

**SINHER TECHNOLOGY INC.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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)(m) "revenue recognition" of the consolidated financial statements 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 Company is in accordance with the related accounting standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 this 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 20, 2020

#### Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2019 and 2018**

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

		2019		2018	
		Amount	%	Amount	%
4100	<b>Operating revenues</b> (notes (6)(o) and (7))	\$ 1,467,895	100	1,245,897	100
5110	<b>Cost of sales</b> (notes (6)(c), (6)(i), (6)(j), (6)(p), (7) and (12))	558,589	38	451,762	36
5900	<b>Gross profit</b>	909,306	62	794,135	64
	<b>Operating expenses</b> (notes (6)(i), (6)(j), (6)(p), (7) and (12))				
6100	Selling expenses	28,782	2	39,734	3
6200	Administrative expenses	68,387	5	73,444	6
6300	Research and development expenses	84,925	6	72,367	6
		182,094	13	185,545	15
6900	<b>Net operating income</b>	727,212	49	608,590	49
	<b>Non-operating income and expenses:</b>				
7100	Interest income	18,314	1	19,446	2
7190	Other income (notes (6)(i))	3,571	-	283	-
7230	Foreign exchange gains, net (note (6)(q))	-	-	56,522	4
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	(422,794)	(29)	(62,134)	(5)
7050	Finance costs	(201)	-	(778)	-
7590	Miscellaneous disbursements	(42)	-	(118)	-
7630	Foreign exchange losses, net (note (6)(q))	(53,891)	(3)	-	-
		(455,043)	(31)	13,221	1
7900	<b>Profit before tax</b>	272,169	18	621,811	50
7950	Less: Tax expenses (note (6)(k))	65,076	4	151,639	12
	<b>Profit</b>	207,093	14	470,172	38
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss:</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (notes (6)(j))	3	-	(65)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss (notes (6)(k))	-	-	(51)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	3	-	(14)	-
8360	<b>Items that will be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation	(58,726)	(4)	43,410	4
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (notes (6)(k))	(11,745)	(1)	7,523	1
	Components of other comprehensive income that will be reclassified to profit or loss	(46,981)	(3)	35,887	3
8300	<b>Other comprehensive income</b>	(46,978)	(3)	35,873	3
8500	<b>Comprehensive income</b>	\$ 160,115	11	506,045	41
	<b>Earnings per common share</b> (note (6)(n))				
9750	<b>Basic earnings per share</b> (expressed in dollars)	\$ 2.78		6.33	
9850	<b>Diluted earnings per share</b> (expressed in dollars)	\$ 2.77		6.26	

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, 2019 and 2018**

**(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, 2018</b>	\$ 744,172	476,353	317,390	-	1,600,453	(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 year ended December 31, 2018	-	-	-	-	470,172	-	470,172
D3 Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(14)	-	35,873
D5 Total comprehensive income for the year ended December 31, 2018	-	-	-	-	470,158	-	506,045
N1 Share-based payments transactions	-	8,332	-	-	-	-	44,721
Z1 Balance at December 31, 2018	744,172	462,360	355,793	32,846	1,798,435	-	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 year ended December 31, 2019	-	-	-	-	207,093	-	207,093
D3 Other comprehensive income for the year ended December 31, 2019	-	-	-	-	3	-	(46,978)
D5 Total comprehensive income for the year ended December 31, 2019	-	-	-	-	207,096	-	160,115
<b>Z1 Balance at December 31, 2019</b>	\$ 744,172	440,035	402,810	-	1,753,225	-	3,296,302

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, 2019 and 2018  
(Expressed in thousands of New Taiwan Dollars)

		2019	2018
AAAA	Cash flows from (used in) operating activities:		
A10000	Profit before tax	\$ 272,169	621,811
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	129,741	116,261
A20200	Amortization expense	5,240	2,757
A20300	Expected credit loss	22	13
A20900	Interest expense	201	778
A21200	Interest income	(18,314)	(19,446)
A21900	Share-based payments transactions	-	8,030
A22400	Share of loss of associates and joint ventures accounted for using equity method	422,794	62,134
A29900	Others	485	2,865
A20010	Total adjustments to reconcile profit (loss)	540,169	173,392
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets:		
A31150	Increase in notes and accounts receivable	(300,514)	(126,316)
A31200	Increase in inventories	(9,485)	(43,098)
A31240	Decrease (increase) in other current assets	2,459	(4,173)
A31250	Decrease (increase) in other current financial assets	(300)	206
A31000	Total changes in operating assets	(307,840)	(173,381)
A32000	Changes in operating liabilities:		
A32150	Increase (decrease) in accounts payable	(5,978)	7,046
A32180	Increase (decrease) in other payables	(19,316)	16,324
A32210	Decrease in advance receipt	-	(21,818)
A32240	Decrease in net defined benefit liabilities	(144)	(152)
A32000	Total changes in operating liabilities	(25,438)	1,400
A30000	Total changes in operating assets and liabilities	(333,278)	(171,981)
A20000	Total adjustments	206,891	1,411
A33000	Cash inflow generated from operations	479,060	623,222
A33100	Interest received	19,945	18,624
A33300	Interest paid	(201)	(778)
A33500	Income taxes paid	(185,547)	(149,409)
AAAA	Net cash flows from (used in) operating activities	313,257	491,659
BBBB	Cash flows from (used in) investing activities:		
B02700	Acquisition of property, plant and equipment	(62,099)	(117,729)
B03800	Decrease in guarantee deposits paid	-	78
B04400	Increase in other receivables due from related parties	(8,258)	(140)
B04500	Acquisition of intangible assets	(1,625)	(11,241)
BBBB	Net cash flows from (used in) investing activities	(71,982)	(129,032)
CCCC	Cash flows from (used in) financing activities:		
C00100	Increase in short-term borrowings	-	80,000
C00200	Decrease in short-term borrowings	(80,000)	(80,000)
C04020	Payment of lease liabilities	(1,137)	-
C04500	Cash dividends paid	(260,460)	(223,252)
C05100	Treasury shares sold to employees	-	36,691
CCCC	Net cash flows from (used in) financing activities	(341,597)	(186,561)
EEEE	Net increase (decrease) in cash and cash equivalents	(100,322)	176,066
E00100	Cash and cash equivalents at beginning of period	1,169,306	993,240
E00200	Cash and cash equivalents at end of period	\$ 1,068,984	1,169,306

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, 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 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 20, 2020.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<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.

(Continued)

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

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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 Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company 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 Company'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 Company 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.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)



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

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a operating lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$3,080 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company 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:

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

(Continued)

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

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

(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 Rule 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 IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its 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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(Continued)



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

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

The significant accounting policies presented in the parent-company-only financial statements are summarized below. 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").

**(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 liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note (4)(n).

**(ii) Functional and presentation currency**

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

**(c) Foreign currencies**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(Continued)

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only 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 to occur in the foreseeable future, Exchange differences arising from such a monetary items that are considered to form part of the net investment in the foreign operation 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.

An entity shall classify a liability as current when:

- (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

(Continued)

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

- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

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

2) Impairment of financial assets

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the 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 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 debtor is unlikely to pay its credit obligations to the Company in full.

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'.

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

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)



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

ECL 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). ECL 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 is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**3) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities classified as measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(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.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)



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

(ii) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance 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.

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 Company 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 Company 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.

(Continued)

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low-value assets, including offices, office equipment, dormitory, vehicles and parking space. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

Applicable before January 1, 2019

(i) Lessee

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

Payments made under operating leases (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.

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

(ii) 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 rents are recognized as income in the period when the lease adjustments are confirmed.

(Continued)

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)



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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue recognition

(i) Revenue from contracts with customers

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.

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.

(n) Employee benefits

(i) Defined contribution plans

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

(Continued)

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(o) Share-based payment

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

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

(Continued)

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

(p) Income taxes

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(Continued)



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

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The Company's undistributed earnings additional tax will be recognized as current income tax expenses after the earnings distribution has been approved during the general meeting of the shareholders to be held the following year.

**(q) Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

**(r) 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:

**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.

(Continued)

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

**(6) Explanation of significant accounts**

**(a) Cash and cash equivalents**

	December 31, 2019	December 31, 2018
Cash on hand	\$ 150	130
Checking accounts and demand deposits	139,454	321,301
Time deposits	929,380	847,875
	<u>\$ 1,068,984</u>	<u>1,169,306</u>

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

**(b) Notes and accounts receivable**

	December 31, 2019	December 31, 2018
Notes receivable	\$ 295	721
Accounts receivable	448,828	147,888
Less: loss allowance	(54)	(32)
	<u>\$ 449,069</u>	<u>148,577</u>
Notes receivable	<u>\$ 295</u>	<u>721</u>
Accounts receivable, net	<u>\$ 57,395</u>	<u>35,754</u>
Accounts receivable due from related parties	<u>\$ 391,379</u>	<u>112,102</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. 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:

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Aging under 120 days	\$ 448,069	0.005%	23
Aging 121~150 days	1,041	1.729%	18
Aging over 241 days	13	100%	13
	<u>\$ 449,123</u>		<u>54</u>

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**SINHER TECHNOLOGY INC.**  
**Notes to Parent-Company-Only 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	\$ 146,478	0.009%	13
Aging 121~150 days	1,834	1.036%	19
Aging 151~240 days	297	-	-
Aging over 241 days	-	-	-
	<u><b>\$ 148,609</b></u>		<u><b>32</b></u>

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

	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 32	19
Impairment loss recognized (reversed)	22	13
Balance on December 31	<u><b>\$ 54</b></u>	<u><b>32</b></u>

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

(c) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 204,435	194,542
Work in progress	411	820
Finished goods	1,169	1,168
	<u><b>\$ 206,015</b></u>	<u><b>196,530</b></u>

The Company reversal its allowance for inventory valuation loss amounting to \$533 and \$6,216 due to the sale and disposal of its obsolete inventories in the year ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Subsidiaries	<u><b>\$ 924,786</b></u>	<u><b>1,406,306</b></u>

Please refer to note(4)(c)(ii) of the consolidated financial statement for the year ended December 31, 2019.

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As of December 31, 2019 and 2018, 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 were as follows:

	<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>Cost:</b>						
Balance on January 1, 2019	\$ 362,813	227,331	488,559	20,703	15,483	1,114,889
Additions	-	-	21,761	2,599	37,739	62,099
Disposals	-	(3,380)	(26,231)	(2,168)	-	(31,779)
Reclassifications	-	11,523	25,926	3,696	(41,630)	(485)
Balance on December 31, 2019	<u>\$ 362,813</u>	<u>235,474</u>	<u>510,015</u>	<u>24,830</u>	<u>11,592</u>	<u>1,144,724</u>
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>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2019	\$ -	41,933	209,856	6,340	-	258,129
Depreciation for the year	-	23,115	99,611	5,868	-	128,594
Disposals	-	(3,380)	(26,231)	(2,168)	-	(31,779)
Balance on December 31, 2019	<u>\$ -</u>	<u>61,668</u>	<u>283,236</u>	<u>10,040</u>	<u>-</u>	<u>354,944</u>
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>
<b>Book value:</b>						
Balance on December 31, 2019	<u>\$ 362,813</u>	<u>173,806</u>	<u>226,779</u>	<u>14,790</u>	<u>11,592</u>	<u>789,780</u>
Balance on January 1, 2018	<u>\$ 362,813</u>	<u>176,858</u>	<u>281,319</u>	<u>9,214</u>	<u>27,953</u>	<u>858,157</u>
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>

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

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**SINHER TECHNOLOGY INC.**  
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(f) Right-of-use assets

The Company leases many assets including vehicles. Information about leases for which the Company as a lessee is presented below:

	<u>Vehicles</u>
<b>Cost:</b>	
Balance on January 1, 2019	-
Effects of retrospective application	\$ 3,080
Balance on December 31, 2019	<u>\$ 3,080</u>
<b>Depreciation and impairment loss:</b>	
Balance on January 1, 2019	-
Depreciation for the year	\$ 1,147
Balance on December 31, 2019	<u>\$ 1,147</u>
<b>Carrying amounts:</b>	
Balance on December 31, 2019	<u>\$ 1,933</u>

The Company leases offices and vehicles under the operating lease for the year ended December 31, 2018, please refer to note (6)(i).

(g) Short-term borrowings

	<u>December 31, 2019</u>	
	<u>Range of</u>	
<u>Currency</u>	<u>interest rates</u>	<u>Amount</u>
Unsecured bank loans	NTD 1.01%	\$ -
Unused short-term credit lines		<u>\$ 140,000</u>
	<u>December 31, 2018</u>	
	<u>Range of</u>	
<u>Currency</u>	<u>interest rates</u>	<u>Amount</u>
Unsecured bank loans	NTD 1.01%	\$ 80,000
Unused short-term credit lines		<u>\$ 120,000</u>

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

(ii) As of December 31, 2019 and 2018, the Company did not provide any assets pledged as collaterals.

(h) Lease liabilities

The lease liabilities of the Company were as follows:

	<u>December 31, 2019</u>
Current	<u>\$ 1,000</u>
Non-current	<u>\$ 943</u>

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**SINHER TECHNOLOGY INC.**  
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For maturity analysis, please refer to note 6(q).

The amounts recognized in profit or loss were as follows:

	<u>2019</u>
Interest on lease liabilities	\$ <u>26</u>
Income from sub-leasing of use assets	\$ <u>(92)</u>
Expenses relating to short-term leases	\$ <u>1,565</u>
Expenses relating to leases of low-value assets, (excluding short-term leases of low-value assets)	\$ <u>175</u>

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

	<u>2019</u>
Total cash outflow for leases	\$ <u>2,903</u>

(i) Leases of vehicles

The Company leases vehicles, with lease terms of 1 to 5 years. The Company sub-leases to some of its right-of-use assets under operating leases; please refer to note 6(i).

(ii) Other leases

The Company leases offices, office equipment, dormitories, vehicles and parking space with contract terms of one year. Since these leases are short-term, The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(i) Operating lease

(i) The Company as lessee

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

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

The Company leases 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, an amount of \$3,567 was recognized as an expense in profit or loss in respect of operating leases.

(Continued)

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

(ii) The Company as lessor

The Company leased out several vehicles and parking space. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risk and rewards incidental to the ownership of the assets, or these leases are short-term leases and are adapted for exemption. For the years ended December 31, 2019 and 2018, the income recognized in profit or loss under operating lease were \$154 and \$0, respectively.

(j) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	\$ 2,657	2,570
Fair value of plan assets	<u>(2,141)</u>	<u>(1,907)</u>
Net defined benefit liabilities (assets)	<u>\$ 516</u>	<u>663</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 \$2,141 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.

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

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:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ 2,570	2,430
Current service costs and interest	28	33
Remeasurement in net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from: financial assumptions	<u>59</u>	<u>107</u>
Defined benefit obligation at December 31	<u>\$ 2,657</u>	<u>2,570</u>

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>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 1,907	1,680
Interest income	22	24
Remeasurement in net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	62	42
Contributions paid by the employer	<u>150</u>	<u>161</u>
Fair value of plan assets at December 31	<u>\$ 2,141</u>	<u>1,907</u>

4) Movements of the effect of the asset ceiling

As of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Net interest of net liabilities for defined benefit obligations	<u>\$ 6</u>	<u>9</u>
Operating cost	\$ 2	4
Administration expenses	2	3
Research and development expenses	<u>2</u>	<u>2</u>
	<u>\$ 6</u>	<u>9</u>

(Continued)

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

- 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, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ (1,368)	(1,303)
Recognized during the period	<u>3</u>	<u>(65)</u>
Accumulated amount at December 31	<u>\$ (1,365)</u>	<u>(1,368)</u>

- 7) Actuarial assumptions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.000 %	1.125 %
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 151.

The weighted average lifetime of the defined benefits plans is 12.27 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:

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate	\$ (87)	91
Future salary increasing rate	87	(83)
December 31, 2018		
Discount rate	(88)	92
Future salary increasing rate	88	(85)

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.

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**SINHER TECHNOLOGY INC.**  
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There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(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 \$7,025 and \$6,220 for the years ended December 31, 2019 and 2018, respectively.

(k) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 148,168	151,544
Undistributed earnings additional tax	7,796	11,193
Adjustment for prior periods	<u>2,846</u>	<u>2,798</u>
	<u>158,810</u>	<u>165,535</u>
Deferred tax expense		
Origination and reversal of temporary differences	(93,734)	(27,182)
Adjustment in tax rates	<u>-</u>	<u>13,286</u>
	<u>(93,734)</u>	<u>(13,896)</u>
Income tax expense	<u>\$ 65,076</u>	<u>151,639</u>

- 2) The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ -</u>	<u>(51)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (11,745)</u>	<u>7,523</u>

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**SINHER TECHNOLOGY INC.**  
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- 3) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ <u>272,169</u>	<u>621,811</u>
Income tax using the Company's domestic tax rate	\$ 54,434	124,362
Adjustment in tax rate	-	13,286
Under (over) provision in prior periods	2,846	2,798
Undistributed earnings additional tax	<u>7,796</u>	<u>11,193</u>
Income tax expense	\$ <u><u>65,076</u></u>	<u><u>151,639</u></u>

- (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 2019 and 2018 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, 2019	\$ 159,492	956	-	160,448	
Recognized in (profit) or loss	(84,557)	-	-	(84,557)	
Recognized in other comprehensive income	-	(956)	-	(956)	
Balance on December 31, 2019	<u>\$ 74,935</u>	<u>-</u>	<u>-</u>	<u>74,935</u>	
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>	
	Defined benefit plans	Exchange difference on translation	Unrealized gross profit	Others	Total
<b>Deferred tax assets:</b>					
Balance on January 1, 2019	\$ 100	-	96,213	2,054	98,367
Recognized in (profit) or loss	(29)	-	(745)	9,951	9,177
Recognized in other comprehensive income	-	10,789	-	-	10,789
Balance on December 31, 2019	<u>\$ 71</u>	<u>10,789</u>	<u>95,468</u>	<u>12,005</u>	<u>118,333</u>

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**SINHER TECHNOLOGY INC.**  
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	Defined benefit plans	Exchange difference on translation	Unrealized gross profit	Others	Total
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>

(iii) The Company's tax returns for the years through 2017 were assessed by the tax authority.

(l) Capital and other equities

As of December 31, 2019 and 2018, 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, 2019	December 31, 2018
Additional paid in capital	\$ 431,703	454,028
Share-based payment transaction – treasury stock	8,332	8,332
	<u>\$ 440,035</u>	<u>462,360</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 25, 2019 and 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 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.

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**SINHER TECHNOLOGY INC.**  
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- 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.

The Company will consider the environment, growing level, capital demand in the future, financial structure, the situation of earnings and the balancing dividend policies. Depending on the capital demand and the dilution for the earning per share, the Company will distribute earnings by cash or by shares, and the amount of cash dividends should not be lower than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not 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, 2019 and 2018, the special reserve amounted to \$0 and \$32,846, respectively.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was 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>

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**SINHER TECHNOLOGY INC.**  
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(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 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 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.

(m) Share-based payment—treasury shares

The changes in the treasury shares that the Company repurchased for the purpose of transferring to employees for 2019 and 2018 were as follows:

	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 December 31	-	\$ -	-	-

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.

(n) Earnings per share

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

	2019	2018
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>207,093</u>	<u>470,172</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>74,417</u>	<u>74,222</u>
Basic earnings per share(in dollars)	\$ <u>2.78</u>	<u>6.33</u>

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**SINHER TECHNOLOGY INC.**  
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	<u>2019</u>	<u>2018</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>207,093</u>	<u>470,172</u>
Weighted average number of outstanding ordinary shares (in thousands)	74,417	74,222
Effect of potential diluted ordinary shares (in thousands)		
Effect of employee stock compensation	<u>471</u>	<u>857</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>74,888</u>	<u>75,079</u>
Diluted earnings per share(in dollars)	\$ <u>2.77</u>	<u>6.26</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 40,074	28,454
China	1,291,386	1,147,331
Singapore	1,661	319
Japan	<u>134,774</u>	<u>69,793</u>
	\$ <u>1,467,895</u>	<u>1,245,897</u>
Major product:		
Hinge components	\$ <u>1,467,895</u>	<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).

(p) Employee compensation and directors and supervisors remuneration

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

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For the years ended December 31, 2019 and 2018, 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 2019 and 2018.

	<u>2019</u>	<u>2018</u>
The employees compensation remuneration	\$ 15,942	36,421
The directors and supervisors	<u>1,739</u>	<u>3,973</u>
	<u>\$ 17,681</u>	<u>40,394</u>

(q) 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, 2019 and 2018, both are 86% 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, 2019, there is no impairment provision.

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(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	1-2 years	Over 2 years
<b>December 31, 2019</b>					
Non-derivative financial liabilities:					
Accounts payable	\$ 12,184	(12,184)	(12,184)	-	-
Accounts payable to related parties	8,137	(8,137)	(8,137)	-	-
Other payables	46,300	(46,300)	(46,300)	-	-
Lease liabilities (current and non-current)	1,943	(1,965)	(1,015)	(693)	(257)
	<u>\$ 68,564</u>	<u>(68,586)</u>	<u>(67,636)</u>	<u>(693)</u>	<u>(257)</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	41,086	(41,086)	(41,086)	-	-
	<u>\$ 147,385</u>	<u>(147,385)</u>	<u>(147,385)</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:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$ 71,173	USD/NTD =29.98	2,133,778	57,622	USD/NTD =30.715	1,769,865

(Continued)

**SINHER TECHNOLOGY INC.**  
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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, 2019 and 2018 would have affected the net profit before tax by \$106,689 and \$88,493, 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, 2019 and 2018, the Company's monetary items were foreign currency gain (include realized and unrealized) \$53,891 and foreign currency loss (include realized and unrealized) \$56,522, respectively.

(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 \$349 and \$603 for the years ended December 31, 2019 and 2018, respectively, which would be mainly resulted from the bank savings, and borrowings with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

The carrying amount and fair value of the 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 lease liabilities, disclosure of fair value information is not required:

(Continued)

**SINHER TECHNOLOGY INC.**  
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		December 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at amortized cost:</b>						
Cash and cash equivalents	\$ 1,068,984	-	-	-	-	-
Notes receivable	295	-	-	-	-	-
Accounts receivable	57,395	-	-	-	-	-
Accounts receivable due from related parties	391,379	-	-	-	-	-
Other receivables due from related parties	8,734	-	-	-	-	-
Other current financial assets	5,911	-	-	-	-	-
Guarantee deposits paid	53	-	-	-	-	-
	<u>\$ 1,532,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortized cost:</b>						
Accounts payable	12,184	-	-	-	-	-
Accounts payable to related parties	8,137	-	-	-	-	-
Other payables	46,300	-	-	-	-	-
Lease liabilities (current and non-current)	1,943	-	-	-	-	-
	<u>\$ 68,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2018				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at amortized cost:</b>						
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>	<u>-</u>

(Continued)

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

		December 31, 2018				
		Carrying amount	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:						
Short-term borrowings	\$	80,000	-	-	-	-
Accounts payable		10,540	-	-	-	-
Account payable to related parties		15,759	-	-	-	-
Other payables		41,086	-	-	-	-
	\$	147,385	-	-	-	-

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

(r) 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.

(Continued)

**SINHER TECHNOLOGY INC.**  
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(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.

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.

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**SINHER TECHNOLOGY INC.**  
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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 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)(ii). for the details of Company's financial guarantees provided to its subsidiaries as of December 31, 2019 and 2018, 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.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note (6)(g) for unused short-term credit lines as of December 31, 2019 and 2018.

(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.

(Continued)

**SINHER TECHNOLOGY INC.**  
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(s) 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, 2019 and 2018, is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 291,069	506,817
Total assets	3,587,371	3,903,464
Liability ratio	8 %	13 %

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

There are no non-cash investing and financing activities for the years ended December 31, 2019 and 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes Exchange movement	December 31, 2019
Short-term borrowings	\$ 80,000	(80,000)	-	-
Lease liabilities	3,080	(1,137)	-	1,943
Total liabilities from financing activities	<u>\$ 83,080</u>	<u>(81,137)</u>	<u>-</u>	<u>1,943</u>

  

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

(Continued)

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

**(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.

<u>Name of related party</u>	<u>Relationship with the Company</u>
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:

	<u>2019</u>	<u>2018</u>
Subsidiary—Great Info	\$ 958,658	1,146,342
Subsidiary—Chongqing SNR	318,075	-
Subsidiary	<u>12,653</u>	<u>-</u>
	<u>\$ 1,289,386</u>	<u>1,146,342</u>

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 is required after the assessment by the management.

(Continued)

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

(ii) Purchase

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

	<u>2019</u>	<u>2018</u>
Subsidiary—Kunshan Wanhe	<u>\$ 106,495</u>	<u>51,620</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, 2019</u>	<u>December 31, 2018</u>
Subsidiary—Great Info	\$ 91,652	112,102
Subsidiary—Chongqing SNR	295,002	-
Subsidiary	<u>4,725</u>	<u>-</u>
	<u>\$ 391,379</u>	<u>112,102</u>

(iv) Payables to related parties

The payables to related parties were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiary—Kunshan Wanhe	<u>\$ 8,137</u>	<u>15,759</u>

(v) Property transactions

- 1) The disposal and purchase of property, plant and equipment to related parties were summarized as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>	<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Subsidiary—Great Info	\$ 4,308	2,754	2,283	264
Subsidiary—Chongqing SNR	3,742	464	-	-
Subsidiary—Kunshan Wanhe	<u>2,652</u>	<u>953</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,702</u>	<u>4,171</u>	<u>2,283</u>	<u>264</u>

(Continued)

**SINHER TECHNOLOGY INC.**  
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- 2) For the above mention transactions, the accumulated uncollectable amounts were recognized as other receivable due from related parties, and the balance was as follows:

	December 31, 2019	December 31, 2018
Subsidiary—Great Info	\$ 2,575	476
Subsidiary—Chongqing SNR	3,597	-
Subsidiary—Kunshan Wanhe	2,562	-
	<u>\$ 8,734</u>	<u>476</u>

- 3) For the years ended December 31, 2019 and 2018, the Company purchased some fixtures and consumable material from other related parties—Daher, amounting to \$23,150 and \$14,218, respectively, and were recognized as operating cost and researching and developing cost, respectively. As of December 31, 2019 and 2018, the outstanding balances amounting to \$9,575 and \$5,708, respectively, were recognized as other payables.

(vi) 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, amounted to \$320. The lease expired in April 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 12,010	16,771
Post-employment benefits	365	357
	<u>\$ 12,375</u>	<u>17,128</u>

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

**(9) Commitments and contingencies:**

- (a) As of December 31, 2018, please refer to note (6)(i) 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 (13).
- (c) Unrecognized contractual commitments:

As of December 31, 2019 and 2018, the future payments for the purchase of the Company's significant equipments and constructions amounted to \$7,490 and \$8,870, respectively.

(Continued)

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

**(11) Subsequent Events:**

- (a) In order to build a new factory at the cost of , USD4,000,000, a resolution was made during the board meeting on November 7, 2019 to increase the Company's investment in Chongqing SNR through both investment companies, MOI and Cingher (HK). As of February 20, 2020, the Company has already remitted the amount of USD2,000,000.
- (b) The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment in China and has impacted the Company's operations position, including production, and delivery delays, etc. The relevant information is still uncertain. Hence, it is not possible to make any reasonable estimate of the economic impact on its business results and financial situations. However, the Company will continue to closely monitor the development of the event and keep its contingency measures and adjustments as needed.

**(12) Other:**

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

By item	By function	2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		131,699	86,052	217,751	130,994	103,222	234,216
Labor and health insurance		10,224	6,024	16,248	9,251	5,583	14,834
Pension		3,879	3,152	7,031	3,482	2,747	6,229
Remuneration of directors		-	2,649	2,649	-	4,134	4,134
Others		7,143	2,582	9,725	6,842	2,463	9,305
Depreciation		119,939	9,802	129,741	112,527	3,734	116,261
Amortization		12	5,228	5,240	250	2,507	2,757

The followings are additional information of numbers of the Company's employees and employee benefits:

	2019	2018
Number of employees	<u>301</u>	<u>272</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	\$ <u>844</u>	\$ <u>987</u>
The average salaries and wages	\$ <u>733</u>	\$ <u>874</u>
Average salary expense adjustment	<u>(16.13)%</u>	

(Continued)

**SINHER TECHNOLOGY INC.**  
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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 Company for the year ended December 31, 2019:

(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		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)	988,891	89,940 (US\$3,000)	59,960 (US\$2,000)	-	-	1.82 %	1,648,151	Y	-	Y
0	"	Chongqing SNR	(Note 2)	988,891	209,860 (US\$7,000)	149,900 (US\$5,000)	-	-	4.55 %	1,648,151	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 the Company is permitted to make shall not exceed 50% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 30% of the transaction amount in the last fiscal year or the expecting amount of the current year.

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

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

**SINHER TECHNOLOGY INC.**  
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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 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)	(958,658)	(65) %	Depending on the demand for funding, OA 90	According to cost-plus pricing	General export sales in 120~150 days	91,652	20%	
"	Chongqing SNR	"	(Sales)	(318,075)	(22) %	"	"	"	295,002	66%	
"	Kunshan Wanhe	"	Purchases	106,495	56 %	"	"	General purchase in 90~120 days	(8,137)	(40)%	
Great Info	Kunshan Wanhe	With the same ultimate parent company	(Sales)	(116,499)	(35) %	"	"	-	16,104	8%	
"	Chongqing SNR	"	(Sales)	(214,545)	(65) %	"	"	-	186,806	92%	
"	The Company	The parent company	Purchases	958,658	100 %	"	"	-	(91,652)	(100)%	
Kunshan Wanhe	Chongqing SNR	With the same ultimate parent company	(Sales)	(228,823)	(22) %	"	"	General export sales in 120~150 days	250,202	47%	
"	The Company	The parent company	(Sales)	(106,495)	(10) %	"	"	"	8,137	2%	
"	Great Info	"	Purchases	116,499	20 %	"	"	General purchase in 90~120 days	(16,104)	(4)%	
Chongqing SNR	Top Trading	"	(Sales)	(226,115)	(17) %	"	"	General export sales in 120~150 days	72,432	11%	
"	Great Info	"	Purchases	214,545	17 %	"	"	General purchase in 90~120 days	(186,806)	(16)%	
"	Kunshan Wanhe	"	Purchases	228,823	18 %	"	"	"	(250,202)	(21)%	
"	The Company	The parent company	Purchases	318,075	26 %	"	"	"	(295,002)	(25)%	
Top Trading	Chongqing SNR	"	Purchases	226,115	100 %	"	"	-	(72,432)	(100)%	

(Continued)



**SINHER TECHNOLOGY INC.**  
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- (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	Chongqing SNR	100% owned sub-subsidiary	295,002	2.16	-	-	-	-	
Great Info	Chongqing SNR	With the same ultimate parent company	186,806	0.60	-	-	-	-	
Kunshan Wanhe	Chongqing SNR	"	250,202	0.93	-	-	19,237	-	

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, 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 December 31, 2019			Net income (losses) of investee	Share of profit/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	Investment activities	\$ 590,418	590,418	19,800,000	100%	748,997	(406,903)	(407,089)	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	175,789	(15,705)	(15,705)	"
	Total			\$ 590,418	590,418			924,786		(422,794)	
MOI	Sinher (H.K.) Limited	Hongkong	Investment activities	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	697,858	(131,306)	(131,306)	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hongkong	"	271,242 (USD9,200)	271,242 (USD9,200)	9,200,000	100%	27,248	(275,597)	(275,597)	"
	Total			\$ 590,418	590,418			725,106		(406,903)	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	82,668 (USD2,757)	(13,859) (USD448)	(13,859) (USD448)	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	93,121 (USD3,106)	(1,846) (USD(60))	(1,846) (USD(60))	"
								175,789		(15,705)	

(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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	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 sale of hinge components	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	(131,306) (USD(29,360))	100.00%	(131,306) (USD(29,360))	697,787	-
Chongqing SNR	Manufacture and sale of hinge components	271,242 (USD9,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	-	-	271,242 (USD9,200)	(275,597) (USD(61,624))	100.00%	(275,597) (USD(61,624))	27,232	-
Qianquan	Manufacture and sale of hinge components	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	(3,346) (CNY(748))	100.00%	(3,346) (CNY(748))	1,779 (CNY413)	-

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 exchange rates at the reporting date.

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

Note 5: Indirect investment in Mainland China through companies registered in Millon 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, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
590,418 (USD19,800)	710,338 (USD23,800)	1,977,781

(iii) Significant transactions:

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

(14) Segment information:

Please refer to the consolidated financial statement for the years ended December 31, 2019.

## SINHER TECHNOLOGY INC.

## Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash and cash on hand		\$ 150
Checking accounts		10
Demand deposits	New Taiwan Dollars	23,663
Demand deposits	USD3,862 thousand	115,781
Time deposits	USD31,000 thousand(Maturity date: 2020.01.01~2020.03.31)	929,380
		1,068,834
		<u>\$ 1,068,984</u>

Note : The exchange rate is 29.980 New Taiwan Dollars for 1 US Dollar.

## Statement of Notes Accounts Receivable

Client Name	Description	Amount
Notes receivable :		
Others (Note)	Operating revenue of non-related parties	\$ 295
Accounts receivable due from non-related parties, net:		
17000 Company	Operating revenue of non-related parties	42,838
02600 Company	"	4,397
Others (Note)	"	10,214
		57,449
Less : Loss allowance		(54)
		57,395
Total		<u>\$ 57,690</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, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Finished goods	\$ 1,605	1,352
Work-in process	411	411
Raw materials	<u>208,596</u>	<u>687,397</u>
Subtotal	210,612	<u>689,160</u>
Less : Loss allowance	<u>(4,597)</u>	
Total	<u>\$ 206,015</u>	

## SINHER TECHNOLOGY INC.

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

For the year ended December 31, 2019

(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, 2019 Net Value	Collaterals or Pledged Assets	
	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Percentage of ownership			
											Amount
MOI	19,800	\$ 1,206,255	-	-	(407,089)	-	19,800	799,166	725,130	None	
Profit	-	195,276	-	-	(15,705)	-	-	-	179,571	175,789	"
Exchange differences on translation of foreign financial statements		4,775	-	-	-	(58,726)			(53,951)		
		\$ 1,406,306		-	(422,794)	(58,726)			924,786		

**SINHER TECHNOLOGY INC.****Statement of Changes in Property, Plant and Equipment****For the year ended December 31, 2019****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(e).

**Statement of Accounts Payable to Non-Related Parties**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
SJ009 Company	Payments to non-related parties	\$ 3,212
SJ027 Company	"	2,163
SJ012 Company	"	1,880
SP001 Company	"	942
SJ004 Company	"	685
Others (Note)	"	<u>3,302</u>
		<u><u>\$ 12,184</u></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, 2019**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued payroll and bonuses	Wages and salaries expenses of December 2019 and estimated year-end bonuses of 2019	\$ 51,095
Accrued employee compensation and directors and supervisors remuneration	Employee compensation and directors and supervisors remuneration of year ended December 31, 2019	17,681
Others (Note)	Accrued shipping expenses, consumables and sample expenses	46,300
		<u>\$ 115,076</u>

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

**Statement of Operating Revenue**

**For the year ended December 31, 2019**

<u>Item</u>	<u>Quantity (thousands)</u>	<u>Amount</u>
Raw materials		\$ 1,289,478
Hub component	3,932	163,441
Others		14,976
Net operating revenues		<u>\$ 1,467,895</u>

## SINHER TECHNOLOGY INC.

## Statement of Operating Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of the year	\$ 200,984
Add : Purchases	84,592
Transfer-in from work-in process	567,404
Less : Raw materials, end of the year	(208,596)
Segment used	(7,398)
Loss on physical inventory	(50)
Sales of costs of raw materials	(376,788)
Raw materials scrapped	<u>(14,871)</u>
Raw materials used for the current period	245,277
Direct labor	90,223
Manufacturing expenses	<u>262,236</u>
Costs of goods manufactured for the current period	597,736
Add : Work-in process, beginning of the year	820
Transfer-in from finished good	2,685
Less : Work-in process, end of the year	(411)
Others	(3)
Transfer-out to raw materials	<u>(567,404)</u>
Cost of goods manufactured	33,423
Add : Finished goods, beginning of the year	1,679
Purchase of finished goods	106,949
Less : Finished goods, end of the year	(1,605)
Transfer-out to work-in process	(2,685)
Segment used	(450)
Finished goods scrapped	<u>(73)</u>
Sales of costs of finished goods	137,238
Add : Sales of costs of raw materials	376,788
Loss on physical inventory	50
Allowance for inventory obsolescence	(533)
Revenue from sale of scraps	(2,537)
Inventories Scrapped	14,944
Others	<u>32,639</u>
Total operating costs	<u><u>\$ 558,589</u></u>



## SINHER TECHNOLOGY INC.

## Statement of Operating Expenses

For the year ended December 31, 2019

(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	\$ 12,820	43,237	32,644
Export expenses	8,056	-	-
Depreciation	700	6,699	2,403
Consumables	-	-	35,847
Entertainment expenses	1,440	80	13
Service expenses	-	5,563	593
Others (Note)	<u>5,766</u>	<u>12,808</u>	<u>13,425</u>
Total	<u>\$ 28,782</u>	<u>68,387</u>	<u>84,925</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		\$ 18,314
Foreign exchange loss, net		(53,891)
Share of profit (loss) of associates and joint ventures accounted for using equity method		(422,794)
Finance costs		(201)
Other income (Note)	Miscellaneous revenues	3,571
Other expenses (Note)	Miscellaneous disbursements	<u>(42)</u>
		<u>\$ (455,043)</u>

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