SDI Corporation

Parent Company Only Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

國富浩華聯合會計師事務所
Crowe (TW) CPAs
40308 台中市西區台灣大道
二段285號15樓
15F., No.285, Sec.2, Taiwan
Blvd., West Dist.,
Taichung City 40308,Taiwan
Tel +886 4 36005588
Fax +886 4 36005577
www.crowe.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

We have audited the accompanying parent company only financial statements of SDI Corporation ("the Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Crowe

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

1. Valuation of Inventory Impairment

Description

As of December 31, 2019, inventory accounted for 20% of the Company's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

How our audit addressed the matter

Our main audit procedures include testing of details, verifying the cost of raw materials, labor and manufacturing costs of inventory and comparing the most recent selling prices to the carrying amounts to ensure that the inventory is measured at the lower of cost and net realizable value; obtaining and validating the Company's details of declines in the inventory valuation and inventory aging report and analyzing the changes in inventory aging; assessing the reasonableness of policies relating to the provision of allowance for inventory valuation losses; obtaining data on the quantities of inventory recorded at the end of the year and the data of annual inventory physical count to verify the existence and completeness of the inventory; inspecting the condition of the inventory to assess the appropriateness of the loss allowance for recognized inventory obsolete and spoiled through observing the year-end inventory counts.

2. Revenue Recognition

Description

Revenue is used by investors and the Company's management as a key indicator for evaluating the Company's financial or operational performance. As the Company sells its goods to Taiwan, Mainland China, Malaysia, United States and other areas, overseas warehouses are set up in response to the needs of certain international customers. The Company recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of transfer of risks and awards of goods to customers. Therefore, revenue recognition has been identified as a key audit matter.

How our audit addressed the matter

Our main audit procedures include assessing the appropriateness of accounting policies for revenue recognition, testing the effectiveness of the internal controls relevant to revenue recognition, including sampling and testing the validity of sales revenue; obtaining purchase orders or contracts from major customers and reviewing the terms of transactions to confirm whether the timing of revenue recognition is appropriate per the content of contracts or orders; evaluating whether any irregularity exists in the transactions with the top ten sales customers and analyzing the reasonableness of the turnover days of accounts receivable; selecting sample transactions after a few days or before the inventory cutoff date and examining the related documents to ensure that revenue is recognized in the appropriate period, and inspecting any irregular revenue vouchers exist, and reviewing if there were significant sales return in the subsequent period.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only 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 the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 its operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with the 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2019 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 Yang, Chen Yu and Shao, Chao Pin.

Crowe TW Cpas

CROWE (TW) CPAs
Taichung, Taiwan (Republic of China)

March 6, 2020

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

SDI Corporation

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Par Value)

		December 31, 2019		December 31, 2018	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 528,862	6	$ 636,273	7
Financial assets at fair value through profit or loss - current	6(2)	2,816	-	2,425	-
Notes receivable, net	6(3)	19,157	-	24,124	-
Accounts receivable, net	6(4)	1,039,032	12	1,409,193	15
Accounts receivable, net - related parties	7	65,512	1	225,306	2
Other receivables		71,419	1	177,468	2
Other receivables - related parties	7	20,150	-	11,072	-
Inventories, net	5、6(5)	1,803,246	20	1,871,747	19
Prepayments	6(6)	42,471	-	53,881	1
Other financial assets - current	6(7)	10,338	-	42,650	-
Other current assets		2,933	-	2,441	-
Total current assets		3,605,936	40	4,456,580	46
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	17,218	-	16,336	-
Investments accounted for using equity method	6(9)	2,226,457	25	2,342,012	24
Property, plant and equipment	6(10)	2,655,087	30	2,699,487	27
Right-of-use assets	6(11)	191,658	2	-	-
Investment properties	6(12)	45,520	1	48,314	-
Intangible assets	6(13)	58,741	1	61,655	1
Deferred income tax assets	5、6(28)	102,574	1	122,663	1
Other noncurrent assets	6(14)、8	15,715	-	54,105	1
Total noncurrent assets		5,312,970	60	5,344,572	54
TOTAL		$ 8,918,906	100	$ 9,801,152	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities - current	6(23)	66,353	1	46,806	-
Notes payable	6(15)	6,562	-	9,268	-
Accounts payable		388,308	5	1,000,617	10
Accounts payable - related parties	7	83,708	1	128,939	1
Other payables	6(16)	353,992	4	490,525	5
Other payables - related parties	7	27,403	-	32,967	1
Current income tax liabilities	6(28)	18,854	-	152,815	2
Lease liabilities - current	5、6(11)	8,435	-	-	-
Long term liabilities - current portion	6(17)	80,000	1	492,000	5
Other current liabilities		12,117	-	17,062	-
Total current liabilities		1,045,732	12	2,370,999	24
NONCURRENT LIABILITIES					
Long term loans	6(17)	1,675,000	19	1,250,000	13
Deferred income tax liabilities	5、6(28)	265,200	3	291,214	3
Lease liabilities - noncurrent	5、6(11)	132,707	1	-	-
Net defined benefit liability	5、6(18)	138,308	2	159,621	2
Other noncurrent liabilities		20,746	-	26,358	-
Total noncurrent liabilities		2,231,961	25	1,727,193	18
Total liabilities		3,277,693	37	4,098,192	42
EQUITIES					
Common stocks	6(19)	1,821,403	20	1,821,403	19
Capital surplus	6(20)	485,257	6	485,155	5
Retained earnings	6(21)				
Legal capital reserve		815,192	9	732,304	8
Special capital reserve		101,183	1	84,954	1
Unappropriated earnings		2,573,748	29	2,680,327	26
Others	6(22)	(155,570)	(2)	(101,183)	(1)
Total equity		5,641,213	63	5,702,960	58
TOTAL		$ 8,918,906	100	$ 9,801,152	100

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

		2019		2018	
	NOTES	Amount	%	Amount	%
NET REVENUE	6(23), 7	$ 6,719,302	100	$ 8,105,455	100
COST OF REVENUE	5,6(5、24)、7	(5,619,860)	(84)	(6,691,212)	(83)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		1,099,442	16	1,414,243	17
Unrealized gross profit on sales		(36,370)	(1)	(37,597)	-
Realized gross profit on sales		37,598	1	32,818	-
GROSS PROFIT		1,100,670	16	1,409,464	17
OPERATING EXPENSES	6(24), 7				
Marketing		(176,088)	(3)	(186,430)	(2)
General and administrative		(188,308)	(3)	(214,324)	(2)
Research and development		(199,206)	(2)	(202,818)	(3)
Total operating expenses		(563,602)	(8)	(603,572)	(7)
OPERATING INCOME		537,068	8	805,892	10
NONOPERATING INCOME AND EXPENSES					
Other income	6(25)、7	64,990	1	75,181	1
Other gains and losses, net	6(26)	(5,846)	-	79,435	1
Finance costs	6(27)	(20,656)	-	(17,771)	-
Share of profits of subsidiaries and associates		30,752	-	100,316	1
Total nonoperating income and expenses		69,240	1	237,161	3
INCOME BEFORE INCOME TAX		606,308	9	1,043,053	13
INCOME TAX EXPENSE	6(28)	(114,742)	(2)	(214,173)	(3)
NET INCOME		491,566	7	828,880	10
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	5、6(29)	13,488	-	(3,434)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		882	-	2,336	-
Share of other comprehensive income (loss) of subsidiaries and associates		174	-	(68)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(28)	(2,772)	-	434	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	6(24)	(68,992)	(1)	(31,677)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	6(28)	13,798	-	2,838	-
Other comprehensive income (loss) for the year, net of income tax		(43,422)	(1)	(29,571)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 448,144	6	$ 799,309	10
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(30)	$ 2.70		$ 4.55	
Diluted earnings per share		$ 2.70		$ 4.54	

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Capital Stocks		Retained Earnings			Others			
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE, JANUARY 1, 2018	$ 1,821,403	$ 485,125	$ 660,705	$ 54,332	$ 2,409,981	$ (84,954)	$ -	$ (84,954)	$ 5,346,592
Effect of retrospective application on IFRS 9	-	-	-	-	1,644	-	10,736	10,736	12,380
ADJUSTED BALANCES, JANUARY 1, 2018	1,821,403	485,125	660,705	54,332	2,411,625	(84,954)	10,736	(74,218)	5,358,972
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	30,622	(30,622)	-	-	-	-
Legal capital reserve	-	-	71,599	-	(71,599)	-	-	-	-
Cash dividends to shareholders - NT$2.5 per share	-	-	-	-	(455,351)	-	-	-	(455,351)
Donation from shareholders	-	30	-	-	-	-	-	-	30
Net income in 2018	-	-	-	-	828,880	-	-	-	828,880
Other comprehensive income (loss) in 2018	-	-	-	-	(2,606)	(28,839)	1,874	(26,965)	(29,571)
BALANCE, DECEMBER 31, 2018	1,821,403	485,155	732,304	84,954	2,680,327	(113,793)	12,610	(101,183)	5,702,960
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-
Cash dividends to shareholders - NT$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)
Donation from shareholders	-	102	-	-	-	-	-	-	102
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)
BALANCE, DECEMBER 31, 2019	$ 1,821,403	$ 485,257	$ 815,192	$ 101,183	$ 2,573,748	$ (168,987)	$ 13,417	$ (155,570)	$ 5,641,213

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 606,308	$ 1,043,053
Depreciation	457,222	420,393
Amortization	13,513	14,713
Loss (gain) on financial assets at fair value through profit or loss	(391)	246
Unrealized (realized) gross profit on subsidiaries	(3,602)	2,149
Interest expense	20,656	17,771
Interest income	(1,687)	(1,777)
Dividend income	(1,693)	(353)
Share of profits of subsidiaries accounted for under equity method	(30,752)	(100,316)
Gain on disposal of property, plant and equipment	(4,122)	(1,226)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	3,000
Notes receivable	4,967	(7,969)
Accounts receivable	370,209	29,393
Accounts receivable - related parties	159,794	(150,191)
Other receivables	103,889	(103,913)
Other receivables - related parties	(3,817)	15,234
Inventories	68,501	(50,016)
Prepaid expenses	10,351	(23,652)
Other current assets	1,484	5,279
Contract liabilities	19,547	(39,207)
Notes payable	(1,448)	(2,336)
Accounts payable	(612,309)	148,553
Accounts payable - related parties	(45,231)	(28,123)
Other payables	(102,883)	40,898
Other payables - related parties	(5,566)	18,938
Other current liabilities	(4,943)	-
Net defined benefit liability	(7,825)	(21,312)
Other operating liabilities	(5,673)	487
Cash provided from operations	1,004,499	1,229,716
Interest received	1,871	1,810
Dividends received	82,784	81,443
Interest paid	(20,775)	(17,741)
Income taxes paid	(243,603)	(145,348)
Net cash provided by operating activities	824,776	1,149,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(407,672)	(618,740)
Proceeds from disposal of Property, plant and equipment	14,478	19,008
Refundable deposits paid	(423)	(614)
Acquisition of intangible assets	(9,864)	(10,549)
Acquisition of right-of-use assets	(51,773)	-
Decrease in other financial assets	32,312	8,892
Net cash used in investing activities	(422,942)	(602,003)

(Continued)

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	$ 733,000	$ 500,000
Repayments of long-term debt	(720,000)	(393,200)
Repayments of the principal portion of lease liabilities	(12,312)	-
Increase in other noncurrent liabilities	60	-
Cash dividends paid	(509,993)	(455,351)
Net cash used in financing activities	(509,245)	(348,551)
NET INCRAESE(DECREASE) IN CASH AND CASH EQUIVALENTS	(107,411)	199,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	636,273	436,947
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 528,862	$ 636,273

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

1. ORGANIZATION AND OPERATIONS

SDI Corporation (the "Company") was incorporated on October 17, 1967. The Company produced only stationery before it repetitively expanded to produce molds and managed to produce precision electronic parts (i.e. lead frames). The Company mainly engages in the manufacturing and processing of electronic components and stationery.
Since April 25, 1996, the Company's shares have been listed on the Taiwan Stock Exchange (TWSE).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 6, 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 The adoption of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC):

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies.

(1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases and supersedes IAS 17, IFRIC 4 and related interpretations. Upon initial application of IFRS 16, the Company elected to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in determining whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 were not reassessed and were accounted for in accordance with the transitional provisions under IFRS 16. Contracts that did not contain a lease under IAS 17 and IFRIC 4 were accounted for in accordance with previous accounting treatments. Please refer to Note 4 for information on relevant accounting policies.

The Company as lessee

Under IFRS 16, if the Company is a lessee, it recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for low-value and short-term leases, whose related lease payments are recognized as expenses on a straight-line basis over the lease term. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets and the interest expense accrued on lease liabilities separately; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified as financing activities; cash payments for the interest portion are classified as operating activities.

Before application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash payments for the operating leases are classified as operating activities on the statements of cash flows. For leases classified as finance leases, the Company recognized leased assets and finance lease payables for the reporting period.

The Company applies IFRS 16 retrospectively with the cumulative effect of the initial application recognized at the date of initial application but does not restate the comparative information.

Leases agreements classified as operating leases under IAS 17, are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Group applies IAS 36 to right-of-use assets for impairment assessments. The Company also applies the following practical expedients at transition to IFRS 16:

(a) The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

(b) The Company adjusted the right-of-use asset at the date of initial application by the amount of any provisions for onerous leases recognised in the statement of financial position immediately before the date of initial application, instead of applying IAS 36, for impairment assessment.

(c) The Company accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

(d) The Company excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

(e) The Company used hindsight, such as in determining lease terms, to measure lease liabilities if the contract includes the options of lease extension or lease termination.

The lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.2%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$	170,507
Undiscounted gross amounts on January 1, 2019	$	170,507
Discounted using the incremental borrowing rate on January 1, 2019	$	153,441
Balance on lease liabilities on January 1, 2019	$	153,441

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 154,250	$ 154,250
Prepayment	53,881	(3,811)	50,070
Total effect on assets		$ 150,439	
Notes payable	9,268	$ (2,722)	6,546
Lease liabilities - current	-	11,502	11,502
Other payables	490,525	(280)	490,245
Lease liabilities - noncurrent	-	141,939	141,939
Total effect on liabilities		$ 150,439	
Total effect on equity		$ -	

3.2 Effect of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and new issuances and amendments to IFRSs endorsed by the FSC but not yet adopted by the Company：

New standards, interpretations and amendments as endorsed by the FSC effective from 2020 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)
Amendments to IAS 9 , IAS 39 and IAS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations after January 1, 2020.

Note 2: The Company shall apply these amendments prospectively after January 1, 2020.

Note 3: The Company shall apply these amendments after January 1, 2020.

The financial position and financial performance of the Company would not be affected by the aforementioned standards, interpretations or amendments. Nevertheless, the anticipated impact may alter due to changes in the future operating environment or plans.

3.3 The IFRSs issued by the IASB but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	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

Note 1: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after their respective effective dates, unless specified otherwise.

The Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are used in the preparation of the accompanying parent company only financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.2 Basis of Preparation

Except for the following significant items, the accompanying parent company only financial statements have been prepared on the historical cost basis:

(a) Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments).
(b) Financial assets and liabilities at fair value through other comprehensive income.
(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to align with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

The preparation of financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The Company applied IFRS 16 retrospectively at the date of the initial application but did not restate the comparative information. The cumulative effect of initially applying this Standard was included in retained earnings or other equity (as appropriate) on January 1, 2019.

4.3 Foreign Currencies

Items included in the parent company only financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.

When preparing the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

4.4 Classification of Current and Noncurrent Assets and Liabilities

(a) Assets that meet one of the following criteria are classified as current assets:

- (i) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (ii) Assets held mainly for trading purposes;
- (iii) Assets that are expected to be realized within twelve months from the end of reporting period.
- (iv) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of reporting period.

  The Company classifies all assets that do not meet the above criteria as non-current.

(b) Liabilities that meet one of the following criteria are classified as current liabilities:

- (i) Liabilities that are expected to be paid off within the normal operating cycle;
- (ii) Liabilities arising mainly from trading activities;
- (iii) Liabilities that are to be paid off within twelve months from the end of reporting period.
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

  The Company classifies all liabilities that do not meet the above conditions as non-current.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months).

4.6 Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party of the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

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

(a) Measurement categories

Financial assets are classified as financial assets at FVTPL, financial assets at amortized cost and investment in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL include financial assets mandatorily classified as at FVTPL and financial assets designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at fair value through other comprehensive income (FVTOCI) and debt instruments that do not meet the criteria for being classified as at amortized cost or as at FVTOCI.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 12.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for:

(i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

(ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

iii. Investment in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments as at FVTOCI if they are not held for trading or contingent consideration recognized by an acquirer in a business combination.Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the Company's rights clearly represent a recovery of part of the cost of the investment.

(b) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, and contract assets.

The Company recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables and contract assets. For investments in debt instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk of the financial instrument since initial recognition. If, on the other hand, the credit risk of the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(c) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

i. The contractual rights to receive cash flows from the financial asset expired.

ii. The contractual rights to receive cash flows from the financial asset which have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

iii. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount of financial asset and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without being recycled to profit or loss.

B. Financial liabilities and equity instruments

(a) Classification as debt or equity

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

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Financial liabilities other than those held for trading purposes and designed as FVTPL are subsequently measured at amortized cost at the end of each reporting period.

(d) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.7 Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are recognized at cost. Inventories are recorded at standard cost ordinarily and stated at the lower of cost or net realizable at the end of each reporting period. Any differences at the end of the reporting period are allocated to cost of sales and ending inventory in proportion. If the actual level of production is lower than normal capacity, the unallocated fixed overhead is recognized as cost of sales. The item by item approach is used in applying the lower of cost and net realizable value, except for the same homogeneous inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Loss for market price decline is stated at cost of goods sold.

4.8 Investments Accounted for Using the Equity Method

A. Investments accounted for using the equity method include investments in subsidiaries.

B. A subsidiary is an entity that is controlled by the Company (including structured entity). The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

C. Unrealized gains and losses on transactions between the Company and subsidiaries have been eliminated. Unrealized losses will also be eliminated if evidence demonstrates that there is an indication of impairment on assets involved in a transaction. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies applied by the Company.

D. The Company’s share of subsidiaries’ profit or loss is recognized in the Company's statement of comprehensive income, and its share of subsidiaries’ other comprehensive income is recognized in the Company's other comprehensive income. When the Company’s share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

E. Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.

F. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition as a financial asset or the cost on initial recognition of an associate or a joint venture. Any difference between the fair value and the carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary will be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

4.9 Property, Plant and Equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the carrying amount of asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The residual values of assets, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits of assets embodied in the assets which have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	**8~50 years**
Machinery	2~20 years
Molds	2~10 years
Other equipment	3~15 years

D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.10 Leases

<u>2019</u>

At the inception of a contract, the Company evaluates a contract to determine whether it is or contains a lease component. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A.The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets

Right-of-use assets are initially measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Right-of use assets are presented separately in the balance sheets, excluding the right-of-use assets that meet the definition of investment property.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties received for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease, less any lease incentives. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company shall remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

B. The Company as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance lease or an operating lease. The Company allocates lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Lease payments, after lease incentives are taken into account, from operating leases are recognized on a straight-line basis. The Company includes the initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on a straight-line basis.

2018

The Company as lessee

(a) Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company.

  (i) At commencement of the lease term, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments.

  (ii) The following finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability).

  (iii) The asset is depreciated over its useful lives for asset held under finance leases. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease – the asset should be depreciated over the shorter of the lease term or the life of the asset.

(b) Leases will be classified as an operating lease if it’s not classified as a financial lease. The Company shall recognize lease payments from operating leases, less incentives received from the lessor as current profit or loss on a straight-line basis in a lease term.

The Company as lessee

(a) Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

(i) At commencement of the lease term, the Company should record net investment in a lease in the balance sheet as a receivable, the difference between gross investment in the lease and present value as unearned finance income.

(ii) The Company should recognise finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

(iii) The lease payments related to lease terms deducted gross investment of lease to decrease principal and unearned finance income.

(b) Leases will be classified as an operating lease if it’s not classified as a financial lease. The Company shall recognize lease revenue, less incentives received from the lessee as current profit or loss on a straight-line basis in a lease term.

4.11 Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Land held for a currently undetermined future use is regarded as held for capital appreciation. In this case, land should also be recognized as Investment property.

Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The Company depreciates investment property on a straight-line basis over 35 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss.

4.12 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: trademarks and patents - the patent term or the contract term; computer software -2 to 5 years. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimates being accounted for on a prospective basis.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.13 Impairment of Non-Financial Assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss within the amount carried in prior years is reversed. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

4.14 Employee Benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses yield rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. However, if the accrued amount for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amount as resolved by board of directors meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

4.15 Capital Stock and Treasury Stock

A. Capital stock

Common stock is classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recorded as a deduction in equity.

B. Treasury Stock

The Company's repurchased stocks are recognized as treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock. Upon retirement, treasury shares are derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury shares in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

4.16 Income Tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. According to Income Tax Act of ROC, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred tax assets are reassessed.

E. If the Company has a legally enforceable right to offset the recognized current tax assets and liabilities amounts; and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously, the company shall offset current tax assets and current tax liabilities. If the Company has a legally enforceable right to offset current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, the company shall offset deferred tax assets and deferred tax liabilities.

4.17 Revenue Recognition

A. The Company recognizes revenue based on the principle of revenue from customer contracts by applying the following steps:

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to the performance obligations in the contracts; and

(e) Recognize revenue when the entity satisfies a performance obligation.

The contract where the period between the transfer of goods or services to the customer and the payment by the customer is within one year and the major financial component of the contract shall not be adjusted for the transaction price.

B. Revenue from sale of goods

Revenue from the sale of goods comes from sales of lead frame, stationery and others. Revenue is recognized when control of the products has transferred because it is the time when the customer has full discretion over the manner of distribution and over the price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company does not recognize sales revenue on materials delivered to processing subcontractors due to the delivery does not transfer control of materials.

C. Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

D. Revenue from rent, dividends and interest

(a) Revenue from leases is recognized as income on a straight-line basis over the lease terms.

(b) Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(c) Interest income is accrued based on the amount of the principal outstanding, using at the effective interest method rate applicable.

4.18 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than the stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.19 Government Grants

Government grants are recognized at fair value when the Company will comply with the conditions attached to them and will receive the grants. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of these parent company only financial statements in applying the Company's accounting policies and making critical assumptions and estimates are consisted of the following:

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company applies judgement and considers relevant factors such as the measurement of assets performing, the risks affected by the performance and the regulations for related manager's remuneration. The Company monitors the fair value through profit or loss financial assets that are derecognized prior to their maturity to assess whether the purpose of derecognition is consistent with the business model's. If there has been a change in the business model, the Company shall postpone the adjustment of the classifications of financial assets obtained afterwards.

B. Lease terms-2019

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

The provision for impairment of accounts receivable and investments in debt instruments is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's past history, existing market conditions as well as looking forward estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

B. Impairment of tangible and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future years.

C. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of the deferred tax assets requires subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

D. Evaluation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgement and estimate to determine the net realizable value of inventory at the end of each reporting period. The Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of inventory is mainly determined based on assumptions of future demand within a specific period, the assumptions might change in the future and may result in significant differences in its realizable value.

E. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future rate of salary growth. Any changes of these assumptions could significantly impact the Company's carrying amount of defined pension obligation.

F. The lessee's incremental borrowing rate - 2019

The Company takes the risk-free rate of interest in the same currency as reference and takes the measurement of the lessee's risk premium and the specific adjustments into account when using the lessee's borrowing rate to determine the discounting amounts of ease payments.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31 2019	December 31 2018
Cash on hand and petty cash	$ 721	$ 344
Checking accounts and demand deposits	526,141	618,571
Time deposits (with original maturities within three months)	2,000	17,358
Total	$ 528,862	$ 636,273

A. Time deposits with original maturities more than three months are classified as other financial assets as December 31, 2019 and 2018.

B. The cash and cash equivalents of the Company are not pledged to others.

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31 2019	December 31 2018
Mandatorily measured at FVTPL		
non-derivative financial assets		
Funds	$ 2,816	$ 2,425

A. The Company recognized net profit or loss of FVTPL for the years ended December 31, 2019 and 2018 are $391 thousand and $(246) thousand.

B. Financial instruments at fair value through profit or loss of the Company are not pledged to others.

6.3 NOTES RECEIVABLE

Items	December 31 2019		December 31 2018	
Amortized at cost				
Gross carrying amount	$	19,157	$	24,124
Less: loss allowance		–		–
Notes receivable, net	$	19,157	$	24,124

A. The notes receivable of the Company are not pledged to others.

6.4 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31 2019		December 31 2018	
Accounts receivable	$	1,046,985	$	1,417,194
Less: loss allowance		(7,953)		(8,001)
Accounts receivable, net	$	1,039,032	$	1,409,193

A. The accounts receivable that were neither past due nor impaired was following the Company's credit policy determined by reference to the industry characteristics, operation scale and current financial performance of the counterparties. The average credit terms range from 30 to 150 days.
B. The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. All amounts have been accounted in non-current assets-uncollectible accounts, except for the specific customers who have incurred impairment loss of credit and have been recognized full amounts in impairment loss. The expected credit losses on other receivables are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate. The provision for loss allowance is based on the number of past due days and distinguished according to the Company’s different customer segments.
C. The following table details the loss allowance of notes and accounts receivable, including those from related parties, based on the Company’s provision matrix: (related parties).

December 31, 2019

Aging terms	Gross carrying amount		Loss allowance (lifetime ECLs)		Amortized cost	
Neither past due nor impaired	$	1,050,651	$	(992)	$	1,049,659
Past due but not impaired						
Past due within 30 days		46,673		(711)		45,962
Past due 31-90 days		28,170		(3,843)		24,327
Past due 91-180 days		5,403		(1,650)		3,753
Past due over 181 days		757		(757)		–
Total	$	1,131,654	$	(7,953)	$	1,123,701

December 31, 2018

Aging terms	Gross carrying amount		Loss allowance (lifetime ECLs)		Amortized cost	
Neither past due nor impaired	$	1,615,915	$	(2,226)	$	1,613,689
Past due but not impaired						
Past due within 30 days		36,296		(556)		35,740
Past due 31-90 days		7,165		(1,060)		6,105
Past due 91-180 days		4,458		(1,369)		3,089
Past due over 181 days		2,790		(2,790)		–
Total	$	1,666,624	$	(8,001)	$	1,658,623

D. Movements of the loss allowance for notes and accounts receivable, including those from related parties).

Items	2019		2018	
Balance at January 1	$	8,001	$	8,001
Adjustment on initial application of IFRS 9		–		–
Balance at January 1 under IFRS 9 losses		8,001		8,001
Add：Recognition of (Reversal of) impairment		–		–
Less：Reclassified to overdue receivables		(48)		–
Balance at December 31	$	7,953	$	8,001

E. The Company has not held any collateral or other credit enhancement for these accounts receivable.

F. Please refer to Note 12 for information on the Company's management and measurement policies of credit risk.

G. The accounts receivable of the Company are not pledged to others.

6.5 INVENTORIES AND COST OF GOOD SOLD

Items	December 31			
	2019		2018	
Work-in-process	$	772,992	$	653,024
Finished goods		523,354		563,467
Raw materials		441,309		508,223
Merchandise		27,453		29,094
Inventory in transit		38,138		117,939
Total	$	1,803,246	$	1,871,747

A. The cost of inventories recognized as expense for the period:

Items	2019		2018	
Provision for (recovery of) loss on inventories	$	300	$	15,900
Unallocated fixed FOH		10,226		4,368
Loss on disposal of inventories		46,410		46,865
Total	$	56,936	$	67,133

B. The inventories of the Company are not pledged to others.

6.6 PREPAYMENTS

Items	December 31			
	2019		2018	
Prepaid expenses	$	26,783	$	32,784
Prepaid cost of good		8,386		–
Input tax		1,981		15,060
Others		5,321		6,037
Total	$	42,471	$	53,881

6.7 OTHER FINANCAIL ASSETS - CURRENT

Items	December 31			
	2019		2018	
Time deposits (with original maturities over three months)	$	–	$	32,312
Pledged deposits		10,338		10,338
Total	$	10,338	$	42,650

A. Please refer to Note 8 for information on the amounts pledged.

6.8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Items	December 31 2019	December 31 2018
Equity instruments		
Unlisted stocks	$ 2,203	$ 2,203
Valuation adjustment	15,015	14,133
Total	$ 17,218	$ 16,336

(a) The Company invests in unlisted stocks for medium and long-term strategic purposes and seeks profit from long-term investments. Management of the Company decided to account the above-mentioned investments in FVTOCI, due to recognizing short term gain or loss with FVTPL would against the medium and long-term investment strategies.

(b) Financial assets at FVTOCI of the Company are not pledged to others.

6.9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

Items	December 31 2019	December 31 2018
Subsidiaries	$ 2,226,457	$ 2,342,012

Subsidiaries	Carrying Amount December 31 2019	Carrying Amount December 31 2018
CHAO SHIN METAL INDUSTRIAL CORPORATION	$ 240,272	$ 242,911
TEC BRITE TECHNOLOGY CO., LTD	351,377	338,064
SHUEN DER (B.V.I) CO.	1,634,808	1,761,037
	$ 2,226,457	$ 2,342,012

Subsidiaries	% of Ownership and Voting Rights Held by the Company December 31 2019	% of Ownership and Voting Rights Held by the Company December 31 2018
CHAO SHIN METAL INDUSTRIAL CORPORATION	84.62%	84.62%
TEC BRITE TECHNOLOGY CO., LTD	54.98%	54.98%
SHUEN DER (B. V. I) CO.	100.00%	100.00%

(a) For the information of the subsidiaries of the Company, please refer to Note 4 (3) B of 2019 consolidated financial statements.

(b) The shares of profit or loss and other comprehensive profit and loss of the subsidiaries under equity method for the years 2019 and 2018 are recognized according to the audited financial statements for the same periods.

6.10 PROPERTY, PLANT AND EQUIPMENT

Items	December 31 2019	December 31 2018
Land	$ 173,412	$ 173,412
Buildings	1,308,990	1,205,052
Machinery	3,755,140	3,605,885
Molds	1,268,912	1,243,300
Other equipment	781,593	727,670
Equipment under installation and construction in progress	357,159	437,713
Total cost	7,645,206	7,393,032
Less: accumulated depreciation and impairment	(4,990,119)	(4,693,545)
Total	$ 2,655,087	$ 2,699,487

	Land	Buildings	Machinery	Molds	Other equipment	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2019	$ 173,412	$ 1,205,052	$ 3,605,885	$ 1,243,300	$ 727,670	$ 437,713	$ 7,393,032
Additions	–	26,206	53,242	6,041	28,960	296,829	411,278
Disposals	–	–	(58,595)	(90,788)	(9,721)	–	(159,104)
Reclassification	–	77,732	154,608	110,358	34,685	(377,383)	–
Balance at December 31, 2019	$ 173,412	$ 1,308,990	$ 3,755,140	$ 1,268,911	$ 781,594	$ 357,159	$ 7,645,206
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ –	$ (478,182)	$ (2,735,167)	$ (1,022,129)	$ (458,067)	$ –	$ (4,693,545)
Additions	–	(33,017)	(206,477)	(141,883)	(58,686)	–	(440,063)
Disposals	–	–	42,979	90,788	9,722	–	143,489
Balance at December 31, 2019	$ –	$ (511,199)	$ (2,898,665)	$ (1,073,224)	$ (507,031)	$ –	$ (4,990,119)
Cost							
Balance at January 1, 2018	$ 173,412	$ 1,001,027	$ 3,554,218	$ 1,340,405	$ 684,374	$ 378,665	$ 7,132,101
Additions	–	20,807	60,040	4,853	60,245	483,341	629,286
Disposals	–	(2,598)	(140,089)	(73,978)	(50,215)	–	(266,880)
Reclassification	–	185,816	131,716	(27,980)	33,266	(424,293)	(101,475)
Balance at December 31, 2018	$ 173.412	$ 1,205,052	$ 3,605,885	$ 1,243,300	$ 727,670	$ 437,713	$ 7,393,032

	Land	Buildings	Machinery	Molds	Other equipment	Equipment under Installation and Construction in Progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ –	$ (453,220)	$ (2,651,317)	$ (1,017,377)	$ (457,844)	$ –	$ (4,579,758)
Additions	–	(27,560)	(207,347)	(132,265)	(50,427)	–	(417,599)
Disposals	–	2,598	123,497	72,799	50,204	–	249,098
Reclassification	–	–	–	54,714	–	–	54,714
Balance at December 31, 2018	$ –	$ (478,182)	$ (2,735,167)	$ (1,022,129)	$ (458,067)	$ –	$ (4,693,545)

(a) Please refer to Note 6(27) for information on interest capitalization.

(b) Amounts reclassified to inventories is $46,761 thousand in 2018.

(c) The property, plants, and equipment of the Company are not pledged to others.

6.11 LEASE ARRANGEMENT

A. Right-of-use assets - 2019

Items	December 31 2019
Land	$ 131,199
Buildings	74,824
Total cost	206,023
Less: Accumulated depreciation and impairment	(14,365)
Total	$ 191,658

	Land	Buildings	Total
Cost			
Balance at January 1, 2019	$ –	$ –	$ –
Adjustment on initial application of IFRS 16	131,199	23,051	154,250
Additions	–	51,773	51,773
Balance at December 31, 2019	$ 131,199	$ 74,824	$ 206,023
Accumulated depreciation and impairment			
Balance at January 1, 2019	$ –	$ –	$ –
Adjustment on initial application of IFRS 16	–	–	–
Additions	(10,701)	(3,664)	(14,365)
Balance at December 31, 2019	$ (10,701)	$ (3,664)	$ (14,365)

B. Lease liabilities - 2019

Items	December 31 2019
Current	$ 8,435
Non-current	$ 132,707

Range of discounts rate for lease liabilities was as follow:

Items	December 31 2019
Land	1. 20%
Buildings	1. 20%

Please refer to Note 12 for information regarding maturity analysis for lease liabilities.

C. Material activities and terms of right-of-use assets

(1) Land and Buildings

The Company leased land and plants with a lease term from 2015 to 2037 and paid $4,123 thousand for guarantee deposit for the lease. The Company and the lessor agreed that a plant may be built on the leased land by the Company. However, title deed of the plant should be registered under the lessor. The Company has the right to use the plant within the lease terms. The construction of the plant was completed in the third quarter of 2019. As of December 31, 2019, right-of-use assets is not assessed for impairment since there is no objective evidence indication of impairment.

D. Other lease information

Please refer to Note 6.12 for information of investment property under operating leases.

(1) Lease

The Company leased land and plants through operating lease agreement in 2018. The future minimum lease payments under the above non-cancellable operating leases are as follows:

Items	December 31 2018
Not later than 1 year	$ 11,071
Later than 1 year and not later than 5 years	27,014
Later than 5 years	82,922
Total	$ 121,007

6.12 INVESTMENT PROPERTY

Items	December 31	
	2019	2018
Buildings	$ 99,629	$ 99,629
Total of cost	99,629	99,629
Less: accumulated depreciation	(54,109)	(51,315)
Total	$ 45,520	$ 48,314

Items	December 31	
	2019	2018
<u>Cost</u>		
Balance at January 1	$ 99,629	$ 99,629
Balance at December 31	$ 99,629	$ 99,629
Accumulated depreciation and impairment		
Balance at January 1	$ 51,315	$ 48,521
Additions	2,794	2,794
Balance at December 31	$ 54,109	$ 51,315

A. Rent revenue and direct operation expenses from investment property:

Items	December 31	
	2019	2018
Rent revenue from investment property	$ 18,144	$ 18,144
Direct operating expenses from the investment of property that generated rental income during the period	$ 2,976	$ 3,163

B. The lease term for buildings under operating leasesis 2 years. The lessees do not have an options to acquire the assets at the expiry of the lease periods. Rental income for 2019 was the same as that for 2018 and amounted to 18,144 thousand. As of December 31, 2019 and 2018, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31	
	2019	2018
Not later than 1 year	$ 18,144	$ 18,144
Later than 1 year and not later than 5 years	18,144	-
Total	$ 36,288	$ 18,144

C. The fair value of investment property was both 72,000 thousand dollars on December

31, 2019 and 2018, and did not assess by any independent appraiser, only refer to the trading price of similar properties on open market by management of the company.

D. The investment property of the Company is not pledged to others.

6.13 INTANGIBLE ASSETS

Items	December 31 2019	December 31 2018
Patents	$ 69,193	$ 64,291
Trademarks	2,501	2,436
Computer software	33,902	36,451
Total	105,596	103,178
Less: Accumulated amortization	(46,855)	(41,523)
Intangible assets, net	$ 58,741	$ 61,655

Items	2019 Patent	Trademarks	Computer software	Total
Cost				
Balance at January 1	$ 64,291	$ 2,436	$ 36,451	$ 103,178
Additions	5,956	99	3,809	9,864
Retirement	(1,054)	(34)	(6,358)	(7,446)
Balance at December 31	$ 69,193	$ 2,501	$ 33,902	$ 105,596
Accumulated amortization				
Balance at January 1	$ 21,403	$ 1,259	$ 18,861	$ 41,523
Additions	4,696	293	7,789	12,778
Retirement	(1,054)	(34)	(6,358)	(7,446)
Balance at December 31	$ 25,045	$ 1,518	$ 20,292	$ 46,855

Items	2018 Patent	Trademarks	Computer software	Total
Cost				
Balance at January 1	$ 62,375	$ 3,145	$ 29,748	$ 95,268
Additions	2,621	52	7,876	10,549
Retirement	(705)	(761)	(1,173)	(2,639)
Balance at December 31	$ 64,291	$ 2,436	$ 36,451	$ 103,178
Accumulated amortization				
Balance at January 1	$ 17,659	$ 1,685	$ 13,352	$ 32,696
Additions	4,449	335	6,682	11,466
Retirement	(705)	(761)	(1,173)	(2,639)
Balance at December 31	$ 21,403	$ 1,259	$ 18,861	$ 41,523

6.14 OTHER NON-CURRENT ASSETS

Items	December 31 2019	December 31 2018
Prepayments for equipment	$ 8,112	$ 46,142
Refundable deposits	7,603	7,180
Overdue receivables	5,847	5,847
Less: allowance for bad debts	(5,847)	(5,799)
Others	–	735
Total	$ 15,715	$ 54,105

A. Please refer to Note 8 for information on the refundable deposits that were pledged to others.

6.15 NOTES PAYABLE

Items	December 31 2019	December 31 2018
Notes payable - operating activities	$ 6,089	$ 7,538
Notes payable - non-operating activities	473	1,730
Total	$ 6,562	$ 9,268

6.16 OTHER PAYABLES

Items	December 31 2019	December 31 2018
Accrued salaries and bonuses	$ 182,498	$ 262,433
Accrued supplies expense	20,285	24,279
Compensation payable to employees, directors, and supervisors	16,825	28,944
Payable for equipment and construction	26,097	59,264
Accrued repairs and maintenance expense	26,040	26,783
Accrued insurance expense	12,689	12,816
Accrued utilities expense	12,124	11,479
Others	57,434	64,527
Total	$ 353,992	$ 490,525

6.17 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31 2019	December 31 2018
Unsecured loans	$ 1,755,000	$ 1,742,000
Less: current portion	(80,000)	(492,000)

The nature of loans	December 31 2019		December 31 2018	
Total	$	1,675,000	$	1,250,000
Interest rates range		0.70%~1.26%		1.09%~1.40%
Maturity date		2020~2026		2019~2021

6.18 RETIREMENT BENEFIT PLANS

A. Defined contribution plans

(a) The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts.

(b) The Company recognized expenses in the statement of comprehensive income were $31,595 thousand and $30,890 thousand under the contributions rates specified in the plans for years ended December 31, 2019 and 2018, respectively.

B. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 6% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

(b) Amounts recognized in the balance sheet are as follows:

Items	December 31 2019		December 31 2018	
Present value of defined benefit obligations	$	261,834	$	296,585
Fair value of plan assets		(123,526)		(136,964)
Net defined benefit liability	$	138,308	$	159,621

(c) Movements in net defined benefit liability are as follows:

Items	2019 Present value of defined benefit obligations	2019 Fair value of plan assets	2019 Net defined benefit liability
Balance at January 1	$ 296,585	$ (136,964)	$ 159,621
Service costs			
Current service cost	2,050	-	2,050
Interest expense(revenue)	3,337	(1,612)	1,725
Amounts recognized in profit and loss	5,387	(1,612)	3,775
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	-	(4,566)	(4,566)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	1,638	-	1,638
Effect of changes in financial assumptions	8,189	-	8,189
Experience adjustments	(18,749)	-	(18,749)
Amounts recognized in other comprehensive income (losses)	(8,922)	(4,566)	(13,488)
Pension fund contributions	-	(11,600)	(11,600)
Paid pension	(31,216)	31,216	-
Balance at December 31	$ 261,834	$ (123,526)	$ 138,308

Items	2018 Present value of defined benefit obligations	2018 Fair value of plan assets	2018 Net defined benefit liability
Balance at January 1	$ 309,602	$ (132,102)	$ 177,500
Service costs			
Current service cost	2,646	-	2,646
Interest expense(revenue)	3,870	(1,878)	1,992
Amounts recognized in profit and loss	6,516	(1,878)	4,638
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	-	(3,465)	(3,465)
Actuarial (gains) losses -			

Items	2018 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Effect of changes in demographic assumptions	$ 732	$ -	$ 732
Effect of changes in financial assumptions	3,658	-	3,658
Experience adjustments	2,508	-	2,508
Amounts recognized in other comprehensive income (losses)	6,898	(3,465)	3,433
Pension fund contributions	-	(25,516)	(25,516)
Paid pension	(26,431)	25,997	(434)
Balance at December 31	$ 296,585	$ (136,964)	$ 159,621

The pension costs of the aforementioned defined benefit plans are recognized in profit or loss by the following categories:

Items	2019	2018
Cost of revenue	$ 2,439	$ 3,059
Marketing expenses	190	226
General and administrative expenses	737	832
Research and development expenses	409	521
Total	$ 3,775	$ 4,638

(d)Information about Fair value of plan assets are as follows:

Item	December 31 2019	2018
Cash and cash equivalents	$ 123,526	$ 136,964

(e) Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

A. Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. at the discretion of the Bureau of Labor Funds of Ministry of Labor, or under the mandated management. However, under the Labor Standards Law, the rate of return on plan assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.

B. Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

C. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

(f) The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on measurement date were as follows:

	Measurement date	
	December 31	
Items	2019	2018
Discount rate	0.800%	1.125%
Expected salary increase rate	2.250%	2.250%

Reasonably possible changes at December 31, 2017 and 2016 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31	
Items	2019	2018
Discount rate		
0.25% increase	$ (6,388)	$ (7,416)
0.25% decrease	6,631	7,702
Expected salary increase rate		
0.25% increase	6,358	7,410
0.25% decrease	(6,159)	(7,173)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(g) The contribution that the Company expects to make to its defined benefit pension plans in next year is $11,600 thousand. The weighted average maturity period of the defined benefit obligation is 12 years.

6.19 COMMON STOCKS

A. The movements in the number of the Company's ordinary shares outstanding are as follows:

Items	2019 Shares	2019 Capital	2018 Shares	2018 Capital
Balance at January 1	182,140	$ 1,821,403	182,140	$ 1,821,403
Balance at December 31	182,140	$ 1,821,403	182,140	$ 1,821,403

The par value of common stock is $10 per share, and every share has one voting right and the right to gain dividends.

B. The Company's authorized capital was $2,700,000 thousand, consisting of 270,000 thousand shares as of December 31, 2019.

6.20 CAPITAL SURPLUS

Item	December 31 2019	December 31 2018
Additional paid-in capital	$ 451,220	$ 451,220
From long-term equity investments	3,546	3,546
Treasury stock transactions	30,359	30,359
Others	132	30
Total	$ 485,257	$ 485,155

A. Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient.

B. The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

6.21 RETAINED EARNINGS AND DIVIDEND POLICY

A. According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset prior years' operating losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the

Company’s paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws or regulations. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders’ meeting according to the Company’s Articles of Incorporation 32 para 1 ad finem .

The Company’s dividend policy was established by the Board of Directors according to operating plans, investment plans, capital budgets and the changes in internal and external environment. Due to the Company’s steady growth, distribution of earnings will first consider to be allocated by cash dividend before stock dividend. Stock dividends distributed shall not excess be higher than 50% of the gross amount of total dividends.

B. Legal reserve may be used to offset a deficit or to distribute as dividend in cash or in stock for the portion in excess of 25% of the Company's paid-in capital.

C. Special reserve

Items	December 31 2019	December 31 2018
Special reserve	$ 101,183	$ 84,954

(a) In accordance with the regulation, the Company shall set aside special reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) Due to the Company’s first-time adoption of IFRSs as endorsed by the FSC, the unrealized revaluation increments and cumulative translation adjustment in the amount $229,897 thousand should be reclassified into retained earnings in accordance with rule No.1010012865 issue by the FSC. Accordingly, the net retained earnings increased from initial adoption of IFRSs in the amount $53,205 thousand was set aside as special reserve. When the relevant assets are used, disposal of or reclassified subsequently, the special reserve set aside previously shall be reversed to distributable earnings proportionately.

D. The appropriations of 2018 and 2017 earnings have been approved by shareholders’ meetings held on June 21, 2019 and June 22, 2018, respectively. The appropriations of earnings and dividends per share are as follows:

Items	Appropriation of Earnings For Year 2018	Appropriation of Earnings For Year 2017	Dividends Per Share (NT$) For Year 2018	Dividends Per Share (NT$) For Year 2017
Legal reserve	$ 82,888	$ 71,599		
Special reserve	16,229	30,622		
Cash dividends	509,993	455,351	$ 2. 80	$ 2. 50

E. The Company’s appropriation of earnings for 2019 had been approved in the meeting of the Board of Directors held on March 6, 2020. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 50,253	
Special reserve	54,387	
Cash dividends	327,852	$ 1. 80

The appropriations of earnings for 2019 are to be presented for approval in the shareholders' meeting to be held on June, 2020.

F. Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

6.22 OTHER EQUITY ITEMS

Item	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2019	$ (113,793)	$ 12,610	$ (101,183)
Exchange differences on translation of foreign financial statements	(55,194)	−	(55,194)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	−	807	807
Balance at December 31, 2019	$ (168,987)	$ 13,417	$ (155,570)

Item	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2018	$ (84,954)	$ −	$ (84,954)
Effect of retrospective application of IFRS 9 (Note 1)	−	10,736	10,736
Balance at January 1, 2018 (adjusted)	(84,954)	10,736	(74,218)
Exchange differences on translation of foreign financial statements	(28,839)	−	(28,839)

Item	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	$ -	$ 1,874	$ 1,874
Balance at December 31, 2018	$ (113,793)	$ 12,610	$ (101,183)

Note 1：Investments in unlisted shares previously measured at cost under IAS 39 were designated as financial assets measured at fair value through other comprehensive income under IFRS 9. As a result, on January 1, 2018, the noncurrent financial assets measured at fair value through other comprehensive income and retain earnings increased by $10,736 thousand, respectively. (The fair value of FVTOCI financial assets increased 11,797 thousand dollars, deducts 1,061 thousand dollar-tax effects)

6.23 OPERATING REVENUE

Items	2019	2018
Revenue from contracts with customers		
Sale of goods	$ 6,698,173	$ 8,090,276
Other operating revenues	21,129	15,179
Total	$ 6,719,302	$ 8,105,455

A. Description of customer contract

The Company is mainly engaged in the sale of lead frames and stationery products. The target customers are downstream vendors and agents, etc., and the Company sells at price stipulated in contract. The consideration is classified as short-term receivables, and is therefore measured at invoice price.

B. Disaggregation of revenue from contracts with customers

	2019					
Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 1,998,156	$ 421,315	$ 875,272	$ 841,617	$ 1,494,781	$ 5,631,141
Stationery	43,593	466,214	97,221	2,442	363,696	973,166
Others	30,597	62,974	-	295	-	93,866
Total	$ 2,072,346	$ 950,503	$ 972,493	$ 844,354	$ 1,858,477	$ 6,698,173

Service line	2019 China	Taiwan	Japan	Malaysia	Others	Total
Timing of revenue recognition						
Performance obligation satisfied at a point in time	$ 2,072,346	$ 950,503	$ 972,493	$ 844,354	$ 1,858,477	$ 6,698,173

Service line	2018 China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 2,601,183	$ 707,325	$ 927,610	$ 987,775	$ 1,732,035	$ 6,955,928
Stationery	39,965	458,682	84,305	9,344	361,394	953,690
Others	90,242	90,258	-	158	-	180,658
Total	$ 2,731,390	$ 1,256,265	$ 1,011,915	$ 997,277	$ 2,093,429	$ 8,090,276
Timing of revenue recognition						
Performance obligation satisfied at a point in time	$ 2,731,390	$ 1,256,265	$ 1,011,915	$ 997,277	$ 2,093,429	$ 8,090,276

C. The Company recognizes contract liabilities related to the revenue from contracts with customers:

Items	December 31 2019	December 31 2018
Contract liabilities -current	$ 66,353	$ 46,806

6.24 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The information of employee benefits, depreciation, depletion, and amortization are as follows:

By nature	2019 Cost of sales	2019 Operating expense (include not operating)	2019 Total	2018 Cost of sales	2018 Operating expense (include not operating)	2018 Total
Personnel						
Salary	$ 596,357	$ 254,395	$ 850,752	$ 661,661	$ 297,445	$ 959,106
Remuneration to directors	–	7,038	7,038	–	12,464	12,464
Labor insurance	62,164	20,513	82,677	58,213	19,291	77,504

By nature	2019 Cost of sales	2019 Operating expense (include not operating)	2019 Total	2018 Cost of sales	2018 Operating expense (include not operating)	2018 Total
Pension	$ 25,459	$ 9,911	$ 35,370	$ 26,359	$ 9,169	$ 35,528
Other	61,973	13,161	75,134	57,358	13,718	71,076
Depreciation	422,458	34,764	457,222	393,303	27,090	420,393
Amortization	1,480	12,033	13,513	4,135	10,578	14,713
Total	$ 1,169,891	$ 351,815	$ 1,521,706	$ 1,201,029	$ 389,755	$ 1,590,784

A. The average numbers of employees of the Company of 2019 and 2018 were 1,441 and 1,410, respectively.The numbers of non-employee Directors were 3 for both 2019 and 2018.

B. The average employee benefits expenses were $726 thousand and $813 thousand for 2019 and 2018, respectively.

C. The average salaries were $592 thousand and $682 thousand for 2019 and 2018, respectively. The average salaries of 2019 and 2018 decreased by 0.13%.

D. In accordance with the Company’s Article of incorporation, the Company shall allocate 1.5% and not higher than 1.5% of annual profits before tax during the period to employees’ compensation and directors’ and supervisors’ remuneration, respectively. If there is a change in the proposed amount after the annual financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

E. The appropriations of employees’ compensation and directors’ and supervisors’ remuneration for 2019 and 2018 have been approved by the board of directors held on March 6, 2020, and March 8, 2019, respectively. The amount of approved and recognized in financial statement is shown as follows.

	For Year 2019 Employees’ compensation	For Year 2019 Directors’ and supervisors’ remuneration	For Year 2018 Employees’ compensation	For Year 2018 Directors’ and supervisors’ remuneration
Amounts resolved to be distributed	$ 9,347	$ 7,478	$ 16,080	$ 12,864
Amounts recognized in financial reports	9,347	7,478	16,080	12,864
Difference	$ -	$ -	$ -	$ -

The employees’ compensation of 2019 and 2018 is distributed in cash.

F. Information on employees' compensation and directors’ and supervisors’ remuneration of the Company is available from the "*Market Observation Post System*" at the website of the TWSE.

6.25 OTHER INCOME

Items	2019	2018
Rental income	$ 19,235	$ 19,230
Commission income	17,884	30,602
Dividend income	1,693	353
Bank deposit interest	1,687	1,777
Grant revenue	–	3,995
Others	24,491	19,224
Total	$ 64,990	$ 75,181

6.26 OTHER GAINS AND LOSSES

Items	2019	2018
Foreign exchange gains (losses), net	$ (9,728)	$ 79,410
Gain on disposal of property, plant and equipment	6,497	3,625
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	391	(246)
Others	(3,006)	(3,354)
Total	$ (5,846)	$ 79,435

6.27 FINANCIAL COSTS

Items	2019	2018
Interest expense		
Bank loans	$ 20,986	$ 21,601
Interest on lease liabilities	1,759	–
Less: capitalized amount for qualified assets	(2,089)	(3,830)
Financial costs	$ 20,656	$ 17,771
Interest capitalization rates	1.44%	1.44%

6.28 INCOME TAX

A.Income tax expense recognized in profit or loss

(a) Components of income tax expense:

Items	2019	2018
Current tax		
Current tax expense recognized in the current year	$ 100,615	$ 192,207
Income tax on unappropriated earnings	10,858	17,276

Items	2019	2018
Adjustments for prior years	$ (1,832)	$ (4,656)
Current tax	109,641	204,827
Deferred tax		
The origination and reversal of temporary differences	5,101	(1,917)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	11,263
Deferred tax	5,101	9,346
Income tax expense	$ 114,742	$ 214,173

(b) Income tax expenses (benefits) recognized in other comprehensive income

Items	2019	2018
Exchange differences on translation of foreign operations	$ (13,798)	$ (2,838)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	75	462
Remeasurement of defined benefit obligation	2,697	(896)
Total	$ (11,026)	$ (3,272)

B. Reconciliation between accounting profit and income tax expense recognized in profit or loss：

Items	2019	2018
Income before tax	$ 606,308	$ 1,043,053
Income tax expense at the statutory rate	$ 121,262	$ 208,611
Tax effect of adjusting items:		
Deductible items in determining taxable income	(20,647)	(16,404)
Additional income tax on unappropriated earnings	10,858	17,276
Effect of tax rate changes	-	11,263
Income tax adjustments on prior years	(1,832)	(4,656)
Net changes on deferred income tax	5,101	(1,917)
Income tax expense recognized in profit or loss	$ 114,742	$ 214,173

Starting 2018, the corporate income tax rate will be adjusted to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced to 5%.

C. Income tax liabilities

Items	December 31 2019	December 31 2018
Income tax liabilities	$ 18,854	$ 152,815

D.Deferred tax assets or liabilities arising from temporary differences, operating loss carryforward, and investment tax credit:

Items	2019 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 21,840	$ 60	$ -	$ 21,900
Net defined benefit liability	30,684	(1,566)	(2,081)	27,037
Accrued year-end bonus	38,660	(16,283)	-	22,377
Unrealized gross profit	20,385	(6,000)	-	14,385
Others	11,094	5,781	-	16,875
Subtotal	122,663	(18,008)	(2,081)	102,574
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(191,523)	11,667	-	(179,856)
Exchange differences arising on translation of foreign operations	(16,982)	-	13,798	(3,184)
Reserve for land revaluation increment tax	(78,957)	-	-	(78,957)
Others	(3,752)	1,240	(691)	(3,203)
Subtotal	(291,214)	12,907	13,107	(265,200)
Total	$ (168,551)	$ (5,101)	$ 11,026	$ (162,626)

	2018			
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 15,861	$ 5,979	$ -	$ 21,840
Net defined benefit liability	29,120	668	896	30,684
Accrued year-end bonus	28,383	10,277	-	38,660
Unrealized gross profit	16,051	4,334	-	20,385
Others	12,815	(1,721)	-	11,094
Subtotal	102,230	19,537	896	122,663
Deferred income tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(162,603)	(28,920)	-	(191,523)
Exchange differences arising on translation of foreign operations	(19,820)	-	2,838	(16,982)
Reserve for land revaluation increment tax	(78,957)	-	-	(78,957)
Others (Note)	(2,266)	37	(1,523)	(3,752)
Subtotal	(263,646)	(28,883)	1,315	(291,214)
Total	$ (161,416)	$ (9,346)	$ 2,211	$ (168,551)

Note： The amounts recognized in OCI included $1,061 thousand income tax effect from the adjustment on the initial application of IFRS 9 on January 1, 2018.

E. As of December 31, 2019, the tax authorities have examined Company’s income tax returns through 2016.

6.29 OTHER COMPREHENSIVE INCOME

Items	2019		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 13,488	$ (2,697)	$ 10,791
Share of other comprehensive income of investments accounted for using the equity method	174	-	174
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	882	(75)	807
Subtotal	14,544	(2,772)	11,772
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(68,992)	13,798	(55,194)
Subtotal	(68,992)	13,798	(55,194)
Total	$ (54,448)	$ 11,026	$ (43,422)

Items	2018		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (3,434)	$ 896	$ (2,538)
Share of other comprehensive income of investments accounted for using the equity method	(68)	-	(68)
Unrealized gain (losses) on valuation of equity investments at fair value through other comprehensive income	2,336	(462)	1,874
Subtotal	(1,166)	434	(732)

Items	2018 Before tax	2018 Income tax (expense) benefit	2018 After tax
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	$ (31,677)	$ 2,838	$ (28,839)
Subtotal	(31,677)	2,838	(28,839)
Total	$ (32,843)	$ 3,272	$ (29,571)

6.30 EARNINGS PER SHARE

The earnings for earnings per share calculated and weighted average number of ordinary shares are as follows：

Items	2019	2018
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 491,566	$ 828,880
Net income for calculating basic earnings per share	$ 491,566	$ 828,880
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 2.70	$ 4.55
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 491,566	$ 828,880
Net income for calculating diluted earnings per share	$ 491,566	$ 828,880
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (share in thousands)	181	260
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,321	182,400
Diluted earnings per share (after tax) (in dollars)	$ 2.70	$ 4.54

If the Company offered to settle the compensation or bonuses paid to employees in shares or cash at the Company's option, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share if the effect is dilutive. Such dilutive effect of the potential shares is included in the calculation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

7. RELATED PARTY TRANSACTIONS

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(1) Related party name and categories

Related Party Name	Related Party Categories
CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Subsidiaries
TEC BRITE TECHNOLOGY CO., LTD. (TEC Brite Technology)	Subsidiaries
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD (SDI (JIANGSU))	Subsidiaries
SJD Industries (M) Sdn. Bhd	Other related parties

(2) Significant transactions between related parties

Significant transactions between the Company and its related parties for the years ended December 31, 2019 and 2018 are as follow:

A.Revenue

Related Party	2019	2018
Subsidiaries	$ 177,991	$ 383,239
Other related parties	295	158
Total	$ 178,286	$ 383,397

Sales price with related parties was determined and negotiated referring to related market price. The payment term was T/T 30~180 days.

B. Purchases

Related Party	2019	2018
Subsidiaries	$ 147,699	$ 180,966
SDI (JIANGSU)	667,086	816,603
Other related parties	3,960	8,250
Total	$ 818,745	$ 1,005,819

Purchases price with related parties was determined and negotiated referring to related market price. The payment term was T/T 60~90 days.

C. Receivables due from related parties

Items	Related Party	December 31 2019	December 31 2018
Accounts receivable	Subsidiaries	$ 1,921	$ 5,283
	SDI (JIANGSU)	63,591	219,974
	Other related parties	–	49
	Total	$ 65,512	$ 225,306
Other receivables	Subsidiaries	$ 8,584	$ 8,456
	SDI (JIANGSU)	11,566	2,616
	Total	$ 20,150	$ 11,072

D. Payables due to related parties

Items	Related Party	December 31 2019	December 31 2018
Accounts payable	Subsidiaries	$ 34,968	$ 48,295
	SDI (JIANGSU)	47,436	78,472
	Other related parties	1,304	2,172
	Total	$ 83,708	$ 128,939
Other payables	Subsidiaries	$ 26,590	$ 31,151
	Other related parties	813	1,816
	Total	$ 27,403	$ 32,967

E. Property transactions

Selling equipment to related parties

Related Party	2019 Price	2019 Profit (Loss)	2018 Price	2018 Profit (Loss)
Subsidiaries	$ 15,039	$ 689	$ 1,415	$ 319
Total	$ 15,039	$ 689	$ 1,415	$ 319

The unrealized gains from selling equipment as mentioned above have been deferred.

F. Selling parts

Related Party	2019 Price	2019 Profit(Loss)	2018 Price	2018 Profit(Loss)
Subsidiaries	$ 8,850	$ 653	$ 3,802	$ 288

The stationaries and electric parts the subsidiaries needed for production were purchased by the Company. The unrealized gains as mentioned above have been deferred.

G.Endorsement and Guarantees

Party being guaranteed	Matter being guaranteed	December 31 2019	December 31 2018
SDI(JIANGSU)	Banking facilities	$ 1,338,127	$ 1,067,346
	Total	$ 1,338,127	$ 1,067,346

H.Other transactions

Items	Related Party	2019	2018
Processing fee	Chao Shin Metal	$ 5,517	$ 7,552
Rental expense	Chao Shin Metal	$ -	$ 3,000
Other expenses	Subsidiaries	$ 3,461	$ 5,187
	Other related parties	-	45
	Total	$ 3,461	$ 5,232
Rental income	Other related parties	$ 144	$ 144
	TEC Brite Technology	18,744	18,744
	Total	$ 18,888	$ 18,888
Other income	Subsidiaries	$ 26,456	$ 37,667
	Other related parties	387	488
	Total	$ 26,843	$ 38,155
Deduction of expenses	Subsidiaries	$ 1,483	$ 3,954
	Other related parties	24	93
	Total	$ 1,507	$ 4,047

I. Lease agreement

Item	Related Party	December 31 2019
Right-of-use assets	Chao Shin Metal	$ 42,251
Lease liabilities－current	Chao Shin Metal	$ 2,510
Lease liabilities－non-current	Chao Shin Metal	$ 39,987

Item	Related Party	2019
Depreciation	Subsidiaries	$ 2,726
Interests expense	Subsidiaries	$ 520

(3) Compensation of key management personnel

Item	2019	2018
Salaries and other short-term employee benefits	$ 36,968	$ 58,322
Post- employment benefits	386	469
Total	$ 37,354	$ 58,791

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows：

Item	December 31	
	2019	2018
Time deposit pledge (recognized as other financial assets - current)	$ 10,338	$ 10,338
Refundable deposits (recognized as other non-current assets)	794	794
Total	$ 11,132	$ 11,132

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

9.1 Capital expenditures contracted at the balance sheet date but not yet incurred are as follows:

Item	December 31	
	2019	2018
Property, plant, and equipment	$ 270,540	$ 71,764

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

The Company requires an adequate capital structure to enable the expansion and enhancement of its plant and equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, development expenditure, and debt service requirements and other business requirements associated with its existing operations over the next 12 months.

12.2 Financial instruments

A. Financial risks on financial instruments

Financial risk management policies

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

The Company's material financial activities are approved by the Board of Directors (and Audit Committee) in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

The Company's sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Company's functional currency is New Taiwan dollars. The main foreign currencies of those thousand transactions are US dollars and JPY, etc. To protect against reductions in value and the volatility of future cash flows results from changes in foreign exchange rates, the Company hedges its foreign exchange risk exposure by using foreign currency loans and derivatives, such as forward exchange agreements. The usage of derivative financial instruments can assist the Company to reduce but not completely eliminate the influence of changes in foreign exchange rates.

Sensitivity analysis of foreign currency risk

	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 41,432	29.98	$ 1,242,142
JPY	192,538	0.27	53,140
Non-monetary Items			
Investments accounted for using equity method			
USD	55,725	29.98	1,670,634
Financial Liabilities			
Monetary Items			
USD	8,413	29.98	252,207
JPY	24,238	0.27	6,690

		December 31, 2018			
		Foreign Currency	Exchange Rate		New Taiwan Dollars
Financial Assets					
Monetary Items					
USD	$	64,096	30.72	$	1,967,890
JPY		247,226	0.28		68,778
Non-monetary Items					
Investments accounted for using equity					
USD		58,537	30.72		1,797,965
Financial Liabilities					
Monetary Items					
USD		26,960	30.72		828,062
JPY		172,478	0.28		47,983

The Company is mainly exposed to US dollar and JPY. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $10,364 thousand and $11,606 thousand for the years ended December 31, 2019 and 2018, respectively.

ii. Price risk

The Company is exposed to the price risk of funds and unlisted equity securities because these equity investments held by the Company are classified as either financial assets at fair value through profit/loss or financial assets at fair value through other comprehensive income.

The Company mainly invests in funds and equity instrument of unlisted stocks. The prices of funds and equity instrument of unlisted stocks would change due to the uncertainty of the future value.

If the prices of these equity securities had increased/decreased by 1%, the profit before tax and other comprehensive income before tax would have increased/decreased by $28 thousand, $172 thousand, $24 thousand and $163 thousand, respectively, due from increase/decrease in fair value.

iii. Interest rate risk

The carrying amounts of interest – bearing financial instruments held by the Company as of the reporting date are as follows:

Items	Carrying Amounts December 31 2019	Carrying Amounts December 31 2018
Fair value interest rate risk		
Financial assets	$ 1,294	$ 48,935
Financial liabilities	–	–
Net	$ 1,294	$ 48,935
Cash flow interest rate risk		
Financial assets	$ 534,785	$ 626,138
Financial liabilities	(1,755,000)	(1,742,000)
Net	$ (1,220,215)	$ (1,115,862)

Sensitivity analysis for instruments with fair value interest rate risk

The Company does not classify any fixed-rate instruments as financial assets measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedge instruments under the fair value hedge accounting model. Therefore, the change in interest rate on the reporting date has no effect on profit or loss and other comprehensive income.

Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Group's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases (decreases) 1%, the profit before tax will increase (decrease) $12,202 thousand and $11,159 thousand for the years ended December 31, 2019 and 2018, respectively.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily bank deposits and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business - related credit risk

In order to maintain the credit quality of the trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affects a customer's paying ability, such as the customer's financial condition and historical transaction records, internal and external credit rating and economic conditions.

The Company does not hold any collateral or other credit enhancement to hedge against the credit risk of financial assets.

Financial credit risk

The Company’s exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company’s treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i. Credit concentration risk

The proportion of accounts receivable of the Company's four largest customers to the total balance of accounts receivable as of December 31, 2019 and 2018 is 50% and 48%, respectively, The credit concentration risk associated with other accounts receivable is relatively insignificant.

ii. Measurement of expected credit losses

a. Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6(4) for more information.

b. The criteria used to determine whether credit risk has increased significantly: The Company considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

iii. Holding collateral and other credit enhancement to hedge against credit risk of financial assets: None.

iv. Credit risk of financial assets measured at amortized cost:

Please refer to Note 6(4) for information on the Company’s credit exposures associated with accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses; therefore, the loss allowance for those instruments is measured at an amount equal to 12-month expected credit losses. After assessment, the Company determined that no material impairment occurred.

(c) Liquidity risk

i. Liquidity risk management

The objective of the Group's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Group has sufficient financial flexibility for its operations.

ii. Maturity analysis for financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

Non-derivative Financial Liabilities	December 31, 2019 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 6,562	$ －	$ －	$ 6,562	$ 6,562
Accounts payable	472,016	－	－	472,016	472,016
Other payables	360,324	－	－	360,324	360,324
Lease liabilities	9,797	36,989	108,590	155,376	141,142
Long-term loan (include current portion)	97,324	1,239,566	471,055	1,807,945	1,755,000
Guarantee deposits	－	－	87	87	87
Total	$ 946,023	$ 1,276,555	$ 579,732	$ 2,802,310	$ 2,735,131

Further information of the maturity analysis for lease liabilities are as follows：

	December 31, 2019 Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 9,797	$ 36,989	$ 44,892	$ 46,415	$ 17,283	$ 155,376

Non-derivative Financial Liabilities	December 31, 2018 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 9,268	$ －	$ －	$ 9,268	$ 9,268
Accounts payable	1,129,556	－	－	1,129,556	1,129,556
Other payables	502,903	－	－	502,903	502,903
Long-term loan (include current portion)	510,261	1,261,272	－	1,771,533	1,742,000
Guarantee deposits	－	－	27	27	27
Total	$ 2,151,988	$ 1,261,272	$ 27	$ 3,413,287	$ 3,383,754

The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

12.3 Category of financial instruments

Items	December 31 2019	2018
Financial assets		
Financial assets at fair value through profit or loss	$ 2,816	$ 2,425

Items	December 31 2019		December 31 2018	
Financial assets measured at amortized cost (Note 1)	$	1,753,621	$	2,522,837
Financial assets at fair value through other comprehensive income		17,218		16,336
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost (Note 2)		2,593,989		3,383,754

Note 1:The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivable and refundable deposits.

Note 2:The balances included financial liabilities measured at amortized cost, which comprise short-term loan, accounts payable, other payables, long-term loan (include current portion) and guarantee deposits received.

12.4 Fair value information of financial instruments

A. Definition of fair value measurements are grouped into Level 1 to 3 as follows:

Level 1:Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date.

Level 2:Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly.

Level 3:Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments, equity investment without active market and investment property is included in Level 3.

B. Financial instruments that are not measured at fair value

The fair value of the Company's financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term loan, accounts payables, long-term loan (including current portion) and other financial liabilities approximate their fair value.

C. Fair value of financial instruments that are measured at fair value：

The financial instruments that are measured at fair value on a recurring basis, the information of fair value is as follow:

Item	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 2,816	$ -	$ -	$ 2,816
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	17,218	17,218
Total	$ 2,816	$ -	$ 17,218	$ 20,034

Item	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 2,425	$ -	$ -	$ 2,425
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	16,336	16,336
Total	$ 2,425	$ -	$ 16,336	$ 18,761

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The Group measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

(b) Fair value of equity investment of unlisted stocks without active market was estimated through the market approach that is mainly referenced to the same type of companies' evaluation, quotes from third parties, net assets and state of operation. The significant and unobservable input parameter for assessing the unlisted stocks mainly relates to liquidly discount rate. Since the possible changes of liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.

(c) Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.

E. Transfer between Level 1 and Level 2 of the fair value hierarchy: none.

F. Changes in level 3 instruments are shown in the table below:

Item	2019	2018
Financial assets at FVTOCI		
Balance at January 1	$ 16,336	$ –
Effect of initial application	–	14,000
Unrealized valuation gains or losses on equity investments at FVTOCI	882	2,336
Balance at December 31	$ 17,218	$ 16,336

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided to others: None;

B. Endorsement and guarantee provided to others: Please see Table 1 attached;

C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period) : Please see Table 2 attached;

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

E. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 3 attached;

F. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: None;

I. Information on the derivative instrument transactions: None;

(2) Information on investees : Please see Table 5 attached;

(3) Information on investment in Mainland China

A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6 attached;

B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 4 attached.

14. SEGMENT INFORMATION

The company has provided the segment information disclosure in the consolidated financial statements for the year ended 2019.

SDI CORPORATION

ENDORSEMENTS / GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 1

Amounts in Thousands of New Taiwan Dollars

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equty per Latest Financial Statements	Maximum Endorsement /Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Name	Nature of Relantionship											
0	SDI	SDI (JIANGSU)	(3)	$ 2,538,546	$1,338,127	$1,338,127	$694,983	$ -	23.72%	$ 2,820,607	Y	N	Y	

Note 1：The numbers filled in for the financing company represent the following：
(1) The Company is ‘0’.

Note 2：Relationships between the endorser/guarantor and the party being endorsed/guaranteed：
(1) Trading parties.
(2) The Company direct and indirect owns over 50% ownership of subsidiaries.
(3) The Company and its subsidiaries own over 50% ownership of the investee company.

Note 3：The total amount of the guarantee provided by SDI to any individual entity shall not exceed forty-five percent (45%) of Company’s net worth.

Note 4：The total amount of guarantee shall not exceed fifty percent (50%) of Company’s net worth.

Note 5："Y” represents the endorsement and guarantee provide by listed parent company to subsidiaries, subsidiaries to listed parent company, or take place in Mainland China.

SDI CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

TABLE 2

Amounts in Thousands of New Taiwan Dollars

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	DECEMBER 31, 2019				Remarks
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair Value	
SDI	Capital China Income Balanced Fund A	—	Financial Assets at Fair Value through Profit or Loss—Current	300	$ 2,816	- %	$ 2,816	
	Chang Hwa Golf Club	—	Financial Assets at Fair Value through Other Comprehensive Income —Noncurrent	90	7,597	0.24%	7,597	
	SDI ELECTRONICS JAPAN CO.,LTD	—	Financial Assets at Fair Value through Other Comprehensive Income —Noncurrent	30	5,621	15.00%	5,621	
	SDI JAPAN CO.,LTD	—	Financial Assets at Fair Value through Other Comprehensive Income —Noncurrent	200	4,000	19.61%	4,000	

SDI CORPORATION

ACQUISITION OF INDIVIDUL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 3

Amounts in Thousands of New Taiwan Dollars

Company Name	Types of Property	Date of Occurrence (Note 1)	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Remarks
							Owner	Relationships	Transfer Date	Amount			
SDI	Building H construction (Nantou)	November 8, 2019	$ 314,500	$ 31,450	HSING YA CONSTRUCTION ENGINEERING CO., LTD.	—	—	—	—	$ -	Price comparison and price negotiation	Plant Expansion	—

Note 1： Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

SDI CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 4

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases /Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
SDI	SDI Jiangsu	Subsidiary	Sales	$157,829	2.35%	As prescribed by the agreement	—	—	$ 63,591	5.66%	
SDI Jiangsu	SDI	The ultimate parent of the Company	Sales	668,166	30.17%	As prescribed by the agreement	—	—	47,442	9.92%	
TEC BRITE TECHNOLOGY CO., LTD	SDI	The ultimate parent of the Company	Sales	136,469	18.96%	As prescribed by the agreement	—	—	35,646	22.08%	
CHAO SHIN METAL INDUSTRIAL CORP.	SDI Jiangsu	Associate	Sales	118,073	40.92%	As prescribed by the agreement	—	—	32,258	52.72%	

SDI CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2019

TABLE 5

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income(Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
SDI	CHAO SHIN METAL INDUSTRIAL CORP.	Taiwan	Smelting and rolling of metal strips	$ 106,953	$ 106,953	14,810	84.62%	$ 240,272	$ 23,443	$ 23,683	Note 1
	TEC BRITE TECHNOLOGY CO., LTD	Taiwan	Manufacturing of electronic components and international trade	98,969	98,969	9,897	54.98%	351,377	119,548	67,908	Note 1
	SHUEN DER (B.V.I.)	BVI	Holding Company	669,415	669,415	8,920	100.00%	1,634,808	(58,338)	(60,839)	Note 1、2

Note 1：The difference of the shares of profits/losses of investee is recognized as unrealized gross profit.

Note 2：Please refer to Table 6 for information of investees of China Mainland.

SDI CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 6

Amounts in Thousands of New Taiwan Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1,2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31,2019	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/ Losses	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31,2019	Note
					Outflow	Inflow							
SDI Jiangsu	Manufacture, process and sales of integrated circuit frame, blades, stationary, etc.	$1,049,300	Note 1	$ 689,540	$ -	$ -	$ 689,540	$ (58,278)	100.00%	$(58,278)	$ 1,668,075	$ -	

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 689,540	$ 1,049,300	$ 3,583,000

Note 1：Reinvesting in the Mainland China through third-region companies.
Note 2：Amounts is recognized based on the audited financial statements.
Note 3：Foreign currencies aforementioned are translated into NTD using the exchange rate at the reporting date or average exchange rate for the year ended.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SDI Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 1

Item	Description		Amount
Cash on hand			$ 721
Cash in banks			
New Taiwan Dollars			
Checking accounts deposits			3,195
Demand deposits			282,233
Time deposits			2,000
Foreign currency			
Demand deposits	(USD)	7,295,793	218,728
	(JPY)	56,632,037	15,630
	(EUR)	186,667	6,270
	(CHF)	2,747	85
Subtotal			528,141
Total			$ 528,862

Note：USD$1 = NT$29.98
JPY $1 = NT$0.276
EUR$1 = NT$33.59
CHF$1 = NT$30.925

SDI Corporation

STATEMENT OF NOTES RECEIVABLE, NET

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 2

Client Name	Description	Amount	Remark
Client A	Payment for goods	$ 3,775	
Client B	Payment for goods	2,374	
Client C	Payment for goods	2,204	
Client D	Payment for goods	1,668	
Client E	Payment for goods	1,554	
Others (Note)	Payment for goods	7,582	
Subtotal		19,157	
Less：loss allowance		-	
Total		$ 19,157	

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

SDI Corporation

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 3

Client Name	Description	Amount	Remark
Accounts receivable - nonrelated parties			
Client F	Payment for goods	$ 166,154	
Client G	Payment for goods	81,297	
Client H	Payment for goods	65,754	
Client I	Payment for goods	64,118	
Others (Note)	Payment for goods	669,662	
Subtotal		1,046,985	
Less：loss allowance		(7,953)	
Total		$ 1,039,032	

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

SDI Corporation

STATEMENT OF INVENTORIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 4

Item	Description	Amount		Remark
		Cost	Net Realizable Value	
Work-in-process		$ 772,992	$ 852,233	
Finished goods		523,354	556,261	
Raw materials		441,309	434,652	
Merchandise		27,453	42,385	
Inventory in transit		38,138	38,138	
Total		$ 1,803,246	$ 1,923,669	

SDI Corporation

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Thousands of Shares)

Statement 5

	Balance, January 1, 2019		Addition(Note1)		Decrease(Note2)		Balance, December 31, 2019					
Investees	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Net Assets Value	Collateral	Remark
Chao Shin Metal	14,810	$ 242,911	-	$ 24,019	-	$ (26,658)	14,810	84.62%	$ 240,272	$ 246,441	Nil	
TEC Brite Technology	9,897	338,064	-	67,746	-	(54,433)	9,897	54.98%	351,377	351,727	Nil	
SHUEN DER(B.V.I)	8,920	1,761,037	-	2,701	-	(128,930)	8,920	100%	1,634,808	1,670,634	Nil	
Total		$ 2,342,012		$ 94,466		$ (210,021)			$ 2,226,457	$ 2,268,802		

Note 1：Information of Addition is as follows：

Share of profit or loss of subsidiaries accounted for using equity method (Note 3)	$	86,991
Realized gain or loss on downstream transactions		2,701
Realized gain or loss on upstream transactions		4,600
Share of other comprehensive income of subsidiaries accounted for using equity method		174
Total	$	94,466

Note 2：Information of Decrease is as follows:

Share of profit or loss of subsidiaries accounted for using equity method	$	58,338
Receiving cash dividends of investees		81,091
Unrealized gain or loss on upstream transactions		1,600
Exchange differences arising on translation of foreign operations		68,992
Total	$	210,021

Note 3： Amounts includes $31,653 thousand from the Company's share of subsidiaries' profits or losses accounted for using the equity method and $(901) thousand from the deferred income tax of unrealized profit under downstream transactions recognized in parent company only financial statements.

SDI Corporation

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 6

Vendor Name	Description	Amount	Remark
Vendor A	Expense	$ 1,673	
Vendor B	Payment	788	
Vendor C	Payment	771	
Vendor D	Payment	511	
Vendor E	Payment for equipment	473	
Vendor F	Expense	339	
Others (Note)		2,007	
Total		$ 6,562	

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

SDI Corporation

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 7

Vendor Name	Description	Amount	Remark
Accounts payable - nonrelated parties			
Vendor G	Payment for materail	$ 85,465	
Vendor H	Payment for materail	43,652	
Vendor I	Payment for materail	38,378	
Vendor J	Payment for materail	26,783	
Others (Note)	Payment for materail	194,030	
Total		$ 388,308	

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

SDI Corporation

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 8

Creditor	Description	Amount	Contract Period	Collateral	Remark
KGI Bank	Unsecured loans	$ 250,000	110.06.14	Nil	
Mizuho Bank	Unsecured loans	200,000	110.12.30	Nil	
Mega International Commercial Bank	Unsecured loans	200,000	115.09.15	Nil	
Taishin International Bank	Unsecured loans	180,000	110.07.31	Nil	
Bangkok Bank	Unsecured loans	80,000	109.05.15	Nil	
HSBC Bank	Unsecured loans	280,000	110.12.07	Nil	
Bank of Taiwan	Unsecured loans	200,000	115.08.15	Nil	
Bank of Taiwan	Unsecured loans	25,000	115.12.15	Nil	
E.SUN Bank	Unsecured loans	100,000	110.09.04	Nil	
E.SUN Bank	Unsecured loans	100,000	110.09.04	Nil	
Bank SinoPac	Unsecured loans	100,000	110.09.30	Nil	
Chang Hwa Commercial Bank	Unsecured loans	40,000	115.11.15	Nil	
Subtotal		1,755,000			
Less：Current portion		(80,000)			
Total		$ 1,675,000			

Note：The range of interest rates is 0.70% ～1.26%

SDI Corporation

STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 9

Item	QTY (in thousand PCE)	Amount	Remark
Stationery products			
Correction tapes	21,036	$ 325,687	
Scissors	88,014	303,450	
Staplers	10,700	119,181	
Others		239,515	
Subtotal		987,833	
Electronic products			
Electronic monomers	65,183 Thousand KPC	4,198,340	
Electronic integrated circuits	6,392 Thousand KPC	1,266,657	
Others		222,185	
Subtotal		5,687,182	
Others		114,995	
Total		6,790,010	
Sales allowances		(70,708)	
Net revenue		$ 6,719,302	

SDI Corporation

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)
Statement 10

Item	Amount: Subtotal	Amount: Total
Cost of purchased goods sold		
Balance, beginning of year	$ 29,094	
Purchase	856,714	
Balance, end of year	(25,564)	
Transferred to raw materials	(435,817)	
Scrapped	(404)	
Transferred to expenses	(260)	$ 423,763
Cost of self-manufactured goods sold		
Raw materials:		
Balance, beginning of year	612,480	
Purchase	3,168,448	
Transferred in from purchased goods	435,817	
Balance, end of year	(464,345)	
Raw materials sold	(63,337)	
Scrapped	(15,581)	
Transferred to expenses	(42,773)	3,630,709
Direct labor		366,309
Manufacturing expenses		1,311,879
Manufacturing cost		5,308,897
Add：Work in process, beginning of year		555,821
Less：Work in process, end of year		(664,437)
Scrapped		(36,441)
Transferred to expenses		(56)
Cost of finished goods		5,163,784
Add：Finished goods, beginning of year		552,294
Less：Finished goods, end of year		(514,926)
Scrapped		(26,902)
Transferred to assets		(199,913)
Transferred to expenses		(45)
Total cost of goods sold		5,398,055
Other cost of goods sold		
Molds and parts sold		103,136
Raw materials sold		63,337
Others		(500)
Unallocated fixed overhead		10,226
Losses on obsolete inventories	79,328	
Revenue from sale of obsolete inventories	(32,918)	46,410
Less：Revenue from sale of scraps		(804)
Total cost of revenue		$ 5,619,860

SDI Corporation
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)
Statement 11

Item	Description	Amount	Remark
Indirect labor		$ 255,507	
Repair and maintenance expenses		179,933	
Utilities expenses		127,831	
Insurance expenses		68,650	
Depreciation		400,335	
Consumable expenses		113,191	
Others(Note)		166,432	
Total		$ 1,311,879	

Note：The amount of each item in others does not exceed 5% of the account balance.

SDI Corporation

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Statement 12

Item	Marketing	Administrative	Research and development	Total
Salaries	$ 51,898	$ 100,087	$ 119,359	$ 271,344
Shipping expenses	36,669	28	368	37,065
Insurance expenses	4,625	7,470	11,530	23,625
Entertainment expenses	11,177	3,773	562	15,512
Depreciation	1,413	22,466	10,885	34,764
Commission expenses	10,712	-	-	10,712
Export charges	22,869	-	-	22,869
Others (Note)	36,725	54,484	56,502	147,711
Total	$ 176,088	$ 188,308	$ 199,206	$ 563,602

Note：The amount of each item in others does not exceed 5% of the account balance.