

Stock Code: 4999

## **SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

### **Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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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.

## Representation Letter

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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, 2021 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 24, 2022

## **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, 2021 and 2020, 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, 2021 and 2020, 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)(n) "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, 2021 and 2020, 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 the Audit Committee) 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 Szu-Chuan Chien and Hsing-Fu Yen.

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2022

#### **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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>								<b>Liabilities and Equity</b>			
<b>Current assets:</b>								<b>Current liabilities:</b>			
1100	Cash and cash equivalents (note (6)(a))	\$ 1,359,491	32	1,146,401	26	2100	Short-term borrowings (note(6)(g))	\$ 235,416	6	57,119	1
1150	Notes receivable (note (6)(b))	-	-	262	-	2170	Accounts payable	228,375	5	407,549	9
1170	Accounts receivable, net (note (6)(b))	1,143,124	27	1,385,218	31	2219	Other payable (note(7))	241,873	6	269,723	6
1310	Inventories (note (6)(c))	419,691	10	523,377	12	2230	Current tax liabilities	14,984	-	75,442	2
1476	Other current financial assets (note (8))	52,646	1	38,207	1	2280	Current lease liabilities (note (6)(h))	510	-	687	-
1479	Other current assets	12,622	-	17,173	-	2300	Other current liabilities	3,478	-	-	-
		2,987,574	70	3,110,638	70			724,636	17	810,520	18
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>			
1600	Property, plant and equipment (note(6)(d))	1,067,324	25	1,122,081	26	2570	Deferred tax liabilities (note (6)(k))	78,878	2	67,214	2
1755	Right-of-use assets (note (6)(e))	65,698	2	71,024	2	2580	Non-current lease liabilities (note (6)(h))	2,265	-	256	-
1760	Investment property, net (note (6)(f))	91,461	2	-	-	2640	Net defined benefit liability, non-current (note(6)(j))	100	-	564	-
1840	Deferred tax assets (note (6)(k))	62,510	1	97,196	2	2645	Guarantee deposits received	1,225	-	-	-
1920	Guarantee deposits paid	6,808	-	4,230	-			82,468	2	68,034	2
1900	Other non-current assets	16,880	-	12,727	-			807,104	19	878,554	20
		1,310,681	30	1,307,258	30						
								<b>Total liabilities</b>			
								<b>Equity: (note (6)(l))</b>			
								<b>Ordinary share</b>			
								<b>Capital surplus</b>			
								<b>Retained earnings:</b>			
								Legal reserve		465,592 11 423,519 10	
								Special reserve		35,579 1 43,940 1	
								Unappropriated retained earnings		1,848,483 43 1,923,255 43	
										2,349,654 55 2,390,714 54	
								<b>Exchange differences on translation of foreign financial statements</b>		(42,710) (1) (35,579) (1)	
								<b>Total equity</b>		3,491,151 81 3,539,342 80	
<b>Total assets</b>		<b>\$ 4,298,255</b>	<b>100</b>	<b>4,417,896</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 4,298,255</b>	<b>100</b>	<b>4,417,896</b>	<b>100</b>

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 Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

		2021		2020	
		Amount	%	Amount	%
4100	<b>Operating revenues</b> (notes (6)(n))	\$ 3,045,850	100	2,940,744	100
5110	<b>Cost of sales</b> (notes (6)(c), (6)(j), (6)(o), (7) and (12))	2,349,892	77	1,959,814	67
5900	<b>Gross profit</b>	695,958	23	980,930	33
	<b>Operating expenses</b> (notes (6)(j), (6)(o), (7) and (12))				
6100	Selling expenses	120,045	4	75,938	3
6200	Administrative expenses	138,294	4	126,351	4
6300	Research and development expenses	123,304	4	123,388	4
		381,643	12	325,677	11
6900	<b>Net operating income</b>	314,315	11	655,253	22
	<b>Non-operating income and expenses:</b>				
7100	Interest income	2,933	-	9,578	-
7190	Other income (notes (6)(i))	18,095	-	16,395	1
7230	Foreign exchange gains, net (note (6)(p))	(59,701)	(2)	(132,832)	(5)
7050	Finance costs	(1,755)	-	(67)	-
7590	Miscellaneous disbursements	(3,533)	-	(3,252)	-
		(43,961)	(2)	(110,178)	(4)
7900	<b>Profit before tax</b>	270,354	9	545,075	18
7950	Less: Tax expenses (note (6)(k))	88,412	3	124,196	4
	<b>Profit</b>	181,942	6	420,879	14
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8311	Gains (losses) on re-measurements of defined benefit plans (notes (6)(j))	312	-	(196)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (notes (6)(k))	62	-	(39)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	250	-	(157)	-
8360	<b>Items that will be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation	(8,914)	-	10,451	-
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (notes (6)(k))	(1,783)	-	2,090	-
	Components of other comprehensive income that will be reclassified to profit or loss	(7,131)	-	8,361	-
8300	<b>Other comprehensive income</b>	(6,881)	-	8,204	-
8500	<b>Comprehensive income</b>	<u>\$ 175,061</u>	<u>6</u>	<u>429,083</u>	<u>14</u>
	<b>Earnings per common share</b> (note (6)(m))				
9750	<b>Basic earnings per share</b> (expressed in dollars)	<u>\$ 2.44</u>		<u>5.66</u>	
9850	<b>Diluted earnings per share</b> (expressed in dollars)	<u>\$ 2.43</u>		<u>5.60</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, 2021 and 2020**

**(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	
<b>A1</b>	<b>Balance at January 1, 2020</b>	\$ 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
	Appropriation and distribution of retained earnings:						
B1	Legal reserve appropriated	-	-	42,073	-	(42,073)	-
B5	Cash dividends of ordinary share	-	-	-	-	(223,252)	(223,252)
B17	Reversal of special reserve	-	-	-	(8,361)	8,361	-
		-	-	42,073	(8,361)	(256,964)	(223,252)
D1	Profit for the year ended December 31, 2021	-	-	-	-	181,942	181,942
D3	Other comprehensive income for the year ended December 31, 2021	-	-	-	-	250	(7,131) (6,881)
D5	Total comprehensive income for the year ended December 31, 2021	-	-	-	-	182,192	(7,131) 175,061
Z1	<b>Balance at December 31, 2021</b>	<b>\$ 744,172</b>	<b>440,035</b>	<b>465,592</b>	<b>35,579</b>	<b>1,848,483</b>	<b>(42,710) 3,491,151</b>

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, 2021 and 2020**

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

		<b>2021</b>	<b>2020</b>
AAAA	<b>Cash flows from (used in) operating activities:</b>		
A10000	<b>Profit before tax</b>	\$ 270,354	545,075
A20000	<b>Adjustments:</b>		
A20010	<b>Adjustments to reconcile profit (loss):</b>		
A20100	Depreciation expense	164,369	153,532
A20200	Amortization expense	7,887	6,567
A20300	Expected credit loss (gain)	(61)	214
A20900	Interest expense	1,755	67
A21200	Interest income	(2,933)	(9,578)
A29900	Others	2,283	1,148
A20010	<b>Total adjustments to reconcile profit (loss)</b>	173,300	151,950
A30000	<b>Changes in operating assets and liabilities:</b>		
A31000	<b>Changes in operating assets:</b>		
A31130	Decrease in notes receivable	262	33
A31150	Decrease (increase) in accounts receivable	242,168	(389,268)
A31200	Decrease (increase) in inventories	103,686	(237,703)
A31240	Decrease (increase) in other current assets	4,551	(7,093)
A31250	Decrease (increase) in other current financial assets	9,539	(21,619)
A31000	<b>Total changes in operating assets</b>	360,206	(655,650)
A32000	<b>Changes in operating liabilities:</b>		
A32150	Increase (decrease) in accounts payable	(179,174)	239,023
A32180	Increase (decrease) in other payables	(28,046)	39,816
A32230	Increase in other current liabilities	3,478	-
A32240	Decrease in net defined benefit liability	(152)	(148)
A32000	<b>Total changes in operating liabilities</b>	(203,894)	278,691
A30000	<b>Total changes in operating assets and liabilities</b>	156,312	(376,959)
A20000	<b>Total adjustments</b>	329,612	(225,009)
A33000	Cash inflow generated from operations	599,966	320,066
A33100	Interest received	3,310	11,867
A33300	Interest paid	(1,755)	(67)
A33500	Income taxes paid	(100,683)	(92,125)
AAAA	<b>Net cash flows from (used in) operating activities</b>	500,838	239,741
BBBB	<b>Cash flows from (used in) investing activities:</b>		
B02700	Acquisition of property, plant and equipment	(196,546)	(255,868)
B02800	Proceeds from disposal of property, plant and equipment	42	227
B03700	Increase in guarantee deposits paid	(2,578)	(2,979)
B04500	Acquisition of intangible assets	(12,042)	(6,230)
B06500	Increase in other financial assets	(24,370)	-
BBBB	<b>Net cash flows from (used in) investing activities</b>	(235,494)	(264,850)
CCCC	<b>Cash flows from (used in) financing activities:</b>		
C00100	Increase in short-term borrowings	182,901	57,119
C03100	Increase (decrease) in guarantee deposits received	(307)	27
C04020	Payment of lease liabilities	(751)	(1,000)
C04500	Cash dividends paid	(223,252)	(186,043)
CCCC	<b>Net cash flows from (used in) financing activities</b>	(41,409)	(129,897)
DDDD	<b>Effect of exchange rate changes on cash and cash equivalents</b>	(10,845)	4,240
EEEE	<b>Net increase (decrease) in cash and cash equivalents</b>	213,090	(150,766)
E00100	<b>Cash and cash equivalents at beginning of period</b>	1,146,401	1,297,167
E00200	<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,359,491</b>	<b>1,146,401</b>

See accompanying notes to consolidated financial statements.

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(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 24, 2022.

**(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, 2021:

- 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"

The Group has initially adopted the new amendments, which do not have a significant impact on its parent-company-only financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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"

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

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>Effective date per IASB</b>	<b>New, Revised or Amended Standards and Interpretations</b>	<b>The Amendment included:</b>
January 1, 2023	Amendments to IAS 1 "Classification of Liabilities"	The amendments aim to promote consistency in applying the requirement by

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

	as Current or Non-current”	helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.
January 1, 2023	Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments reduce the scope of recognition exemption. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

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”
- Amendments to IFRS 17 and IAS 17 “Insurance Contracts”
- Amendments to IAS 1, ‘Disclosure of accounting policies’
- Amendments to IAS 8, ‘Definition of accounting estimates’

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

**(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 fairvalue;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the presentvalue of the defined benefit obligation, limited as explained in note (4)(o).

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(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.

(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	<b>Shareholding</b>	
			December 31, 2021	December 31, 2020
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 Ltd.	Chongqing SNR Technology Co., (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%

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(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.

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:

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- (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.

(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.



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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
- 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

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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;
- 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.

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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) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

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(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

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.

(i) 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

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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:

- 1) fixed payments, including in substance fixed payments;
- 2) 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 3) 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 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.

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially

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the same as, or less than, the consideration for the lease immediately preceding the change;

- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- 4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) 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.

(I) 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 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 main intangible asset ,

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computer software, other than goodwill, from the date that they are available for use. The estimated useful lives of computer software for the current and comparative periods are 1~10 years.

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

**(m) 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.

**(n) 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.

**(i) Sale of goods**

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

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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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.

(ii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short term employee benefits

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

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting



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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.

(q) **Income taxes**

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

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

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

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

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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.

(r) 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.

(s) 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 consolidated financial statements, management has to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts 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

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	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 926	1,389
Checking accounts and demand deposits	795,525	732,052
Time deposits	563,040	412,960
	<b><u>\$ 1,359,491</u></b>	<b><u>1,146,401</u></b>

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

**(b) Notes and accounts receivable**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ -	262
Accounts receivable	1,145,132	1,387,300
	1,145,132	1,387,562
Less: loss allowance	(2,008)	(2,082)
	<b><u>\$ 1,143,124</u></b>	<b><u>1,385,480</u></b>
Notes receivable	<b><u>\$ -</u></b>	<b><u>262</u></b>
Accounts receivable, net	<b><u>\$ 1,143,124</u></b>	<b><u>1,385,218</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 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:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 1,018,482	0.011%	109
Aging 121~150 days	121,358	0.041%	50
Aging 151~240 days	3,610	4.262%	167
Aging over 241 days	1,682	100.00%	1,682
	<b><u>\$ 1,145,132</u></b>		<b><u>2,008</u></b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance provision</b>
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
	<b><u>\$ 1,387,562</u></b>		<b><u>2,082</u></b>

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

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 2,082	1,833
Impairment loss recognized (reversed)	(61)	214
Foreign exchange (gains) losses	(13)	35
Balance on December 31	<b><u>\$ 2,008</u></b>	<b><u>2,082</u></b>

As of December 31, 2021 and 2020, the Group did not provide any receivables as collaterals for its loans.

## (c) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 165,172	191,312
Work in progress	44,367	64,274
Finished goods	210,152	267,791
	<b><u>\$ 419,691</u></b>	<b><u>523,377</u></b>

The write-down of the inventories to net realizable value amounted to \$18,045 and \$53,492, which was recorded as cost of sales for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, 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, 2021	\$ 362,813	519,104	720,503	62,241	108,462	1,773,123
Additions	-	2,640	79,059	3,648	112,937	198,284
Reclassified to investment property	-	(87,448)	-	-	-	(87,448)
Disposals	-	(2,395)	(26,064)	(7,055)	-	(35,514)
Effect of movements in exchange rates	-	(2,173)	(1,766)	(269)	(807)	(5,015)
Reclassifications	-	144,679	48,322	361	(193,708)	(346)
Balance on December 31, 2021	<b><u>\$ 362,813</u></b>	<b><u>574,407</u></b>	<b><u>820,054</u></b>	<b><u>58,926</u></b>	<b><u>26,884</u></b>	<b><u>1,843,084</u></b>
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	<b><u>362,813</u></b>	<b><u>519,104</u></b>	<b><u>720,503</u></b>	<b><u>62,241</u></b>	<b><u>108,462</u></b>	<b><u>1,773,123</u></b>

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)****Depreciation and impairments loss:**

Balance on January 1, 2021	\$	-	200,444	409,444	41,154	-	651,042
Depreciation for the year		-	34,197	118,680	8,071	-	160,948
Disposals		-	(2,395)	(24,109)	(7,031)	-	(33,535)
Effect of movements in exchange rates		-	(1,008)	(1,458)	(229)	-	(2,695)
Balance on December 31, 2021	\$	-	<b>231,238</b>	<b>502,557</b>	<b>41,965</b>	-	<b>775,760</b>
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	\$	-	<b>200,444</b>	<b>409,444</b>	<b>41,154</b>	-	<b>651,042</b>

**Book value:**

Balance on December 31, 2021	\$	<b>362,813</b>	<b>343,169</b>	<b>317,497</b>	<b>16,961</b>	<b>26,884</b>	<b>1,067,324</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 December 31, 2020	\$	<b>362,813</b>	<b>318,660</b>	<b>311,059</b>	<b>21,087</b>	<b>108,462</b>	<b>1,122,081</b>

## (i) pledged as collateral

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had not been pledged as collateral.

## (ii) Reclassified to investment property

The Group has leased part of its plants to a third party since October 1, 2021, so the use right in recognition of the lease right is reclassified as investment property at its carrying amount, please refer to note (6)(f)

## (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:

		<b>Land</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost:</b>				
Balance on January 1, 2021	\$	73,910	3,080	76,990
Additions		2,583	-	2,583
Reclassified to investment property		(5,075)	-	(5,075)
Effect of movements in exchange rates		(559)	-	(559)
Balance on December 31, 2021	\$	<b>70,859</b>	<b>3,080</b>	<b>73,939</b>
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	\$	<b>73,910</b>	<b>3,080</b>	<b>76,990</b>

**Accumulated depreciation and impairments:**

Balance on January 1, 2021	\$	3,820	2,146	5,966
Depreciation for the period		1,931	682	2,613
Reclassified to investment property		(310)	-	(310)

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Effect of movements in exchange rates	(28)	-	(28)
Balance on December 31, 2021	<u>\$ 5,413</u>	<u>2,828</u>	<u>8,241</u>
Balance on January 1, 2020	\$ 1,879	1,147	3,026
Depreciation for the period	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>
<b>Carry amounts:</b>			
Balance on December 31, 2021	<u>\$ 65,446</u>	<u>252</u>	<u>65,698</u>
Balance on January 1, 2020	<u>\$ 70,815</u>	<u>1,933</u>	<u>72,748</u>
Balance on December 31, 2020	<u>\$ 70,090</u>	<u>934</u>	<u>71,024</u>

**Land**

- (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.
- (iii) The Group has leased part of its plants to a third party since October 1, 2021, so the land use right in recognition of the lease right is reclassified as investment property at its carrying amount, please refer to note (6)(f).
- (f) **Investment property**

Investment property comprises properties that are owned by the Group, leased to a third party under operating leases and right-of-use assets in recognition of lease rights. The leases of investment properties contain an initial non-cancellable lease term of one year.

For all investment property for leasing, the rental income is fixed under contracts.

Information about investment properties is presented below:

	<b>Buildings and construction</b>	<b>Land</b>	<b>Total</b>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2021	\$ -	-	-
Transfer-in from property, plant and equipment	87,448	-	87,448
Transfer-in from right-of-use assets	-	5,075	5,075
Effect of movements in exchange rates	54	3	57
Balance on December 31, 2021	<u>\$ 87,502</u>	<u>5,078</u>	<u>92,580</u>
<b>Depreciation and impairments loss:</b>			
Balance on January 1, 2021	\$ -	-	-
Depreciation for the period	780	28	808
Transfer-in from right-of-use assets	-	310	310
Effect of movements in exchange rates	-	1	1
Balance on December 31, 2021	<u>\$ 780</u>	<u>339</u>	<u>1,119</u>

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**Carry amounts:**

Balance on December 31, 2021	\$	<u>86,722</u>	<u>4,739</u>	<u>91,461</u>
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**Fair Value:**

Balance on December 31, 2021	\$	<u>121,640</u>
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Since the Group no longer uses part of the plant, it decided to lease plants to third parties. Therefore, the Group transferred the plants and the land use right in recognition of the lease right from property, plant and equipment and right-of-use asset to investment properties, respectively. Please refer to notes (6)(d), (6)(e) for related information.

Each lease contract includes the original non-cancellable lease term, and its subsequent lease term is negotiated with the lessee without charging contingent rent. Please refer to notes (6)(i).

The fair value of investment property is based on the evaluation of independent appraisers (with relevant recognized professional qualifications and recent relevant experience in the location and type of investment real estate being evaluated).

As of December 31, 2021, the Group did not provide any investment properties as collaterals for its loans.

(g) Short-term borrowings

	December 31, 2021		
	Currency	Range of interest rates	Amount
Unsecured bank loans	USD	0.62~0.79%	\$ 207,720
Secured bank loans	USD	0.62%	27,696
			<u>\$ 235,416</u>
Unused short-term credit lines			<u>\$ 441,360</u>

  

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

(i) For information on the Group's liquidity risk, please refer to note (6)(p).

(ii) As of December 31, 2021 and 2020, the Group 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, 2021, the Group provides assets pledged as collaterals for the credit loans and the credit lines of the Group, please refer to note (8) for details. As of December 31 2020, the Group did not provide any assets pledged as collaterals.

(h) Lease liabilities

The lease liabilities of the Group were as follows:

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	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 510</b>	<b>687</b>
Non-current	<b>\$ 2,265</b>	<b>256</b>

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

The amounts recognized in profits or losses were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<b>\$ 9</b>	<b>15</b>
Income from sub-leasing of use assets	<b>\$ (9)</b>	<b>(52)</b>
Expenses relating to short-term leases	<b>\$ 7,604</b>	<b>2,898</b>
Expenses relating to leases of low-value assets, (excluding short-term leases of low-value assets)	<b>\$ 181</b>	<b>181</b>
Covid-19-Related Rent Concessions, (recognized in other income)	<b>\$ 13</b>	<b>-</b>

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 8,532</b>	<b>4,094</b>

(i) Leases of land and vehicles

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(i).

(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.

(i) Operating lease - as lessor

The Group subleased several properties, 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, 2021 and 2020, the income recognized in profit or loss under operating lease were \$3,618 and \$186, respectively.

(j) 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	<b>\$ 2,675</b>	<b>2,942</b>
Fair value of plan assets	<b>(2,575)</b>	<b>(2,378)</b>
Net defined benefit liabilities (assets)	<b>\$ 100</b>	<b>564</b>



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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 \$2,575 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

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

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 2,942	2,657
Current service costs and interest	18	27
Remeasurement in net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from: financial assumptions	(285)	258
Defined benefit obligation at December 31	<u>\$ 2,675</u>	<u>2,942</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>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 2,378	2,141
Interest income	15	23
Remeasurement in net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	27	62
Contributions paid by the employer	155	152
Fair value of plan assets at December 31	<u>\$ 2,575</u>	<u>2,378</u>

## 4) Movements of the effect of the asset ceiling

As of December 31, 2021 and 2020, the Group did not have any movements of the effect of the asset ceiling.

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5) Expenses recognized in profit or loss

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

	<b>2021</b>	<b>2020</b>
Net interest of net liabilities for defined benefit obligations	<u>\$ 3</u>	<u>4</u>
Operating cost	\$ 1	2
Administration expenses	1	1
Research and development expenses	<u>1</u>	<u>1</u>
	<u><u>\$ 3</u></u>	<u><u>4</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 other comprehensive income for the years ended December 31, 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Accumulated amount at January 1	\$ (1,561)	(1,365)
Recognized during the period	<u>312</u>	<u>(196)</u>
Accumulated amount at December 31	<u><u>\$ (1,249)</u></u>	<u><u>(1,561)</u></u>

7) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.625%	0.625%
Future salary increase rate	3.000%	4.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$156.

The weighted average lifetime of the defined benefits plans is 12.08 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:

<b>Influences of defined benefit obligations</b>		
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2021		
Discount rate	\$ (76)	80
Future salary increasing rate	76	(74)
December 31, 2020		
Discount rate	(92)	96
Future salary increasing rate	91	(88)

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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 2021 and 2020.

(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 \$8,497 and \$7,699 for the years ended December 31, 2021 and 2020, respectively. The pension expenses recognized by the other subsidiaries included in the consolidated financial statements for the years ended December 31, 2021 and 2020 were amounted to \$48,355 and \$2,487, respectively.

(k) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 35,747	88,927
Additional 5% income tax expenses on undistributed earnings	3,536	-
Adjustment for prior periods	<u>1,058</u>	<u>37</u>
	<u>40,341</u>	<u>88,964</u>
Deferred tax expense		
Origination and reversal of temporary differences	42,793	25,404
The difference from unrealized gains (losses) tax rates between the trade of companies	<u>5,278</u>	<u>9,828</u>
	<u>48,071</u>	<u>35,232</u>
Income tax expense	<u><u>\$ 88,412</u></u>	<u><u>124,196</u></u>

- 2) The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ 62</u></u>	<u><u>(39)</u></u>
Items that may be reclassified subsequently to profit or loss:		

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Exchange differences on translation of foreign financial statements	<b>\$ (1,783)</b>	<b>2,090</b>
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- 3) Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	<b>2021</b>	<b>2020</b>
Profit excluding income tax	<b>\$ 270,354</b>	<b>545,075</b>
Income tax using the Company's domestic tax rate	\$ 54,071	109,015
Effect of tax rates in foreign jurisdiction	25,313	24,050
Under (over) provision in prior periods	1,058	37
Non-deductible expenses	78	12
Foreign dividends income	-	(15,842)
Substantive investment tax rate of 8%	-	6,336
Undistributed earnings additional tax	3,536	-
Other	4,356	588
Income tax expense	<b>\$ 88,412</b>	<b>124,196</b>

- (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 2021 and 2020 were as follows:

	Investment income recognized under the equity method (overseas)	Exchange difference on translation	Defined benefit plans	Total	
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2021	\$ 67,214	-	-		67,214
Recognized in (profit) or loss	11,651	-	13		11,664
Balance on December 31, 2021	<b>\$ 78,865</b>	<b>-</b>	<b>13</b>		<b>78,878</b>
Balance on January 1, 2020	\$ 74,935	-	-		74,935
Recognized in (profit) or loss	(7,721)	-	-		(7,721)
Balance on December 31, 2020	<b>\$ 67,214</b>	<b>-</b>	<b>-</b>		<b>67,214</b>
	Defined benefit plans	Exchange difference on translation	Unrealized gross profit	Others	Total
<b>Deferred tax assets:</b>					
Balance on January 1, 2021	\$ 81	8,699	56,156	32,260	97,196
Recognized in (profit) or loss	(19)	-	(21,112)	(15,276)	(36,407)
Recognized in other comprehensive income	(62)	1,783	-	-	1,721
Balance on December 31, 2021	<b>\$ -</b>	<b>10,482</b>	<b>35,044</b>	<b>16,984</b>	<b>62,510</b>
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	<b>\$ 81</b>	<b>8,699</b>	<b>56,156</b>	<b>32,260</b>	<b>97,196</b>

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

(l) Capital and other equities

As of December 31, 2021 and 2020, 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid in capital	\$ 431,703	431,703
Share-based payment transaction – treasury stock	8,332	8,332
	<b><u>\$ 440,035</u></b>	<b><u>440,035</u></b>

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.

(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.

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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.

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 lower 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

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 shareholder's equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution on 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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. Amount of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

As of December 31, 2021 and 2020, the special reserve amounted to \$35,579 and \$43,940 respectively.

3) Earnings distribution

Amount of cash dividends in the earnings distribution for 2020 was decided by the resolution adopted, by the board of directors on March 25, 2021; the distribution for 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 24, 2020. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Amount	Amount per share	Amount
Cash dividends distributed to ordinary shareholders	\$	3.0 <u>223,252</u>	2.5	<u>186,043</u>

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Amount of cash dividends in the earnings distribution for 2021 was decided by the resolution adopted, by the board of directors on February 24, 2022. The relevant dividend distributions to shareholders were as follows:

	<b>2021</b>	
	<b>Amount per share</b>	<b>Amount</b>
Cash dividends distributed to ordinary shareholders	2.0	<u><u>148,834</u></u>

## (m) Earnings per share

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

	<b>2021</b>	<b>2020</b>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company		
	<u><u>\$ 181,942</u></u>	<u><u>420,879</u></u>
Weighted average number of outstanding ordinary shares (in thousands)	<u><u>74,417</u></u>	<u><u>74,417</u></u>
Basic earnings per share(in dollars)	<u><u>\$ 2.44</u></u>	<u><u>5.66</u></u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)		
	<u><u>\$ 181,942</u></u>	<u><u>420,879</u></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>422</u>	<u>697</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u><u>74,839</u></u>	<u><u>75,114</u></u>
Diluted earnings per share(in dollars)	<u><u>\$ 2.43</u></u>	<u><u>5.60</u></u>

## (n) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>2021</b>	<b>2020</b>
Primary geographical markets:		
Taiwan	\$ 79,442	44,665
China	2,113,617	2,125,440
Singapore	744,813	580,458
Japan	<u>107,978</u>	<u>190,181</u>
	<u><u>\$ 3,045,850</u></u>	<u><u>2,940,744</u></u>
Major product:		
Hinge components	<u><u>\$ 3,045,850</u></u>	<u><u>2,940,744</u></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).

(o) 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 compensations 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, 2021 and 2020, 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 2021 and 2020. 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 2021 and 2020.

	<b>2021</b>	<b>2020</b>
The employees compensation remuneration	\$ 13,586	30,123
The directors and supervisors	1,482	3,286
	<b><u>\$ 15,068</u></b>	<b><u>33,409</u></b>

(p) 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 Company are centralized in the computer industry. To minimize credit risk, the Company periodically evaluates the customers' financial positions and the possibility of collecting trade receivables.

As of December 31, 2021 and 2020, 55% and 61% 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



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refer to note (4)(g).) As of December 31, 2021 and 2020, there is no impairment provision.

**(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>December 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 235,416	(235,922)	(235,922)	-	-
Accounts payable	228,375	(228,375)	(228,375)	-	-
Other payables	241,873	(241,873)	(241,873)	-	-
Lease liabilities (current and non-current)	2,775	(2,822)	(520)	(263)	(2,039)
Guarantee deposits receive	1,225	(1,225)	-	-	(1,225)
	<b>\$ 709,664</b>	<b>(710,217)</b>	<b>(706,690)</b>	<b>(263)</b>	<b>(3,264)</b>
<b>December 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 57,119	(57,514)	(57,514)	-	-
Accounts payable	407,549	(407,549)	(407,549)	-	-
Other payables	269,723	(269,723)	(269,723)	-	-
Lease liabilities (current and non-current)	943	(950)	(693)	(257)	-
	<b>\$ 735,334</b>	<b>(735,736)</b>	<b>(735,479)</b>	<b>(257)</b>	<b>-</b>

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:

(In thousands of foreign currency)

	<b>December 31, 2021</b>			<b>December 31, 2020</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
Financial assets						
Monetary items						
USD	\$ 46,487	USD/NTD = 27.68	1,286,765	66,343	USD/NTD = 28.48	1,889,463

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USD	\$ 46,357	USD/CNY = 6.3757	1,283,894	53,302	USD/CNY = 6.5249	1,522,288
Financial liabilities						
Monetary items						
USD	\$ 40,793	USD/CNY = 6.3757	1,129,817	47,108	USD/CNY = 6.5249	1,345,387

## 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, 2021 and 2020 would have affected the net profit before tax as follows, the analysis is performed on the same basis for both periods.

	<u>2021</u>	<u>2020</u>
USD (against the NTD)	\$ 64,338	94,473
USD (against the CNY)	7,704	8,845

## 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	<u>2021</u>		<u>2020</u>	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ (46,180)	-	(110,550)	-
CNY	CNY(3,115)	CNY/TWD = 4.3413	CNY(5,024)	CNY/TWD = 4.2816

(In thousands of foreign currency)

## (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 \$1,400 and \$1,687 for the years ended December 31, 2021 and 2020, respectively, which would be mainly resulted from the bank savings, and borrowings with

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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:

disclosure of fair value information is not required.

		December 31, 2021				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at amortized cost:</b>						
Cash and cash equivalents	\$	1,359,491	-	-	-	-
Accounts receivable		1,143,124	-	-	-	-
Other current financial assets		52,646	-	-	-	-
Guarantee deposits paid		6,808	-	-	-	-
		<u>\$ 2,562,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortized cost:</b>						
Short-term borrowings	\$	235,416	-	-	-	-
Accounts payable		228,375	-	-	-	-
Other payables		241,873	-	-	-	-
Lease liabilities (current and non-current)		2,775	-	-	-	-
Guarantee deposits received		1,225	-	-	-	-
		<u>\$ 709,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2020				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at amortized cost:</b>						
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>\$ 2,574,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortized cost:</b>						
Short-term borrowings	\$	57,119	-	-	-	-
Accounts payable		407,549	-	-	-	-

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Other payables	269,723	-	-	-	-
Lease liabilities (current and non-current)	943	-	-	-	-
	<u>\$ 735,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no transfer of financial instruments between any levels for the years ended December 31, 2021 and 2020.

- 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.

(q) 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

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.

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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.

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, 2021 and 2020, 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)(g) for unused short-term credit lines as of December 31, 2021 and 2020.

(v) Market risk

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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.

(r) **Capital management**

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there 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, 2021 and 2020 is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 807,104	878,554
Total assets	4,298,255	4,417,896
Liability ratio	19%	20%

(s) **Investing and financial activities not affecting current cash flow**

The Group has non-cash investing and financing activities for right-of-use assets from leasing during 2021, please refer to note (6)(e) for details. There has no non-cash investing and financing activities for the year ended December 31, 2020. Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2021</b>	<b>Cash flow</b>	<b>Non-cash changes</b>		<b>December 31, 2021</b>
			<b>Addition</b>	<b>Exchange movement</b>	
Short-term borrowings	\$ 57,119	182,901	-	(4,604)	235,416

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

Guarantee deposits received	1,532	(307)	-	-	1,225
Lease liabilities	943	(751)	2,583	-	2,775
Total liabilities from financing activities	<u>\$ 59,594</u>	<u>181,843</u>	<u>2,583</u>	<u>(4,604)</u>	<u>239,416</u>

	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	<u>\$ 3,448</u>	<u>56,146</u>	<u>-</u>	<u>59,594</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.

<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, 2021 and 2020, the Group purchased some fixtures and consumable material from its related parties — Daher, amounting to \$28,597 and \$26,131, respectively, and were recognized as operating cost and researching and developing cost, respectively. As of December 31, 2021 and 2020, the outstanding balance amounting to \$11,006 and \$8,243, respectively, were recognized as other payables.

**(c) Key management personnel compensation**

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 17,823	17,977
Post-employment benefits	411	366
	<u>\$ 18,234</u>	<u>18,343</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as followings:

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Restricted bank deposits (recorded as #1476 Other current financial assets in Consolidated Balance Sheets)	Reserve Account	\$ -	4,289
Time deposits (recorded as #1476 Other current financial assets in Consolidated Balance Sheets)	Bank Loans	<u>\$ 32,580</u>	-
		<u>\$ 32,580</u>	<u>4,289</u>

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)****(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, 2021 and 2020, the future payments for the purchase of the Company's significant equipment and constructions amounted to \$9,681 and \$79,970, 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:

By item \ By function	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	668,654	132,688	801,342	731,726	139,377	871,103
Labor and health insurance	43,524	8,490	52,014	26,670	7,452	34,122
Pension	50,922	5,933	56,855	6,773	3,417	10,190
Others	38,715	6,692	45,407	41,843	6,617	48,460
Depreciation	145,895	18,474	164,369	136,447	17,085	153,532
Amortization	695	7,192	7,887	180	6,387	6,567

**(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 nine months ended December 31, 2021:

- (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	Relationship with the Company	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
0	The Company	Kunshan Wanhe	(Note 2)	1,047,345	304,480 (US\$11,000)	304,480 (US\$11,000)	55,360 (US\$2,000)	-	8.72 %	1,745,576	Y	-	Y
0	"	Chongqing SNR	(Note 2)	1,047,345	304,480 (US\$11,000)	304,480 (US\$11,000)	152,240 (US\$5,500)	-	8.72 %	1,745,576	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.



**SINHER TECHNOLOGY INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

- (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.
- (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)	(3517,356)	(49) %	Depending on the demand for funding, OA 120	Same as selling to other clients	Depending on the demand for funding, OA 120	Accounts Receivable 310,215	57 %	Note 1
"	Kunshan Wanhe	"	(Sales)	(438,543)	(42) %	"	"	"	Accounts Receivable 191,593	35 %	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	(Sales)	(227,738)	(14) %	"	"	"	Accounts Receivable 211,662	29 %	"
"	Top Trading	"	(Sales)	(131,047)	(8) %	"	"	"	Accounts Receivable 34,892	5 %	"
"	The Company	The parent company	Purchases	438,543	54 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (191,593)	(59) %	"
Chongqing SNR	Kunshan Wanhe	With the same ultimate parent company	Purchases	227,738	23 %	"	"	"	Accounts Payable (211,662)	(35) %	"
"	The Company	The parent company	Purchases	517,356	52 %	"	"	"	Accounts Payable (310,215)	(52) %	"
"	Top Trading	With the same ultimate parent company	(Sales)	(297,212)	(19) %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Receivable 119,518	20 %	"
Top Trading	Chongqing SNR	"	Purchases	297,212	69 %	Depending on the demand for funding, OA 120	"	Depending on the demand for funding, OA 120	Accounts Payable (119,518)	(77) %	"
"	Kunshan Wanhe	"	Purchases	131,047	31 %	"	"	"	Accounts Payable (34,892)	(23) %	"

Note1: 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:

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

(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	310,215	1.32	-	-	Accounts Receivable 41,655	-	Note 2
"	Kunshan Wanhe	100% owned sub-subsidiary	191,593	1.67	-	-	Accounts Receivable -	-	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	211,662	0.90	-	-	Accounts Receivable 57,694	-	"
Chongqing SNR	Top Trading	With the same ultimate parent company	119,518	3.40	-	-	Accounts Receivable 73,744	-	"

Note 1 : Information as of reporting date.

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

(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			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Chongqing SNR	1	Sales Revenue	517,356	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 120 days.	16.99%
0	"	"	1	Accounts Receivable	310,215	"	7.22%
0	"	Kunshan Wanhe	1	Sales Revenue	438,543	"	14.40%
0	"	"	1	Accounts Receivable	191,593	"	4.46%
1	Kunshan Wanhe	Chongqing SNR	3	Sales Revenue	227,738	"	7.48%
1	"	"	3	Accounts Receivable	211,662	"	4.92%
1	"	Top Trading	3	Sales Revenue	131,047	"	4.30%
2	Chongqing SNR	Top Trading	3	Sales Revenue	297,212	"	9.76%
2	"	"	3	Accounts Receivable	119,518	"	2.78%

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 invest mentees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

## (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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(In thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			The highest holding in the period		Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying amount	Shares	Percentage of ownership			
The Company	MOI	Samoa	Investment activities	\$ 727,957	727,957	23,800,000	100%	1,010,124	23,800,000	100%	93,311	88,033	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	55,271	-	100%	(29,775)	(29,775)	"
	Total			<u>\$ 727,957</u>	<u>727,957</u>			<u>1,065,395</u>				<u>58,258</u>	
MOI	Sinher (H.K.) Limited	Hong Kong	Investment activities	\$ 325,579	325,579	10,600,000	100%	820,011	10,600,000	100%	54,387	54,387	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hong Kong	"	402,378	402,378	13,200,000	100%	181,327	13,200,000	100%	38,923	38,923	"
	Total			<u>727,957</u>	<u>727,957</u>			<u>1,001,338</u>				<u>93,310</u>	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	23,780 (USD859)	-	100%	4,931 (USD176)	4,931 (USD176)	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	31,491 (USD1,138)	-	100%	(34,706) (USD(1,239))	(34,706) (USD(1,239))	"
	Total							<u>55,271</u>				<u>(29,775)</u>	

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

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

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

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during 2021	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)	54,387 (CNY12,528)	100.00%	100.00%	54,387 (CNY12,528)	819,940	-
Chongqing SNR	Manufacturing and selling hinges components	391,042 (USD13,200)	(Note 1) & (Note 5)	391,042 (USD13,200)	-	-	391,042 (USD13,200)	38,923 (CNY8,966)	100.00%	100.00%	38,923 (CNY8,966)	181,311	-
Qianquan	Manufacturing and selling hinges components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	(844) (CNY(194))	100.00%	100.00%	(844) (CNY(194))	864 (CNY199)	-

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 2021.

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, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
710,218 (USD23,800)	710,218 (USD23,800)	2,094,691

## (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:

(Unit: Share)

Major	Shares	Total Shares Owned	Ownership Percentage
Su, Ting Hung		6,028,359	8.10%
Catcher Technology Co., Ltd		5,169,917	6.94%

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.

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

2. 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.

- (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:

	<b>2021</b>	<b>2020</b>
Taiwan	\$ 79,442	44,665
China	2,113,617	2,125,440
Singapore	744,813	580,458
Japan	107,978	190,181
Total	<b>\$ 3,045,850</b>	<b>2,940,744</b>

- (ii) Non-current asset:

	<b>2021</b>	<b>2020</b>
Taiwan	\$ 802,315	827,323
China	445,856	382,739
Total	<b>\$ 1,248,171</b>	<b>1,210,062</b>

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:

	<b>2021</b>	<b>2020</b>
00107 Company	\$ 778,772	825,709
16600 Company	744,813	580,458
00303 Company	367,453	421,674
	<b>\$ 1,891,038</b>	<b>1,827,841</b>