

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2020 and 2019**

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

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## **Independent Auditors' Review Report**

To the Board of Directors of SINHER TECHNOLOGY INC.:

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of SINHER TECHNOLOGY INC. and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of SINHER TECHNOLOGY INC. and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Kuan-Ying Kuo and Hsing-Fu Yen.

KPMG

Taipei, Taiwan (Republic of China)  
August 4, 2020

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**Reviewed only, not audited in accordance with Generally Accepted Auditing Standards as of June 30, 2020 and 2019**

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2020, December 31, 2019, and June 30, 2019**

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2020		December 31, 2019		June 30, 2019		Liabilities and Equity		June 30, 2020		December 31, 2019		June 30, 2019			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (note (6)(a))	\$	1,455,205	35	1,297,167	34	1,567,379	39	2170	Accounts payable		318,596	8	168,526	4	168,625	4
1150	Notes receivable (note (6)(b))		197	-	295	-	211	-	2219	Other payables (note (7))		226,158	5	231,789	6	234,554	6
1170	Accounts receivable, net (note (6)(b))		1,042,629	25	996,199	26	860,411	24	2216	Dividends payable		186,043	5	-	-	260,460	6
1310	Inventories (note (6)(c))		351,177	9	285,674	7	338,479	8	2230	Current tax liabilities		46,632	1	78,278	2	33,436	1
1476	Other current financial assets		29,187	1	18,877	1	18,271	-	2280	Current lease liabilities (note (6)(g))		901	-	1,000	-	1,062	-
1479	Other current assets		9,576	-	10,080	-	19,673	1				778,330	19	479,593	12	698,137	17
			2,887,971	70	2,608,292	68	2,804,424	69									
Non-current assets:									Non-Current liabilities:								
1600	Property, plant and equipment (note (6)(d))		1,010,195	24	1,014,741	26	1,050,117	26	2570	Deferred tax liabilities		74,935	2	74,935	2	160,808	4
1755	Right-of-use assets (note (6)(e))		69,461	2	72,748	2	77,856	2	2580	Non-current lease liabilities (note (6)(g))		543	-	943	-	1,444	-
1840	Deferred tax assets		146,445	4	142,200	4	124,756	3	2640	Net defined benefit liability, non-current		516	-	516	-	663	-
1920	Guarantee deposits paid		1,260	-	1,251	-	1,299	-				75,994	2	76,394	2	162,915	4
1990	Other non-current assets		11,423	-	13,057	-	15,161	-		Total liabilities		854,324	21	555,987	14	861,052	21
			1,238,784	30	1,243,997	32	1,269,189	31		Equity: (note (6)(k))							
									3110	Ordinary share		744,172	18	744,172	19	744,172	18
									3200	Capital surplus		440,035	10	440,035	12	440,035	11
										Retained earnings:							
									3310	Legal reserve		423,519	10	402,810	10	402,810	10
									3320	Special reserve		43,940	1	-	-	-	-
									3350	Unappropriated retained earnings		1,681,683	41	1,753,225	46	1,630,403	40
												2,194,142	52	2,156,035	56	2,033,213	50
									3410	Exchange differences on translation of foreign financial statements		(60,918)	(1)	(43,940)	(1)	(4,859)	-
										Total equity		3,272,431	79	3,296,302	86	3,212,561	79
										Total liabilities and equity	\$	4,126,755	100	3,852,289	100	4,073,613	100
	Total assets	\$	4,126,755	100	3,852,289	100	4,073,613	100									

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**Reviewed only, not audited in accordance with Generally Accepted Auditing Standards**

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2020 and 2019**

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

		For the three months ended June 30				For the six months ended June 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4100	<b>Operating revenues</b> (note (6)(m))	\$ 786,794	100	590,143	100	1,176,127	100	1,019,311	100
5110	<b>Cost of sales</b> (notes (6)(c), (6)(i), (6)(n), (7) and (12))	483,896	62	431,450	73	782,908	67	769,956	76
5900	<b>Gross profit</b>	302,898	38	158,693	27	393,219	33	249,355	24
	<b>Operating expenses</b> (notes (6)(i), (6)(n), (7) and (12))								
6100	Selling expenses	22,485	3	19,445	3	34,477	3	35,486	3
6200	Administrative expenses	33,308	4	34,224	6	56,355	5	64,212	6
6300	Research and development expenses	33,122	4	30,266	5	61,044	5	59,244	6
		88,915	11	83,935	14	151,876	13	158,942	15
6900	<b>Net operating income</b>	213,983	27	74,758	13	241,343	20	90,413	9
	<b>Non-operating income and expenses:</b>								
7100	Interest income	3,172	-	4,728	1	7,152	1	9,182	1
7190	Other income	6,674	1	3,999	-	8,223	1	4,174	-
7230	Foreign exchange gains, net (note (6)(o))	(42,239)	(5)	12,460	2	(27,901)	(3)	15,273	1
7050	Finance costs	(4)	-	(6)	-	(9)	-	(189)	-
7590	Miscellaneous disbursements	(2,061)	-	(78)	-	(2,158)	-	(164)	-
		(34,458)	(4)	21,103	3	(14,693)	(1)	28,276	2
7900	<b>Profit before tax</b>	179,525	23	95,861	16	226,650	19	118,689	11
7950	Less: Tax expenses (note (6)(j))	37,525	5	29,849	5	47,500	4	34,415	3
	<b>Profit</b>	142,000	18	66,012	11	179,150	15	84,274	8
8300	<b>Other comprehensive income:</b>								
8360	<b>Items that will be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation	(14,815)	(2)	(11,676)	(2)	(21,223)	(2)	(9,876)	(1)
8399	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (note (6)(j))	(2,963)	-	(2,336)	-	(4,245)	-	(1,976)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(11,852)	(2)	(9,340)	(2)	(16,978)	(2)	(7,900)	(1)
8300	<b>Other comprehensive income</b>	(11,852)	(2)	(9,340)	(2)	(16,978)	(2)	(7,900)	(1)
8500	<b>Comprehensive income</b>	<u>\$ 130,148</u>	<u>16</u>	<u>56,672</u>	<u>9</u>	<u>162,172</u>	<u>13</u>	<u>76,374</u>	<u>7</u>
	<b>Earnings per common share</b> (note (6)(l))								
9750	<b>Basic earnings per share (expressed in dollars)</b>	<u>\$ 1.91</u>		<u>0.89</u>		<u>2.41</u>		<u>1.13</u>	
9850	<b>Diluted earnings per share (expressed in dollars)</b>	<u>\$ 1.90</u>		<u>0.89</u>		<u>2.39</u>		<u>1.13</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**Reviewed only, not audited in accordance with Generally Accepted Auditing Standards**

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

		Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Total equity
				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 six months ended June 30, 2019	-	-	-	-	84,274	-	84,274
D3	Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	(7,900)	(7,900)
D5	Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	84,274	(7,900)	76,374
Z1	Balance at June 30, 2019	\$ 744,172	440,035	402,810	-	1,630,403	(4,859)	3,212,561
A1	Balance at January 1, 2020	\$ 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 six months ended June 30, 2020	-	-	-	-	179,150	-	179,150
D3	Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	(16,978)	(16,978)
D5	Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	179,150	(16,978)	162,172
Z1	Balance at June 30, 2020	\$ 744,172	440,035	423,519	43,940	1,681,683	(60,918)	3,272,431

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
Reviewed only, not audited in accordance with Generally Accepted Auditing Standards

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

		<b>For the six months ended June 30</b>	
		<b>2020</b>	<b>2019</b>
AAAA	<b>Cash flows from (used in) operating activities:</b>		
A10000	<b>Profit before tax</b>	\$ 226,650	\$ 118,689
A20000	<b>Adjustments:</b>		
A20010	<b>Adjustments to reconcile profit (loss):</b>		
A20100	Depreciation expense	77,581	83,600
A20200	Amortization expense	3,076	3,127
A20300	Expected credit loss (gain)	159	(1,080)
A20900	Interest expense	9	189
A21200	Interest income	(7,152)	(9,182)
A29900	Other adjustments to reconcile profit (loss):	314	485
A20010	<b>Total adjustments to reconcile profit (loss)</b>	<b>73,987</b>	<b>77,139</b>
A30000	<b>Changes in operating assets and liabilities:</b>		
A31000	<b>Changes in operating assets</b>		
A31130	Decrease in notes receivable	98	510
A31150	Decrease (increase) in accounts receivable	(46,540)	260,724
A31200	Increase in inventories	(65,503)	(5,431)
A31240	Decrease (increase) in other current assets	504	(641)
A31250	Decrease (increase) in other current financial assets	(11,697)	1,763
A31000	<b>Total changes in operating assets</b>	<b>(123,138)</b>	<b>256,925</b>
A32000	<b>Changes in operating liabilities:</b>		
A32150	Decrease in accounts payable	150,070	(40,936)
A32180	Increase (decrease) in other payables	(4,718)	(11,825)
A32000	<b>Total changes in operating liabilities</b>	<b>145,352</b>	<b>(52,761)</b>
A30000	<b>Total changes in operating assets and liabilities</b>	<b>22,214</b>	<b>204,164</b>
A20000	<b>Total adjustments</b>	<b>96,201</b>	<b>281,303</b>
A33000	Cash inflow (outflow) generated from operations	322,851	399,992
A33100	Interest received	8,539	13,141
A33300	Interest paid	(9)	(189)
A33500	Income taxes paid	(79,103)	(105,994)
AAAA	<b>Net cash flows from (used in) operating activities</b>	<b>252,278</b>	<b>306,950</b>
BBBB	<b>Cash flows from (used in) investing activities:</b>		
B02700	Acquisition of property, plant and equipment	(79,260)	(42,020)
B02800	Proceeds from disposal of property, plant and equipment	121	-
B03800	Decrease (increase) in guarantee deposits paid	(9)	195
B04500	Acquisition of intangible assets	(1,469)	(656)
BBBB	<b>Net cash flows from (used in) investing activities</b>	<b>(80,617)</b>	<b>(42,481)</b>
CCCC	<b>Cash flows from (used in) financing activities:</b>		
C00200	Decrease in short-term borrowings	-	(80,000)
C03000	Increase (decrease) in guarantee deposits received	(38)	(342)
C04020	Payment of lease liabilities	(499)	(574)
CCCC	<b>Net cash flows from (used in) financing activities</b>	<b>(537)</b>	<b>(80,916)</b>
DDDD	<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(13,086)</b>	<b>17,683</b>
EEEE	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>158,038</b>	<b>201,236</b>
E00100	<b>Cash and cash equivalents at beginning of period</b>	<b>1,297,167</b>	<b>1,366,143</b>
E00200	<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,455,205</b>	<b>\$ 1,567,379</b>

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.)

**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED  
AUDITING STANDARDS AS OF June 30, 2020 and 2019**

# **SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

**June 30, 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 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4)(b) 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 for the six months ended June 30, 2020 were authorized for issuance by the Board of Directors on August 4, 2020.

### **(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

(Continued)



## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

The Group assessed that the above IFRSs may not be relevant to the Group.

#### (4) Summary of significant accounting policies

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2019.

- (b) Basis of consolidation

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. note (4) (c)

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

List of subsidiaries in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of operation	Shareholding		
			June 30, 2020	December 31, 2019	June 30, 2019
The Company	Million On International Co., Ltd. (MOI)	General investing	100%	100%	100%
MOI	Sinher (H.K.) Limited	General investing	100%	100%	100%
MOI	Cingher (H.K.) Limited	General investing	100%	100%	100%
Sinher (H.K.) Limited	Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	Manufacturing and selling hinges	100%	100%	100%
Cingher (H.K.) Limited	Chongqing SNR Technology Co., Ltd. (Chongqing SNR)	Manufacturing and selling hinges	100%	100%	100%
The Company	Profit Earn International Co., Ltd. (Profit)	General investing	100%	100%	100%
Profit	Great Info International Co., Ltd. (Great Info)	Selling of hinges	100%	100%	100%
Profit	Top Trading Group Limited (Top Trading)	Selling of hinges	100%	100%	100%
Kunshan Wanhe	Kunshan Qianquan Precision Metal Co., Ltd. (Qianquan)	Manufacturing and selling hinges	100%	100%	100%

#### (c) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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

#### (d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, the significant market fluctuation, significant curtailment, settlement and others, subsequent to the reporting date and was adjusted together with.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

#### (6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note (6) of the 2019 annual consolidated financial statements.

##### (a) Cash and cash equivalents

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Cash on hand	\$ 1,011	2,094	3,716
Checking accounts and demand deposits	772,704	365,693	494,403
Time deposits	681,490	929,380	1,069,260
	<b><u>\$ 1,455,205</u></b>	<b><u>1,297,167</u></b>	<b><u>1,567,379</u></b>

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Notes receivable	\$ 197	295	211
Accounts receivable	1,044,572	998,032	861,743
Less: loss allowance	(1,943)	(1,833)	(1,332)
	<b><u>\$ 1,042,826</u></b>	<b><u>996,494</u></b>	<b><u>860,622</u></b>
Notes receivable	<b><u>\$ 197</u></b>	<b><u>295</u></b>	<b><u>211</u></b>
Accounts receivable, net	<b><u>\$ 1,042,629</u></b>	<b><u>996,199</u></b>	<b><u>860,411</u></b>

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 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:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<b>June 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 983,282	0.012%	120
Aging 121~150 days	24,966	0.096%	24
Aging 151~240 days	31,870	0.602%	192
Aging over 241 days	4,651	34.552%	1,607
	<b>\$ 1,044,769</b>		<b>1,943</b>

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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%	1,125
	<b>\$ 998,327</b>		<b>1,833</b>

	<b>June 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 752,520	0.019%	142
Aging 121~150 days	85,349	0.205%	175
Aging 151~240 days	23,223	0.659%	153
Aging over 241 days	862	100%	862
	<b>\$ 861,954</b>		<b>1,332</b>

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

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 1,833	2,378
Impairment loss recognized (reversed)	159	(1,080)
Foreign exchange (gains) losses	(49)	34
Balance on June 30	<b>\$ 1,943</b>	<b>1,332</b>

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any receivables as collaterals for its loans.

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (c) Inventories

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Raw materials	\$ 77,790	63,943	102,238
Work in progress	66,443	27,633	59,007
Finished goods	206,944	194,098	177,234
	<b>\$ 351,177</b>	<b>285,674</b>	<b>338,479</b>

The write-down of the inventories to net realizable value amounted to \$30,759, \$63,956, \$77,951 and \$98,049 which was recorded as cost of sales in the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, December 31 and June 30, 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:

	<b>Land</b>	<b>Buildings and construction</b>	<b>Machinery equipment</b>	<b>Office and other facilities equipment</b>	<b>Unfinished construction and equipment under acceptance</b>	<b>Total</b>
<b>Cost:</b>						
Balance on January 1, 2020	\$ 362,813	523,934	733,070	60,898	18,187	1,698,902
Additions	-	666	12,670	2,017	65,264	80,617
Disposals	-	(215)	(91,124)	(2,305)	-	(93,644)
Effect of movements in exchange rates	-	(7,639)	(6,067)	(949)	(752)	(15,407)
Reclassifications	-	(1,667)	10,587	138	(11,290)	(2,232)
Balance on June 30, 2020	<b>\$ 362,813</b>	<b>515,079</b>	<b>659,136</b>	<b>59,799</b>	<b>71,409</b>	<b>1,668,236</b>
Balance on January 1, 2019	\$ 362,813	546,646	715,130	60,653	16,019	1,701,261
Additions	-	2,624	18,523	2,584	18,586	42,317
Disposals	-	-	(18,809)	(1,559)	-	(20,368)
Effect of movements in exchange rates	-	(19,006)	(11,092)	(2,151)	(43)	(32,292)
Reclassifications	-	11,523	16,114	1,140	(29,262)	(485)
Balance on June 30, 2019	<b>\$ 362,813</b>	<b>541,787</b>	<b>719,866</b>	<b>60,667</b>	<b>5,300</b>	<b>1,690,433</b>
<b>Accumulated depreciation and impairments:</b>						
Balance on January 1, 2020	\$ -	180,217	462,743	41,201	-	684,161
Depreciation for the period	-	18,142	53,926	4,085	-	76,153
Disposals	-	(215)	(90,690)	(2,304)	-	(93,209)

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Effect of movements in exchange rates	-	(3,256)	(4,979)	(829)	-	(9,064)
Balance on June 30, 2020	<b>\$ -</b>	<b>194,888</b>	<b>421,000</b>	<b>42,153</b>	<b>-</b>	<b>658,041</b>
Balance on January 1, 2019	\$ -	152,458	396,497	41,903	-	590,858
Depreciation for the period	-	22,912	55,547	3,566	-	82,025
		-				
Disposals	-		(18,809)	(1,559)	-	(20,368)
Effect of movements in exchange rates	-	(4,919)	(5,917)	(1,363)	-	(12,199)
Balance on June 30, 2019	<b>\$ -</b>	<b>170,451</b>	<b>427,318</b>	<b>42,547</b>	<b>-</b>	<b>640,316</b>
<b>Carry amounts:</b>						
Balance on January 1, 2020	<b>\$ 362,813</b>	<b>343,717</b>	<b>270,327</b>	<b>19,697</b>	<b>18,187</b>	<b>1,014,741</b>
Balance on June 30, 2020	<b>\$ 362,813</b>	<b>320,191</b>	<b>238,136</b>	<b>17,646</b>	<b>71,409</b>	<b>1,010,195</b>
Balance on January 1, 2019	<b>\$ 362,813</b>	<b>394,188</b>	<b>318,633</b>	<b>18,750</b>	<b>16,019</b>	<b>1,110,403</b>
Balance on June 30, 2019	<b>\$ 362,813</b>	<b>371,336</b>	<b>292,548</b>	<b>18,120</b>	<b>5,300</b>	<b>1,050,117</b>

As of June 30, 2020, December 31 and June 30, 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 the Group is presented below:

	<b>Land</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost:</b>			
Balance on January 1, 2020	\$ 72,694	3,080	75,774
Effect of movements in exchange rates	(1,924)	-	(1,924)
Balance on June 30, 2020	<b>\$ 70,770</b>	<b>3,080</b>	<b>73,850</b>
Balance on January 1, 2019	\$ 83,667	3,080	86,747
Effect of movements in exchange rates	(7,325)	-	(7,325)
Balance on June 30, 2019	<b>\$ 76,342</b>	<b>3,080</b>	<b>79,422</b>
<b>Accumulated depreciation and impairments:</b>			
Balance on January 1, 2020	\$ 1,879	1,147	3,026
Depreciation for the period	929	499	1,428
Effect of movements in exchange rates	(65)	-	(65)
Balance on June 30, 2020	<b>\$ 2,743</b>	<b>1,646</b>	<b>4,389</b>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the period	995	580	1,575
Effect of movements in exchange rates	(9)	-	(9)
Balance on June 30, 2019	<b>\$ 986</b>	<b>580</b>	<b>1,566</b>
<b>Carry amounts:</b>			
Balance on January 1, 2020	<b>\$ 70,815</b>	<b>1,933</b>	<b>72,748</b>

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Balance on June 30, 2020	\$	<u>68,027</u>	<u>1,434</u>	<u>69,461</u>
Balance on June 30, 2019	\$	<u>75,356</u>	<u>2,500</u>	<u>77,856</u>

(f) Short-term borrowings

	June 30, 2020		
	Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	-	\$ -
Unused short-term credit lines			<u>\$ 336,300</u>

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

	June 30, 2019		
	Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	1.01%	\$ -
Unused short-term credit lines			<u>\$ 437,420</u>

(i) As of June 30, 2020, December 31 and June 30, 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.

(ii) As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any assets pledged as collaterals.

(g) Lease liabilities

The lease liabilities of the Group were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	<u>\$ 901</u>	<u>\$ 1,000</u>	<u>\$ 1,062</u>
Non-current	<u>\$ 543</u>	<u>\$ 943</u>	<u>\$ 1,444</u>

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

The amounts recognized in profit or losses were as follows:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ 4	7	9	14
Income from sub-leasing right-of-use assets	\$ (13)	(24)	(26)	(48)
Expenses relating to short-term leases	\$ 728	659	1,465	1,265
Expenses relating to lease of low-value assets (excluding short-term leases of low-value assets)	\$ 46	41	91	82

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

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Total cash outflow for leases	\$ <u>2,064</u>	\$ <u>1,935</u>

(i) Leases of land and vehicles

The Group leases land and vehicles for a period 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 offices, office equipment, employee's dormitory, vehicles and parking spaces with contract terms of one year. These leases are short-term or lower values. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(h) Operating lease

There were no significant changes in operating lease for the six months ended June 30, 2020 and 2019. Please refer to note (6)(h) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

(i) Employee benefits

(i) Defined benefit plans

Given there was no material volatility of the market, or any significant reimbursement, settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.



**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cost of sales and operating expenses	<u>\$ 37</u>	<u>37</u>	<u>75</u>	<u>75</u>

(ii) Defined contribution plans

The Group recognized its pension costs under the deferred contribution plans were as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cost of sales and operating expenses	<u>\$ 780</u>	<u>9,273</u>	<u>6,236</u>	<u>18,685</u>

(j) Income taxes

The Group entries are subject to income tax rates, according to before tax of the interim reporting period, multiply by the best estimated measurement of the expected effective tax rate by the managers in all the year.

(i) The amount of income tax was as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current tax expense	<u>\$ 37,525</u>	<u>29,849</u>	<u>47,500</u>	<u>34,415</u>

(ii) The amount of income tax (profit) recognized in other comprehensive income was as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation	<u>\$ (2,963)</u>	<u>(2,336)</u>	<u>(4,245)</u>	<u>(1,976)</u>

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

(k) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2020 and 2019. For the related information, please refer to note (6)(k) of the consolidated financial statements for the year ended December 31, 2019.

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(i) Capital surplus

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

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid in capital	\$ 431,703	431,703	431,703
Share-based payment transaction – treasury stock	8,332	8,332	8,332
	<u><b>\$ 440,035</b></u>	<u><b>440,035</b></u>	<u><b>440,035</b></u>

The distribution of cash dividend from capital surplus amounting to \$22,325 (\$0.3 per shares) was decided via the meeting of the Board of Directors 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.
- 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 a part of shareholder dividends and bonuses, capital surplus or legal reserves are distributed to be paid 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.

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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 lower than 10% of the total dividends.

1) 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 June 30, 2020, the special reserve amounted to \$43,940.

2) Earnings distribution

Earnings distribution for 2019 and 2018 were 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 <u><u>186,043</u></u>	3.2	<u><u>238,135</u></u>

(l) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
<b>Basic earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u><u>142,000</u></u>	<u><u>66,012</u></u>	<u><u>179,150</u></u>	<u><u>84,274</u></u>
Weighted average number of outstanding ordinary shares (in thousands)	<u><u>74,417</u></u>	<u><u>74,417</u></u>	<u><u>74,417</u></u>	<u><u>74,417</u></u>
Basic earnings per share (in dollars)	\$ <u><u>1.91</u></u>	<u><u>0.89</u></u>	<u><u>2.41</u></u>	<u><u>1.13</u></u>
<b>Diluted earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential	\$ <u><u>142,000</u></u>	<u><u>66,012</u></u>	<u><u>179,150</u></u>	<u><u>84,274</u></u>

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

diluted ordinary shares)				
Weighted average number of outstanding ordinary shares (in thousands)	74,417	74,417	74,417	74,417
Effect of potential diluted ordinary shares (in thousands)				
Effect of employee stock compensation	<u>308</u>	<u>152</u>	<u>419</u>	<u>364</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u><b>74,725</b></u>	<u><b>74,569</b></u>	<u><b>74,836</b></u>	<u><b>74,781</b></u>
Diluted earnings per share (in dollars)	<u><b>\$ 1.90</b></u>	<u><b>0.89</b></u>	<u><b>2.39</b></u>	<u><b>1.13</b></u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Primary geographical markets:				
Taiwan	\$ 11,596	11,107	18,459	19,443
China	557,426	434,202	806,877	743,372
Singapore	147,052	118,302	256,617	201,264
Japan	70,720	26,532	94,174	55,232
	<u><b>\$ 786,794</b></u>	<u><b>590,143</b></u>	<u><b>1,176,127</b></u>	<u><b>1,019,311</b></u>
Major product:				
Hinge components	<u><b>\$ 786,794</b></u>	<u><b>590,143</b></u>	<u><b>1,176,127</b></u>	<u><b>1,019,311</b></u>

(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 Association, the Company should contribute no less than 2% of the profit to its employee and 1% or less to its 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 remuneration 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.

The remunerations to employees amounted to \$10,359, \$5,621, \$13,119 and \$6,958, and the

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

remuneration to directors and supervisors amounted to \$1,130, \$613, \$1,431 and \$759, for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's Management proposal. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The remunerations to employees amounted to \$15,942 and \$36,421 and the remuneration to directors and supervisors amounted to \$1,739 and \$3,973, in 2019 and 2018, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018. The information is available on the Market Observation Post System website.

(o) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(p) of the 2019 annual consolidated financial statements.

(i) Credit risk

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

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>1-2 years</b>	<b>Over 2 years</b>
<b>June 30, 2020</b>					
Non-derivative financial liabilities:					
Accounts payable	\$ 318,596	(318,596)	(318,596)	-	-
Other payables	106,032	(106,032)	(106,032)	-	-
Dividend payables	186,043	(186,043)	(186,043)	-	-
Lease liabilities (including current and non-current)	1,444	(1,458)	(911)	(461)	(86)
	<b>\$ 612,115</b>	<b>(612,129)</b>	<b>(611,582)</b>	<b>(461)</b>	<b>(86)</b>
<b>December 31, 2019</b>					
Non-derivative financial liabilities:					
Accounts payable	\$ 168,526	(168,526)	(168,526)	-	-
Other payables	116,007	(116,007)	(116,007)	-	-

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Lease liabilities (including current and non-current)	1,943	(1,965)	(1,015)	(693)	(257)
	<u>\$ 286,476</u>	<u>(286,498)</u>	<u>(285,548)</u>	<u>(693)</u>	<u>(257)</u>

### June 30, 2019

#### Non-derivative financial liabilities:

Accounts payable	\$ 168,625	(168,625)	(168,625)	-	-
Other payables	103,774	(103,774)	(103,774)	-	-
Dividend payables	260,460	(260,460)	(260,460)	-	-
Lease liabilities (including current and non-current)	2,506	(2,539)	(1,082)	(911)	(546)
	<u>\$ 535,365</u>	<u>(535,398)</u>	<u>(533,941)</u>	<u>(911)</u>	<u>(546)</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:

		June 30, 2020		December 31, 2019			June 30, 2019			
		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets										
Monetary items										
USD	\$	75,290 USD/NTD	2,230,843		71,173 USD/NTD	2,133,778		52,450 USD/NTD		1,629,111
		= 29.63			= 29.98			= 31.06		
USD		39,690 USD/CNY	1,177,613		36,590 USD/CNY	1,098,902		30,135 USD/CNY		936,627
		= 7.0795			= 6.9762			= 6.8747		
Financial liabilities										
Monetary items										
USD		39,058 USD/CNY	1,158,869		38,059USD/CNY	1,143,022		31,012 USD/CNY		963,878
		= 7.0795			= 6.9762			= 6.8747		

#### 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, 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 six months ended June 30, 2020 and 2019 would have affected the net profit before tax as follows, the analysis is performed on the same basis for both periods.

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	For the six months ended June 30,	
	2020	2019
USD (against the NTD)	\$ 111,542	81,456
USD (against the CNY)	937	(1,363)

### 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	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ (24,033)	-	19,923	-
CNY	CNY(908)	CNY/TWD = 4.2607	CNY(1,020)	CNY/TWD =4.5598

### (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's 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 \$996 and \$618 for the six months ended June 30, 2020 and 2019, respectively, which would be mainly resulted from the bank savings 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:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

		June 30, 2020				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
Cash and cash equivalents	\$	1,455,205	-	-	-	-
Notes receivable		197	-	-	-	-
Accounts receivable		1,042,629	-	-	-	-
Other current financial assets		29,187	-	-	-	-
Guarantee deposits paid		1,260	-	-	-	-
		<b>\$ 2,528,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable	\$	318,596	-	-	-	-
Other payables		106,032	-	-	-	-
Dividend payables		186,043				
Lease liabilities (including current and non-current)		1,444	-	-	-	-
		<b>\$ 612,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		December 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
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	-	-	-	-
		<b>\$ 2,313,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		December 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable		168,526	-	-	-	-
Other payables		116,007	-	-	-	-
Lease liabilities (including current and non-current)		1,943	-	-	-	-
		<b>\$ 286,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

		June 30, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost:</b>						
Cash and cash equivalents	\$	1,567,379	-	-	-	-
Notes receivable		211	-	-	-	-
Accounts receivable		860,411	-	-	-	-
Other current financial assets		18,271	-	-	-	-
Guarantee deposits paid		1,299	-	-	-	-
	<b>\$</b>	<b>2,447,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable	\$	168,625	-	-	-	-
Other payables		103,774	-	-	-	-
Dividend payables		260,460				
Lease liabilities (including current and non-current)		2,506	-	-	-	-
	<b>\$</b>	<b>535,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers of financial instruments between any levels for the six months ended June, 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

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(q) of the 2019 annual consolidated financial statements.

#### (q) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note (6)(r) of the 2019 annual consolidated financial statements. Also, Management believes that there were no significant changes in the Group's capital management information as disclosed in the 2019 annual financial statements.

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

## SINHER TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

There are no non-cash investing and financing activities for the six months ended June 30, 2020 and 2019. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flow	Non-cash changes Exchange movement	June 30, 2020
Guarantee deposits received	1,505	(38)	-	1,467
Lease liabilities	1,943	(499)	-	1,444
Total liabilities from financing activities	<u>\$ 3,448</u>	<u>(573)</u>	<u>-</u>	<u>2,911</u>

	January 1, 2019	Cash flow	Non-cash changes Exchange movement	June 30, 2019
Short-term borrowings	\$ 80,000	(80,000)	-	-
Guarantee deposits received	1,744	(342)	-	1,402
Lease liabilities	3,080	(574)	-	2,506
Total liabilities from financing activities	<u>\$ 84,824</u>	<u>(80,916)</u>	<u>-</u>	<u>3,908</u>

#### (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.

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

##### (b) Significant transaction with related parties

For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the Group purchased some fixtures and consumable material from its related parties amounting to \$7,684, \$5,822, \$13,056 and \$9,145, recognized as operating cost and researching and developing cost respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the outstanding balance was \$10,093, \$9,575 and \$7,208, respectively, were recognized as other payables.

##### (c) Key management personnel compensation

Key management personnel compensation comprised of:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Short-term employee benefits \$	5,034	4,821	8,203	8,522
Post-employment benefits	92	91	183	181
	<b>\$ 5,126</b>	<b>4,912</b>	<b>8,386</b>	<b>8,703</b>

(8) **Pledged assets: None.**

(9) **Commitments and contingencies:**

- (a) For the information on the Group's bank credit lines, guarantees and endorsements, please refer to note (13)(a).
- (b) Unrecognized contractual commitments:

As of June 30, 2020, December 31 and June 30, 2019, the future payments for the purchase of the Group's significant equipment and construction amounted to \$152,955, \$149,445 and \$11,291, respectively.

(10) **Losses Due to Major Disasters: None.**

(11) **Subsequent Events:**

In order to build a new factory at the cost of USD4, 000,000, a resolution was made during the board meeting on November 7, 2019 to increase the Company's investment in Chongqing SNR through both investment companies, MOI and Cingher (HK). The company has already remitted USD2, 000,000 each on January and July 2020.

(12) **Other:**

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

By item \ By function	For the three months ended June 30,					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	200,152	38,938	239,090	144,354	33,935	178,289
Labor and health insurance	5,051	1,797	6,848	7,677	1,855	9,532
Pension	61	756	817	8,075	1,235	9,310
Others	11,588	1,785	13,373	8,282	1,392	9,674
Depreciation	32,750	4,219	36,969	37,921	4,284	42,205
Amortization	44	1,459	1,503	29	1,556	1,585

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

<div>By item</div> <div>By function</div>	For the six months ended June 30,					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	298,485	66,625	365,110	272,352	63,253	335,605
Labor and health insurance	11,140	3,648	14,788	14,439	3,993	18,432
Pension	4,446	1,865	6,311	16,209	2,551	18,760
Others	18,852	3,070	21,922	16,406	2,701	19,107
Depreciation	69,141	8,440	77,581	75,271	8,329	83,600
Amortization	90	2,986	3,076	54	3,073	3,127

### (b) Seasonality of operations

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

### (13) Other disclosures:

#### (a) Information on significant transactions:

The 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 six months ended June 30, 2020:

#### (i) Lending 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)	981,729	103,705 (US\$3,500)	103,705 (US\$3,500)	-	-	3.17 %	1,636,216	Y	-	Y
0	"	Chongqing SNR	(Note 2)	981,729	192,595 (US\$6,500)	192,595 (US\$6,500)	-	-	5.89 %	1,636,216	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 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 primary entity of consolidated balance sheets.

#### (iii) Information regarding securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures not included): None.

#### (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chongqing SNR	100% owned sub-subsidiary	(Sales)	(378,641)	(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 499,253	73 %	Note 1
"	Kunshan Wanhe	"	(Sales)	(235,814)	(32) %	"	"	"	Accounts Receivable 95,886	14 %	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	(Sales)	(114,180)	(19) %	"	"	"	Accounts Receivable 235,771	38 %	"
"	The Company	The parent company	Purchases	235,814	54 %	"	"	Depending on the demand for funding, OA 120	Accounts Payable (95,886)	(30) %	"
Chongqing SNR	Kunshan Wanhe	With the same ultimate parent company	Purchases	114,180	20 %	"	"	"	Accounts Payable (235,771)	(29) %	"
"	The Company	The parent company	Purchases	378,641	66 %	"	"	"	Accounts Payable (499,253)	(62) %	"

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

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

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent (note 1)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Chongqing SNR	100% owned sub-subsidiary	499,253	1.91	-	-	Accounts Receivable 62,677	-	Note 2
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	235,771	0.94	-	-	Accounts Receivable 28,715	-	"

Note 1 : Information as of reporting date.

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

- (ix) Information regarding trading in derivative financial instruments: None.
- (x) Significant transactions and business relationships between the parent company and its subsidiaries:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(In thousands of New Taiwan Dollars)

No. (Note1)	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	378,641	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 120 days.	32.19%
0	"	"	1	Accounts Receivable	499,253	"	12.10%
0	"	Kunshan Wanhe	1	Sales Revenue	235,814	"	20.05%
0	"	"	1	Accounts Receivable	95,866	"	2.32%
1	Kunshan Wanhe	Chongqing SNR	3	Sales Revenue	114,180	"	9.71%
1	"	"	3	Accounts Receivable	235,771	"	5.71%
2	Chongqing SNR	Top Trading	3	Accounts Receivable	73,840	"	1.79%

Note 1: The numbers are filled in as follows:

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

Note 2: Relationship with the transactions is labeled as follows:

- Represents the transactions from the parent company to its subsidiaries.
- Represents the transactions from the subsidiaries to the parent company.
- Represents the transactions between the subsidiaries.

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

### (b) Information on investments:

The following are the information on investees for the six months ended June 30, 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 June 30, 2020			Net income (losses) of investee	Share of profit/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	General Investing	\$ 650,318	590,418	21,800,000	100%	708,480	(81,201)	(81,201)	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	170,197	(3,584)	(3,584)	"
	Total			<u>\$ 650,318</u>	<u>590,418</u>			<u>878,677</u>		<u>(84,785)</u>	
MOI	Sinher (H.K.) Limited	Hong Kong	General Investing	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	657,026	(22,808)	(22,808)	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hong Kong	"	331,142 (USD11,200)	271,242 (USD9,200)	11,200,000	100%	27,563	(58,393)	(58,393)	"
	Total			<u>\$ 650,318</u>	<u>590,418</u>			<u>684,589</u>		<u>(81,201)</u>	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	80,446 (USD2,715)	(1,273) (USD(42))	(1,273) (USD(42))	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	89,751 (USD3,029)	(2,311) (USD(77))	(2,311) (USD(77))	"
								<u>170,197</u>		<u>(3,584)</u>	

Note 1: The transaction has been eliminated in the consolidated financial statement.

### (c) Information on investment in Mainland China:

- The following is the information on investees in Mainland China:

# SINHER TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(In thousands of foreign currency)

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 March 31, 2020	net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	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)	(22,808) (CNY(5,353))	100.00%	(22,808) (CNY(5,353))	656,955	-
Chongqing SNR	Manufacturing and selling hinges components	331,142 (USD11,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	59,900 (USD2,000)	-	331,142 (USD11,200)	(58,394) (CNY(13,705))	100.00%	(58,394) (CNY(13,705))	27,546	-
Qianquan	Manufacturing and selling hinges components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	295 (CNY69)	100.00%	295 (CNY69)	2,022 (CNY482)	-

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 six months ended June 30, 2020.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the three months ended June 30, 2020 average exchange rates.

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) Upper limit on investment in Mainland China:

(In thousands of dollars)

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
650,318 (USD21,800)	709,578 (USD23,800)	1,963,459

### (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 "Information on significant 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:

This segment is mainly involved in the manufacturing of hinge components business. Therefore, the Group does not need to disclose segment information.