<u><u>65,147</u></u>

- 2) The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ (39)</u></u>	<u><u>-</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u><u>\$ 2,090</u></u>	<u><u>(11,745)</u></u>

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

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	2020	2019
Profit excluding income tax	<u>\$ 545,075</u>	<u>272,240</u>
Income tax using the Company's domestic tax rate	\$ 109,015	54,448
Effect of tax rates in foreign jurisdiction	14,222	(14)
The difference from unrealized gains (losses) tax rates between the trade of companies	9,828	186
Under (over) provision in prior periods	37	2,731
Non-deductible expenses	12	-
Foreign dividends income	(15,842)	-
Substantive investment tax rate of 8%	6,336	-
Undistributed earnings additional tax	-	7,796
Others	588	-
Income tax expense	<u>\$ 124,196</u>	<u>65,147</u>

(ii) Deferred tax assets and liabilities

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

	Investment income recognized under the equity method (overseas)	Exchange difference on translation	Others	Total	
Deferred tax liabilities:					
Balance on January 1, 2020	\$ 74,935	-	-	74,935	
Recognized in (profit) or loss	(7,721)	-	-	(7,721)	
Balance on December 31, 2020	<u>\$ 67,214</u>	-	-	<u>67,214</u>	
Balance on January 1, 2019	\$ 159,492	956	-	160,448	
Recognized in (profit) or loss	(84,557)	-	-	(84,557)	
Recognized in other comprehensive income	-	(956)	-	(956)	
Balance on December 31, 2019	<u>\$ 74,935</u>	-	-	<u>74,935</u>	
	Defined benefit plans	Exchange difference on translation	Unrealized gross profit	Others	Total
Deferred tax assets:					
Balance on January 1, 2020	\$ 71	10,789	95,468	35,872	142,200
Recognized in (profit) or loss	(29)	-	(39,312)	(3,612)	(42,953)
Recognized in other comprehensive income	39	(2,090)	-	-	(2,051)
Balance on December 31, 2020	<u>\$ 81</u>	<u>8,699</u>	<u>56,156</u>	<u>32,260</u>	<u>97,196</u>

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Balance on January 1, 2019	\$	100	-	96,213	26,107	122,420
Recognized in (profit) or loss		(29)	-	(745)	9,765	8,991
Recognized in other comprehensive income		-	10,789	-	-	10,789
Balance on December 31, 2019	\$	<u>71</u>	<u>10,789</u>	<u>95,468</u>	<u>35,872</u>	<u>142,200</u>

(iii) The Company's tax returns for the years through 2018 were assessed by the tax authority.

(k) Capital and other equities

As of December 31, 2020 and 2019, the amounts of ordinary shares were \$1,000,000 with par value of \$10 per share, of which 74,417 thousand shares is issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2020	December 31, 2019
Additional paid in capital	\$ 431,703	431,703
Share-based payment transaction – treasury stock	<u>8,332</u>	<u>8,332</u>
	<u>\$ 440,035</u>	<u>440,035</u>

According to the R.O.C. 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 capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

The distribution of cash dividend from capital surplus amounting to \$22,325 (\$0.3 per shares) was decided via the annual meeting of shareholders held on June 25, 2019.

(ii) Retained Earnings

Prior June 24, 2020, old Company's article of incorporation stipulates that Company's net earnings should be distributed in order of priority as follows:

- A. Offset the prior years' deficits.
- B. Of the remaining balance, 10% is to be appropriated as legal reserve until such retention equals the amount of total capital.
- C. Special reserves are supposed to be set aside or are reversed in accordance with the relevant regulations or depending on the Company's operation.

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- D. After the above appropriation, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide this matter. The total distribution shall not be less than 10% of the remaining earnings calculated by the above items.

On June 24, 2020, the shareholders meeting approved the amendments to Company's article of incorporation stipulates that Company's profits should be distributed in order of priority as follows:

- A. Offset the prior years' deficits.
- B. Of the remaining balance, 10% is to be appropriated as legal reserve until such retention equals the amount of total capital.
- C. Special reserves are supposed to be set aside or are reversed in accordance with the relevant regulations or depending on the Company's operation.
- D. After the above appropriation, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide this matter. The total distribution shall not be less than 10% of the remaining earnings calculated by the above items.

In addition, the whole or part of shareholder dividends and bonuses, capital surplus or legal reserves are distributed in cash. The company authorizes the attendance of more than two-thirds of the directors of the board of directors and the resolution of more than half of the directors present. Such distribution shall be reported to the shareholders' meeting.

The Company will consider the environment, growing level, capital demand in the future, financial structure, the situation of earnings and the balancing dividend policies. Depending on the capital demand and the dilution for the earning per share, the Company will distribute earnings by cash or by shares, and the amount of cash dividends should not be less than 10% of the total dividends.

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

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2020 and 2019, the special reserve

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amounted to \$43,940 and \$0, respectively.

3) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 24, 2020 and June 25, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Amount	Amount per share	Amount
Cash dividends distributed to ordinary shareholders	\$	2.5		3.2
		<u>186,043</u>		<u>238,135</u>

(l) Earnings per share

The Group's basic and diluted earnings per share were calculated as follows:

	2020	2019
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 420,879</u>	<u>207,093</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>74,417</u>	<u>74,417</u>
Basic earnings per share (in dollars)	<u>\$ 5.66</u>	<u>2.78</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>420,879</u>	<u>207,093</u>
Weighted average number of outstanding ordinary shares (in thousands)	74,417	74,417
Effect of potential diluted ordinary shares (in thousands)		
Effect of employee stock compensation	<u>697</u>	<u>471</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>75,114</u>	<u>74,888</u>
Diluted earnings per share (in dollars)	<u>\$ 5.60</u>	<u>2.77</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020	2019
Primary geographical markets:		
Taiwan	\$ 44,665	40,074
China	2,125,440	1,664,345
Singapore	580,458	408,164

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Japan	190,181	134,774
	<u>\$ 2,940,744</u>	<u>2,247,357</u>

Major product:

Hinge components	<u>\$ 2,940,744</u>	<u>2,247,357</u>
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(ii) Contract balances

For details on notes and accounts receivable and allowance for uncollectible accounts, please refer to note (6)(b).

(n) Employee compensation and directors and supervisors remuneration

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and a maximum of 1% as directors and supervisors remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employee compensation should be distributed by shares or by cash and the recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration and directors and supervisors remuneration as below. 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 specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares on the day before the date of the meeting of the board of directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

	<u>2020</u>	<u>2019</u>
The employees compensation remuneration	\$ 30,123	15,942
The directors and supervisors	<u>3,286</u>	<u>1,739</u>
	<u>\$ 33,409</u>	<u>17,681</u>

(o) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The major customers of the Group are centralized in the computer industry. To minimize credit risk, the Group periodically evaluates the customers' financial positions and the possibility of collecting trade receivables.

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As of December 31, 2020 and 2019, 61% and 60% of accounts receivable were three major customers, respectively. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

For credit risk exposure of note and accounts receivable, please refer to note 6(b).

Other financial assets at amortized cost include other receivables and time deposits. All of these financial assets 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).) As of December 31, 2020 and 2019, there is no impairment provision.

(ii) Liquidity risk

The following are 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>1-2 years</u>	<u>Over 2 years</u>
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 57,119	(57,119)	(57,119)	-	-
Accounts payable	407,549	(407,549)	(407,549)	-	-
Other payables	269,723	(269,723)	(269,723)	-	-
Lease liabilities (including current and non-current)	943	(950)	(693)	(257)	-
	<u>\$ 735,334</u>	<u>(735,341)</u>	<u>(735,084)</u>	<u>(257)</u>	<u>-</u>
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 168,526	(168,526)	(168,526)	-	-
Accounts payable	231,789	(231,789)	(231,789)	-	-
Other payables	1,943	(1,965)	(1,015)	(693)	(257)
	<u>\$ 402,258</u>	<u>(402,280)</u>	<u>(401,330)</u>	<u>(693)</u>	<u>(257)</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk (expressed in thousands for foreign currencies)

The Group's significant exposure to foreign currency risk was as follows:

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	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$	66,343 USD/NTD	1,889,463	71,173 USD/NTD		2,133,778
		=28.48		=29.98		
USD		53,302 USD/CNY	1,522,288	36,500 USD/CNY		1,098,902
		=6.5249		=6.9762		
Financial liabilities						
Monetary items						
USD		47,108 USD/CNY	1,345,387	38,059 USD/CNY		1,143,022
		=6.5249		=6.9762		

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, accounts receivable, other receivables, borrowings, accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) 5% of each foreign currency against the functional currency for the years ended December 31, 2020 and 2019 would have affected the net profit before tax as follows, the analysis is performed on the same basis for both periods.

	2020	2019
USD (against the NTD)	\$ 94,473	106,689
USD (against the CNY)	8,845	(2,206)

3) Exchange gains and losses of monetary items

Gains or losses on foreign exchange of the Group's monetary items from the translation of the functional currency, including realized and unrealized portions, and the information about the exchange rate of the translation to NTD, which is the presentation currency of the Company, were as follows:

Functional currency	2020		2019	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ (110,550)	-	(53,891)	-
CNY	CNY(5,204)	CNY/TWD =4.2816	CNY(1,385)	CNY/TWD =4.4722

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's

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financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and 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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have increased or decreased by \$1,687 and \$914 for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulted from the bank savings, and borrowings with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

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 measured at amortized cost:						
Cash and cash equivalents	\$	1,146,401	-	-	-	-
Notes receivable		262	-	-	-	-
Accounts receivable		1,385,218	-	-	-	-
Other current financial assets		38,207	-	-	-	-
Guarantee deposits paid		4,230	-	-	-	-
		<u><u>\$ 2,574,318</u></u>	-	-	-	-
Financial liabilities measured at amortized cost:						
Short-term borrowings	\$	57,119	-	-	-	-
Accounts payable		407,549				
Other payables		269,723	-	-	-	-
Lease liabilities (current and non-current)		943	-	-	-	-
		<u><u>\$ 735,334</u></u>	-	-	-	-

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		December 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,297,167	-	-	-	-
Notes receivable		295	-	-	-	-
Accounts receivable		996,199	-	-	-	-
Other current financial assets		18,877	-	-	-	-
Guarantee deposits paid		1,251	-	-	-	-
		<u>\$ 2,313,789</u>	-	-	-	-
Financial liabilities measured at amortized cost:						
Accounts payable	\$	168,526	-	-	-	-
Other payables		231,789	-	-	-	-
Lease liabilities (current and non-current)		1,943	-	-	-	-
		<u>\$ 402,258</u>	-	-	-	-

There were no transfers of financial instruments between any levels for the years ended December 31, 2020 and 2019.

2) Valuation technique for financial instruments measured at fair value

Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

(p) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of 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 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 investments.

1) Trade and other receivable

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's customers are mainly from the computer industry. 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 accesses the collectability of accounts receivable and recognizes allowance for accounts receivable.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer trust brand, regionality, industries, aging of receivable, due date and existed financial difficulties previously. The Group's target of accounts receivables and other receivables are famous companies.

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The Group set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on historical collection record of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organization, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy to provide financial guarantees is only permissible to subsidiaries and the target of business. Please refer to note 13(a)(ii). for the details of Group's financial guarantees provided to its subsidiaries as of December 31, 2020 and 2019, respectively.

(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 note (6)(f) for unused short-term credit lines 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 and interest rates, 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.

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 the New Taiwan Dollars (NTD), CH Dollars (CNY) and US Dollars (USD). The currencies used in these transactions are denominated in NTD, USD, and CNY.

2) Interest rate risk

Entities in the Group borrow funds with floating interest rates which results to risks of cash flows.

(q) Capital management

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The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses and dividend payments, and so on. Guarantee the Group to continuing operating, giving feedback to shareholders considering the interest for other related parties and remaining the best capital structure to rise up the value of shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares.

The Group monitors the capital by reviewing asset-to-debt ratio periodically. The Group's capital, listed as 「total equity」 in balance sheets which is also equal to the amount of total assets less total liabilities. The Group's asset-to-debt ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 878,554	555,987
Total assets	4,417,896	3,852,289
Liability ratio	20%	14%

(r) Investing and financial activities not affecting current cash flow

There are no non-cash investing and financing activities for the years ended December 31, 2020 and 2019. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flow	Non-cash changes Exchange movement	December 31, 2020
Short-term borrowings	\$ -	57,119	-	57,119
Guarantee deposits received	1,505	27	-	1,532
Lease liabilities	1,943	(1,000)	-	943
Total liabilities from financing activities	\$ 3,448	56,146	-	59,594

	January 1, 2019	Cash flow	Non-cash changes Exchange movement	December 31, 2019
Short-term borrowings	\$ 80,000	(80,000)	-	-
Guarantee deposits received	1,744	(239)	-	1,505
Lease liabilities	3,080	(1,137)	-	1,943
Total liabilities from financing activities	\$ 84,824	(81,376)	-	3,448

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(7) Related-party transactions

- (a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Daher Mold Co. (Daher)	Same chairman with the Company

- (b) Significant transaction with related parties

For the years ended December 31, 2020 and 2019, the Group purchased some fixtures and consumable material from its related parties — Daher, amounting to \$26,131 and \$23,150, respectively, and were, recognized as operating cost and researching and developing cost, respectively. As of December 31, 2020 and 2019, the outstanding balance amounting to \$8,243 and \$9,575, respectively, were recognized as other payables.

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 17,977	15,407
Post-employment benefits	366	365
	<u><u>\$ 18,343</u></u>	<u><u>15,772</u></u>

(8) Pledged assets: None.

(9) Commitments and contingencies:

- (a) The information for the Company's guarantees and endorsements, please refer to note (13)(a).
(b) Unrecognized contractual commitments:

As of December 31, 2020 and 2019, the future payments for the purchase of the Company's significant equipment and constructions amounted to \$79,970 and \$149,445, respectively.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

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By item \ By function	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	731,726	139,377	871,103	578,528	126,271	704,799
Labor and health insurance	26,670	7,452	34,122	28,601	7,340	35,941
Pension	6,773	3,417	10,190	33,534	5,295	38,829
Others	41,843	6,617	48,460	38,464	5,447	43,911
Depreciation	136,447	17,085	153,532	146,780	16,846	163,626
Amortization	180	6,387	6,567	124	6,200	6,324

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

(In thousands of foreign currency)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Kunshan Wanhe	(Note 2)	1,061,803	99,680 (US\$3,500)	99,680 (US\$3,500)	-	-	2.82 %	1,769,671	Y	-	Y
0	"	Chongqing SNR	(Note 2)	1,061,803	185,120 (US\$6,500)	185,120 (US\$6,500)	56,960 (US\$2,000)	-	5.23 %	1,769,671	Y	-	Y

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/guarantees the Company or the Group is permitted to make shall not exceed 30% of the Company's net worth. For external endorsements/guarantees, the total amount of endorsements/guarantees the Company is permitted to make shall not exceed 50% of the Company's net worth. For entities having a business relationship with the Company, the amount of endorsements/guarantees for a single company shall not exceed 30% of the transaction amount in the last fiscal year or the expecting amount of the current year.

Note 2: The subsidiary whose ordinary shares over 50% owned by the Company and its subsidiaries.

Note 3: The target of endorsements/guarantees above is the primary entity of consolidated balance sheets.

- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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

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	Chongqing SNR	100% owned sub-subsidiary	(Sales)	(741,305)	(51) %	Depending on the demand for funding, OA 120	Same as selling to other clients	Depending on the demand for funding, OA 120	Accounts Receivable 476,371	54 %	Note1
"	Kunshan Wanhe	"	(Sales)	(536,349)	(37) %	"	"	"	Accounts Receivable 334,033	38 %	"
"	"	"	Purchases	167,351	59 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (12,998)	(14) %	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	(Sales)	(262,804)	(17) %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Receivable 293,778	34 %	"
"	The Company	The parent company	(Sales)	(167,351)	(11) %	"	"	"	Accounts Receivable 12,998	1 %	"
"	"	"	Purchases	536,349	52 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (334,033)	(60) %	"
Chongqing SNR	Kunshan Wanhe	With the same ultimate parent company	Purchases	262,804	21 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (293,778)	(33) %	"
"	The Company	The parent company	Purchases	741,305	60 %	"	"	"	Accounts Payable (476,371)	(53) %	"
"	Top Trading	With the same ultimate parent company	(Sales)	(187,383)	(12) %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Receivable 55,096	8 %	"
Top Trading	Chongqing SNR	"	Purchases	187,383	82 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (55,096)	(64) %	"

Note : The amount of transaction and the ending balance had been offset in the consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent (Note1)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Chongqing SNR	100% owned sub-subsidiary	476,371	1.92	-	-	Accounts Receivable 70,278	-	Note 2
"	Kunshan Wanhe	"	334,033	3.17	-	-	Accounts Receivable 20,375	-	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	293,778	0.97	-	-	Accounts Receivable 50,166	-	"

Note 1 : Information as of reporting date.

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

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(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Chongqing SNR	1	Sales Revenue	741,305	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 120 days.	25.21%
0	"	"	1	Accounts Receivable	476,371	"	10.78%
0	"	Kunshan Wanhe	1	Sales Revenue	536,349	"	18.24%
0	"	"	1	Accounts Receivable	334,033	"	7.56%
1	Kunshan Wanhe	Chongqing SNR	3	Sales Revenue	262,804	"	8.94%
1	"	"	3	Accounts Receivable	293,778	"	6.65%
1	"	The Company	3	Sales Revenue	167,351	"	5.69%
2	Chongqing SNR	Top Trading	3	Sales Revenue	187,383	"	6.37%
2	"	"	3	Accounts Receivable	55,096	"	1.25%

Note 1: The numbers are filled in as follows:

1.0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1 represents the transactions from the parent company to its subsidiaries.

2 represents the transactions from the subsidiaries to the parent company.

3 represents the transactions between the subsidiaries.

Note3: The transactions have been eliminated in the consolidated financial statement.

(b) Information on investees:

The following are the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			The highest holding in the period		Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying amount	Shares	Percentage of ownership			
The Company	MOI	Samoa	Investment activities	\$ 710,218	590,418	23,800,000	100%	928,907	23,800,000	100%	53,502	43,674	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	87,144	-	100%	(3,064)	(3,064)	"
	Total			<u>\$ 710,218</u>	<u>590,418</u>			<u>1,016,051</u>				<u>40,610</u>	
MOI	Sinher (H.K.) Limited	Hong Kong	Investment activities	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	771,382	10,600,000	100%	60,556	60,556	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hong Kong	"	391,042 (USD13,200)	271,242 (USD9,200)	13,200,000	100%	143,461	13,200,000	100%	(7,054)	(7,054)	"
	Total			<u>\$ 710,218</u>	<u>590,418</u>			<u>914,843</u>				<u>53,502</u>	
Profit	Great Info	Samoa	Sale of hinge components	USD -	USD -	-	100%	19,454 (USD683)	-	100%	18,486 (USD626)	18,486 (USD626)	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	67,691 (USD2,377)	-	100%	(21,550) (USD(729))	(21,550) (USD(729))	"
								<u>87,145</u>				<u>(3,064)</u>	

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

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(c) Information on investment in Mainland China:

(i) The following is the information on investees in Mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Wanhe	Manufacturing and selling hinges components	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	60,556 (CNY14,143)	100.00%	60,556 (CNY14,143)	771,311	-
Chongqing SNR	Manufacturing and selling hinges components	391,042 (USD13,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	119,800 (USD4,000)	-	391,042 (USD13,200)	(7,054) (CNY1,648)	100.00%	(7,054) (CNY1,648)	143,445	-
Qianquan	Manufacturing and selling hinges components	13,299 (CNY2,700)	(Note 6)	-	-	-	(Note 6)	(86) (CNY20)	100.00%	(86) (CNY20)	1,721 (CNY393)	-

(In thousands of foreign currency)

Note 1: Indirect investment in Mainland China through companies registered in a third region.

Note 2: The gains and losses on investment of the companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company, the amounts shown in the table were translated into New Taiwan Dollars at the average rate of the year of 2020.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the exchange rates at the reporting date.

Note 4: Indirect investment in Mainland China through companies registered in Million On International Co., Ltd and Sinher (H.K.) Limited.

Note 5: Indirect investment in Mainland China through companies registered in Million On International Co., Ltd and Cingher (H.K.) Limited.

Note 6: Kunshan Wanhe is established with its own capital.

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
710,218 (USD23,800)	710,218 (USD23,800)	2,123,605

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(d) Information of main shareholders:

Major	Shares	Total Shares Owned	Ownership Percentage
Catcher Technology Co., Ltd		7,439,917	9.99%
Su, Ting Hung		6,028,359	8.10%
Taiwan Life Insurance Co., Ltd.		3,912,000	5.25%

Note:

- The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insiders has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

- (a) This segment is mainly involved in the manufacturing hinge components business. Therefore, the Group doesn't need to disclose segment information.

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Notes to Consolidated Financial Statements

(b) Product information

The Group only sells a single product-hinge component.

(c) Geographic information

In presenting information on the basis of geography, sales revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets.

(i) Revenue from external customers:

<u>Geographical information</u>	<u>2020</u>	<u>2019</u>
Taiwan	\$ 44,665	40,074
China	2,125,440	1,664,345
Singapore	580,458	408,164
Japan	190,181	134,774
Total	<u>\$ 2,940,744</u>	<u>2,247,357</u>

(ii) Non-current asset:

<u>Geographical information</u>	<u>2020</u>	<u>2019</u>
Taiwan	\$ 827,323	800,572
China	382,739	301,225
Total	<u>\$ 1,210,062</u>	<u>1,101,797</u>

Non-current assets include property, plant and equipment, intangible assets and other assets, excluding deferred tax assets.

(d) Information about major customers

The details of sales revenue from external customers accounted for more than 10% of sales revenue in the consolidated statement of comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
00107Company	\$ 825,709	585,213
16600Company	580,458	408,164
00303Company	421,674	368,682
	<u>\$ 1,827,841</u>	<u>1,362,059</u>