

Stock Code:4999

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors SINHER TECHNOLOGY INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of SINHER TECHNOLOGY INC. and its subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of SINHER TECHNOLOGY INC. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 5, 2020

Notes to Readers

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

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

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

Reviewed only, not audited in accordance with Generally Accepted Auditing Standards as of March 31, 2020 and 2019

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Assets		March 31, 2020		December 31, 2019		March 31, 2019		Liabilities and Equity		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 1,513,271	40	1,297,167	34	1,506,374	37	2170	Accounts payable	116,561	3	168,526	4	155,807	4
1150	Notes receivable (note (6)(b))	98	-	295	-	960	-	2219	Other payables (note (7))	179,282	5	231,789	6	210,790	5
1170	Accounts receivable, net (note (6)(b))	787,104	21	996,199	26	825,363	20	2230	Current tax liabilities	87,734	2	78,278	2	108,751	3
1310	Inventories (note (6)(c))	251,011	7	285,674	7	389,383	10	2280	Current lease liabilities (note (6)(g))	976	-	1,000	-	1,099	-
1476	Other current financial assets	13,444	-	18,877	1	16,028	-			384,553	10	479,593	12	476,447	12
1479	Other current assets	9,343	-	10,080	-	19,108	1	Non-Current liabilities:							
		2,574,271	68	2,608,292	68	2,757,216	68	2570	Deferred tax liabilities	74,935	2	74,935	2	160,808	4
Non-current assets:								2580	Non-current lease liabilities (note (6)(g))	718	-	943	-	1,694	-
1600	Property, plant and equipment (note (6)(d))	987,220	26	1,014,741	26	1,079,017	27	2640	Net defined benefit liability, non-current	516	-	516	-	663	-
1755	Right-of-use assets (note (6)(e))	71,214	2	72,748	2	79,629	2			76,169	2	76,394	2	163,165	4
1840	Deferred tax assets	143,482	4	142,200	4	122,420	3	Total liabilities							
1920	Guarantee deposits paid	1,228	-	1,251	-	1,315	-	Equity: (note (6)(k))							
1990	Other non-current assets	11,633	-	13,057	-	16,364	-	3110	Ordinary share	744,172	20	744,172	19	744,172	18
		1,214,777	32	1,243,997	32	1,298,745	32	3200	Capital surplus	440,035	11	440,035	12	462,360	11
								Retained earnings:							
								3310	Legal reserve	402,810	11	402,810	10	355,793	9
								3320	Special reserve	-	-	-	-	32,846	1
								3350	Unappropriated retained earnings	1,790,375	47	1,753,225	46	1,816,697	45
										2,193,185	58	2,156,035	56	2,205,336	55
								3410	Exchange differences on translation of foreign financial statements	(49,066)	(1)	(43,940)	(1)	4,481	-
								Total equity							
								Total liabilities and equity							
Total assets		\$ 3,789,048	100	3,852,289	100	4,055,961	100			\$ 3,789,048	100	3,852,289	100	4,055,961	100

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4100	Operating revenues (note (6)(m))	\$ 389,333	100	429,168	100
5110	Cost of sales (notes (6)(c), (6)(i), (6)(n), (7) and (12))	299,012	77	338,506	79
5900	Gross profit	90,321	23	90,662	21
	Operating expenses (notes (6)(i), (6)(n), (7) and (12))				
6100	Selling expenses	11,992	3	16,041	4
6200	Administrative expenses	23,047	6	29,988	6
6300	Research and development expenses	27,922	7	28,978	7
		62,961	16	75,007	17
6900	Net operating income	27,360	7	15,655	4
	Non-operating income and expenses:				
7100	Interest income	3,980	1	4,454	1
7190	Other income	1,549	-	175	-
7230	Foreign exchange gains, net (note (6)(p))	14,338	4	2,813	-
7050	Finance costs	(5)	-	(183)	-
7590	Miscellaneous disbursements	(97)	-	(86)	-
		19,765	5	7,173	1
7900	Profit before tax	47,125	12	22,828	5
7950	Less: Tax expenses (note (j))	9,975	3	4,566	1
	Profit	37,150	9	18,262	4
8300	Other comprehensive income:				
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	(6,408)	(1)	1,800	-
8399	Income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss (note (6)(j))	(1,282)	-	360	-
	Components of other comprehensive income that will be reclassified to profit or loss	(5,162)	(1)	1,440	-
8300	Other comprehensive income	(5,126)	(1)	1,440	-
8500	Comprehensive income	<u>\$ 32,024</u>	<u>8</u>	<u>19,702</u>	<u>4</u>
	Earnings per common share (note (6)(l))				
9750	Basic earnings per share (expressed in dollars)	<u>\$ 0.50</u>		<u>0.25</u>	
9850	Diluted earnings per share (expressed in dollars)	<u>\$ 0.50</u>		<u>0.24</u>	

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

		Retained earnings					Exchange differences on translation of foreign financial statements	Total equity
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
A1	Balance at January 1, 2019	\$ 744,172	462,360	355,793	32,846	1,798,435	3,041	3,396,647
D1	Profit for the three months ended March 31, 2019	-	-	-	-	18,262	-	18,262
D3	Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	1,440	1,440
D5	Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	18,262	1,440	19,702
Z1	Balance at March 31, 2019	\$ 744,172	462,360	355,793	32,846	1,816,697	4,481	3,416,349
A1	Balance at January 1, 2020	\$ 744,172	440,035	402,810	-	1,753,225	(43,940)	3,296,302
D1	Profit for the three months ended March 31, 2020	-	-	-	-	37,150	-	37,150
D3	Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	(5,126)	(5,126)
D5	Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	37,150	(5,126)	32,024
Z1	Balance at March 31, 2020	\$ 744,172	440,035	402,810	-	1,790,375	(49,066)	3,328,326

See accompanying notes to consolidated financial statements.

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

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

		For the three months ended March 31	
		2020	2019
AAAA	Cash flows from (used in) operating activities:		
A10000	Profit before tax	\$ 47,125	22,828
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	40,612	41,395
A20200	Amortization expense	1,573	1,542
A20300	Expected credit loss (gain)	109	(30)
A20900	Interest expense	5	183
A21200	Interest income	(3,980)	(4,454)
A29900	Others	-	209
A20010	Total adjustments to reconcile profit (loss)	38,319	38,845
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets		
A31130	Decrease (increase) in notes receivable	197	(239)
A31150	Decrease in accounts receivable	209,008	294,702
A31200	Increase in inventories	34,663	(56,335)
A31240	Decrease (increase) in other current assets	737	(76)
A31250	Decrease in other current financial assets	4,026	3,872
A31000	Total changes in operating assets	248,631	241,924
A32000	Changes in operating liabilities:		
A32150	Decrease in accounts payable	(51,965)	(53,754)
A32180	Decrease in other payables	(47,281)	(41,600)
A32000	Total changes in operating liabilities	(99,246)	(95,354)
A30000	Total changes in operating assets and liabilities	149,385	146,570
A20000	Total adjustments	187,704	185,415
A33000	Cash inflow (outflow) generated from operations	234,829	208,243
A33100	Interest received	5,387	8,547
A33300	Interest paid	(5)	(183)
A33500	Income taxes paid	(519)	(830)
AAAA	Net cash flows from (used in) operating activities	239,692	215,777
BBBB	Cash flows from (used in) investing activities:		
B02700	Acquisition of property, plant and equipment	(20,122)	(20,449)
B03800	Decrease in guarantee deposits paid	23	179
B04500	Acquisition of intangible assets	(160)	(250)
BBBB	Net cash flows from (used in) investing activities	(20,259)	(20,520)
CCCC	Cash flows from (used in) financing activities:		
C00200	Decrease in short-term borrowings	-	(80,000)
C03000	Increase (decrease) in guarantee deposits received	(15)	(142)
C04020	Payment of lease liabilities	(249)	(287)
CCCC	Net cash flows from (used in) financing activities	(264)	(80,429)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(3,065)	25,403
EEEE	Net increase (decrease) in cash and cash equivalents	216,104	140,231
E00100	Cash and cash equivalents at beginning of period	1,297,167	1,366,143
E00200	Cash and cash equivalents at end of period	\$ 1,513,271	1,506,374

See accompanying notes to consolidated financial statements.

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
 STANDARDS AS OF March 31, 2019 and 2018**

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

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

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

These consolidated financial statements for the three months ended March 31, 2020 and 2019 were authorized for issuance by the Board of Directors on May 5, 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, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

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SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (b) 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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 Group assessed that the above IFRSs may not be relevant to the Group.	

(4) Summary of significant accounting policies

- (a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

- (b) Basis of consolidation

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. (note (4) (c))

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of operation	Shareholding		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Million On International Co., Ltd. (MOI)	General investing	100%	100%	100%
MOI	Sinher (H.K.) Limited	General investing	100%	100%	100%
MOI	Cingher (H.K.) Limited	General investing	100%	100%	100%
Sinher (H.K.) Limited	Kunshan Wanhe Precision Electron Co., Ltd. (Kunshan Wanhe)	Manufacturing and selling hinges	100%	100%	100%

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 1,838	2,094	1,058
Checking accounts and demand deposits	876,708	365,693	800,280
Time deposits	634,725	929,380	705,036
	<u>\$ 1,513,271</u>	<u>1,297,167</u>	<u>1,506,374</u>

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

(b) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 98	295	960
Accounts receivable	789,024	998,032	827,765
Less: loss allowance	(1,920)	(1,833)	(2,402)
	<u>\$ 787,202</u>	<u>996,494</u>	<u>826,323</u>
Notes receivable	<u>\$ 98</u>	<u>295</u>	<u>960</u>
Accounts receivable, net	<u>\$ 787,104</u>	<u>996,199</u>	<u>825,363</u>

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

The loss allowance provision was determined as follows:

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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 907,362	0.025%	226
Aging 121~150 days	67,098	0.387%	260
Aging 151~240 days	22,742	0.976%	222
Aging over 241 days	1,125	100%	1,125
	\$ 998,327		1,833

	March 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging under 120 days	\$ 646,074	0.034%	218
Aging 121~150 days	142,252	0.079%	113
Aging 151~240 days	39,324	2.558%	1,006
Aging over 241 days	852	98.826%	842
Aging over 365 days	223	100%	223
	\$ 828,725		2,402

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

	For the three months ended March 31,	
	2020	2019
Balance on January 1	\$ 1,833	2,378
Impairment loss recognized (reversed)	109	(30)
Foreign exchange (gains) losses	(22)	54
Balance on March 31	\$ 1,920	2,402

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any receivables as collaterals for its loans.

(c) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 76,107	63,943	128,009
Work in progress	48,347	27,633	56,421
Finished goods	126,557	194,098	204,953
	\$ 251,011	285,674	389,383

The write-down of the inventories to net realizable value amounted to \$47,192 and \$34,093 which was recorded as cost of sales in the three months ended March 31, 2020 and 2019, respectively.

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any inventories as collateral for its loans.

(d) Property, plant and equipment

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

	<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>
Cost:						
Balance on January 1, 2020	\$ 362,813	523,934	733,070	60,898	18,187	1,698,902
Additions	-	-	10,449	1,067	5,627	17,143
Disposals	-	(215)	(85,022)	(612)	-	(85,849)
Effect of movements in exchange rates	-	(3,351)	(2,703)	(419)	(77)	(6,550)
Reclassifications	-	(2,232)	10,087	-	(10,087)	(2,232)
Balance on March 31, 2020	<u>\$ 362,813</u>	<u>518,136</u>	<u>665,881</u>	<u>60,934</u>	<u>13,650</u>	<u>1,621,414</u>
Balance on January 1, 2019	\$ 362,813	546,646	715,130	60,653	16,019	1,701,261
Additions	-	2,627	9,544	554	13,832	26,557
Disposals	-	-	(220)	(50)	-	(270)
Effect of movements in exchange rates	-	(15,056)	(8,127)	(1,655)	(33)	(24,871)
Reclassifications	-	11,523	14,710	-	(26,442)	(209)
	3					
Balance on March 31, 2019	<u>\$ 362,813</u>	<u>545,740</u>	<u>731,037</u>	<u>59,502</u>	<u>3,376</u>	<u>1,702,468</u>
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	180,217	462,743	41,201	-	684,161
Depreciation for the year	-	9,040	28,829	2,023	-	39,892
Disposals	-	(215)	(85,022)	(612)	-	(85,849)
Effect of movements in exchange rates	-	(1,424)	(2,221)	(365)	-	(4,010)
Balance on March 31, 2020	<u>\$ -</u>	<u>187,618</u>	<u>404,329</u>	<u>42,247</u>	<u>-</u>	<u>634,194</u>
Balance on January 1, 2019	\$ -	152,458	396,497	41,903	-	590,858
Depreciation for the year	-	11,386	27,417	1,803	-	40,606
Disposals	-	-	(220)	(50)	-	(270)
Effect of movements in exchange rates	-	(3,425)	(3,394)	(924)	-	(7,743)
Balance on March 31, 2019	<u>\$ -</u>	<u>160,419</u>	<u>420,300</u>	<u>42,732</u>	<u>-</u>	<u>623,451</u>
Book value:						
Balance on January 1, 2020	<u>\$ 362,813</u>	<u>343,717</u>	<u>270,327</u>	<u>19,697</u>	<u>18,187</u>	<u>1,014,741</u>
Balance on March 31, 2020	<u>\$ 362,813</u>	<u>330,518</u>	<u>261,552</u>	<u>18,687</u>	<u>13,650</u>	<u>987,220</u>
Balance on January 1, 2019	<u>\$ 362,813</u>	<u>394,188</u>	<u>318,633</u>	<u>18,750</u>	<u>16,019</u>	<u>1,110,403</u>
Balance on March 31, 2019	<u>\$ 362,813</u>	<u>385,321</u>	<u>310,737</u>	<u>16,770</u>	<u>3,376</u>	<u>1,079,017</u>

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SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) Right-of-use assets

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

	Land	Vehicles	Total
Cost:			
Balance on January 1, 2020	\$ 72,694	3,080	75,774
Effect of movements in exchange rates	(843)	-	(843)
Balance on March 31, 2020	<u>\$ 71,851</u>	<u>3,080</u>	<u>74,931</u>
Balance on January 1, 2019	\$ 83,667	3,080	86,747
Effect of movements in exchange rates	(6,329)	-	(6,329)
Balance on March 31, 2019	<u>\$ 77,338</u>	<u>3,080</u>	<u>80,418</u>
Depreciation and impairments loss:			
Balance on January 1, 2020	\$ 1,879	1,147	3,026
Depreciation for the year	471	249	720
Effect of movements in exchange rates	(29)	-	(29)
Balance on March 31, 2020	<u>\$ 2,321</u>	<u>1,396</u>	<u>3,717</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the year	499	290	789
Balance on March 31, 2019	<u>\$ 499</u>	<u>290</u>	<u>789</u>
Book Value:			
Balance on January 1, 2020	<u>\$ 70,815</u>	<u>1,933</u>	<u>72,748</u>
Balance on March 31, 2020	<u>\$ 69,530</u>	<u>1,684</u>	<u>71,214</u>
Balance on January 1, 2019	<u>\$ 83,667</u>	<u>3,080</u>	<u>86,747</u>
Balance on March 31, 2019	<u>\$ 76,839</u>	<u>2,790</u>	<u>79,629</u>

(f) Short-term borrowings

	March 31, 2020		
	Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	-	\$ -
Unused short-term credit lines			<u>\$ 342,250</u>
	December 31, 2019		
	Currency	Range of interest rates	Amount
Unsecured bank loans	NTD	1.01%	\$ -
Unused short-term credit lines			<u>\$ 349,860</u>

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	March 31, 2019	
	Range of	
Currency	interest rates	Amount
Unsecured bank loans	NTD 1.01%	<u>\$ -</u>
Unused short-term credit lines		<u>\$ 435,740</u>

- (i) As of March 31, 2020, December 31 and March 31, 2019, the Company provides endorsements and guarantees for the credit loans and the credit lines of the subsidiaries of the Group, please refer to note (13)(a) for details.
- (ii) As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any assets pledged as collaterals.
- (g) Lease liabilities

The lease liabilities of the Group were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Interest on lease liabilities	<u>\$ 976</u>	<u>\$ 1,000</u>	<u>\$ 1,099</u>
Rental income from right-of-use assets	<u>\$ 718</u>	<u>\$ 943</u>	<u>\$ 1,064</u>

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

The amounts recognized in profit or losses were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Interest on lease liabilities	<u>\$ 5</u>	<u>\$ 941</u>
Income from sub-leasing right-of-use assets	<u>\$ (13)</u>	<u>\$ 941</u>
Expenses relating to short-term leases	<u>\$ 1,036</u>	<u>\$ 941</u>
Expenses relating to lease of low-value assets (excluding short-term leases of low-value assets)	<u>\$ 1,036</u>	<u>\$ 941</u>

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

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Total cash outflow for leases	<u><u>\$ 1,036</u></u>	<u><u>\$ 941</u></u>

(i) Leases of land and vehicles

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

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

(ii) Other leases

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

(h) Operating lease

There were no significant changes in operating lease for the three months ended March 31, 2020 and 2019. Please refer to note (6) (h) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

(i) Employee benefits

(i) Defined benefit plans

Given there was no material volatility of the market or any significant reimbursement, settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

	For the three months ended March 31,	
	2020	2019
Cost of sales and operating expenses	<u><u>\$ 38</u></u>	<u><u>38</u></u>

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Notes to Consolidated Financial Statements

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2020	2019
Cost of sales and operating expenses	\$ 5,456	9,412

(j) Income taxes

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

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

	For the three months ended March 31,	
	2020	2019
Current tax expense	\$ 9,975	4,566

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

	For the three months ended March 31,	
	2020	2019
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation	\$ (1,282)	360

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

(k) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2020 and 2019. For the related information, please refer to note (6) (k) of the consolidated financial statements for the year ended December 31, 2019.

(i) Capital surplus

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

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid in capital	\$ 431,703	431,703	454,028
Share-based payment transaction – treasury stock	8,332	8,332	8,332
	\$ 440,035	440,035	462,360

The distribution of cash dividend from capital surplus amounting to \$22,325 (\$0.3 dollars per

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Notes to Consolidated Financial Statements

shares) was decided via the shareholders' meeting held on June 25, 2019.

(ii) Retained Earnings

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

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

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

2) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the meeting of the Board of Directors held on March 26, 2020 and the general meeting of shareholders held on June 25, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Amount	Amount per share	Amount
Cash dividends distributed to ordinary shareholders	\$	2.5 <u><u>186,043</u></u>	3.2	<u><u>238,135</u></u>

(i) Earnings per share

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

	For the three months ended March 31,	
	2020	2019
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u><u>37,150</u></u>	<u><u>18,262</u></u>
Weighted average number of outstanding ordinary shares (in thousands)	<u><u>74,417</u></u>	<u><u>74,417</u></u>
Basic earnings per share (in dollars)	\$ <u><u>0.50</u></u>	<u><u>0.25</u></u>

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Diluted earnings per share:

	For the three months ended March 31,	
	2020	2019
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 37,150</u>	<u>18,262</u>
Weighted average number of outstanding ordinary shares (in thousands)	74,417	74,417
Effect of potential diluted ordinary shares (in thousands)		
Effect of employee stock compensation	<u>311</u>	<u>451</u>
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>74,728</u>	<u>74,868</u>
Diluted earnings per share (in dollars)	<u>\$ 0.50</u>	<u>0.24</u>

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31,	
	2020	2019
Primary geographical markets:		
Taiwan	\$ 6,863	8,336
China	249,451	309,170
Singapore	109,565	82,962
Japan	<u>23,454</u>	<u>28,700</u>
	<u>\$ 389,333</u>	<u>429,168</u>
Major product:		
Hinge components	<u>\$ 389,333</u>	<u>429,168</u>

(ii) Contract balances

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

(n) Employee compensation and directors and supervisors remuneration

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

The remunerations to employees amounted to \$2,760 and \$1,337 and the remuneration to directors and supervisors amounted to \$301 and \$146 for the three months ended March 31, 2020 and 2019,

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

The remunerations to employees amounted to \$15,942 and \$36,421 and the remuneration to directors and supervisors amounted to \$1,739 and \$3,973, in 2019 and 2018, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018. The information is available on the Market Observation Post System website.

(o) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6) (p) of the 2019 annual consolidated financial statements.

(i) Credit risk

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

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	1-2 years	Over 2 years
March 31, 2020					
Non-derivative financial liabilities:					
Accounts payable	\$ 116,561	(116,561)	(116,561)	-	-
Other payables	91,839	(91,839)	(91,839)	-	-
Lease liabilities (including current and non-current)	1,694	(1,711)	(989)	(551)	(171)
	\$ 210,094	(210,111)	(209,389)	(551)	(171)
December 31, 2019					
Non-derivative financial liabilities:					
Accounts payable	\$ 168,526	(168,526)	(168,526)	-	-
Other payables	116,007	(116,007)	(116,007)	-	-
Lease liabilities (including current and non-current)	1,943	(1,965)	(1,015)	(693)	(257)
	\$ 286,476	(286,498)	(285,548)	(693)	(257)

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		Carrying Amount	Contractual cash flows	Within a year	1-2 years	Over 2 years
March 31, 2019						
Non-derivative financial liabilities:						
Accounts payable	\$	155,807	(155,807)	(155,807)	-	-
Other payables		107,328	(107,328)	(107,328)	-	-
Lease liabilities (including current and non-current)		2,793	(2,833)	(1,122)	(989)	(722)
	\$	265,928	(265,968)	(264,257)	(989)	(722)

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

(iii) Market risk

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

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

March 31, 2020				December 31, 2019			March 31, 2019		
Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$	67,158 USD/NTD	2,029,851	71,173 USD/NTD		2,133,778	54,644 USD/NTD		1,684,114
		=30.225			=29.98			=30.82	
USD		31,770 USD/CNY	957,772	36,590 USD/CNY		1,098,902	29,340 USD/CNY		904,821
		=7.0851			=6.9762			=6.7355	
Financial liabilities									
Monetary items									
USD		37,191 USD/CNY	1,121,205	38,059 USD/CNY		1,143,022	29,405 USD/CNY		906,830
		=7.0851			=6.9762			=6.7335	

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) 5% of each foreign currency against the functional currency for the three months ended March 31, 2020 and 2019 would have affected the net profit before tax as follows, the analysis is performed on the same basis for both periods.

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	For the three months ended March 31,	
	2020	2019
USD (against the NTD)	\$ 101,493	84,206
USD (against the CNY)	(8,172)	(100)

3) Exchange gains and losses of monetary items

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

Functional currency	For the three months ended March 31,			
	2020	Average rate	2019	Average rate
NTD	\$ 17,619	-	7,407	-
CNY	CNY(761)	CNY/NTD =4.3096	CNY(1,006)	CNY/NTD =4.5655

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have increased or decreased by \$548 and \$500 for the three months ended March 31, 2020 and 2019, respectively, which would be mainly resulted from the bank savings, and borrowings with variable interest rates.

(v) Fair value

1) Categories and the fair value of financial instruments

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

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Notes to Consolidated Financial Statements

March 31, 2020					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 1,513,271	-	-	-	-
Notes receivable	98	-	-	-	-
Accounts receivable	787,104	-	-	-	-
Other current financial assets	13,444	-	-	-	-
Guarantee deposits paid	1,228	-	-	-	-
	\$ 2,315,145	-	-	-	-
Financial liabilities measured at amortized cost:					
Accounts payable	\$ 116,561	-	-	-	-
Other payables	91,839	-	-	-	-
Lease liabilities (including current and non-current)	1,694	-	-	-	-
	\$ 210,094	-	-	-	-
December 31, 2019					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 1,297,167	-	-	-	-
Notes receivable	295	-	-	-	-
Accounts receivable	996,199	-	-	-	-
Other current financial assets	18,877	-	-	-	-
Guarantee deposits paid	1,251	-	-	-	-
	\$ 2,313,789	-	-	-	-

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		December 31, 2019				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:						
Accounts payable	168,526	-	-	-	-	-
Other payables	116,007	-	-	-	-	-
Lease liabilities (including current and non-current)	1,943	-	-	-	-	-
	\$ 286,476	-	-	-	-	-
		March 31, 2019				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and cash equivalents \$	1,506,374	-	-	-	-	-
Notes receivable	960	-	-	-	-	-
Accounts receivable	825,363	-	-	-	-	-
Other current financial assets	16,028	-	-	-	-	-
Guarantee deposits paid	1,315	-	-	-	-	-
	\$ 2,350,040	-	-	-	-	-
Financial liabilities measured at amortized cost:						
Accounts payable	155,807	-	-	-	-	-
Other payables	107,328	-	-	-	-	-
Lease liabilities (including current and non-current)	2,793	-	-	-	-	-
	\$ 265,928	-	-	-	-	-

There were no transfers of financial instruments between any levels for the three months ended March 31, 2020 and 2019.

2) Valuation technique for financial instruments measured at fair value

Non-derivative financial instruments

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

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SINHER TECHNOLOGY INC. AND SUBSIDIARIES

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(p) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6) (q) of the 2019 annual consolidated financial statements.

(q) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in note (6) (p) of the 2019 annual consolidated financial statements. Also, Management believes that there were no significant changes in the Group's capital management information as disclosed in the 2019 annual financial statements.

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

There are no non-cash investing and financing activities for the three months ended March 31, 2020 and 2019. Reconciliations of liabilities arising from financing activities were as follows:

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

	January 1, 2019	Cash flow	Non-cash changes Exchange movement	March 31, 2019
Short-term borrowings	\$ 80,000	(80,000)	-	-
Guarantee deposits received	1,744	(142)	-	1,602
Lease liabilities	3,080	(287)	-	2,793
Total liabilities from financing activities	\$ 84,824	(80,429)	-	4,395

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

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(b) Significant transaction with related parties

For the three months ended March 31, 2020 and 2019, the Group purchased some fixtures and consumable material from Daher amounting to \$5,372 and \$3,323, respectively, and was recognized as operating cost and researching and developing cost, respectively. As of March 31, 2020, December 31, and March 31, 2019, the outstanding balance amounting to \$7,806, \$9,575 and \$4,734, respectively, were recognized as other payables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 3,169	3,701
Post-employment benefits	91	90
	<u>\$ 3,260</u>	<u>3,791</u>

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

(9) **Commitments and contingencies:**

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

(b) Unrecognized contractual commitments:

As of March 31, 2020, December 31, and March 31, 2019, the future payments for the purchase of the Group's significant equipment and constructions amounted to \$148,900, \$149,445 and \$1,127, respectively.

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

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

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(12) Other:

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

By item	By function	For the three months ended March 31,					
		2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
	Salary	98,333	27,687	126,020	127,998	29,318	157,316
	Labor and health insurance	6,089	1,851	7,940	6,762	2,138	8,900
	Pension	4,385	1,109	5,494	8,134	1,316	9,450
	Others	7,264	1,285	8,549	8,124	1,309	9,433
	Depreciation	36,391	4,221	40,612	37,350	4,045	41,395
	Amortization	46	1,527	1,573	25	1,517	1,542

- (b) Seasonality of operations

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

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2020:

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

(In thousands of foreign currency)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Kunshan Wanhe	(Note 2)	998,498	105,788 (US\$3,500)	105,788 (US\$3,500)	-	-	3.18%	1,664,163	Y	-	Y
0	"	Chongqing SNR	(Note 2)	998,498	196,463 (US\$6,500)	196,463 (US\$6,500)	-	-	5.90%	1,664,163	Y	-	Y

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

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

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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (iii) Information regarding securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chongqing SNR	100% owned sub-subsidiary	(Sales)	(146,801)	(54)%	Depending on the demand for funding, OA 90	According to cost-plus pricing	General export sales in 120~150 days	448,101	89%	Note
Chongqing SNR	The Company	The parent company	Purchases	146,801	75%	"	"	"	(448,101)	(39%)	"

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

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

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent (note1)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Chongqing SNR	With the same ultimate parent company	448,101	1.58	-	-	-	-	Note 2
Kunshan Wanhe	Chongqing SNR	"	228,694	0.46	-	-	18,433	-	"

Note 1 : Information as of reporting date.

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

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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In thousands of New Taiwan Dollars)

No. (Note1)	Name of company	Name of counter-party	Nature of Relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Chongqing SNR	1	Sales Revenue	146,801	The price is marked-up based on operating cost. Depending on the funding demand, and the credit term is OA 90 days.	37.71%
0	"	"	1	Accounts Receivable	448,101	"	11.83%
1	Great Info	"	3	Accounts Receivable	68,351	"	1.80%
2	Kunshan Wanhe	"	3	Accounts Receivable	228,694	"	6.04%
3	Chongqing SNR	Top Trading	3	Accounts Receivable	53,655	"	1.42%

Note 1: The numbers filled in as follows:

1.0 represents the Company.

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

Note 2: Relationship with the transactions labeled as follows:

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

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

3. represents the transactions between the subsidiaries

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

(b) Information on investments:

The following are the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

(In thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Share of profit/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying amount			
The Company	MOI	Samoa	General Investing	\$ 650,318	590,418	21,800,000	100%	715,840	(85,218)	(85,218)	Subsidiary
"	Profit	Samoa	"	-	-	-	100%	175,711	(1,509)	(1,509)	"
	Total			<u>\$ 650,318</u>	<u>590,418</u>			<u>891,551</u>		<u>(86,727)</u>	
MOI	Sinher (H.K.) Limited	Hong Kong	General Investing	\$ 319,176 (USD10,600)	319,176 (USD10,600)	10,600,000	100%	647,788	(42,540)	(42,540)	A sub-subsidiary company
"	Cingher (H.K.) Limited	Hong Kong	"	331,142 (USD11,200)	271,242 (USD9,200)	11,200,000	100%	44,161	(42,678)	(42,678)	"
	Total			<u>\$ 650,318</u>	<u>590,418</u>			<u>691,949</u>		<u>(85,218)</u>	
Profit	Great Info	Samoa	Sell of hinge components	USD -	USD -	-	100%	82,992 (USD2,746)	(351) (USD(12))	(351) (USD(12))	"
"	Top Trading	Anguilla	"	USD -	USD -	-	100%	92,719 (USD3,068)	(1,158) (USD(38))	(1,158) (USD(38))	"
								<u>175,711</u>		<u>(1,509)</u>	

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

(Continued)

SINHER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated 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, 2020	Investment flows		Accumulated Outflow of investment from Taiwan as of March 31, 2020	net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Wanhe	Manufacturing and selling hinges componetes	319,176 (USD10,600)	(Note 1) & (Note 4)	319,176 (USD10,600)	-	-	319,176 (USD10,600)	(42,540) (CNY(9,871))	100.00%	(42,540) (CNY(9,871))	647,717	-
Chongqing SNR	Manufacturing and selling hinges componetes	331,142 (USD11,200)	(Note 1) & (Note 5)	271,242 (USD9,200)	59,900 (USD2,000)	-	331,142 (USD11,200)	(42,678) (CNY(9,903))	100.00%	(42,678) (CNY(9,903))	44,145	-
Qianquan	Manufacturing and selling hinges componetes	13,299 (CNY2,700)	(Note 6)	(Note 6)	-	-	(Note 6)	(602) (CNY(140))	100.00%	(602) (CNY(140))	1,164 (CNY274)	-

Note 1: Indirect investment in Mainland China through companies registered in a third region.

Note 2: The gains and losses on investment of the companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company, the amounts shown in the table were translated into New Taiwan Dollars at the average rate of the three months ended March 31, 2020.

Note 3: The amounts shown in the table were translated into New Taiwan Dollars at the three months ended March 31, 2020 average exchange rates.

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

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

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

(ii) Upper limit on investment in Mainland China:

(In thousands of foreign currency)

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
650,318 (USD21,800)	710,768 (USD23,800)	1,996,986

(iii) Significant transactions:

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

(d) Information of main shareholders:

Major shareholders	Shares	Total Shares Owned	Ownership Percentage
Catcher Technology Co., Ltd		7,439,917	9.99%
Su, Ting Hung		6,028,359	8.10%
Taiwan Life Insurance Co., Ltd.		3,912,000	5.25%

Note:

- The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insiders has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

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