

**SINHER TECHNOLOGY INC.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2018 and 2017**

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

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## Independent Auditors' Report

To the Board of Directors of SINHER TECHNOLOGY INC.:

### Opinion

We have audited the financial statements of SINHER TECHNOLOGY INC. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 for 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 that should be communicated in the audit report are as follows:

#### 1. Valuation of Inventories

Please refer to note (4)(g) "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 Company 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 Company are in accordance with the related accounting standards; 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.

Description of key audit matter:

The main activities of the Company include researching-developing, manufacturing and selling the parts of hinge. The operating revenue is a significant item for the 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; evaluating whether the timing of the operating revenue recognition of the Group is in accordance with the related accounting standards.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance (including supervisors) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 21, 2019

#### **Notes to Readers**

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)

**SINHER TECHNOLOGY INC.****Balance Sheets****December 31, 2018 and 2017****(Expressed in thousands of New Taiwan Dollars)**

Assets		December 31, 2018		December 31, 2017		Liabilities and Equity		December 31, 2018		December 31, 2017			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$	1,169,306	30	993,240	28	2100	Short-term borrowings (note (6)(f))	\$	80,000	2		
1150	Notes receivable (note (6)(b))		721	-	1,214	-	2170	Accounts payable		10,540	-		
1170	Accounts receivable, net (note (6)(b))		35,754	1	21,060	1	2180	Accounts payable to related parties (note (7))		15,759	-		
1180	Accounts receivable due from related parties (notes (6)(b) and (7))		112,102	3	-	-	2200	Other payables (note (7))		134,392	4		
1210	Other receivables due from related parties (note (7))		476	-	336	-	2311	Advance sales receipts from related parties (note (7))		-	-		
1310	Inventories (note (6)(c))		196,530	5	153,432	4	2230	Current tax liabilities		105,015	3		
1476	Other current financial assets		7,242	-	6,626	-				345,706	9		
1479	Other current assets		7,426	-	3,253	-	Non-Current liabilities:						
			1,529,557	39	1,179,161	33	2570	Deferred tax liabilities (note (6)(i))		160,448	4		
Non-current assets:						2640	Net defined benefit liabilities, non-current (note (6)(h))		663	-	750	-	
1550	Investments accounted for using equity method (note (6)(d))		1,406,306	36	1,425,030	40			161,111	4	146,882	4	
1600	Property, plant and equipment (note(6)(e))		856,760	22	858,157	25	Total liabilities						
1840	Deferred tax assets (note (6)(i))		98,367	3	77,627	2			506,817	13	474,910	13	
1920	Guarantee deposits paid		53	-	131	-	Equity: (note (6)(j))						
1900	Other non-current assets		12,421	-	3,937	-	3110	Ordinary share		744,172	19		
			2,373,907	61	2,364,882	67	3200	Capital surplus		462,360	12		
							Retained earnings:						
						3310	Legal reserve		355,793	9	317,390	9	
						3320	Special reserve		32,846	1	-	-	
						3350	Unappropriated retained earnings		1,798,435	46	1,600,453	45	
									2,187,074	56	1,917,843	54	
						3410	Exchange differences on translation of foreign financial statements		3,041	-	(32,846)	(1)	
						3500	Treasury shares		-	-	(36,389)	(1)	
							Total equity		3,396,647	87	3,069,133	87	
Total assets		\$	3,903,464	100	3,544,043	100	Total liabilities and equity		\$	3,903,464	100	3,544,043	100

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)  
**SINHER TECHNOLOGY INC.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2018 and 2017**

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

		2018		2017	
		Amount	%	Amount	%
4100	Operating revenues (notes (6)(m) and (7))	\$ 1,245,897	100	1,102,051	100
5110	Cost of sales (notes (6)(c), (6)(g), (6)(h), (6)(n), (7) and (12))	<u>451,762</u>	<u>36</u>	<u>371,933</u>	<u>34</u>
5900	Gross profit	<u>794,135</u>	<u>64</u>	<u>730,118</u>	<u>66</u>
	Operating expenses (notes (6)(g), (6)(h), (6)(n), (7) and (12))				
6100	Selling expenses	39,734	3	26,447	2
6200	Administrative expenses	73,444	6	67,352	6
6300	Research and development expenses	<u>72,367</u>	<u>6</u>	<u>61,365</u>	<u>6</u>
		<u>185,545</u>	<u>15</u>	<u>155,164</u>	<u>14</u>
6900	Net operating income	<u>608,590</u>	<u>49</u>	<u>574,954</u>	<u>52</u>
	Non-operating income and expenses:				
7100	Interest income	19,446	2	10,337	1
7190	Other income (notes (6)(g) and (7))	283	-	7,531	1
7230	Foreign exchange gains, net (note (6)(o))	56,522	4	-	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	(62,134)	(5)	(14,500)	(1)
7050	Finance costs	(778)	-	(830)	-
7590	Miscellaneous disbursements	(118)	-	(573)	-
7630	Foreign exchange losses, net (note (6)(o))	<u>-</u>	<u>-</u>	<u>(86,699)</u>	<u>(8)</u>
		<u>13,221</u>	<u>1</u>	<u>(84,734)</u>	<u>(7)</u>
7900	Profit before tax	621,811	50	490,220	45
7950	Tax expense (note (6)(i))	<u>151,639</u>	<u>12</u>	<u>106,188</u>	<u>10</u>
	Profit	<u>470,172</u>	<u>38</u>	<u>384,032</u>	<u>35</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(h))	(65)	-	85	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (note (6)(i))	<u>51</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
		<u>(14)</u>	<u>-</u>	<u>70</u>	<u>-</u>
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	43,410	4	(118,129)	(11)
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (note (6)(i))	<u>(7,523)</u>	<u>(1)</u>	<u>20,082</u>	<u>2</u>
		<u>35,887</u>	<u>3</u>	<u>(98,047)</u>	<u>(9)</u>
8300	Other comprehensive income	<u>35,873</u>	<u>3</u>	<u>(97,977)</u>	<u>(9)</u>
8500	Comprehensive income	<u>\$ 506,045</u>	<u>41</u>	<u>286,055</u>	<u>26</u>
	Earnings per share (note (6)(l))				
9750	Basic earnings per share	<u>\$ 6.33</u>		<u>5.22</u>	
9850	Diluted earnings per share	<u>\$ 6.26</u>		<u>5.17</u>	

See accompanying notes to financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)  
**SINHER TECHNOLOGY INC.**

**Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**

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

	Retained earnings				Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<b>A1 Balance at January 1, 2017</b>	\$ 744,172	476,353	272,260	-	1,489,449	65,201	3,011,046
Appropriation and distribution of retained earnings:							
B1 Legal reserve appropriated	-	-	45,130	-	(45,130)	-	-
B5 Cash dividends of ordinary share	-	-	-	-	(227,968)	-	(227,968)
	-	-	45,130	-	(273,098)	-	(227,968)
D1 Profit for the year ended December 31, 2017	-	-	-	-	384,032	-	384,032
D3 Other comprehensive income for the year ended December 31, 2017	-	-	-	-	70	(98,047)	(97,977)
D5 Total comprehensive income for the year ended December 31, 2017	-	-	-	-	384,102	(98,047)	286,055
Z1 Balance at December 31, 2017	744,172	476,353	317,390	-	1,600,453	(32,846)	3,069,133
Appropriation and distribution of retained earnings:							
B1 Legal reserve appropriated	-	-	38,403	-	(38,403)	-	-
B3 Special reserve appropriated	-	-	-	32,846	(32,846)	-	-
B5 Cash dividends of ordinary share	-	(22,325)	-	-	(200,927)	-	(223,252)
	-	(22,325)	38,403	32,846	(272,176)	-	(223,252)
D1 Profit for the year ended December 31, 2018	-	-	-	-	470,172	-	470,172
D3 Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(14)	35,887	35,873
D5 Total comprehensive income for the year ended December 31, 2018	-	-	-	-	470,158	35,887	506,045
N1 Share-based payments transactions	-	8,332	-	-	-	-	44,721
Z1 <b>Balance at December 31, 2018</b>	<b>\$ 744,172</b>	<b>462,360</b>	<b>355,793</b>	<b>32,846</b>	<b>1,798,435</b>	<b>3,041</b>	<b>3,396,647</b>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)  
**SINHER TECHNOLOGY INC.**

**Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in thousands of New Taiwan Dollars)**

	2018	2017
AAAA <b>Cash flows from (used in) operating activities:</b>		
A10000 <b>Profit before tax</b>	\$ 621,811	490,220
A20000 <b>Adjustments:</b>		
A20010 <b>Adjustments to reconcile profit (loss):</b>		
A20100 Depreciation expense	116,261	90,126
A20200 Amortization expense	2,757	3,225
A20300 Expected credit loss / Provisions for bad debt expense	13	4
A20900 Interest expense	778	830
A21200 Interest income	(19,446)	(10,337)
A21900 Share-based payments transactions	8,030	-
A22400 Share of loss (profit) of associates and joint ventures accounted for using equity method	62,134	14,500
A29900 Others	2,865	1,003
A20010 <b>Total adjustments to reconcile profit (loss)</b>	173,392	99,351
A30000 <b>Changes in operating assets and liabilities:</b>		
A31150 Decrease (increase) in notes and accounts receivable	(126,316)	16,296
A31200 Decrease (increase) in inventories	(43,098)	(54,971)
A31240 Decrease (increase) in other current assets	(4,173)	(1,860)
A31250 Decrease (increase) in other current financial assets	206	(1,003)
A31000 <b>Total changes in operating assets</b>	(173,381)	(41,538)
A32000 <b>Changes in operating liabilities:</b>		
A32150 Increase (decrease) in accounts payable	7,046	(278)
A32180 Increase (decrease) in other payables	16,324	7,254
A32210 Increase (decrease) in advance receipt	(21,818)	(8,320)
A32240 Increase (decrease) in net defined benefit liabilities	(152)	(122)
A32000 <b>Total changes in operating liabilities</b>	1,400	(1,466)
A30000 <b>Total changes in operating assets and liabilities</b>	(171,981)	(43,004)
A20000 <b>Total adjustments</b>	1,411	56,347
A33000 <b>Cash inflow generated from operations</b>	623,222	546,567
A33100 Interest received	18,624	6,695
A33300 Interest paid	(778)	(830)
A33500 Income taxes paid	(149,409)	(122,016)
AAAA <b>Net cash flows from (used in) operating activities</b>	491,659	430,416
BBBB <b>Cash flows from (used in) investing activities:</b>		
B02700 Acquisition of property, plant and equipment	(117,729)	(249,251)
B03800 Decrease in guarantee deposits paid	78	599
B04400 Decrease (increase) in other receivables due from related parties	(140)	747
B04500 Acquisition of intangible assets	(11,241)	(3,800)
BBBB <b>Net cash flows from (used in) investing activities</b>	(129,032)	(251,705)
CCCC <b>Cash flows from (used in) financing activities:</b>		
C00100 Increase in short-term borrowings	80,000	80,000
C00200 Decrease in short-term borrowings	(80,000)	(80,000)
C04500 Cash dividends paid	(223,252)	(227,968)
C05100 Treasury shares sold to employees	36,691	-
CCCC <b>Net cash flows from (used in) financing activities</b>	(186,561)	(227,968)
EEEE <b>Net increase (decrease) in cash and cash equivalents</b>	176,066	(49,257)
E00100 <b>Cash and cash equivalents at beginning of period</b>	993,240	1,042,497
E00200 <b>Cash and cash equivalents at end of period</b>	\$ 1,169,306	993,240

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)  
**SINHER TECHNOLOGY INC.**

**Notes to Parent-Company-Only Financial Statements**

**For the years ended December 31, 2018 and 2017**

**(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 major business activities of the Company 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 financial statements**

These accompanying parent-company-only financial statements were authorized for issuance by the Board of Directors on February 21, 2019.

**(3) New standards, amendments and interpretations adopted**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The initially application of this Standard did not cause material impact on the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of Hinge, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The above changes of accounting policies do not have any material effect on this financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in selling expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)



**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please refer to 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

– The determination of the business model within which a financial asset is held.

The initial application of the above IFRSs did not have any material impact on the financial statements.

(Continued)

**SINHER TECHNOLOGY INC.**  
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4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (The measurement categories and carrying amount of financial liabilities have not been changed)

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables (note 1)	993,240	Amortized cost	993,240
Notes receivables	Loans and receivables (note 1)	1,214	Amortized cost	1,214
Account receivables	Loans and receivables (note 1)	21,060	Amortized cost	21,060
Other current financial assets	Loans and receivables (note 1)	6,626	Amortized cost	6,626
Guarantee deposits paid	Loans and receivables (note 1)	131	Amortized cost	131

Note1: Cash and cash equivalents, notes and accounts receivable, other current financial assets and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(r).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Company assessed that the initial application of the above IFRSs would not have any material impact on its financial statements.

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**SINHER TECHNOLOGY INC.**  
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(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

2) Transition

As a lessee, the Company can apply the standard using the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its official vehicles. The Company estimated that the right-of-use assets and the lease liabilities to both increase by \$3,080 thousand on January 1, 2019. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

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**SINHER TECHNOLOGY INC.**  
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If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company does not expect the application of the amendments to have any significant impact on deferred tax liabilities and the retained earnings.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These 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").

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The 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) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are 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 to the Company's functional currency-New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company's functional currency-New Taiwan Dollars at average rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company 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 Company disposes of only part of investment in an associate or 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.

**(d) Classification of current and non-current assets and liabilities**

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or 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.

- (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) It 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 the issue of equity instruments do not affect its classification.

**(e) Cash and cash equivalents**

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

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(f) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the measured at amortized cost.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

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

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

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

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

(Continued)



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

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

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

The Company 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'.

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

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

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

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

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

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the loans and receivables.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables and guarantee deposits paid. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

2) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

(Continued)

## SINHER TECHNOLOGY INC.

### Notes to Parent-Company-Only Financial Statements

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

#### 3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in profit or loss and it is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in profit or loss and it is included in non-operating income and expenses.

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(iii) Financial liabilities

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

3) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing 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.

(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)



**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(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. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 3~30 years
- 2) Machinery equipment: 3~10 years
- 3) Office and other equipment: 2~8 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.

(Continued)

**SINHER TECHNOLOGY INC.**  
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The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(j) Lease

(i) The Company as lessee

Operating leases are not recognized in the Company's balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight line basis, over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(ii) The Company as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rent is recognized as income in the periods when the lease adjustments are confirmed.

(k) Intangible assets

(i) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.

(Continued)

**SINHER TECHNOLOGY INC.**  
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- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Other Intangible Assets

Other intangible assets acquired by the Company are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(iii) 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, are recognized in profit or loss as incurred.

(iv) Amortization

Amortizable amount of intangible asset is calculated based on the cost of an asset, less, its residual value.

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives of computer software for the current and comparative periods are 1~3 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any change shall be accounted for as changes in accounting estimates.

(I) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets other than inventories, deferred tax assets and assets arising from employee benefits, are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU.

(Continued)

**SINHER TECHNOLOGY INC.**  
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If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that assets is estimated.

An impairment loss recognized in prior periods for an asstes other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine that asset's recoverable amount since the last impairment loss was recognized. Not withstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually. Impairment loss is recognized if recoverable amount is less than the carrying amount.

The Company assesses intangible assets, which are not available for use, on an annual basis, whether there is any indication of impairment or not.

(m) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(n) Revenue recognition

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

(Continued)

**SINHER TECHNOLOGY INC.**  
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1) Sale of goods

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

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

2) Financing components

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

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company reclassifies the amounts of remeasurements of defined benefit plan to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)



**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(p) Share-based payment

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

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

The fair value of the amounts payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any change in the fair value of the liability is recognized as personnel expense in profit or loss.

(q) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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 shall not be recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

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**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

- 1) levied by the same taxing authority; or
- 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

**(r) Earnings per share**

The Company discloses the basic and diluted earnings per share attributable to shareholders holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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 dilutive potential ordinary shares, such as employee compensation.

**(s) Operating segments**

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statement.

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

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

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

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

For uncertainties in estimations and assumptions, the information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

**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**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 130	120
Checking accounts and demand deposits	321,301	219,360
Time deposits	<u>847,875</u>	<u>773,760</u>
	<u><b>\$ 1,169,306</b></u>	<u><b>993,240</b></u>

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

**(b) Notes and accounts receivable**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Notes receivable	\$ 721	1,214
Accounts receivable	147,888	21,079
Less: loss allowance	<u>(32)</u>	<u>(19)</u>
	<u><b>\$ 148,577</b></u>	<u><b>22,274</b></u>
Notes receivable	<u><b>\$ 721</b></u>	<u><b>1,214</b></u>
Accounts receivable, net	<u><b>\$ 35,754</b></u>	<u><b>21,060</b></u>
Accounts receivable due from related parties	<u><b>\$ 112,102</b></u>	<u><b>-</b></u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation.

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**SINHER TECHNOLOGY INC.**  
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The loss allowance provision as of December 31, 2018 was determined as follows:

	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 146,478	0%	13
Aging 121~150 days	1,834	1.036%	19
Aging 151~240 days	297	-	-
Aging over 241 days	-		-
	<u>\$ 148,609</u>		<u>32</u>

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable. There were no notes and accounts receivable, which were past due but not impaired.

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

	<b>2018</b>	<b>2017 Individually assessed impairment</b>
Opening Balance (According to IAS39)	\$ 19	15
Adjustment on Initial application of IFRS 9	-	
Opening Balance (According to IFRS 9)	19	
Impairment loss recognized (reversed)	13	4
Ending balance	<u>\$ 32</u>	<u>19</u>

As of December 31, 2018 and 2017, the Company did not provide any receivables as collaterals for its loans.

(c) **Inventories**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 194,542	151,318
Work in progress	820	1,103
Finished goods	1,168	1,011
	<u>\$ 196,530</u>	<u>153,432</u>

The Company reversal its allowance for inventory valuation loss amounting to \$6,216 due to the sale and disposal of its obsolete inventories in the year ended December 31, 2018. The write-down of the inventories to net realizable value amounted to \$9,667 which was recorded as cost of sales for the years ended December 31, 2017.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

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**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(d) Investment accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	<u>\$ 1,406,306</u>	<u>1,425,030</u>

Please refer to note(4)(c)(ii) of the consolidated financial statement for the year ended December 31, 2018.

As of December 31, 2018 and 2017, the Company did not provide any investments accounted for using equity method as collateral for its loans.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and construction	Machinery equipment	Office and other facilities equipment	Unfinished construction and equipment under acceptance	Total
<b>Cost:</b>						
Balance on January 1, 2018	\$ 362,813	203,969	406,562	12,521	27,953	1,013,818
Additions	-	4,730	44,468	6,675	61,856	117,729
Disposals	-	(6,052)	(6,426)	(1,404)	-	(13,882)
Reclassifications	-	24,684	43,955	2,911	(74,326)	(2,776)
Balance on December 31, 2018	<u>\$ 362,813</u>	<u>227,331</u>	<u>488,559</u>	<u>20,703</u>	<u>15,483</u>	<u>1,114,889</u>
Balance on January 1, 2017	\$ 362,813	133,981	256,811	6,809	71,682	832,096
Additions	-	5,211	134,473	5,260	102,506	247,450
Disposals	-	-	(64,732)	(578)	-	(65,310)
Reclassifications	-	64,777	80,010	1,030	(146,235)	(418)
Balance on December 31, 2017	<u>\$ 362,813</u>	<u>203,969</u>	<u>406,562</u>	<u>12,521</u>	<u>27,953</u>	<u>1,013,818</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2018	\$ -	27,111	125,243	3,307	-	155,661
Depreciation for the year	-	20,874	91,039	4,348	-	116,261
Disposals	-	(6,052)	(6,426)	(1,315)	-	(13,793)
Balance on December 31, 2018	<u>\$ -</u>	<u>41,933</u>	<u>209,856</u>	<u>6,340</u>	<u>-</u>	<u>258,129</u>
Balance on January 1, 2017	\$ -	11,927	116,605	1,728	-	130,260
Depreciation for the year	-	15,184	72,785	2,157	-	90,126
Disposals	-	-	(64,147)	(578)	-	(64,725)
Balance on December 31, 2017	<u>\$ -</u>	<u>27,111</u>	<u>125,243</u>	<u>3,307</u>	<u>-</u>	<u>155,661</u>
<b>Book value:</b>						
Balance on December 31, 2018	<u>\$ 362,813</u>	<u>185,398</u>	<u>278,703</u>	<u>14,363</u>	<u>15,483</u>	<u>856,760</u>
Balance on January 1, 2017	<u>\$ 362,813</u>	<u>122,054</u>	<u>140,206</u>	<u>5,081</u>	<u>71,682</u>	<u>701,836</u>
Balance on December 31, 2017	<u>\$ 362,813</u>	<u>176,858</u>	<u>281,319</u>	<u>9,214</u>	<u>27,953</u>	<u>858,157</u>

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

As of December 31, 2018 and 2017, the property, plant and equipment of the Company had not been pledged as collateral.

(f) Short-term borrowings

<b>December 31, 2018</b>		
<b>Currency</b>	<b>Range of interest rates</b>	<b>Amount</b>
Unsecured bank loans	NTD 1.01%	\$ <u>80,000</u>
Unused short-term credit lines		\$ <u>120,000</u>
<b>December 31, 2017</b>		
<b>Currency</b>	<b>Range of interest rates</b>	<b>Amount</b>
Unsecured bank loans	NTD 0.98%~1.01%	\$ <u>80,000</u>
Unused short-term credit lines		\$ <u>100,000</u>

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

(ii) As of December 31, 2018 and 2017, the Company did not provide any assets pledged as collaterals.

(g) Operating lease

(i) The Company as lessee

Non-cancellable operating lease rentals that were payable as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 1,301	261
Between one and five years	1,965	-
	\$ <u>3,266</u>	<u>261</u>

The Company leased office and official vehicles under operating leases. The leases typically run for a period of 1 to 5 years with an option to renew the lease when the lease expired.

For the years ended December 31, 2018 and 2017, an amount of \$3,567 and \$5,772 was recognized as an expense in profit or loss in respect of operating leases, respectively.

(ii) The Company as lessor

The Company leased out several land and factory plant under operating lease. For the years ended December 31, 2018 and 2017, income recognized in profit or loss under operating lease were \$0 and \$4,013, respectively.

(Continued)



**SINHER TECHNOLOGY INC.**  
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(h) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 2,570	2,430
Fair value of plan assets	(1,907)	(1,680)
Net defined benefit liabilities (assets)	<u>\$ 663</u>	<u>750</u>

The Company 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 Company 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 Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,907 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 Company were as follows:

	2018	2017
Defined benefit obligation at January 1	\$ 2,430	2,490
Current service costs and interest	33	28
Remeasurement in net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from: financial assumptions	107	(88)
Defined benefit obligation at December 31	<u>\$ 2,570</u>	<u>2,430</u>

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

3) Movements of defined benefit plan assets

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 1,680	1,533
Interest income	24	18
Remeasurement in net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	42	(3)
Contributions paid by the employer	<u>161</u>	<u>132</u>
Fair value of plan assets at December 31	<u>\$ 1,907</u>	<u>1,680</u>

4) Movements of the effect of the asset ceiling

As of December 31, 2018 and 2017, the Company did not have any movements of the effect of the asset ceiling.

5) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Net interest of net liabilities for defined benefit obligations	\$ <u>9</u>	<u>10</u>
Operating cost	\$ 4	5
Administration expenses	3	3
Research and development expenses	<u>2</u>	<u>2</u>
	<u>\$ 9</u>	<u>10</u>

6) Remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ (1,303)	(1,388)
Recognized during the period	<u>(65)</u>	<u>85</u>
Accumulated amount at December 31	<u>\$ (1,368)</u>	<u>(1,303)</u>

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

7) Actuarial assumptions

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Discount rate	1.125 %	1.375 %
Future salary increase rate	4.000 %	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 \$150.

The weighted average lifetime of the defined benefits plans is 11.77 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, 2018		
Discount rate	\$ (88)	92
Future salary increasing rate	88	(85)
December 31, 2017		
Discount rate	(87)	91
Future salary increasing rate	88	(84)

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 2018 and 2017.

(ii) Defined contribution plans

The Company 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 \$6,220 and \$5,685 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(i) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return since 2018.

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ 151,544	111,907
Undistributed earnings additional tax by 10% tax rate	11,193	17,792
Adjustment for prior periods	<u>2,798</u>	<u>5,059</u>
	<u>165,535</u>	<u>134,758</u>
Deferred tax expense		
Origination and reversal of temporary differences	(27,182)	(28,570)
Adjustment in tax rates	<u>13,286</u>	<u>-</u>
	<u>(13,896)</u>	<u>(28,570)</u>
Income tax expense	<u>\$ 151,639</u>	<u>106,188</u>

- 2) The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>(51)</u>	<u>15</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>7,523</u>	<u>(20,082)</u>

- 3) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows.:

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	\$ <u>621,811</u>	<u>490,220</u>
Income tax using the Company's domestic tax rate	\$ 124,362	83,337
Adjustment in tax rate	13,286	-
Under (over) provision in prior periods	2,798	5,059
Undistributed earnings additional tax by 10% tax rate	<u>11,193</u>	<u>17,792</u>
Income tax expense	<u>\$ 151,639</u>	<u>106,188</u>

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(ii) Deferred tax assets and liabilities

The company has no unrecognized deferred tax assets and liabilities, then changes in the amount of recognized deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Investment income recognized under the equity method (overseas)	Exchange difference on translation	Others	Total	
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2018	\$ 146,132	-	-	146,132	
Recognized in (profit) or loss	13,360	-	-	13,360	
Recognized in other comprehensive income	-	956	-	956	
Balance on December 31, 2018	<u>\$ 159,492</u>	<u>956</u>	<u>-</u>	<u>160,448</u>	
Balance on January 1, 2017	\$ 148,595	13,515	2,762	164,872	
Recognized in (profit) or loss	(2,463)	-	(2,762)	(5,225)	
Recognized in other comprehensive income	-	(13,515)	-	(13,515)	
Balance on December 31, 2017	<u>\$ 146,132</u>	<u>-</u>	<u>-</u>	<u>146,132</u>	
	Defined benefit plans	Exchange difference on translation	Unrealized gross profit	Others	Total
<b>Deferred tax assets:</b>					
Balance on January 1, 2018	\$ 100	6,567	66,271	4,689	77,627
Recognized in (profit) or loss	(51)	-	29,942	(2,635)	27,256
Recognized in other comprehensive income	51	(6,567)	-	-	(6,516)
Balance on December 31, 2018	<u>\$ 100</u>	<u>-</u>	<u>96,213</u>	<u>2,054</u>	<u>98,367</u>
Balance on January 1, 2017	\$ 135	-	46,700	895	47,730
Recognized in (profit) or loss	(20)	-	19,571	3,794	23,345
Recognized in other comprehensive income	(15)	6,567	-	-	6,552
Balance on December 31, 2017	<u>\$ 100</u>	<u>6,567</u>	<u>66,271</u>	<u>4,689</u>	<u>77,627</u>

(iii) The Company's tax returns for the years through 2016 were assessed by the tax authority.

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**SINHER TECHNOLOGY INC.**  
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(j) Capital and other equities

As of December 31, 2018 and 2017, the amount of ordinary shares were \$1,000,000 with par value of \$10 per share, of which 74,417 thousand shares is issued. All issued shares were paid up upon issuance.

(i) Capital surplus

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

	December 31, 2018	December 31, 2017
Additional paid in capital	\$ 454,028	476,353
Share-based payment transaction – treasury stock	8,332	-
	<u>\$ 462,360</u>	<u>476,353</u>

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

The distribution of cash dividend from capital surplus amounting to \$22,325 (\$0.3 per shares) was decided via the annual meeting of shareholders held on June 26, 2018.

(ii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should be distributed in order of priority as follow:

- 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 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 on this matter. The total distribution shall not be less than 10% of the remaining earning calculated by the above items.

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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

According to the Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2018, the special reserve amounted to \$32,846.

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided by the resolution adopted, at the general meeting of shareholders held on June 26, 2018 and June 22, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	Amount	Amount per share	Amount
Cash dividends distributed to ordinary shareholders	\$ 2.7	<u>200,927</u>	3.1	<u>227,968</u>

(iii) Treasury shares

In 2015, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 879 thousand shares as treasury shares, amounted to \$36,389, in order to transfer shares to employees. Besides, as of March 22, 2018, the board meetings decided to transfer this 879 thousand treasury shares to employees to purchase, and wrote down the treasury cost to \$36,389. As of 31 December 2018, the transaction was completed.

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**SINHER TECHNOLOGY INC.**  
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In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The shares purchased for the purpose to transferring to employees shall be transferred within three years from the date of share repurchase. Those shares which were not transferred within the period shall be deemed as unissued by the Company and should be cancelled. Furthermore, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(k) Share-based payment—treasury shares

The changes in the treasury shares that the Company repurchased for the purpose of transferring to employees for 2018 and 2017 were as follows:

	2018		2017	
	Shares (in thousands)	Total Amount	Shares (in thousands)	Total Amount
Treasury amount at January 1	879	\$ 36,389	879	36,389
Transfer to employees	(879)	(36,389)	-	-
Treasury amount at December 31	<u>-</u>	<u>\$ -</u>	<u>879</u>	<u>36,389</u>

The 879 thousand shares of treasury shares were decided to transfer to employees with a par value of \$41.868 dollars by the Board of Directors on March 22, 2018. The Company evaluated the fair value of this share-based payment to \$8,030 which was recognized as compensation cost, and write off the treasury share cost amounting \$36,389, then recognized capital surplus-treasury shares transaction \$8,332 after the employees completed the payment.

(l) Earnings per share

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

	2018	2017
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>470,172</u>	<u>384,032</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>74,222</u>	<u>73,538</u>
Basic earnings per share(in dollars)	\$ <u>6.33</u>	<u>5.22</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>470,172</u>	<u>384,032</u>

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**SINHER TECHNOLOGY INC.**  
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	<u>2018</u>	<u>2017</u>
Weighted average number of outstanding ordinary shares (in thousands)	74,222	73,538
Effect of potential diluted ordinary shares (in thousands)		
Effect of employee stock compensation	<u>857</u>	<u>704</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>75,079</u>	<u>74,242</u>
Diluted earnings per share(in dollars)	<u>\$ 6.26</u>	<u>5.17</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets:	
Taiwan	\$ 28,454
China	1,147,650
Japan	<u>69,793</u>
	<u>\$ 1,245,897</u>
Major product:	
Hinge components	<u>\$ 1,245,897</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 1% of the profit as employee compensation and a maximum of 1% as directors and supervisors remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employee compensation should be distributed by shares or by cash, and the recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, 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 2018 and 2017. 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 2018 and 2017.

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**SINHER TECHNOLOGY INC.**  
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	<u>2018</u>	<u>2017</u>
The employees compensation remuneration	\$ 36,421	28,714
The directors and supervisors	<u>3,973</u>	<u>3,132</u>
	<u>\$ 40,394</u>	<u>31,846</u>

(o) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The major customers of the 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, 2018 and 2017, 86% and 90%, respectively, of accounts receivable were three major customers. Thus, credit risk is significantly centralized.

3) Credit risk of receivables

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

Other financial assets at amortized cost include other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f).) As of December 31, 2018, there is no impairment provision.

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 80,000	(80,000)	(80,000)	-	-
Accounts payable	10,540	(10,540)	(10,540)	-	-
Accounts payable to related parties	15,759	(15,759)	(15,759)	-	-
Other payables	<u>41,086</u>	<u>(41,086)</u>	<u>(41,086)</u>	<u>-</u>	<u>-</u>
	<u>\$ 147,385</u>	<u>(147,385)</u>	<u>(147,385)</u>	<u>-</u>	<u>-</u>

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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
<b>December 31, 2017</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 80,000	(80,000)	(80,000)	-	-
Accounts payable	12,285	(12,285)	(12,285)	-	-
Accounts payable to related parties	6,968	(6,968)	(6,968)	-	-
Other payables	38,604	(38,604)	(38,604)	-	-
	<u>\$ 137,857</u>	<u>(137,857)</u>	<u>(137,857)</u>	<u>-</u>	<u>-</u>

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

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial assets						
Monetary items						
USD	\$ 57,622	USD/NTD =30.715	1,769,865	48,818	USD/NTD =29.76	1,452,833

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) 5% of each foreign currency against the functional currency for the years ended December 31, 2018 and 2017 would have affected the net profit before tax by \$88,493 and \$72,642, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

For the years ended December 31, 2018 and 2017, the Company's monetary items were foreign currency gain (include realized and unrealized) \$56,522 and foreign currency loss (include realized and unrealized) \$86,699, respectively.

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**SINHER TECHNOLOGY INC.**  
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(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company'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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have increased or decreased by \$603 and \$348 for the years ended December 31, 2018 and 2017, 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 hierarchy of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

		December 31, 2018			
		Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
Financial assets at amortized cost:					
Cash and cash equivalents	\$ 1,169,306	-	-	-	-
Notes receivable	721	-	-	-	-
Accounts receivable	35,754	-	-	-	-
Accounts receivable due from related parties	112,102	-	-	-	-
Other receivables due from related parties	476	-	-	-	-
Other current financial assets	7,242	-	-	-	-
Guarantee deposits paid	53	-	-	-	-
	<u>\$ 1,325,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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		December 31, 2018				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:						
Short-term borrowings	80,000	-	-	-	-	-
Accounts payable	10,540	-	-	-	-	-
Accounts payable to related parties	15,759	-	-	-	-	-
Other payables	41,086	-	-	-	-	-
	<u>\$ 147,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2017				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Loans and receivables:						
Cash and cash equivalents	\$ 993,240	-	-	-	-	-
Notes receivable	1,214	-	-	-	-	-
Accounts receivable	21,060	-	-	-	-	-
Other receivables due from related parties	336	-	-	-	-	-
Other current financial assets	6,626	-	-	-	-	-
Guarantee deposits paid	131	-	-	-	-	-
	<u>\$ 1,022,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost:						
Short-term borrowings	\$ 80,000	-	-	-	-	-
Accounts payable	12,285	-	-	-	-	-
Account payable to related parties	6,968	-	-	-	-	-
Other payables	38,604	-	-	-	-	-
	<u>\$ 137,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no transfers of financial instruments between any levels for the years ended December 31, 2018 and 2017.

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

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**SINHER TECHNOLOGY INC.**  
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extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

(p) Financial risk management

(i) Overview

The Company 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 Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company 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 Company'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 Company continue with the review of the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

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**SINHER TECHNOLOGY INC.**  
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1) Trade and other receivable

The Company has established a credit policy under which each customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company's customers are mainly from the computer industry. In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable.

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 Company's target of accounts receivables and other receivables are famous companies.

The Company 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, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company 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 Company's policy to provide financial guarantees is only permissible to subsidiaries and the target of business. Please refer to note 13(a)2. for the details of Company's financial guarantees provided to its subsidiaries as of December 31, 2018 and 2017, respectively.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

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The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note (6)(f) for unused short-term credit lines as of December 31, 2018 and 2017.

(v) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) **Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD and USD.

2) **Interest rate risk**

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

(q) **Capital management**

The Company maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there are financial resources and operating plans to support working capital, capital expenditures, research and development expenses and dividend payments, and so on. Guarantee the Company 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 Company may adjust the dividend payment to the shareholders, or issue new shares.

The Company monitors the capital by reviewing asset-to-debt ratio periodically. The Company's capital, listed as 「total equity」 in balance sheets which is also equal to the amount of total assets less total liabilities. The Company's asset-to-debt ratio at the end of the reporting period as of December 31, 2018 and 2017, is as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total liabilities	\$ 506,817	474,910
Total assets	3,903,464	3,544,043
Liability ratio	13 %	13 %

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**SINHER TECHNOLOGY INC.**  
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(r) Investing and financial activities not affecting current cash flow

The are no non-cash investing and financing activities for the years ended December 31, 2018 and 2017. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flow	Non-cash changes Exchange movement	December 31, 2018
Short-term borrowings (Liabilities from financing activities)	\$ <u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are the subsidiaries and entities that have transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Million On International Co., Ltd. (MOI)	Subsidiary of the Company
Profit Earn International Co., Ltd. (Profit)	//
Sinher (H.K.) Limited	//
Cingher (H.K.) Limited	//
Great Info International Co., Ltd. (Great Info)	//
Top Trading Group Limited (Top Trading)	//
Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	//
Chongqing SNR Technology Co., Ltd. (Chongqing SNR)	//
Kunshan Qianquan Precision Metal Co., Ltd. (Qianquan)	//
Daher Mold Co. (Daher)	Same chairman with the Company

(b) Significant transaction with related parties

(i) Operating revenue

The amounts of significant sales by the Company to related parties were as follows:

	2018	2017
Subsidiary—Great Info	\$ <u>1,146,342</u>	<u>1,036,053</u>

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The Company sells raw materials to subsidiary. The selling price for related parties is made up by the cost. The credit terms are monthly payment 90 days, but it depends on the demand of funds. Amounts receivable from related parties were uncollateralized, and no expected credit loss (provisions for doubtful debt) is required after the assessment by the management.

(ii) Purchase

The amounts of purchases by the Company from related parties were as follows:

	<u>2018</u>	<u>2017</u>
Subsidiary	\$ <u>51,620</u>	<u>25,601</u>

The prices of purchase transactions with related parties were the selling price of finished good less specific rate. The payment terms were in accordance with demand of fund.

(iii) Receivable due from related parties

The receivables from related parties were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary—Great Info	\$ <u>112,102</u>	<u>-</u>

(iv) Payables to related parties

The payables to related parties were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary—Kunshan Wanhe	\$ <u>15,759</u>	<u>6,968</u>

(v) Advance sales receipts from related parties

The advance sales receipts from related parties were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary—Great Info	\$ <u>-</u>	<u>21,818</u>

(vi) Property transactions

For the years ended December 31, 2018 and 2017, the Company sold fixed assets to, and purchased fixed assets, for a subsidiary—Great Info. The selling prices were \$2,283 and \$4,445, respectively. The gains of selling were \$264 and \$2,579, respectively. As of December 31, 2018 and 2017, the outstanding balances were \$476 and \$336, respectively, and were recognized as other receivables due from related parties.

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For the years ended December 31, 2018 and 2017, the Company purchased some fixtures and consumable material from other related parties—Daher, amounting to \$14,218 and \$13,067, respectively, and were recognized as operating cost and researching and developing cost, respectively. As of December 31, 2018 and 2017, the outstanding balances amounting to \$5,708 and \$4,239, respectively, were recognized as other payables.

(vii) Guarantee (in thousands of USD)

As of December 31, 2018 and 2017, the guarantee for loans taken out by subsidiaries which provided by the Company were as follow:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary—Chongqing SNR	USD -	4,000

(viii) Leases

The Company rented office from other related parties—Daher and paid monthly rental to them. The rental expense for the above amount was paid in full the years ended December 31, 2018 and 2017, amounted to \$320 and \$960, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 16,771	15,485
Post-employment benefits	<u>357</u>	<u>352</u>
	<u>\$ 17,128</u>	<u>15,837</u>

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

**(9) Commitments and contingencies:**

- (a) Please refer to note (6)(g) for the future rental payables calculated based on the office operating lease agreements signed by the Company.
- (b) The information for the Company's guarantees and endorsements, please refer to note (7) and (13).
- (c) Unrecognized contractual commitments:

As of December 31, 2018 and 2017, the future payments for the purchase of the Company's significant equipments and constructions amounted to \$8,870 and \$7,821, respectively.

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

**(11) Subsequent Events: None.**

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

**(12) Other:**

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

By item	By function	2018			2017		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		130,994	103,222	234,216	111,190	82,265	193,455
Labor and health insurance		9,251	5,583	14,834	7,708	5,162	12,870
Pension		3,482	2,747	6,229	3,108	2,587	5,695
Remuneration of directors		-	4,134	4,134	-	3,566	3,566
Others		6,842	2,463	9,305	5,679	2,267	7,946
Depreciation		112,527	3,734	116,261	88,446	1,680	90,126
Amortization		250	2,507	2,757	321	2,904	3,225

The Company had 281 and 269 as of December 31, 2018 and 2017, of which 4 and 4, directors were not in concurrent employment, respectively.

**(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 Company for the year ended December 31, 2018:

- (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)	1,018,994	92,145 (US\$3,000)	92,145 (US\$3,000)	-	-	2.71 %	1,698,324	Y	-	Y
0	"	Chongqing SNR	(Note 2)	1,018,994	307,150 (US\$10,000)	215,005 (US\$7,000)	-	-	6.33 %	1,698,324	Y	-	Y

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Company is permitted to make shall not exceed 30% of the Company's net worth. For external endorsements/ guarantees, the total amount of endorsements/ guarantees provided by the Company by 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.

- (iii) Securities held as of December 31, 2018 (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.

(Continued)



**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

- (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\$300 million or 20% of the capital stock:

(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	Great Info	100% owned sub-subsidiary	(Sales)	(1,146,342)	(92) %	Depending on the demand for funding, OA 90	According to cost-plus pricing	General export sales in 120~150 days	112,102	75%	
Great Info	Kunshan Wanhe	With the same ultimate parent company	(Sales)	(447,869)	(35) %	"	"	-	322,920	38%	
"	Chongqing SNR	"	(Sales)	(821,079)	(65) %	"	"	-	529,127	62%	
"	The Company	The parent company	Purchases	1,146,342	100 %	"	"	-	(112,102)	100%	
Kunshan Wanhe	Great Info	With the same ultimate parent company	Purchases	447,869	58 %	"	"	General purchase in 90~120 days	(322,920)	(71)%	
"	Chongqing SNR	"	(Sales)	(229,539)	(19) %	"	"	General export sales in 120~150 days	239,617	33%	
Chongqing SNR	Great Info	"	Purchases	821,079	63 %	"	"	General purchase in 90~120 days	(529,127)	(63)%	
"	Kunshan Wanhe	"	Purchases	229,539	18 %	"	"	"	(239,617)	(29)%	
"	Top Trading	"	(Sales)	(273,292)	(19) %	"	"	General export sales in 120~150 days	116,340	20%	
Top Trading	Chongqing SNR	"	Purchases	273,292	86 %	"	"	-	(116,340)	(100)%	

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Great Info	100% owned sub-subsidiary	112,102	20.45	-	-	-	-	
Great Info	Kunshan Wanhe	With the same ultimate parent company	322,920	1.66	-	-	-	-	
"	Chongqing SNR	"	529,127	1.80	-	-	-	-	
Kunshan Wanhe	Chongqing SNR	"	239,617	1.12	-	-	28,672	-	
Chongqing SNR	Top Trading	"	116,340	2.41	-	-	68,296	-	

Note 1: Information as of reporting date.

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	Investment activities	\$ 590,418	590,418	19,800,000	100%	1,210,602	(53,807)	(60,940)	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	195,704	(1,194)	(1,194)	"
	Total			<u>\$ 590,418</u>	<u>590,418</u>			<u>1,406,306</u>		<u>(62,134)</u>	
MOI	Sinher (H.K.) Limited	Hongkong	Investment activities	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	872,481 (USD28,406)	(42,437) (USD(1,408))	(42,437) (USD(1,408))	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hongkong	"	271,242 (USD9,200)	271,242 (USD9,200)	9,200,000	100%	314,044 (USD10,224)	(11,370)	(11,370) (USD(377))	"
	Total			<u>\$ 590,418</u>	<u>590,418</u>			<u>1,186,525</u>		<u>(53,807)</u>	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	98,466 (USD3,206)	2,464 (USD82)	2,464 (USD82)	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	97,238 (USD3,166)	(3,658) (USD(121))	(3,658) (USD(121))	"
								<u>195,704</u>		<u>(1,194)</u>	

(Continued)

**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only Financial Statements**

(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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Wanhe	Manufacture and sell of hinge components	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	(42,434) (USD(1,407))	100.00%	(42,434) (USD(1,407))	872,410 (USD28,403)	-
Chongqing SNR	Manufacture and sell of hinge components	271,242 (USD9,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	-	-	271,242 (USD9,200)	(11,368) (USD(377))	100.00%	(11,368) (USD(377))	314,028 (USD10,224)	-
Qianquan	Manufacture and sell of hinge components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	(2,214) (CNY(485))	100.00%	(2,214) (CNY(485))	5,195 (CNY1,161)	-

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 2018.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the exchange rates at the end of the reporting period of 2018.

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:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
590,418 (USD19,800)	590,418 (USD19,800)	2,037,988

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(14) Segment information:

Pleas refer to the consolidated financial statement for the years ended December 31, 2018.

## SINHER TECHNOLOGY INC.

## Statement of Cash and Cash Equivalents

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash and cash on hand		\$ 130
Checking accounts		10
Demand deposits	New Taiwan Dollars	99,657
Demand deposits	USD7,216 thousand	221,634
Time deposits	New Taiwan Dollars(Maturity date: 2019.01.28)	80,000
Time deposits	USD25,000 thousand(Maturity date: 2019.01.28~2019.03.28)	767,875
		1,169,176
		<u>\$ 1,169,306</u>

Note : The exchange rate is 30.715 New Taiwan Dollars for 1 US Dollar.

## Statement of Notes and Accounts Receivables

Client Name	Description	Amount
Notes receivable :		
Others (Note)	Operating revenue of non-related parties	\$ 721
Accounts receivable due from non-related parties, net:		
17000 Company	Operating revenue of non-related parties	25,929
02600 Company	"	3,776
Others (Note)	"	6,081
		35,786
Less : Loss allowance		(32)
		35,754
Total		<u>\$ 36,475</u>

Note : The amounts of individual item included in others does not exceed 5% of the account balance.

## SINHER TECHNOLOGY INC.

## Statement of Inventory

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Finished goods	\$ 1,679	1,359
Work-in process	820	820
Raw materials	<u>200,984</u>	<u>194,542</u>
Subtotal	203,483	<u><u>196,721</u></u>
Less : Loss allowance	<u>(6,953)</u>	
Total	<u><u>\$ 196,530</u></u>	

## SINHER TECHNOLOGY INC.

## Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars; thousand of shares)

Name of Investee	Beginning Balance		Increase (Decrease)		Share of Profit (Loss) Recognized Method	Exchange Differences on Translation of Foreign Financial Statement	Ending Balance			December 31, 2018 Net Value	Collaterals or Pledged Assets
	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Percentage of ownership	Amount		
MOI	19,800	\$ 1,267,195	-	-	(60,940)	-	19,800	100.00 %	1,206,255	1,186,549	None
Profit	-	196,470	-	-	(1,194)	-	-	100.00 %	195,276	195,704	"
Exchange differences on translation of foreign financial statements		(38,635)	-	-	-	43,410			4,775		
		<u>\$ 1,425,030</u>		<u>-</u>	<u>(62,134)</u>	<u>43,410</u>			<u>1,406,306</u>		

**SINHER TECHNOLOGY INC.****Statement of Changes in Property, Plant and  
Equipment****For the year ended December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(e).

**Statement of Accounts Payable to Related Parties**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
SJ012 Company	Payments to related parties	\$ 2,967
SJ009 Company	//	2,638
SJ027 Company	//	1,655
SP002 Company	//	728
SJ004 Company	//	610
Others (Note)	//	1,942
		<u>\$ 10,540</u>

Note : The amounts of individual item included in others does not exceed 5% of the account balance.

**SINHER TECHNOLOGY INC.****Statement of Other Payables****December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Accrued payroll and bonuses	Wages and salaries expenses of December 2018 and estimated year-end bonuses of 2018	\$ 52,912
Accrued employee compensation and directors and supervisors remuneration	Employee compensation and directors and supervisors remuneration of year ended December 31, 2018	40,394
Others (Note)	Accrued shipping expenses, consumables and sample expenses	41,086
		<u>\$ 134,392</u>

Note : The amounts of individual client included in others does not exceed 5% of the account balance.

**Statement of Operating Revenues****For the year ended December 31, 2018**

<b>Item</b>	<b>Quantity (thousands)</b>	<b>Amount</b>
Raw materials		\$ 1,147,074
Hub component	2,170	93,545
Others		5,278
Net operating revenues		<u>\$ 1,245,897</u>



## SINHER TECHNOLOGY INC.

## Statement of Operating Costs

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of the year	\$ 165,198
Add : Purchases	76,361
Transfer-in from work-in process	516,380
Less : Raw materials, end of the year	(200,984)
Segment used	(5,544)
Gain on physical inventory	1,832
Sales of costs of raw materials	(335,477)
Raw materials scrapped	<u>(11,829)</u>
Raw materials used for the current period	205,937
Direct labor	78,521
Manufacturing expenses	<u>255,904</u>
Costs of goods manufactured for the current period	540,362
Add : Work-in process, beginning of the year	1,103
Transfer-in from finished good	352
Less : Work-in process, end of the year	(820)
Others	298
Transfer-out to raw materials	<u>(516,380)</u>
Cost of goods manufactured	24,915
Add : Finished goods, beginning of the year	1,248
Purchase of finished goods	51,137
Less : Finished goods, end of the year	(1,679)
Transfer-out to work-in process	(352)
Segment used	(203)
Finished goods scrapped	<u>(1)</u>
Sales of costs of finished goods	75,065
Add : Sales of costs of raw materials	335,477
Gain on physical inventory	(1,832)
Allowance for inventory obsolescence	(6,216)
Revenue from sale of scraps	(3,596)
Unallocated manufacturing expenses because of lower production capacity	6,850
Inventories Scrapped	11,830
Others	<u>34,184</u>
Total operating costs	<u>\$ 451,762</u>

**SINHER TECHNOLOGY INC.****Statement of Operating Expenses****For the year ended December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling Expenses</u>	<u>Administrative Expenses</u>	<u>Research and Development Expenses</u>
Payroll expenses	\$ 23,882	50,231	33,243
Export expenses	8,545	-	-
Consumables	-	-	26,963
Service expenses	-	4,929	550
Others (Note)	<u>7,307</u>	<u>18,284</u>	<u>11,611</u>
Total	<u>\$ 39,734</u>	<u>73,444</u>	<u>72,367</u>

Note : The amounts of individual item included in others does not exceed 5% of the account balance.

**Statement of Non-Operating Revenue and Expenses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Interest income		\$ 19,446
Foreign exchange gain, net		56,522
Share of profit (loss) of associates and joint ventures accounted for using equity method		(62,134)
Finance costs		(778)
Other income (Note)	Miscellaneous revenues	283
Other expenses (Note)	Miscellaneous disbursements	<u>(118)</u>
		<u>\$ 13,221</u>

Note : The amounts of individual item included in others does not exceed 5% of the account balance.