

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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

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Independent Auditors' Review Report

To the Board of Directors SINHER TECHNOLOGY INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of SINHER TECHNOLOGY INC. and its subsidiaries as of March 31, 2021 and 2020 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of SINHER TECHNOLOGY INC. and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 4, 2021

Notes to Readers

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

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

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Assets		March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and Equity		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 1,266,256	28	1,146,401	26	1,513,271	40	2100	Short-term borrowings (note (6)(f))	\$ 157,001	3	57,119	1	-	-
1150	Notes receivable (note (6)(b))	-	-	262	-	98	-	2170	Accounts payable	386,861	9	407,549	9	116,561	3
1170	Accounts receivable, net (note (6)(b))	1,268,721	28	1,385,218	31	787,104	21	2219	Other payables (note (7))	227,127	5	269,723	6	179,282	5
1310	Inventories (note (6)(c))	625,192	14	523,377	12	251,011	7	2216	Dividends payable (note (6)(k))	223,252	5	-	-	-	-
1476	Other current financial assets (note (8))	27,578	1	38,207	1	13,444	-	2230	Current tax liabilities	83,180	2	75,442	2	87,734	2
1479	Other current assets	14,156	-	17,173	-	9,343	-	2280	Current lease liabilities (note (6)(g))	547	-	687	-	976	-
		3,201,903	71	3,110,638	70	2,574,271	68			1,077,968	24	810,520	18	384,553	10
Non-current assets:								Non-Current liabilities:							
1600	Property, plant and equipment (note (6)(d))	1,119,703	25	1,122,081	26	987,220	26	2570	Deferred tax liabilities	67,214	1	67,214	2	74,935	2
1755	Right-of-use assets (note (6)(e))	69,799	2	71,024	2	71,214	2	2580	Non-current lease liabilities (note (6)(g))	171	-	256	-	718	-
1840	Deferred tax assets	98,610	2	97,196	2	143,482	4	2640	Net defined benefit liability, non-current	564	-	564	-	516	-
1920	Guarantee deposits paid	9,328	-	4,230	-	1,228	-	2645	Guarantee deposits received	1,520	-	-	-	-	-
1990	Other non-current assets	11,307	-	12,727	-	11,633	-			69,469	1	68,034	2	76,169	2
		1,308,747	29	1,307,258	30	1,214,777	32	Total liabilities		1,147,437	25	878,554	20	460,722	12
								Equity: (note (6)(k))							
								3110	Ordinary share	744,172	17	744,172	17	744,172	20
								3200	Capital surplus	440,035	10	440,035	10	440,035	11
								Retained earnings:							
								3310	Legal reserve	423,519	9	423,519	10	402,810	11
								3320	Special reserve	43,940	1	43,940	1	-	-
								3350	Unappropriated retained earnings	1,752,784	39	1,923,255	43	1,790,375	47
										2,220,243	49	2,390,714	54	2,193,185	58
								3410	Exchange differences on translation of foreign financial statements	(41,237)	(1)	(35,579)	(1)	(49,066)	(1)
								Total equity		3,363,213	75	3,539,342	80	3,328,326	88
Total assets		\$ 4,510,650	100	4,417,896	100	3,789,048	100	Total liabilities and equity		\$ 4,510,650	100	4,417,896	100	3,789,048	100

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars , except for earnings per common share)

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4100	Operating revenues (note (6)(m))	\$ 737,095	100	389,333	100
5110	Cost of sales (notes (6)(c), (6)(i), (6)(n), (7) and (12))	566,837	77	299,012	77
5900	Gross profit	170,258	23	90,321	23
	Operating expenses (notes (6)(i), (6)(n), (7) and (12))				
6100	Selling expenses	30,894	4	11,992	3
6200	Administrative expenses	36,091	5	23,047	6
6300	Research and development expenses	27,818	4	27,922	7
		94,803	13	62,961	16
6900	Net operating income	75,455	10	27,360	7
	Non-operating income and expenses:				
7100	Interest income	741	-	3,980	1
7190	Other income	2,368	-	1,549	-
7230	Foreign exchange gains (losses), net (note (6)(o))	(2,237)	-	14,338	4
7050	Finance costs	(118)	-	(5)	-
7590	Miscellaneous disbursements	(653)	-	(97)	-
		101	-	19,765	5
7900	Profit before tax	75,556	10	47,125	12
7950	Less: Tax expenses (note (j))	22,775	3	9,975	3
	Profit	52,781	7	37,150	9
8300	Other comprehensive income:				
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	(7,072)	(1)	(6,408)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (note (6)(j))	(1,414)	-	(1,282)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(5,658)	(1)	(5,162)	(1)
8300	Other comprehensive income	(5,658)	(1)	(5,126)	(1)
8500	Comprehensive income	\$ 47,123	6	32,024	8
	Earnings per common share (note (6)(l))				
9750	Basic earnings per share (expressed in dollars)	\$ 0.71		0.50	
9850	Diluted earnings per share (expressed in dollars)	\$ 0.71		0.50	

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 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		
A1	Balance at January 1, 2020	\$ 744,172	440,035	402,810	-	1,753,225	(43,940)	3,296,302
D1	Profit for the year ended March 31, 2020	-	-	-	-	37,150	-	37,150
D3	Other comprehensive income for the year ended March 31, 2020	-	-	-	-	-	(5,126)	(5,126)
D5	Total comprehensive income for the year ended March 31, 2020	-	-	-	-	37,150	(5,126)	32,024
Z1	Balance at March 31, 2020	\$ 744,172	440,035	402,810	-	1,790,375	(49,066)	3,328,326
A1	Balance at January 1, 2021	\$ 744,172	440,035	423,519	43,940	1,923,255	(35,579)	3,539,342
Appropriation and distribution of retained earnings:								
B5	Cash dividends of ordinary share	-	-	-	-	(223,252)	-	(223,252)
		-	-	-	-	(223,252)	-	(223,252)
D1	Profit for the year ended March 31, 2021	-	-	-	-	52,781	-	52,781
D3	Other comprehensive income for the year ended March 31, 2021	-	-	-	-	-	(5,658)	(5,658)
D5	Total comprehensive income for the year ended March 31, 2021	-	-	-	-	52,781	(5,658)	47,123
Z1	Balance at March 31, 2021	\$ 744,172	440,035	423,519	43,940	1,752,784	(41,237)	3,363,213

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

		For the three months ended March 31	
		2021	2020
AAAA	Cash flows from (used in) operating activities:		
A10000	Profit before tax	\$ 75,556	47,125
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	39,454	40,612
A20200	Amortization expense	1,727	1,573
A20300	Expected credit loss (gain)	52	109
A20900	Interest expense	118	5
A21200	Interest income	(741)	(3,980)
A29900	Others	2	-
A20010	Total adjustments to reconcile profit (loss)	40,612	38,319
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets		
A31130	Decrease in notes receivable	262	197
A31150	Decrease in accounts receivable	116,460	209,008
A31200	Decrease (increase) in inventories	(101,815)	34,663
A31240	Decrease in other current assets	3,017	737
A31250	Decrease in other current financial assets	6,633	4,026
A31000	Total changes in operating assets	24,557	248,631
A32000	Changes in operating liabilities:		
A32150	Decrease in accounts payable	(20,688)	(51,965)
A32180	Decrease in other payables	(38,775)	(47,281)
A32000	Total changes in operating liabilities	(59,463)	(99,246)
A30000	Total changes in operating assets and liabilities	(34,906)	149,385
A20000	Total adjustments	5,706	187,704
A33000	Cash inflow (outflow) generated from operations	81,262	234,829
A33100	Interest received	769	5,387
A33300	Interest paid	(118)	(5)
A33500	Income taxes paid	(14,964)	(519)
AAAA	Net cash flows from (used in) operating activities	66,949	239,692
BBBB	Cash flows from (used in) investing activities:		
B02700	Acquisition of property, plant and equipment	(41,165)	(20,122)
B03800	Decrease (increase) in guarantee deposits paid	(5,098)	23
B04500	Acquisition of intangible assets	(312)	(160)
B06600	Decrease in other financial assets	3,936	-
BBBB	Net cash flows from (used in) investing activities	(42,639)	(20,259)
CCCC	Cash flows from (used in) financing activities:		
C00100	Increase in short-term borrowings	99,065	-
C03000	Increase (Decrease) in guarantee deposits received	(12)	(15)
C04020	Payment of lease liabilities	(225)	(249)
CCCC	Net cash flows from (used in) financing activities	98,828	(264)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(3,283)	(3,065)
EEEE	Net increase in cash and cash equivalents	119,855	216,104
E00100	Cash and cash equivalents at beginning of period	1,146,401	1,297,167
E00200	Cash and cash equivalents at end of period	\$ 1,266,256	1,513,271

See accompanying notes to consolidated financial statements.

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
STANDARDS AS OF March 31, 2021 and 2020**

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 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)(b) for related information. The major business activities of the Group are involved the research, development, manufacture and sale of Hinge. The Company's common shares were listed in June, 2013 on the Taiwan Stock Exchange (TWSE).

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

These consolidated financial statements for the three months ended March 31, 2021 and 2020 were authorized for issuance by the Board of Directors on May 4, 2021.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 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"

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

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

- Amendments to IFRS16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

- (c) The impact of IFRSs 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:

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Effective date per IASB	New, Revised or Amended Standards and Interpretations	The Amendment included:
January 1, 2023	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirement by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS17 “Insurance Contracrts”
- 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”
- 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 preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. (note (4)(c))

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding		
			March 31, 2021	December 31, 2020	March 31, 2020
The Company	Million On International Co., Ltd. (MOI)	General investing	100%	100%	100%
MOI	Sinher (H.K.) Limited	General investing	100%	100%	100%
MOI	Cingher (H.K.) Limited	General investing	100%	100%	100%
Sinher (H.K.) Limited	Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	Manufacturing and selling hinges	100%	100%	100%
Cingher (H.K.) Limited	Chongqing SNR Technology Co., Ltd. (Chongqing SNR)	Manufacturing and selling hinges	100%	100%	100%
The Company	Profit Earn International Co., Ltd. (Profit)	General investing	100%	100%	100%
Profit	Great Info International Co., Ltd. (Great Info)	Selling of hinges	100%	100%	100%
Profit	Top Trading Group Limited (Top Trading)	Selling of hinges	100%	100%	100%
Kunshan Wanhe	Kunshan Qianquan Precision Metal Co., Ltd. (Qianquan)	Manufacturing and selling hinges	100%	100%	100%

(c) Income taxes

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

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

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

(d) Employee benefits

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note (6) of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 1,186	1,389	1,838
Checking accounts and demand deposits	665,452	732,052	876,708
Time deposits	599,618	412,960	634,725
	<u>\$ 1,266,256</u>	<u>1,146,401</u>	<u>1,513,271</u>

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

(b) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ -	262	98
Accounts receivable	1,270,840	1,387,300	789,024
Less: loss allowance	(2,119)	(2,082)	(1,920)
	<u>\$ 1,268,721</u>	<u>1,385,480</u>	<u>787,202</u>
Notes receivable	<u>\$ -</u>	<u>262</u>	<u>98</u>
Accounts receivable, net	<u>\$ 1,268,721</u>	<u>1,385,218</u>	<u>787,104</u>

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

historical credit loss experience and future economic situation.

The loss allowance provision was determined as follows:

	March 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 1,144,288	0.013%	145
Aging 121~150 days	111,561	0.168%	187
Aging 151~240 days	13,287	0.625%	83
Aging over 241 days	1,704	100%	1,704
	<u>\$ 1,270,840</u>		<u>2,119</u>

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 1,260,370	0.011%	141
Aging 121~150 days	116,730	0.133%	155
Aging 151~240 days	8,775	1.128%	99
Aging over 241 days	1,687	100%	1,687
	<u>\$ 1,387,562</u>		<u>2,082</u>

	March 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 568,208	0.018%	102
Aging 121~150 days	136,201	0.117%	159
Aging 151~240 days	83,474	0.503%	420
Aging over 241 days	1,239	100%	1,239
	<u>\$ 789,122</u>		<u>1,920</u>

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

	For the three months ended	
	March 31,	
	2021	2020
Balance on January 1	\$ 2,082	1,833
Impairment loss recognized (reversed)	52	109
Foreign exchange (gains) losses	(15)	(22)
Balance on March 31	<u>\$ 2,119</u>	<u>1,920</u>

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 200,813	191,312	76,107
Work in progress	121,696	64,274	48,347
Finished goods	302,683	267,791	126,557
	\$ 625,192	523,377	251,011

The write-down of the inventories to net realizable value amounted to \$22,740 and \$47,192 which was recorded as cost of sales in the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, December 31 and March 31, 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:

	Land	Buildings and construction	Machinery equipment	Office and other facilities equipment	Unfinished construction and equipment under acceptance	Total
Cost:						
Balance on January 1, 2021	\$ 362,813	519,104	720,503	62,241	108,462	1,773,123
Additions	-	-	3,878	401	34,597	38,876
Disposals	-	-	(808)	(198)	-	(1,006)
Effect of movements in exchange rates	-	(2,211)	(1,791)	(270)	(974)	(5,246)
Reclassifications	-	-	5,568	-	(5,568)	-
Balance on March 31, 2021	\$ 362,813	516,893	727,350	62,174	136,517	1,805,747
Balance on January 1, 2020	\$ 362,813	523,934	733,070	60,898	18,187	1,698,902
Additions	-	-	10,449	1,067	5,627	17,143
Disposals	-	(215)	(85,022)	(612)	-	(85,849)
Effect of movements in exchange rates	-	(3,351)	(2,703)	(419)	(77)	(6,550)
Reclassifications	-	(2,232)	10,087	-	(10,087)	(2,232)
Balance on March 31, 2020	\$ 362,813	518,136	665,881	60,934	13,650	1,621,414
Depreciation and impairments loss:						
Balance on January 1, 2021	\$ -	200,444	409,444	41,154	-	651,042
Depreciation for the year	-	8,496	28,169	2,088	-	38,753
Disposals	-	-	(808)	(196)	-	(1,004)
Effect of movements in exchange rates	-	(1,041)	(1,475)	(231)	-	(2,747)
Balance on March 31, 2021	\$ -	207,899	435,330	42,815	-	686,044
Balance on January 1, 2020	\$ -	180,217	462,743	41,201	-	684,161
Depreciation for the year	-	9,040	28,829	2,023	-	39,892
Disposals	-	(215)	(85,022)	(612)	-	(85,849)

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Effect of movements in exchange

rates	-	(1,424)	(2,221)	(365)	-	(4,010)
Balance on March 31, 2020	<u>\$ -</u>	<u>187,618</u>	<u>404,329</u>	<u>42,247</u>	<u>-</u>	<u>634,194</u>

Book value:

Balance on January 1, 2021	<u>\$ 362,813</u>	<u>318,660</u>	<u>311,059</u>	<u>21,087</u>	<u>108,462</u>	<u>1,122,081</u>
Balance on March 31, 2021	<u>\$ 362,813</u>	<u>308,994</u>	<u>292,020</u>	<u>19,359</u>	<u>136,517</u>	<u>1,119,703</u>
Balance on January 1, 2020	<u>\$ 362,813</u>	<u>343,717</u>	<u>270,327</u>	<u>19,697</u>	<u>18,187</u>	<u>1,014,741</u>
Balance on March 31, 2020	<u>\$ 362,813</u>	<u>330,518</u>	<u>261,552</u>	<u>18,687</u>	<u>13,650</u>	<u>987,220</u>

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

(e) Right-of-use assets

Except for the following disclosure, there was no significant change for Right-of-assets for the three months ended March 31, 2021 and 2020. For the related information, please refer to note (6)(e) of consolidated financial statements for the year ended December 31, 2020.

	Land	Vehicles	Total
Cost:			
Balance on January 1, 2021	\$ 73,910	3,080	76,990
Effect of movements in exchange rates	(556)	-	(556)
Balance on March 31, 2021	<u>\$ 73,354</u>	<u>3,080</u>	<u>76,434</u>
Balance on January 1, 2020	\$ 72,694	3,080	75,774
Effect of movements in exchange rates	(843)	-	(843)
Balance on March 31, 2020	<u>\$ 71,851</u>	<u>3,080</u>	<u>74,931</u>
Depreciation and impairments loss:			
Balance on January 1, 2021	\$ 3,820	2,146	5,966
Depreciation for the year	477	224	701
Effect of movements in exchange rates	(32)	-	(32)
Balance on March 31, 2021	<u>\$ 4,265</u>	<u>2,370</u>	<u>6,635</u>
Balance on January 1, 2020	\$ 1,879	1,147	3,026
Depreciation for the year	471	249	720
Effect of movements in exchange rates	(29)	-	(29)
Balance on March 31, 2020	<u>\$ 2,321</u>	<u>1,396</u>	<u>3,717</u>
Book Value:			
Balance on January 1, 2021	<u>\$ 70,090</u>	<u>934</u>	<u>71,024</u>
Balance on March 31, 2021	<u>\$ 69,089</u>	<u>710</u>	<u>69,799</u>
Balance on January 1, 2020	<u>\$ 70,815</u>	<u>1,933</u>	<u>72,748</u>
Balance on March 31, 2020	<u>\$ 69,530</u>	<u>1,684</u>	<u>71,214</u>

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(f) Short-term borrowings

March 31, 2021		
Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	0.82%
		<u>\$ 157,001</u>
Unused short-term credit lines		<u>\$ 339,559</u>

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

March 31, 2020		
Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	-
		<u>\$ -</u>
Unused short-term credit lines		<u>\$ 342,250</u>

- (i) For information on the Group's liquidity risk, please refer to note (6)(o).
- (ii) As of March 31, 2021, December 31 and March 31, 2020, the Company provides endorsements and guarantees for the credit loans and the credit lines of the subsidiaries of the Group, please refer to note (13)(a) for details.
- (iii) As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any assets pledged as collaterals.

(g) Lease liabilities

The lease liabilities of the Group were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 547</u>	<u>\$ 687</u>	<u>\$ 976</u>
Non-Current	<u>\$ 171</u>	<u>\$ 256</u>	<u>\$ 718</u>

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

The amounts recognized in profit or losses were as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest on lease liabilities	<u>\$ 2</u>	<u>\$ 5</u>

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Income from sub-leasing right-of-use assets	<u>\$ (9)</u>	<u>\$ (13)</u>
Expenses relating to short-term leases	<u>\$ 3,154</u>	<u>\$ 737</u>
Expenses relating to lease of low-value assets (excluding short-term leases of low-value assets)	<u>\$ 45</u>	<u>\$ 45</u>

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Total cash outflow for leases	<u>\$ 3,426</u>	<u>\$ 1,036</u>

(i) Leases of land and vehicles

The Group leases land and vehicles for a period of 1 to 50 years.

The Group sub-leases to some of its right-of-use assets under operating leases; please refer to note (6)(h).

(ii) Other leases

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

(h) Operating lease- as lessor

There were no significant changes in operating lease for the three months ended March 31, 2021 and 2020. Please refer to note (6)(h) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(i) Employee benefits

(i) Defined benefit plans

Given there was no material volatility of the market or any significant reimbursement, settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	For the three months ended March 31, 2021	2020
Cost of sales and operating expenses	<u>\$ 39</u>	<u>38</u>
(ii) Defined contribution plans		

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

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	For the three months ended March 31,	
	2021	2020
Cost of sales and operating expenses	<u>\$ 11,021</u>	<u>5,456</u>

(j) Income taxes

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

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

	For the three months ended March 31,	
	2021	2020
Current tax expense	<u>\$ 22,775</u>	<u>9,975</u>

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

	For the three months ended March 31,	
	2021	2020
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>\$ (1,414)</u>	<u>(1,282)</u>

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

(k) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2021 and 2020. For the related information, please refer to note (6)(k) of the consolidated financial statements for the year ended December 31, 2020.

(i) Capital surplus

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

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

(ii) Retained Earnings

Prior June 24, 2020, old Company's article of incorporation stipulates that Company's net

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earnings should be distributed in order of priority as follows:

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

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

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

In addition, the whole or 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) Earnings distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the meeting of the Board of Directors held on March 25, 2021 and the general meeting of shareholders held on June 24, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

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	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>

(l) Earnings per share

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

	For the three months ended March 31,	
	2021	2020
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 52,781</u>	<u>37,150</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>74,417</u>	<u>74,417</u>
Basic earnings per share (in dollars)	<u>\$ 0.71</u>	<u>0.50</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 52,781</u>	<u>37,150</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>435</u>	<u>311</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>\$ 74,852</u>	<u>74,728</u>
Diluted earnings per share (in dollars)	<u>\$ 0.71</u>	<u>0.50</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31,	
	2021	2020
Primary geographical markets:		
Taiwan	\$ 13,417	6,863
China	492,865	249,451
Singapore	188,328	109,565

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Japan	42,485	23,454
	<u>\$ 737,095</u>	<u>389,333</u>
Major product:		
Hinge components	<u>\$ 737,095</u>	<u>389,333</u>

(ii) Contract balances

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

(n) Employee compensation and directors and supervisors remuneration

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

The remunerations to employees amounted to \$3,865 and \$2,760 and the remuneration to directors and supervisors amounted to \$422 and \$301 for the three months ended March 31, 2021 and 2020, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the proposed percentage which was stated under the Company's Management proposal. These remunerations were expensed under operating costs or operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates, and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The remunerations to employees amounted to \$30,123 and \$15,942 and the remuneration to directors and supervisors amounted to \$3,286 and \$1,739, in 2020 and 2019, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019. The information is available on the Market Observation Post System website.

(o) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(o) of the 2020 annual consolidated financial statements.

(i) Credit risk

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

(ii) Liquidity risk

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

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	Carrying Amount	Contractual cash flows	Within a year	1-2 years	Over 2 years
March 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 157,001	(157,001)	(157,001)	-	-
Accounts payable	386,861	(386,861)	(386,861)	-	-
Other payables	227,127	(227,127)	(227,127)	-	-
Dividends payable	223,252	(223,252)	(223,252)	-	-
Lease liabilities (including current and non-current)	718	(722)	(551)	(171)	-
Guarantee deposits received	1,520	(1,520)	-	-	(1,520)
	\$ 996,479	(996,483)	(994,792)	(171)	(1,520)
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 57,119	(57,119)	(57,119)	-	-
Accounts payable	407,549	(407,549)	(407,549)	-	-
Other payables	269,723	(269,723)	(269,723)	-	-
Lease liabilities (including current and non-current)	943	(950)	(693)	(257)	-
	\$ 735,334	(735,341)	(735,084)	(257)	-
March 31, 2020					
Non-derivative financial liabilities:					
Accounts payable	\$ 116,561	(116,561)	(116,561)	-	-
Other payables	179,282	(179,282)	(179,282)	-	-
Lease liabilities (including current and non-current)	1,694	(1,711)	(989)	(551)	(171)
	\$ 297,537	(297,554)	(296,832)	(551)	(171)

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

(iii) Market risk

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

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

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Notes to Consolidated Financial Statements

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$	57,991 USD/NTD	1,654,766	66,343 USD/NTD	1,889,463		67,158 USD/NTD		2,029,851
		=28.535			=28.48			=30.225	
USD		50,384 USD/CNY	1,438,252	53,302 USD/CNY	1,522,288		31,770 USD/CNY		957,772
		=6.5713			=6.5249			=7.0851	
Financial liabilities									
Monetary items									
USD		50,267 USD/CNY	1,434,907	47,108 USD/CNY	1,345,387		37,191 USD/CNY		1,121,205
		=6.5713			=6.5249			=7.0851	

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 three months ended March 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.

	For the three months ended March 31,	
	2021	2020
USD (against the NTD)	\$ 82,738	101,493
USD (against the CNY)	167	(8,172)

3) Exchange gains and losses of monetary items

Gains or losses on foreign exchange of the Group's monetary items from the translation of functional currency, including realized and unrealized portion, 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	For the three months ended March 31,			
	2021	Average rate	2020	Average rate
NTD	\$ (416)	-	17,619	-
CNY	CNY(416)	CNY/NTD =4.3761	CNY(761)	CNY/NTD =4.3096

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(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 \$318 and \$548 for the three months ended March 31, 2021 and 2020, respectively, which would be mainly resulted from the bank savings, and borrowings with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

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

		March 31, 2021			
		Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
					Total
Financial assets measured at amortized cost:					
Cash and cash equivalents \$	1,266,256	-	-	-	-
Accounts receivable	1,268,721	-	-	-	-
Other current financial assets	27,578	-	-	-	-
Guarantee deposits paid	9,328	-	-	-	-
	\$ 2,571,883	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings \$	157,001	-	-	-	-
Accounts payable	386,861	-	-	-	-
Other payables	227,127	-	-	-	-
Dividends payable	223,252	-	-	-	-
Lease liabilities (including current and non-current)	718	-	-	-	-
Guarantee deposits received	1,520	-	-	-	-
	\$ 996,479	-	-	-	-

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		December 31, 2020				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,146,401	-	-	-	-
Notes receivable		262	-	-	-	-
Accounts receivable		1,385,218	-	-	-	-
Other current financial assets		38,207	-	-	-	-
Guarantee deposits paid		4,230	-	-	-	-
		\$ 2,574,318	-	-	-	-
Financial liabilities measured at amortized cost:						
Short-term borrowings	\$	57,119	-	-	-	-
Accounts payable		407,549				
Other payables		269,723	-	-	-	-
Lease liabilities (including current and non-current)		943	-	-	-	-
		\$ 735,334	-	-	-	-
		March 31, 2020				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,513,271	-	-	-	-
Notes receivable		98	-	-	-	-
Accounts receivable		787,104	-	-	-	-
Other current financial assets		13,444	-	-	-	-
Guarantee deposits paid		1,228	-	-	-	-
		\$ 2,315,145	-	-	-	-
Financial liabilities measured at amortized cost:						
Accounts payable		116,561	-	-	-	-
Other payables		179,282	-	-	-	-
Lease liabilities (including current and non-current)		1,694	-	-	-	-
		\$ 297,537	-	-	-	-

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There were no transfers of financial instruments between any levels for the three months ended March 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.

(p) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(p) of the 2020 annual consolidated financial statements.

(q) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note (6)(q) of the 2020 annual consolidated financial statements. Also, Management believes that there were no significant changes in the Group's capital management information as disclosed in the 2020 annual financial statements.

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

There are no non-cash investing and financing activities for the three months ended March 31, 2021 and 2020. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flow	Non-cash changes Exchange movement	March 31, 2021
Short-term borrowings	\$ 57,119	99,065	817	157,001
Guarantee deposits received	1,532	(12)	-	1,520
Lease liabilities	943	(225)	-	718
Total liabilities from financing activities	\$ 59,594	98,828	817	159,239

	January 1, 2020	Cash flow	Non-cash changes Exchange movement	March 31, 2020
Guarantee deposits received	\$ 1,505	(15)	-	1,490
Lease liabilities	1,943	(249)	-	1,694
Total liabilities from financing activities	\$ 3,448	(264)	-	3,184

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(7) Related-party transactions

- (a) Names and relationship with related parties

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

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

- (b) Significant transaction with related parties

For the three months ended March 31, 2021 and 2020, the Group purchased some fixtures and consumable material from Daher amounting to \$6,203 and \$5,372, respectively, and was recognized as operating cost and researching and developing cost, respectively. As of March 31, 2021, December 31, and March 31, 2020 the outstanding balance amounting to \$8,462, \$8,243 and \$7,806, respectively, were recognized as other payables.

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2021	2020
Short-term employee benefits	\$ 4,015	3,169
Post-employment benefits	92	91
	<u>\$ 4,107</u>	<u>3,260</u>

(8) Pledged assets:

The carry amount of pledged asset of the Group is as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Restricted bank deposits (recorded as #1476 Other current financial assets in Consolidated Balance Sheets)	Reserve Account	\$ 4,257	4,289	-

(9) Commitments and contingencies:

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

As of March 31, 2021, December 31, and March 31, 2020, the future payments for the purchase of the Group's significant equipment and constructions amounted to \$123,590, \$79,970 and \$148,900, respectively.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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Notes to Consolidated Financial Statements

(12) Other:

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

By item \ By function	For the three months ended March 31,					
	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	178,908	39,001	217,909	98,333	27,687	126,020
Labor and health insurance	8,598	2,178	10,776	6,089	1,851	7,940
Pension	9,684	1,376	11,060	4,385	1,109	5,494
Others	9,277	1,445	10,722	7,264	1,285	8,549
Depreciation	34,900	4,554	39,454	36,391	4,221	40,612
Amortization	45	1,682	1,727	46	1,527	1,573

- (b) Seasonality of operations

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

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2021:

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

(In thousands of foreign currency)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantee s and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Kunshan Wanhe	(Note 2)	1,008,964	228,280 (US\$8,000)	228,280 (US\$8,000)	57,070 (US\$2,000)	-	6.37%	1,681,607	Y	-	Y
0	"	Chongqing SNR	(Note 2)	1,008,964	228,280 (US\$8,000)	228,280 (US\$8,000)	99,873 (US\$3,500)	-	6.37%	1,681,607	Y	-	Y

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

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

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

- (iii) Information regarding securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or

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Notes to Consolidated Financial Statements

20% of the Company's paid-in capital: None.

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

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chongqing SNR	100% owned sub-subsiary	(Sales)	(137,837)	(58) %	Depending on the demand for funding, OA 120 days	Same as selling to other clients	Depending on the demand for funding, OA 120 days	Accounts Receivable 427,909	53 %	Note1
"	Kunshan Wanhe	"	(Sales)	(100,233)	(42) %	"	"	"	Accounts Receivable 313,695	39 %	"
Kunshan Wanhe	The Company	The parent company	Purchases	100,233	32 %	Depending on the demand for funding, OA 120 days	"	Depending on the demand for funding, OA 120 days	Accounts Payable (313,695)	(57) %	"
Chongqing SNR	The Company	The parent company	Purchases	137,837	51 %	"	"	"	Accounts Payable (427,909)	(51) %	"

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

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

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent (note1)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Chongqing SNR	100% owned sub-subsiary	427,909	1.22	-	-	Accounts Receivable 61,652	-	Note 2
"	Kunshan Wanhe	"	313,695	1.24	-	-	Accounts Receivable 88,048	-	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	283,026	0.99	-	-	Accounts Receivable 33,443	-	"

Note 1 : Information as of reporting date.

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

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

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(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of Relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Chongqing SNR	1	Sales Revenue	137,837	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 120 days.	18.70%
0	"	"	1	Accounts Receivable	427,909	"	9.49%
0	"	Kunshan Wanhe	1	Sales Revenue	100,233	"	13.60%
0	"	"	1	Accounts Receivable	313,695	"	6.95%
1	Kunshan Wanhe	Chongqing SNR	3	Accounts Receivable	283,026	"	6.27%

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 is 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 investments:

The following are the information on investees for the three months ended March 31, 2021 (excluding information on investees in Mainland China):

(In thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2021			Net income (losses) of investee	Share of profit/losses of investee	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	General Investing	\$ 727,957	727,957	23,800,000	100%	964,587	42,869	42,869	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	78,553	(8,708)	(8,708)	"
	Total			<u>\$ 727,957</u>	<u>727,957</u>			<u>1,043,140</u>		<u>34,161</u>	
MOI	Sinher (H.K.) Limited	Hong Kong	General Investing	\$ 325,579	325,579	10,600,000	100%	802,007	36,686	36,686	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hong Kong	"	402,378	402,378	13,200,000	100%	148,517	6,183	6,183	"
	Total			<u>\$ 727,957</u>	<u>727,957</u>			<u>950,524</u>		<u>42,869</u>	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	19,252 (USD675)	(238) (USD(8))	(238) (USD(8))	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	59,301 (USD2,078)	(8,470) (USD(299))	(8,470) (USD(299))	"
								<u>78,553</u>		<u>(8,708)</u>	

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

(c) Information on investment in Mainland China:

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

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(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 March 31, 2021	net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Wanhe	Manufacturing and selling hinge components	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	36,686 (CNY8,383)	100.00%	36,686 (CNY8,383)	801,935	-
Chongqing SNR	Manufacturing and selling hinge components	391,042 (USD13,200)	(Note 1) & (Note 5)	391,042 (USD13,200)	-	-	319,042 (USD13,200)	6,183 (CNY1,413)	100.00%	6,183 (CNY1,413)	148,501	-
Qianquan	Manufacturing and selling hinge components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	71 (CNY16)	100.00%	71 (CNY16)	1,778 (CNY409)	-

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 three months ended March 31, 2021.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the three months ended March 31, 2021 average exchange rates.

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

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

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

(ii) Upper limit on investment in Mainland China:

(In thousands of foreign currency)

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
710,218 (USD23,800)	710,218 (USD23,800)	2,017,928

(iii) Significant transactions:

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

(d) Information of main shareholders:

Major shareholders	Shares	Total Shares Owned	Ownership Percentage
Catcher Technology Co., Ltd		7,439,917	9.99%
Su, Ting Hung		6,028,359	8.10%

Note:

1. 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.
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:

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