

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

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2019 and 2018**

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

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## Independent Auditors' Review Report

To the Board of Directors of SINHER TECHNOLOGY INC.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of SINHER TECHNOLOGY INC. and its subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of SINHER TECHNOLOGY INC. and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 1, 2019

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**Reviewed only, not audited in accordance with Generally Accepted Auditing Standards as of June 30, 2019 and 2018**

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2019, December 31, 2018, and June 30, 2018**

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2019		December 31, 2018		June 30, 2018		Liabilities and Equity		June 30, 2019		December 31, 2018		June 30, 2018			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:																	
1100	Cash and cash equivalents (note (6)(a))	\$	1,567,379	39	1,366,143	33	1,609,626	37	2100	Short-term borrowings (note (6)(f))	\$	-	-	80,000	2	201,840	5
1150	Notes receivable (note (6)(b))		211	-	721	-	656	-	2170	Accounts payable		168,625	4	209,561	5	212,618	5
1170	Accounts receivable, net (note (6)(b))		860,411	21	1,120,089	27	1,016,908	24	2219	Other payables (note (7))		234,554	6	246,424	6	255,279	6
1310	Inventories (note (6)(c))		338,479	8	333,048	8	266,749	6	2216	Dividends payable		260,460	6	-	-	223,252	5
1476	Other current financial assets		18,271	-	23,993	-	28,773	1	2230	Current tax liabilities		33,436	1	105,015	2	97,910	2
1479	Other current assets		19,673	1	19,032	-	9,828	-	2280	Current lease liabilities (note (6)(g))		1,062	-	-	-	-	-
			2,804,424	69	2,863,026	68	2,932,540	68				698,137	17	641,000	15	990,899	23
Non-current assets:																	
1600	Property, plant and equipment (note (6)(d))		1,050,117	26	1,110,403	27	1,158,381	27	2570	Deferred tax liabilities		160,808	4	160,448	4	163,619	4
1755	Right-of-use assets (note (6)(e))		77,856	2	-	-	-	-	2580	Non-current lease liabilities (note (6)(g))		1,444	-	-	-	-	-
1840	Deferred tax assets		124,756	3	122,420	3	116,057	3	2640	Net defined benefit liability, non-current		663	-	663	-	750	-
1920	Guarantee deposits paid		1,299	-	1,494	-	1,588	-				162,915	4	161,111	4	164,369	4
1985	Long-term lease prepayments		-	-	83,667	2	84,043	2				861,052	21	802,111	19	1,155,268	27
1990	Other non-current assets		15,161	-	17,748	-	9,164	-									
			1,269,189	31	1,335,732	32	1,369,233	32									
Total assets																	
		\$	4,073,613	100	4,198,758	100	4,301,773	100			\$	4,073,613	100	4,198,758	100	4,301,773	100
Current liabilities:																	
Non-Current liabilities:																	
Total liabilities																	
Equity: (note (6)(k))																	
3110	Ordinary share		744,172	18	744,172	18	744,172	17									
3200	Capital surplus		440,035	11	462,360	11	462,360	11									
Retained earnings:																	
3310	Legal reserve		402,810	10	355,793	8	355,793	8									
3320	Special reserve		-	-	32,846	1	32,846	1									
3350	Unappropriated retained earnings		1,630,403	40	1,798,435	43	1,557,488	36									
			2,033,213	50	2,187,074	52	1,946,127	45									
3410	Exchange differences on translation of foreign financial statements		(4,859)	-	3,041	-	(6,154)	-									
	Total equity		3,212,561	79	3,396,647	81	3,146,505	73									
Total liabilities and equity																	
		\$	4,073,613	100	4,198,758	100	4,301,773	100			\$	4,073,613	100	4,198,758	100	4,301,773	100

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

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2019 and 2018**

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

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4100 Operating revenues (note (6)(n))	\$ 590,143	100	719,694	100	1,019,311	100	1,207,237	100
5110 Cost of sales (notes (6)(c), (6)(i), (6)(o), (7) and (12))	431,450	73	442,187	62	769,956	76	756,446	63
5900 Gross profit	158,693	27	277,507	38	249,355	24	450,791	37
Operating expenses (notes (6)(i), (6)(o), (7) and (12))								
6100 Selling expenses	19,445	3	12,839	2	35,486	3	33,154	3
6200 Administrative expenses	34,224	6	38,106	5	64,212	6	67,670	5
6300 Research and development expenses	30,266	5	27,923	4	59,244	6	50,195	4
	83,935	14	78,868	11	158,942	15	151,019	12
6900 Net operating income	74,758	13	198,639	27	90,413	9	299,772	25
Non-operating income and expenses:								
7100 Interest income	4,728	1	5,406	1	9,182	1	9,037	1
7190 Other income	3,999	-	1,083	-	4,174	-	2,996	-
7230 Foreign exchange gains, net (note (6)(p))	12,460	2	79,843	11	15,273	1	24,783	2
7050 Finance costs	(6)	-	(995)	-	(189)	-	(1,791)	-
7590 Miscellaneous disbursements	(78)	-	(1,024)	-	(164)	-	(1,693)	-
	21,103	3	84,313	12	28,276	2	33,332	3
7900 Profit before tax	95,861	16	282,952	39	118,689	11	333,104	28
7950 Less: Tax expenses (note (6)(j))	29,849	5	88,382	12	34,415	3	103,931	9
Profit	66,012	11	194,570	27	84,274	8	229,173	19
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	-	-	-	-	-	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (note (6)(j))	-	-	(38)	-	-	-	(38)	-
Components of other comprehensive income that will not be reclassified to profit or loss	-	-	38	-	-	-	38	-
8360 Items that will be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation	(11,676)	(2)	62,155	9	(9,876)	(1)	31,917	2
8399 Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (note (6)(j))	(2,336)	-	11,272	2	(1,976)	-	5,225	-
Components of other comprehensive income that will be reclassified to profit or loss	(9,340)	(2)	50,883	7	(7,900)	(1)	26,692	2
	(9,340)	(2)	50,921	7	(7,900)	(1)	26,730	2
8300 Other comprehensive income								
8500 Comprehensive income	\$ 56,672	9	245,491	34	76,374	7	255,903	21
Earnings per common share (note (6)(m))								
9750 Basic earnings per share (expressed in dollars)	\$ 0.89		2.61		1.13		3.10	
9850 Diluted earnings per share (expressed in dollars)	\$ 0.89		2.60		1.13		3.07	

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

**Consolidated Statements of Changes in Equity**

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings			
<b>A1 Balance at January 1, 2018</b>	\$ 744,172	476,353	317,390	-	1,600,453	(32,846)	(36,389)	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 six months ended June 30, 2018	-	-	-	-	229,173	-	-	229,173
D3 Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	38	26,692	-	26,730
D5 Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	229,211	26,692	-	255,903
N1 Share-based payments transaction	-	8,332	-	-	-	-	36,389	44,721
<b>Z1 Balance at June 30, 2018</b>	<u>\$ 744,172</u>	<u>462,360</u>	<u>355,793</u>	<u>32,846</u>	<u>1,557,488</u>	<u>(6,154)</u>	<u>-</u>	<u>3,146,505</u>
<b>A1 Balance at January 1, 2019</b>	\$ 744,172	462,360	355,793	32,846	1,798,435	3,041	-	3,396,647
Appropriation and distribution of retained earnings:								
B1 Legal reserve appropriated	-	-	47,017	-	(47,017)	-	-	-
B5 Cash dividends of ordinary share	-	(22,325)	-	-	(238,135)	-	-	(260,460)
B17 Reversal of special reserve	-	-	-	(32,846)	32,846	-	-	-
	-	(22,325)	47,017	(32,846)	(252,306)	-	-	(260,460)
D1 Profit for the six months ended June 30, 2019	-	-	-	-	84,274	-	-	84,274
D3 Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	(7,900)	-	(7,900)
D5 Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	84,274	(7,900)	-	76,374
<b>Z1 Balance at June 30, 2019</b>	<u>\$ 744,172</u>	<u>440,035</u>	<u>402,810</u>	<u>-</u>	<u>1,630,403</u>	<u>(4,859)</u>	<u>-</u>	<u>3,212,561</u>

See accompanying notes to consolidated financial statements.

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

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2019 and 2018**

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

		<b>For the six months ended June 30</b>	
		<b>2019</b>	<b>2018</b>
AAAA	<b>Cash flows from (used in) operating activities:</b>		
A10000	Profit before tax	\$ 118,689	333,104
A20000	<b>Adjustments:</b>		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	83,600	74,325
A20200	Amortization expense	3,127	2,214
A20300	Expected credit loss (gain)	(1,080)	(629)
A20900	Interest expense	189	1,791
A21200	Interest income	(9,182)	(9,037)
A21900	Share-based payments transactions	-	8,030
A29900	Other adjustments to reconcile profit (loss):		
		485	2,466
A20010	<b>Total adjustments to reconcile profit (loss)</b>	<b>77,139</b>	<b>79,160</b>
A30000	<b>Changes in operating assets and liabilities:</b>		
A31130	Decrease in notes receivable	510	558
A31150	Decrease in accounts receivable	260,724	95,367
A31200	Increase in inventories	(5,431)	(56,472)
A31240	Decrease (increase) in other current assets	(641)	926
A31250	Decrease (increase) in other current financial assets	1,763	(1,091)
A31000	<b>Total changes in operating assets</b>	<b>256,925</b>	<b>39,288</b>
A32000	<b>Changes in operating liabilities:</b>		
A32150	Decrease in accounts payable	(40,936)	(37,075)
A32180	Increase (decrease) in other payables	(11,825)	21,498
A32000	<b>Total changes in operating liabilities</b>	<b>(52,761)</b>	<b>(15,577)</b>
A30000	<b>Total changes in operating assets and liabilities</b>	<b>204,164</b>	<b>23,711</b>
A20000	<b>Total adjustments</b>	<b>281,303</b>	<b>102,871</b>
A33000	Cash inflow (outflow) generated from operations	399,992	435,975
A33100	Interest received	13,141	12,092
A33300	Interest paid	(189)	(1,791)
A33500	Income taxes paid	(105,994)	(99,381)
AAAA	<b>Net cash flows from (used in) operating activities</b>	<b>306,950</b>	<b>346,895</b>
BBBB	<b>Cash flows from (used in) investing activities:</b>		
B02700	Acquisition of property, plant and equipment	(42,020)	(96,320)
B03800	Decrease (increase) in guarantee deposits paid	195	(203)
B04500	Acquisition of intangible assets	(656)	(1,280)
BBBB	<b>Net cash flows from (used in) investing activities</b>	<b>(42,481)</b>	<b>(97,803)</b>
CCCC	<b>Cash flows from (used in) financing activities:</b>		
C00100	Increase in short-term borrowings	-	80,000
C00200	Decrease in short-term borrowings	(80,000)	(80,000)
C03000	Increase (decrease) in guarantee deposits received	(342)	17
C04020	Payment of lease liabilities	(574)	-
C05100	Treasury shares sold to employees	-	36,691
CCCC	<b>Net cash flows from (used in) financing activities</b>	<b>(80,916)</b>	<b>36,708</b>
DDDD	<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>17,683</b>	<b>26,788</b>
EEEE	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>201,236</b>	<b>312,588</b>
E00100	Cash and cash equivalents at beginning of period	1,366,143	1,297,038
E00200	Cash and cash equivalents at end of period	<b>\$ 1,567,379</b>	<b>1,609,626</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED  
AUDITING STANDARDS AS OF June 30, 2019 and 2018**

**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

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

**(1) Company history**

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

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

These consolidated financial statements for the six months ended June 30, 2019 and 2018 were authorized for issuance by the Board of Directors on August 1, 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, 2019.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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.

(Continued)

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

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application would not have any material impact on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note (4)(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of dormitory.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

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

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$86,747 of right-of-use assets and \$3,080 of lease liabilities, respectively. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.01%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed are as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 3,266
Recognition exemption for:	
short-term leases	<u>(138)</u>
Lease liabilities recognized as at December 31, 2018	<u>3,128</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u>3,080</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 3,080</u></u>

(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.

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.

The Group recognizes that there is no significant impact on deferred tax liabilities and retained earnings upon the initial application of the new standard on January 1, 2019.

(Continued)

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

(b) The impact of IFRS issued 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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<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 IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 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

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

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

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2018.

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

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements.

List of subsidiaries in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of operation	Shareholding		
			June 30, 2019	December 31, 2018	June 30, 2018
The Company	Million On International Co., Ltd. (MOI)	General investing	100 %	100 %	100 %
MOI	Sinher (H.K.) Limited	General investing	100 %	100 %	100 %
MOI	Cingher (H.K.) Limited	General investing	100 %	100 %	100 %
Sinher (H.K.) Limited	Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	Manufacture and sell of Hinge	100 %	100 %	100 %
Cingher (H.K.) Limited	Chongqing SNR Technology Co., Ltd. (Chongqing SNR)	Manufacture and sell of Hinge	100 %	100 %	100 %
The Company	Profit Earn International Co., Ltd. (Profit)	General investing	100 %	100 %	100 %
Profit	Great Info International Co., Ltd. (Great Info)	Sell of Hinge	100 %	100 %	100 %
Profit	Top Trading Group Limited (Top Trading)	Sell of Hinge	100 %	100 %	100 %
Kunshan Wanhe	Kunshan Qianquan Precision Metal Co., Ltd. (Qianquan)	Manufacture and sell of Hinge	100 %	100 %	100 %

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

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

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of offices that have a lease term of 12 months. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(d) Income taxes**

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

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

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

**(e) Employee benefits**

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2018.

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

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to note (6) of the 2018 annual consolidated financial statements.

**(a) Cash and cash equivalents**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 3,716	824	1,805
Checking accounts and demand deposits	494,403	517,444	641,171
Time deposits	<u>1,069,260</u>	<u>847,875</u>	<u>966,650</u>
	<u>\$ 1,567,379</u>	<u>1,366,143</u>	<u>1,609,626</u>

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

**(b) Notes and accounts receivable**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Notes receivable	\$ 211	721	656
Accounts receivable	861,743	1,122,467	1,019,555
Less: loss allowance	<u>(1,332)</u>	<u>(2,378)</u>	<u>(2,647)</u>
	<u>\$ 860,622</u>	<u>1,120,810</u>	<u>1,017,564</u>
Notes receivable	<u>\$ 211</u>	<u>721</u>	<u>656</u>
Accounts receivable, net	<u>\$ 860,411</u>	<u>1,120,089</u>	<u>1,016,908</u>

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

The loss allowance provision was determined as follows:

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

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

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 858,775	0.051%	435
Aging 121~150 days	181,323	0.123%	223
Aging 151~240 days	71,005	0.325%	231
Aging over 241 days	12,085	12.321%	1,489
	<u>\$ 1,123,188</u>		<u>2,378</u>

  

	<b>June 30, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Aging under 120 days	\$ 876,624	0.017%	148
Aging 121~150 days	110,148	0.055%	61
Aging 151~240 days	31,217	0.692%	216
Aging over 241 days	2,222	100%	2,222
	<u>\$ 1,020,211</u>		<u>2,647</u>

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

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 2,378	3,235
Impairment loss recognized (reversed)	(1,080)	(629)
Foreign exchange (gains) losses	34	41
Balance on June 30	<u>\$ 1,332</u>	<u>2,647</u>

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any receivables as collaterals for its loans.

(c) Inventories

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Raw materials	\$ 102,238	125,679	61,297
Work in progress	59,007	24,516	98,325
Finished goods	177,234	182,853	107,127
	<u>\$ 338,479</u>	<u>333,048</u>	<u>266,749</u>

The write-down of the inventories to net realizable value amounted to \$63,956, \$52,775, \$98,049 and \$83,967 which was recorded as cost of sales in the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, respectively.

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any inventories as collateral for its loans.

(d) Property, plant and equipment

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

	Land	Buildings and construction	Machinery equipment	Office and other facilities equipment	Unfinished construction and equipment under acceptance	Total
<b>Cost:</b>						
Balance on January 1, 2019	\$ 362,813	546,646	715,130	60,653	16,019	1,701,261
Additions	-	2,624	18,523	2,584	18,586	42,317
Disposals	-	-	(18,809)	(1,559)	-	(20,368)
Effect of movements in exchange rates	-	(19,006)	(11,092)	(2,151)	(43)	(32,292)
Reclassifications	-	11,523	16,114	1,140	(29,262)	(485)
Balance on June 30, 2019	<u>\$ 362,813</u>	<u>541,787</u>	<u>719,866</u>	<u>60,667</u>	<u>5,300</u>	<u>1,690,433</u>
Balance on January 1, 2018	\$ 362,813	509,607	628,426	55,257	28,718	1,584,821
Additions	-	3,753	43,587	4,471	44,570	96,381
Disposals	-	(5,225)	(5,531)	(4,132)	-	(14,888)
Effect of movements in exchange rates	-	7,214	5,342	932	27	13,515
Reclassifications	-	1,400	40,181	631	(42,671)	(459)
Balance on June 30, 2018	<u>\$ 362,813</u>	<u>516,749</u>	<u>712,005</u>	<u>57,159</u>	<u>30,644</u>	<u>1,679,370</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2019	\$ -	152,458	396,497	41,903	-	590,858
Depreciation for the year	-	22,912	55,547	3,566	-	82,025
Disposals	-	-	(18,809)	(1,559)	-	(20,368)
Effect of movements in exchange rates	-	(4,919)	(5,917)	(1,363)	-	(12,199)
Balance on June 30, 2019	<u>\$ -</u>	<u>170,451</u>	<u>427,318</u>	<u>42,547</u>	<u>-</u>	<u>640,316</u>
Balance on January 1, 2018	\$ -	110,876	302,883	39,318	-	453,077
Depreciation for the year	-	21,849	48,928	3,548	-	74,325
Disposals	-	(5,225)	(4,956)	(3,739)	-	(13,920)
Effect of movements in exchange rates	-	2,223	4,472	812	-	7,507
Balance on June 30, 2018	<u>\$ -</u>	<u>129,723</u>	<u>351,327</u>	<u>39,939</u>	<u>-</u>	<u>520,989</u>

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery equipment</u>	<u>Office and other facilities equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<b>Book value:</b>						
Balance on January 1, 2019	\$ <u>362,813</u>	<u>394,188</u>	<u>318,633</u>	<u>18,750</u>	<u>16,019</u>	<u>1,110,403</u>
Balance on June 30, 2019	\$ <u>362,813</u>	<u>371,336</u>	<u>292,548</u>	<u>18,120</u>	<u>5,300</u>	<u>1,050,117</u>
Balance on January 1, 2018	\$ <u>362,813</u>	<u>398,731</u>	<u>325,543</u>	<u>15,939</u>	<u>28,718</u>	<u>1,131,744</u>
Balance on June 30, 2018	\$ <u>362,813</u>	<u>387,026</u>	<u>360,678</u>	<u>17,220</u>	<u>30,644</u>	<u>1,158,381</u>

As of June 30, 2019, December 31 and June 30, 2018, the property, plant and equipment of the Group had not been pledged as collateral.

(e) Right-of-use assets

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

	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2019	\$ -	-	-
Effect of retrospective application	83,667	3,080	86,747
Effect of change in foreign exchange rates	(7,325)	-	(7,325)
Balance on June 30, 2019	\$ <u>76,342</u>	<u>3,080</u>	<u>79,422</u>
<b>Depreciation and impairment loss:</b>			
Balance on January 1, 2019	\$ -	-	-
Depreciation for the year	995	580	1,575
Effect of change in foreign exchange rates	(9)	-	(9)
Balance on June 30, 2019	\$ <u>986</u>	<u>580</u>	<u>1,566</u>
<b>Carrying amounts:</b>			
Balance on June 30, 2019	\$ <u>75,356</u>	<u>2,500</u>	<u>77,856</u>

The Group leases offices and official vehicles under the operating lease for the six months ended June 30, 2018, please refer to note (6)(h).

(f) Short-term borrowings

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

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

<b>December 31, 2018</b>		
<b>Currency</b>	<b>Range of interest rates</b>	<b>Amount</b>
Unsecured bank loans	NTD 1.01%	\$ 80,000
	USD 2.28%~2.98%	-
		<u>\$ 80,000</u>
Unused short-term credit lines		<u>\$ 427,150</u>

<b>June 30, 2018</b>		
<b>Currency</b>	<b>Range of interest rates</b>	<b>Amount</b>
Unsecured bank loans	NTD 1.01%	\$ 80,000
	USD 2.28%~2.79%	121,840
		<u>\$ 201,840</u>
Unused short-term credit lines		<u>\$ 454,140</u>

- (i) For information on the Group's foreign currency risk, please refer to note (6)(p).
- (ii) As of June 30, 2019, December 31 and June 30, 2018, the Company provides endorsements and guarantees for the credit loans and the credit lines of the subsidiaries of the Group, please refer to note (13)(a) for details.
- (iii) As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any assets pledged as collaterals.
- (g) Lease liabilities

The lease liabilities of the Group were as follows:

<b>June 30, 2019</b>		
	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 1,082	1,062
Between two and five years	1,457	1,444
	<u>\$ 2,539</u>	<u>2,506</u>
Current	<u>\$ 1,082</u>	<u>1,062</u>
Non-current	<u>\$ 1,457</u>	<u>1,444</u>

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2019</b>
Interest on lease liabilities	\$ <u>7</u>	<u>14</u>
Expenses relating to short-term leases	\$ <u>50</u>	<u>100</u>

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

	<b>For the six months ended June 30, 2019</b>
Total cash outflow for leases	\$ <u>688</u>

(i) Leases of land and vehicles

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

(ii) Other leases

The Group leases offices with contract terms of one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(h) Operating lease

There were no significant changes in operating lease for the six months ended June 30, 2019 and 2018. Please refer to note (6)(f) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(i) Employee benefits

(i) Defined benefit plans

Given there was no material volatility of the market, or any significant reimbursement, settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

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

	<b>For the three months ended June 30,</b>	<b>For the six months ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Cost of sales and operating expenses	\$ <u>37</u>	<u>37</u>	<u>75</u>	<u>86</u>

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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(ii) Defined contribution plans

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Cost of sales and operating expenses	\$ <u>9,273</u>	<u>9,352</u>	<u>18,685</u>	<u>17,678</u>

(j) Income taxes

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Current tax expense	\$ <u>29,849</u>	<u>88,382</u>	<u>34,415</u>	<u>103,391</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement from defined benefit plans	\$ <u>-</u>	<u>(38)</u>	<u>-</u>	<u>(38)</u>
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ <u>(2,336)</u>	<u>11,272</u>	<u>(1,976)</u>	<u>5,225</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. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(k) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2019 and 2018. For the related information, please refer to note (6)(i) of the consolidated financial statements for the year ended December 31, 2018.

(i) Capital surplus

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Additional paid in capital	\$ 431,703	454,028	454,028
Share-based payment transaction -- treasury stock	<u>8,332</u>	<u>8,332</u>	<u>8,332</u>
	<u><u>\$ 440,035</u></u>	<u><u>462,360</u></u>	<u><u>462,360</u></u>

The distribution of cash dividend from capital surplus amounting to \$22,325 (\$0.3 per shares) was decided via the meeting of the Board of Directors held on June 25, 2019 and June 26, 2018.

(ii) Retained Earnings

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

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

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.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders'

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of June 30, 2019 and 2018, the special reserve amounted to \$0 and \$32,846, respectively.

3) Earnings distribution

Earnings distribution for 2018 and 2017 were decided by the resolution adopted, at the general meeting of shareholders held on June 25, 2019 and June 26, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	Amount	Amount per share	Amount
Cash dividends distributed to \$ ordinary shareholders	3.2	<u>238,135</u>	2.7	<u>200,927</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 June 30, 2019, the transaction was completed.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10% 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 of 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.

(I) Share-based payment—treasury shares

The changes in the treasury shares that the Company repurchased for the purpose of transferring to employees for the six months ended June 30, 2019 and 2018 were as follows:

	For the six months ended June 30			
	2019		2018	
	Shares (in thousands)	Total amount	Shares (in thousands)	Total amount
Treasury amount at January 1	-	\$ -	879	36,389
Transfer to employees	-	-	(879)	(36,389)
Treasury amount at June 30	-	\$ -	-	-

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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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 amounting \$8,332 after the employees completed the payment.

(m) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
<b>Basic earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>66,012</u>	<u>194,570</u>	<u>84,274</u>	<u>229,173</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>74,417</u>	<u>74,417</u>	<u>74,417</u>	<u>74,024</u>
Basic earnings per share (in dollars)	\$ <u>0.89</u>	<u>2.61</u>	<u>1.13</u>	<u>3.10</u>
<b>Diluted earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>66,012</u>	<u>194,570</u>	<u>84,274</u>	<u>229,173</u>
Weighted average number of outstanding ordinary shares (in thousands)	74,417	74,417	74,417	74,024
Effect of potential diluted ordinary shares (in thousands)				
Effect of employee stock compensation	<u>152</u>	<u>380</u>	<u>364</u>	<u>509</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>74,569</u>	<u>74,797</u>	<u>74,781</u>	<u>74,533</u>
Diluted earnings per share (in dollars)	\$ <u>0.89</u>	<u>2.60</u>	<u>1.13</u>	<u>3.07</u>

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Primary geographical markets:				
Taiwan	\$ 11,107	6,156	19,443	15,458
China	434,202	609,000	743,372	989,508
Singapore	118,302	89,963	201,264	171,361
Others	<u>26,532</u>	<u>14,575</u>	<u>55,232</u>	<u>30,910</u>
	<u>\$ 590,143</u>	<u>719,694</u>	<u>1,019,311</u>	<u>1,207,237</u>
Major product:				
Hinge components	<u>\$ 590,143</u>	<u>719,694</u>	<u>1,019,311</u>	<u>1,207,237</u>

(ii) Contract balances

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

(o) Employee compensation and directors and supervisors remuneration

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

The remunerations to employees amounted to \$5,621, \$16,076, \$6,958 and \$18,979, and the remuneration to directors and supervisors amounted to \$613, \$1,753, \$759 and \$2,070, for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's Management proposal. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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The remunerations to employees amounted to \$36,421 and \$28,714 and the remuneration to directors and supervisors amounted to \$3,973 and \$3,132, in 2018 and 2017, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017. The information is available on the Market Observation Post System website.

(p) **Financial instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(n) of the 2018 annual consolidated financial statements.

(i) **Credit risk**

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

(ii) **Liquidity risk**

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

	<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>June 30, 2019</b>					
Non-derivative financial liabilities:					
Accounts payable	\$ 168,625	(168,625)	(168,625)	-	-
Other payables	103,774	(103,774)	(103,774)	-	-
Dividend payables	260,460	(260,460)	(260,460)	-	-
Lease liabilities (including current and non-current)	<u>2,506</u>	<u>(2,539)</u>	<u>(1,082)</u>	<u>(911)</u>	<u>(546)</u>
	<u><b>\$ 535,365</b></u>	<u><b>(535,398)</b></u>	<u><b>(533,941)</b></u>	<u><b>(911)</b></u>	<u><b>(546)</b></u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 80,000	(80,000)	(80,000)	-	-
Accounts payable	209,561	(209,561)	(209,561)	-	-
Other payables	<u>98,608</u>	<u>(98,608)</u>	<u>(98,608)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 388,169</b></u>	<u><b>(388,169)</b></u>	<u><b>(388,169)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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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>June 30, 2018</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 201,840	(201,840)	(201,840)	-	-
Accounts payable	212,618	(212,618)	(212,618)	-	-
Dividend payables	223,252	(223,252)	(223,252)	-	-
Other payables	126,538	(126,538)	(126,538)	-	-
	<u>\$ 764,248</u>	<u>(764,248)</u>	<u>(764,248)</u>	<u>-</u>	<u>-</u>

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

(iii) Market risk

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

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

	<u>June 30, 2019</u>			<u>December 31, 2018</u>			<u>June 30, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</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	\$	52,450 USD/NTD =31.06	1,629,111	57,622 USD/NTD =30.715	1,769,865	52,489 USD/NTD =30.46			1,598,827
USD		30,135 USD/CNY =6.8747	936,627	- USD/CNY =6.8632	-	- USD/CNY =6.6166			-
CNY	-	USD/CNY =6.8747	-	74,965 USD/CNY =6.8632	335,490	72,419 USD/CNY =6.6166			333,721
Financial liabilities									
Monetary items									
USD		31,012 USD/CNY =6.8747	963,878	- USD/CNY =6.8632	-	- USD/CNY =6.6166			-
CNY	-	USD/CNY =6.8747	-	117,770 USD/CNY =6.8632	527,054	107,648 USD/CNY =6.6166			495,569

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) 5% of each foreign currency against the functional currency for the six months ended June 30, 2019 and 2018 would have affected the net profit before tax as follows, the analysis is performed on the same basis for both periods.

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

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
USD (against the NTD)	\$ 81,456	79,941
USD (against the CNY)	(1,363)	-
CNY (against the USD)	-	(8,092)

3) Exchange gains and losses of monetary items

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

<b>Functional currency</b>	<b>Six months ended June 30, 2019</b>		<b>Six months ended June 30, 2018</b>	
	<b>Exchange gain (loss)</b>	<b>Average rate</b>	<b>Exchange gain (loss)</b>	<b>Average rate</b>
NTD	\$ 19,923	-	41,222	-
CNY	CNY(1,020)	USD/TWD =4.5598	-	-
USD	USD -	USD/TWD =30.9827	USD (557)	USD/TWD =29.5372

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have increased or decreased by \$618 and \$549 for the six months ended June 30, 2019 and 2018, respectively, which would be mainly resulted from the bank savings, and borrowings with variable interest rates.

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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(v) Fair value

1) Categories and the fair value of financial instruments

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

		June 30, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,567,379	-	-	-	-
Notes receivable		211	-	-	-	-
Accounts receivable		860,411	-	-	-	-
Other current financial assets		18,271	-	-	-	-
Guarantee deposits paid		1,299	-	-	-	-
	\$	<u>2,447,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost:						
Accounts payable	\$	168,625	-	-	-	-
Other payables		103,774	-	-	-	-
Dividend payables		260,460	-	-	-	-
Lease liabilities (current and non-current)		2,506	-	-	-	-
	\$	<u>535,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2018				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,366,143	-	-	-	-
Notes receivable		721	-	-	-	-
Accounts receivable		1,120,089	-	-	-	-
Other current financial assets		23,993	-	-	-	-
Guarantee deposits paid		1,494	-	-	-	-
	\$	<u>2,512,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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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		209,561	-	-	-	-
Other payables		98,608	-	-	-	-
	\$	388,169	-	-	-	-
		June 30, 2018				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	1,609,626	-	-	-	-
Notes receivable		656	-	-	-	-
Accounts receivable		1,016,908	-	-	-	-
Other current financial assets		28,773	-	-	-	-
Guarantee deposits paid		1,558	-	-	-	-
	\$	2,657,521	-	-	-	-
Financial liabilities						
measured at amortized cost:						
Short-term borrowings	\$	201,840	-	-	-	-
Accounts payable		212,618	-	-	-	-
Dividend payables		223,252	-	-	-	-
Other payables		126,538	-	-	-	-
	\$	764,248	-	-	-	-

There were no transfers of financial instruments between any levels for the six months ended June 30, 2019 and 2018.

2) Valuation technique for financial instruments measured at fair value

Non-derivative financial instruments

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

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

(q) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(o) of the 2018 annual consolidated financial statements.

(r) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note (6)(p) of the 2018 annual consolidated financial statements. Also, Management believes that there were no significant changes in the Group's capital management information as disclosed in the 2018 annual financial statements.

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

There are no non-cash investing and financing activities for the six months ended June 30, 2019 and 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes Exchange movement	June 30, 2019
Short-term borrowings	\$ 80,000	(80,000)	-	-
Guarantee deposits received	1,744	(342)	-	1,402
Lease liabilities	3,080	(574)	-	2,506
Total liabilities from financing activities	<u>\$ 84,824</u>	<u>(80,916)</u>	<u>-</u>	<u>3,908</u>
	January 1, 2018	Cash flow	Non-cash changes Exchange movement	June 30, 2018
Short-term borrowings	\$ 199,040	-	2,800	201,840
Guarantee deposits received	1,594	17	-	1,611
Total liabilities from financing activities	<u>\$ 200,634</u>	<u>17</u>	<u>2,800</u>	<u>203,451</u>

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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**(7) Related-party transactions**

**(a) Names and relationship with related parties**

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

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

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

**(i) Property transactions**

For the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the Group purchased some fixtures and consumable material from its related parties amounting to \$5,822, \$3,081, \$9,145 and \$6,048, recognized as operating cost and researching and developing cost respectively. As of June 30, 2019, December 31, 2018 and June 30, 2018, the outstanding balance was \$7,208, \$5,708 and \$4,053, respectively, were recognized as other payables.

**(ii) Leases**

The Group rented office from its related parties and paid monthly rental to them. The rental expense for the above amount was paid in full for the three months ended June 30, 2018 and for the six months ended June 30, 2018, amounted to \$80 and \$320, respectively.

**(c) Key management personnel compensation**

Key management personnel compensation comprised of:

	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>	<u>Six months ended June 30, 2019</u>	<u>Six months ended June 30, 2018</u>
Short-term employee benefits \$	4,821	6,656	8,522	10,454
Post-employment benefits	91	89	181	178
	<u>\$ 4,912</u>	<u>6,745</u>	<u>8,703</u>	<u>10,632</u>

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

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**(9) Commitments and contingencies:**

(a) For the information on the Group's bank credit lines, guarantees and endorsements, please refer to note (13)(a).

(b) Unrecognized contractual commitments:

As of June 30, 2019, December 31 and June 30, 2018, the future payments for the purchase of the Group's significant equipment and construction amounted to \$11,291, \$9,678 and \$6,825, respectively.

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

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

**(12) Other:**

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

	By function	For the three months ended June 30					
		2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
<b>By item</b>							
Employee benefits		144,354	33,935	178,289	148,670	41,077	189,747
Salary		7,677	1,855	9,532	5,865	1,685	7,550
Labor and health insurance		8,075	1,235	9,310	8,241	1,148	9,389
Pension		-	-	-	-	-	-
Others		8,282	1,392	9,674	10,803	1,481	12,284
Depreciation		37,921	4,284	42,205	35,185	2,520	37,705
Amortization		29	1,556	1,585	136	795	931

	By function	For the six months ended June 30					
		2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
<b>By item</b>							
Employee benefits							
Salary		272,352	63,253	335,605	264,848	76,370	341,218
Labor and health insurance		14,439	3,993	18,432	11,131	3,156	14,287
Pension		16,209	2,551	18,760	15,437	2,327	17,764
Others		16,406	2,701	19,107	19,014	2,745	21,759
Depreciation		75,271	8,329	83,600	69,255	5,070	74,325
Amortization		54	3,073	3,127	274	1,940	2,214

(b) Seasonality of operations

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

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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**(13) Other disclosures:**

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

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2019:

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

(In thousands of foreign currency)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Kunshan Wanhe	(Note 2)	963,768	93,180 (US\$3,000)	62,120 (US\$2,000)	-	-	1.93 %	1,606,281	Y	-	Y
0	"	Chongqing SNR	(Note 2)	963,768	217,420 (US\$7,000)	155,300 (US\$5,000)	-	-	4.83 %	1,606,281	Y	-	Y

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

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

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

- (iii) Information regarding securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures not included): None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

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**SINHER TECHNOLOGY INC. AND SUBSIDIARIES**  
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(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Great Info	100% owned sub-subsidiary	(Sales)	(527,668)	(84) %	Depending on the demand for funding, OA 90	According to cost-plus pricing	General export sales in 120~150 days	111,023	60%	Note
Great Info	Kunshan Wanhe	With the same ultimate parent company	(Sales)	(124,477)	(34) %	"	"	-	226,287	32%	"
"	Chongqing SNR	"	(Sales)	(246,381)	(66) %	"	"	-	474,092	68%	"
"	The Company	The parent company	Purchases	527,032	100 %	"	"	-	(111,023)	(100)%	"
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	(Sale)	(104,163)	(20) %	"	"	General export sales in 120~150 days	230,536	41%	"
"	Great Info	"	Purchases	124,477	36 %	"	"	General purchase in 90~120 days	(226,287)	(54)%	"
Chongqing SNR	Top Trading	"	(Sale)	(116,103)	(20) %	"	"	General export sales in 120~150 days	90,463	19%	"
"	Great Info	"	Purchases	246,381	39 %	"	"	General purchase in 90~120 days	(474,092)	(51)%	"
"	Chongqing SNR	"	Purchases	104,163	19 %	"	"	"	(230,536)	(25)%	"
Top Trading	Chongqing SNR	"	Purchases	116,103	100 %	"	"	-	(90,463)	(100)%	"

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

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

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Great Info	100% owned sub subsidiary	111,023	9.46	-		48,292	-	Note 2
Great Info	Kunshan Wanhe	With the same ultimate parent company	226,287	0.91	-		45,489	-	"
"	Chongqing SNR	"	474,092	0.98	-		-	-	"
Kunshan Wanhe	Chongqing SNR	"	230,536	0.89	-		25,030	-	"

Note 1 : Information as of reporting date.

Note2 : The transactions have been eliminated in the consolidated financial statement.

(Continued)

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

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

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Great Info	1	Sales Revenue	527,668	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 90 days.	51.77%
0	"	"	1	Accounts Receivable	111,023	"	2.73%
1	Great Info	Kunshan Wanhe	3	Sales Revenue	124,477	"	12.21%
1	"	"	3	Accounts Receivable	226,287	"	5.55%
1	"	Chongqing SNR	3	Sales Revenue	246,381	"	24.17%
1	"	"	3	Accounts Receivable	474,092	"	11.64%
2	Kunshan Wanhe	Chongqing SNR	3	Sales Revenue	104,163	"	10.22%
2	"	"	3	Accounts Receivable	230,536	"	5.66%
3	Chongqing SNR	Top Trading	3	Sales Revenue	116,103	"	11.39%
3	"	"	3	Accounts Receivable	90,463	"	2.22%

Note 1: The numbers are filled in as follows:

1.0 represents the Company.

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

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

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

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

3 represents the transactions between the subsidiaries.

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

(b) Information on investments:

The following are the information on investees for the six months ended June 30, 2019 (excluding information on investees in Mainland China):

(In thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2019			Net income (losses) of investee	Share of profit/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	Investment activities	\$ 590,418	590,418	19,800,000	100%	986,354	(212,199)	(212,199)	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	187,699	(10,178)	(10,178)	"
	Total			\$ 590,418	590,418			1,174,053		(222,377)	
MOI	Sinher (H.K.) Limited	Hongkong	Investment activities	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	799,136	(66,886)	(66,886)	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hongkong	"	271,242 (USD9,200)	271,242 (USD9,200)	9,200,000	100%	163,141	(145,313)	(145,313)	"
	Total			\$ 590,418	590,418			962,277		(212,199)	

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2019			Net income (losses) of investee	Share of profit/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying amount			
Profit	Great Info	Samoa	Sale of hinge components	USD -	USD -	-	100%	90,760 (USD2,922)	(8,790) (USD(284))	(8,790) (USD(284))	A sub-subsidiary company
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	96,939 (USD3,121) <u>187,699</u>	(1,388) (USD(45))	(1,388) (USD(45)) <u>(10,178)</u>	"

(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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Wanhe	Manufacturing and sale of hinge components	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	(66,886) (CNY(14,669))	100.00%	(66,886) (CNY(14,669))	799,066	-
Chongqing SNR	Manufacturing and sale of hinge components	271,242 (USD9,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	-	-	271,242 (USD9,200)	(145,313) (CNY(31,868))	100.00%	(145,313) (CNY(31,868))	163,125	-
Qianquan	Manufacturing and sale of hinge components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	(1,437) (CNY(315))	100.00%	(1,437) (CNY(315))	3,825 (CNY846)	-

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 2019.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the three months ended June 30, 2019 average exchange rates.

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

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

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

(ii) Upper limit on investment in Mainland China:

(In thousands of dollars)

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
590,418 (USD19,800)	590,418 (USD19,800)	1,927,537

(iii) Significant transactions:

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

(14) Segment information:

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