

SDI Corporation and Its Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
for the Three-Month Periods Ended March 31, 2020 and 2019

Address: No. 260, Sec. 2, Zhangnan Rd., Dazhu Vil., Changhua City, Changhua County
Tel: +886-4-7383991

Independent Auditors' Report

To SDI Corporation:

Introduction

We have audited the consolidated balance sheet of SDI Corporation and its subsidiaries as on March 31, 2020 and 2019, and consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statements of cash flows as well as the notes to the consolidated financial statements (including a summary of significant accounting policies) as from January 1 to March 31, 2020 and 2019. It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed, issued, and effected by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial statements based on our reviews.

Boundaries

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in compliance with Statements of Auditing Standards (SAS) No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 4(3) to the aforementioned consolidated financial statements, the financial statements of some non-essential subsidiaries included in the consolidated financial statements for the same period have not been reviewed by us, and their total assets as of March 31, 2020 and 2019 were NT\$1,111,751 thousand and NT\$1,025,328 thousand, respectively, accounting for 11% and 9% of the total consolidated assets, respectively; their total liabilities were NT\$214,373 thousand and NT\$173,221 thousand, respectively, accounting for 5% and 3% of the total consolidated liabilities, respectively; their total comprehensive income from January 31 to March 31, 2020 and 2019, 1998 were NT\$32,612 thousand and NT\$25,018 thousand, respectively, accounting for 62% and 13% of the total comprehensive income, respectively.

Qualified Conclusion

According to our audit results, except that the financial statements and relevant information of some non-essential subsidiaries mentioned in the paragraph of "Basis for Qualified Conclusion" may influence the adjustment of the consolidated financial statements once the said statements have been reviewed by us, nothing has come to our attention that causes us to believe that the accompanying

financial statements do not present fairly, in all material aspects, the consolidated financial position of SDI Corporation and its subsidiaries as on March 31, 2020 and 2019, and their consolidated financial performance and cash flows for the three months then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed, issued, and effected by FSC.

Crowe Horwath (TW) CPAs

CPA: Yang Chen-yu

CPA: Lin Ming-shou

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No. Zheng-Shen—1050001113
May 6, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

SDI Corporation and Its Subsidiaries
Consolidated Balance Sheet
March 31, 2020, December 31, 2019, and March 31, 2019

Unit: NTS1,000

| Code | Item | Notes | March 31, 2020 (Reviewed) | | December 31, 2019 (Audited) | | March 31, 2019 (Audited) | |
|--|--|----------------|---------------------------|------------|-----------------------------|------------|--------------------------|------------|
| | | | Amount | % | Amount | % | Amount | % |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | VI (I) | \$ 1,092,706 | 10 | \$ 871,509 | 8 | \$ 985,019 | 9 |
| 1110 | Financial Assets measured at fair value through profit or loss (FVTPL) - current | VI (II) | 59,873 | 1 | 62,947 | 1 | 2,712 | - |
| 1150 | Notes receivable, net | VI (III), VIII | 130,337 | 1 | 108,113 | 1 | 137,337 | 1 |
| 1170 | Accounts receivable, net | VI (IV) | 1,509,733 | 14 | 1,591,245 | 15 | 1,658,728 | 15 |
| 1180 | Accounts receivable - related parties | VI (IV), VII | 6,187 | - | 5,279 | - | 4,406 | - |
| 1200 | Other receivables | VII | 14,004 | - | 13,779 | - | 12,674 | - |
| 1220 | Current income tax assets | | - | - | - | - | 727 | - |
| 130x | Inventory | VI (V) | 2,709,897 | 26 | 2,603,477 | 25 | 3,052,786 | 27 |
| 1410 | Prepayments | VI (VI) | 68,420 | 1 | 71,255 | 1 | 79,884 | 1 |
| 1476 | Other financial assets - current | VI (VII), VIII | 24,911 | - | 20,493 | - | 56,532 | - |
| 1470 | Other current assets | | 1,276 | - | 1,943 | - | 2,281 | - |
| 11xx | Total current assets | | 5,617,344 | 53 | 5,350,040 | 51 | 5,993,086 | 53 |
| Non-current assets | | | | | | | | |
| 1517 | Financial assets measured at FVTOCI - non-current | VI (VIII) | 16,328 | - | 17,218 | - | 14,934 | - |
| 1600 | Property, plant and equipment | VI (IX) | 4,453,090 | 42 | 4,566,765 | 44 | 4,864,828 | 43 |
| 1755 | Right-of-use assets | VI (X) | 221,668 | 2 | 223,701 | 2 | 187,908 | 2 |
| 1780 | Intangible assets | VI (XI) | 62,633 | 1 | 60,131 | 1 | 63,291 | 1 |
| 1840 | Deferred income tax assets | | 151,084 | 1 | 143,854 | 2 | 160,634 | 1 |
| 1900 | Other non-current assets | VI (XII) | 49,704 | 1 | 34,861 | - | 33,282 | - |
| 15xx | Total non-current assets | | 4,954,507 | 47 | 5,046,530 | 49 | 5,324,877 | 47 |
| 1 xxx | Total assets | | \$ 10,571,851 | 100 | \$ 10,396,570 | 100 | \$ 11,317,963 | 100 |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | VI (XIII) | \$ 710,150 | 7 | \$ 767,575 | 7 | \$ 787,239 | 7 |
| 2110 | Short-term notes payable | VI (XIV) | 9,998 | - | 9,998 | - | 9,983 | - |
| 2130 | Contract liabilities - current | VI (XXIV) | 96,529 | 1 | 70,600 | 1 | 52,213 | - |
| 2150 | Notes payable | VI (XV) | 43,583 | - | 44,509 | - | 79,235 | 1 |
| 2170 | Accounts payable | | 844,298 | 8 | 554,347 | 5 | 1,022,508 | 10 |
| 2180 | Accounts payable - related parties | VII | - | - | 1,513 | - | 2,608 | - |
| 2200 | Other payables | VI (XVI) | 382,723 | 4 | 506,444 | 5 | 481,234 | 4 |
| 2220 | Other payables - related parties | VII | 229 | - | 813 | - | 1,369 | - |
| 2230 | Current income tax liabilities | | 63,488 | 1 | 35,634 | 1 | 215,488 | 2 |
| 2280 | Lease liabilities - current | VI (X) | 6,959 | - | 5,802 | 1 | 9,980 | - |
| 2320 | Long-term borrowings - current portion | VI (XVII) | 100,013 | 1 | 132,465 | 1 | 453,935 | 4 |
| 2300 | Other current liabilities | | 8,430 | - | 13,224 | - | 11,679 | - |
| 21xx | Total current liabilities | | 2,266,400 | 22 | 2,142,924 | 21 | 3,127,471 | 28 |
| Non-current liabilities | | | | | | | | |
| 2540 | Long-term borrowings | VI (XVII) | 1,742,223 | 16 | 1,717,975 | 17 | 1,350,000 | 12 |
| 2570 | Deferred income tax liabilities | | 278,017 | 3 | 289,993 | 3 | 321,352 | 3 |
| 2580 | Lease liabilities - non-current | VI (X) | 92,472 | 1 | 92,720 | 1 | 96,946 | 1 |
| 2640 | Net defined benefit liabilities - non-current | VI (XVIII) | 140,276 | 1 | 148,350 | 1 | 167,433 | 1 |
| 2600 | Other non-current liabilities | | 28,527 | - | 32,942 | - | 36,219 | - |
| 25xx | Total non-current liabilities | | 2,281,515 | 21 | 2,281,980 | 22 | 1,971,950 | 17 |
| 2xxx | Total Liabilities | | 4,547,915 | 43 | 4,424,904 | 43 | 5,099,421 | 45 |
| Equity attributable to owners of parent company | | | | | | | | |
| 3110 | Share capital - common stock | VI (XIX) | 1,821,403 | 17 | 1,821,403 | 17 | 1,821,403 | 16 |
| 3200 | Capital surplus | VI (XX) | 485,257 | 5 | 485,257 | 4 | 485,155 | 4 |
| 3300 | Retained earnings | VI (XXI) | | | | | | |
| 3310 | Legal capital reserve | | 815,192 | 8 | 815,192 | 8 | 732,304 | 6 |
| 3320 | Special reserve | | 101,183 | 1 | 101,183 | 1 | 84,954 | 1 |
| 3350 | Undistributed earnings | | 2,622,328 | 25 | 2,573,748 | 25 | 2,834,183 | 26 |
| 3400 | Other equity interest | VI (XXII) | (165,388) | (2) | (155,570) | (1) | (69,634) | (1) |
| 31xx | Total equity attributable to owners of parent company | | 5,679,975 | 54 | 5,641,213 | 54 | 5,888,365 | 52 |
| 36xx | Non-controlling interest | VI (XXIII) | 343,961 | 3 | 330,453 | 3 | 330,177 | 3 |
| 3xxx | Total equity | | 6,023,936 | 57 | 5,971,666 | 57 | 6,218,542 | 55 |
| | Total liabilities and equity | | \$ 10,571,851 | 100 | \$ 10,396,570 | 100 | \$ 11,317,963 | 100 |

(Please refer to accompanying notes to the consolidated financial statements)
(Please refer to the auditor's report issued by Crowe Horwath (TW) CPAs on May 6, 2020)

SDI Corporation and Its Subsidiaries
Consolidated Statement of Comprehensive Income

January 1 to March 31, 2020 and January 1 to March 31, 2019

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: NT\$1,000

(Earnings per share: NT\$)

| Code | Item | Notes | January to March 2020 | | January to March 2019 | |
|------|---|-----------------|-----------------------|------|-----------------------|------|
| | | | Amount | % | Amount | % |
| 4000 | Operating revenue | VI (XXIV), VII | \$ 1,939,815 | 100 | \$ 2,267,041 | 100 |
| 5000 | Operating costs | VI(V, XXV), VII | (1,685,575) | (87) | (1,869,416) | (82) |
| 5950 | Net gross profit | | 254,240 | 13 | 397,625 | 18 |
| | Operating expenses | VI(XXV), VII | | | | |
| 6100 | Selling expenses | | (68,658) | (3) | (68,571) | (3) |
| 6200 | Administrative expenses | | (64,850) | (3) | (77,016) | (3) |
| 6300 | Research and development expenses | | (52,119) | (3) | (58,035) | (3) |
| 6450 | Expected credit impairment loss | VI (IV) | (398) | - | (3,858) | - |
| 6000 | Total operating expenses | | (186,025) | (9) | (207,480) | (9) |
| 6900 | Operating profit | | 68,215 | 4 | 190,145 | 9 |
| | Non-operating income and expenses | | | | | |
| 7010 | Other income | VI (XXVI) | 16,346 | 1 | 4,847 | - |
| 7020 | Other gains and losses | VI (XXVII) | 2,645 | - | 21,329 | 1 |
| 7050 | Finance costs | VI (XXVIII) | (14,307) | (1) | (15,789) | (1) |
| 7000 | Total non-operating income and expenses | | 4,684 | - | 10,387 | - |
| 7900 | Net income before tax | | 72,899 | 4 | 200,532 | 9 |
| 7950 | Income tax expenses | VI (XXIX) | (10,811) | (1) | (37,534) | (2) |
| 8200 | Net income for this period | | 62,088 | 3 | 162,998 | 7 |
| | Other comprehensive income - net | VI (XXX) | | | | |
| 8310 | Items that will not be reclassified to profit or loss | | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at FVTOCI | | (890) | - | (1,402) | - |
| 8349 | Income tax expenses related to items that will not be reclassified subsequently to profit or loss | | 179 | - | 292 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | VI (XXIX) | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | | (11,384) | - | 40,824 | - |
| 8399 | Income tax expenses related to items that may be reclassified to profit or loss | | 2,277 | - | (8,165) | 1 |
| 8300 | Other comprehensive income - net | VI (XXIX) | (9,818) | - | 31,549 | 1 |
| 8500 | Total comprehensive income | | \$ 52,270 | 3 | \$ 194,547 | 8 |
| 8600 | Net income attributable to: | | | | | |
| 8610 | Owners of the parent company (net income) | | \$ 48,580 | 3 | \$ 153,856 | 7 |
| 8620 | Non-controlling interests (net income) | VI (XXIII) | 13,508 | 1 | 9,142 | - |
| | | | \$ 62,088 | 4 | \$ 162,998 | 7 |
| 8700 | Total comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent company (consolidated profit and loss) | | \$ 38,762 | 2 | \$ 185,405 | 8 |
| 8720 | Non-controlling interests (consolidated profit and loss) | VI (XXIII) | 13,508 | 1 | 9,142 | - |
| | | | \$ 52,270 | 3 | \$ 194,547 | 8 |
| | Earnings per share | VI (XXXI) | | | | |
| 9750 | Basic earnings per share | | \$ 0.27 | | \$ 0.84 | |
| 9850 | Diluted earnings per share | | \$ 0.27 | | \$ 0.84 | |

(Please refer to accompanying notes to the consolidated financial statements)

(Please refer to the auditor's report issued by Crowe Horwath (TW) CPAs on May 6, 2020)

SDI Corporation and Its Subsidiaries
Consolidated Statement of Changes in Equity

January 1 to March 31, 2020 and January 1 to March 31, 2019

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: NT\$1,000

| Item | Equity attributable to owners of parent company | | | | | | | | | | Total equity |
|--|---|--------------------|--------------------------|----------------------------|---------------------------|--|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | Share capital - common stock | Capital surplus | Retained earnings | | | Other equity items | | | | Non- controlling interests | |
| | | | Legal capital reserve | Special capital reserve | Undistributed earnings | Exchange differences on translation of foreign financial | Unrealized (loss) profit of financial assets in other comprehensive income measured at FVTOCI | Total other equity interest | Total | | |
| Balance as of January 1, 2019 | \$ 1,821,403 | \$ 485,155 | \$ 732,304 | \$ 84,954 | \$ 2,680,327 | \$ (113,793) | \$ 12,610 | \$ (101,183) | \$ 5,702,960 | \$ 321,035 | \$ 6,023,995 |
| Net income for the three-month period ended March 31, 2019 | - | - | - | - | 153,856 | - | - | - | 153,856 | 9,142 | 162,998 |
| Other comprehensive income for the three-month period ended Mar. 31, 2019 | - | - | - | - | - | 32,659 | (1,110) | 31,549 | 31,549 | - | 31,549 |
| Balance as of March 31, 2019 | <u>\$ 1,821,403</u> | <u>\$ 485,155</u> | <u>\$ 732,304</u> | <u>\$ 84,954</u> | <u>\$ 2,834,183</u> | <u>\$ (81,134)</u> | <u>\$ 11,500</u> | <u>\$ (69,634)</u> | <u>\$ 5,888,365</u> | <u>\$ 330,177</u> | <u>\$ 6,218,542</u> |
| Balance as of January 1, 2020 | \$ 1,821,403 | \$ 485,257 | \$ 815,192 | \$ 101,183 | \$ 2,573,748 | \$ (168,987) | \$ 13,417 | \$ (155,570) | \$ 5,641,213 | \$ 330,453 | \$ 5,971,666 |
| Net income for the three-month period ended March 31, 2020 | - | - | - | - | 48,580 | - | - | - | 48,580 | 13,508 | 62,088 |
| Other comprehensive income for the three-month period ended March 31, 2020 | - | - | - | - | - | (9,107) | (711) | (9,818) | (9,818) | - | (9,818) |
| Balance as of March 31, 2020 | <u>\$ 1,821,403</u> | <u>\$ 485,257</u> | <u>\$ 815,192</u> | <u>\$ 101,183</u> | <u>\$ 2,622,328</u> | <u>\$ (178,094)</u> | <u>\$ 12,706</u> | <u>\$ (165,388)</u> | <u>\$ 5,679,975</u> | <u>\$ 343,961</u> | <u>\$ 6,023,936</u> |

(Please refer to the accompanying notes to the consolidated financial statements)
(Please refer to the auditor's report issued by Crowe Horwath (TW) CPAs on May 6, 2020)

SDI Corporation and Its Subsidiaries

Consolidated Cash Flow Statement

January 1 to March 31, 2020 and January 1 to March 31, 2019

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

| | <u>Unit: NT\$1,000</u> | |
|---|------------------------------|------------------------------|
| | <u>January to March 2020</u> | <u>January to March 2019</u> |
| Cash flows from operating activities | | |
| Income before tax for the period | \$ 72,899 | \$ 200,532 |
| Income and expenses having no effect on cash flows | | |
| Depreciation expense | 171,832 | 175,683 |
| Amortization expenses | 6,287 | 4,645 |
| Expected credit impairment loss | 398 | 3,858 |
| Net benefit of financial assets and liabilities measured at FVTPL | (22) | (287) |
| Interest expense | 14,307 | 15,789 |
| Interest income | (262) | (608) |
| Dividend income | (445) | (1,693) |
| Gain on disposal of property, plant and equipment | (2,472) | (1,625) |
| Changes in assets/liabilities relating to operating activities | | |
| Financial assets mandatorily measured at FVTPL | 3,097 | - |
| Notes receivable | (23,100) | 1,935 |
| Accounts receivable | 77,848 | 397,765 |
| Inventory | (110,998) | (170,861) |
| Prepayments | 575 | 2,631 |
| Other financial assets | 37 | 4,996 |
| Other current assets | 692 | 1,162 |
| Contract liabilities | 25,941 | 1,587 |
| Notes payable | (117) | (8,955) |
| Accounts payable | 289,353 | (164,393) |
| Other payables | (114,415) | (167,216) |
| Other current liabilities | (4,792) | (6,649) |
| Net defined benefit liabilities | (8,074) | (2,269) |
| Other operating liabilities | (4,120) | (3,437) |
| Cash inflow generated from operations | 394,449 | 282,590 |
| Interest charged | 247 | 723 |
| Dividends received | 445 | 1,693 |
| Interest paid | (14,306) | (13,195) |
| Income tax paid | - | (3,430) |
| Net cash flows from operating activities | 380,835 | 268,381 |

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| | <u>January to March 2020</u> | <u>January to March 2019</u> |
|--|------------------------------|------------------------------|
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | \$ (89,651) | \$ (213,062) |
| Disposal of property, plant and equipment | 2,556 | 2,519 |
| Refundable deposits refunded | 40 | 250 |
| Acquisition of intangible assets | (6,879) | (2,713) |
| Decrease (increase) in other financial assets | (4,863) | 8,319 |
| Net cash flows to investing activities | <u>(98,797)</u> | <u>(204,687)</u> |
| Cash flows from financing activities | | |
| Decrease in short-term borrowings | (52,580) | (88,624) |
| Increase in short-term notes payables | - | 10,000 |
| Increase in long-term borrowings | 152,977 | 500,000 |
| Repayment of long-term borrowings | (160,000) | (492,000) |
| Repayment of the principal amount of rentals | (1,749) | (2,439) |
| Increase in other non-current liabilities | (216) | - |
| Net cash inflow (outflow) from financing activities | <u>(61,568)</u> | <u>(73,063)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>727</u> | <u>(1,286)</u> |
| Increase (decrease) in cash and cash equivalents | 221,197 | (10,655) |
| Cash and cash equivalents at beginning of year | <u>871,509</u> | <u>995,674</u> |
| Cash and cash equivalents at end of the year | <u>\$ 1,092,706</u> | <u>\$ 985,019</u> |

(Please refer to the accompanying notes to the consolidated financial statements)
(Please refer to the auditor's report issued by Crowe Horwath (TW) CPAs on May 6, 2020)

SDI Corporation and Its Subsidiaries

Consolidated Financial Report Note

January 1 to March 31, 2020 and January 1 to March 31, 2019

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

(In NTD Thousands, Unless Otherwise Specified)

I. Company History

SDI Corporation (hereinafter referred to as SDI) was approved to be established on October 17, 1967, and its registered address is No. 260, Sec. 2, Zhangan Rd., Dazhu Vil., Changhua City; it originally manufactured stationery and office products; after several expansions, in addition to self-production of dies, it manufactures precision electronic parts. The principal business activities of SDI are the manufacturing, processing, and sales of electronic parts and components, blades, and stationery.

SDI's stock has been listed on the Taiwan Stock Exchange since April 25, 1996. For the principal business activities of SDI and its subsidiaries (hereinafter referred to as the "Group"), please refer to the description above and of Note 4(3)-2.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements was presented to and approved by the Board of Directors on May 6, 2020.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) The adoption of the Regulations Governing the Preparation of Financial Reports by Securities Issuers amended after January 1, 2020; the International Financial Reporting Standards (IFRS), the International Accounting Standards ((IAS), IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") has no significant impact on the consolidated financial statements.

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC: None.

(III) Impact of IFRS issued by IASB but yet to be recognized by FSC:
New standards, interpretations, and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New/Revised/Amended Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note)</u> |
|---|--|
| Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between Its Associate/Joint Venture" | |
| IFRS17 "Insurance Contracts" | January 1, 2021 |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current" | January 1, 2022 |

Note: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates, unless stated otherwise.

1. Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"
The amendment was made to clarify that when liabilities are classified as non-current, the Group's right for deferred repayment of at least 12 months after the reporting period on the terminal date of the reporting period must be evaluated. If the Group has such rights on the terminal date of the reporting period, the liability shall be classified as non-current regardless of whether the Group is expected to exercise the right. If the right to defer the settlement of liabilities of the Group is subject to the compliance with specific conditions, the Group must have met certain conditions on the terminal date of the reporting period, regardless of whether the lender has tested whether the Group has complied with such conditions at a later date. For the purpose of debt classification, the aforementioned full repayment refers to the transfer of cash, other economic resources or equity instruments of the Group to the transaction counterparty to eliminate the liabilities. However, if the terms of the liability may be based on the choice of the counterparty to transfer the equity instrument of the Group, which resulted in its settlement, and if the option is recognized separately in equity in accordance with IAS 32 "Financial Instruments: Expression," it will not affect the classification of liabilities.
In addition to what is mentioned above, the Group still continues evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the Group completes its evaluation.

IV. Summarized Remarks on Significant Accounting Policies

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidated basis and addition which are stated below, the rest are the same to Note 4 to the 2019 consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statements

1. The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting," as endorsed, issued, and effected, by the FSC.
2. These consolidated financial statements shall be read together with the 2019 consolidated financial statements.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (2) Financial assets and liabilities measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRSs recognized by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements
 - (1) All subsidiaries are included in the Group's consolidated financial statements.
 1. Subsidiaries are all entities (including structured entity) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- (5) When the Group loses control over a subsidiary, the retained investment in such former subsidiary is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset, or as the cost on initial recognition of an investment in an associate or joint venture. Difference between fair value and 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 all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss from equity when the Group loses control of a subsidiary.

2. Subsidiaries included in the consolidated financial statements are as follows:

| Name of Investor | Name of subsidiaries | Business activities | Percentage of equity interest held | | |
|--------------------|---|--|------------------------------------|-------------------|----------------|
| | | | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| SDI | SHUEN DER(B.V.I.) CO. (SHUEN DER (B.V.I.)) | Business investment | 100% | 100% | 100% |
| SHUEN DER (B.V.I.) | Shuen Der Industry (Jiangsu) Co., Ltd. (Shuen Der Industry (Jiangsu)) | Processing and manufacturing of office supplies such as blades, stationery, and electronic parts | 100% | 100% | 100% |
| SDI | Chao Shin Metal Industrial Corp. (Chao Shin Metal) | Smelting and rolling of sheet metal | 84.62% | 84.62% | 84.62% |
| SDI | Tec Brite Technology Co., Ltd. (TBT) | Manufacturing of electronic parts and international trading business | 54.98% | 54.98% | 54.98% |

For those subsidiaries included in the consolidated financial statements, SHUEN DER(B.V.I.) and (Shuen Der Industry (Jiangsu)) from January 1 to March 31, 2020 were prepared based on the financial statements reviewed by us for the same period and the rest were prepared based on financial statements not reviewed by us for the same period.

3. Subsidiaries not included in the consolidated financial statements: None.
 4. Information on subsidiaries that have significant non-controlling interests:

| Name of subsidiaries | Proportion of equity and voting rights held by non-controlling interests | | |
|----------------------|--|-------------------|----------------|
| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| TBT | 45.02% | 45.02% | 45.02% |

Please refer to Table VI for the principal place of business and country of incorporation of TBT.

| Name of subsidiaries | Profit or loss allocated to non-controlling interests | |
|----------------------|---|-----------------|
| | From January to | From January to |
| | March 2020 | March 2019 |
| TBT | \$ 12,899 | \$ 8,041 |
| Others | 609 | 1,101 |
| Total | \$ 13,508 | \$ 9,142 |

| Name of subsidiaries | Non-controlling interest | | |
|----------------------|--------------------------|-------------------|----------------|
| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| | TBT | \$ 299,709 | \$ 286,810 |
| Others | 44,252 | 43,643 | 45,266 |
| Total | \$ 343,961 | \$ 330,453 | \$ 330,177 |

The summarized financial information of the following subsidiaries is prepared in accordance before the amount of inter-company transactions has been eliminated:

A. Balance Sheet

| | TBT | | |
|----------------------------------|----------------|-------------------|----------------|
| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| | Current assets | \$ 647,700 | \$ 572,703 |
| Non-current assets | 328,949 | 343,630 | 386,607 |
| Current liabilities | (165,991) | (130,317) | (113,668) |
| Non-current liabilities | (142,271) | (146,280) | (157,767) |
| Equity | \$ 668,387 | \$ 639,736 | \$ 637,341 |
| Equity attributable to: | | | |
| Owners of SDI | \$ 367,479 | \$ 351,727 | \$ 350,410 |
| Non-controlling interests of TBT | 300,908 | 288,009 | 286,931 |
| Total | \$ 668,387 | \$ 639,736 | \$ 637,341 |

B. Statement of comprehensive income

| | TBT | |
|--|-------------------------------|-------------------------------|
| | From January to March 2020 | From January to March 2019 |
| operating revenue | \$ 178,744 | \$ 148,983 |
| Net income | \$ 28,651 | \$ 17,861 |
| Other comprehensive income | - | - |
| Total comprehensive income | <u>\$ 28,651</u> | <u>\$ 17,861</u> |
| Net profit attributable to: | | |
| Owners of SDI | \$ 15,752 | \$ 9,820 |
| Non-controlling interests of TBT | 12,899 | 8,041 |
| Total | <u>\$ 28,651</u> | <u>\$ 17,861</u> |
| Total comprehensive income attributable to: | | |
| Owners of SDI | \$ 15,752 | \$ 9,820 |
| Non-controlling interests of TBT | 12,899 | 8,041 |
| Total | <u>\$ 28,651</u> | <u>\$ 17,861</u> |

C. Cash flow

| | TBT | |
|---|-------------------------------|-------------------------------|
| | From January to March 2020 | From January to March 2019 |
| Net cash flows from operating activities | \$ 19,250 | \$ 46,361 |
| Net cash flows used in investing activities | (1,428) | (2,192) |
| Net cash flows from financing activities | (3,933) | (3,870) |
| Increase in cash and cash equivalents for the year | 13,889 | 40,299 |
| Cash and cash equivalents at beginning of period | 195,144 | 169,918 |
| Cash and cash equivalents at end of period | <u>\$ 209,033</u> | <u>\$ 210,217</u> |
| Dividends paid to non- controlling interests | | |
| Non-controlling interests of TBT | <u>\$ -</u> | <u>\$ -</u> |

(IV) Post-employment benefits

The pension cost in the interim period is based on the pension cost ratio decided upon actuation on the terminal date of previous fiscal year, from beginning until end of the year. The cost will be adjusted, in case of any material market fluctuation, major plan adjustments, liquidation, or other important one-off events.

(V) Income taxes

Income tax expenses are the sum of current income tax and deferred income tax. The interim income tax is evaluated on an annual basis and the interim profit before tax is applied with the tax rate applicable to the expected total annual earnings for calculations. The accounting treatment is the same for transactions that generate taxation and effects of tax rate changes due to amendment to taxation laws in the interim, both of which are recognized in the current period when occurred.

V. Major sources of significant accounting judgment, estimation, and assumption uncertainty

When the Group prepared the consolidated financial statements, the major sources of uncertainty of significant judgments, major accounting estimations, and assumptions were consistent with Note 5 to the 2019 consolidated financial statements.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|---------------------|-------------------|-------------------|
| Cash on hand and petty cash | \$ 1,316 | \$ 1,173 | \$ 1,327 |
| Checking deposits and demand deposits | 1,091,390 | 868,336 | 966,282 |
| Cash equivalents | | | |
| Time deposits originally maturing within three months | | 2,000 | 17,410 |
| Total | <u>\$ 1,092,706</u> | <u>\$ 871,509</u> | <u>\$ 985,019</u> |

1. Bank time deposits as of March 31, 2020, December 31, 2019, and March 31, 2019 with original maturity of over three months are classified as other financial assets - current.
2. The Group does not pledge any cash and cash equivalents as collateral.
3. For relevant credit risk management and evaluation methods, please refer to Note 12.

(II) Financial assets at fair value through profit or loss (FVTPL) – current

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---------------------------------|------------------|-------------------|-----------------|
| Compulsory measurement of FVTPL | | | |
| Non-derivative financial assets | | | |
| Funds | \$ 59,873 | \$ 62,947 | \$ 2,712 |
| Total | <u>\$ 59,873</u> | <u>\$ 62,947</u> | <u>\$ 2,712</u> |

1. The Group's FVTPL recognized from January to March, 2020 and 2019 were NT\$(3,075) thousand and NT\$287 thousand, respectively.
2. No FVTPL was pledged by the Group as collateral.

(III) Notes receivable – net

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------------|-------------------|-------------------|-------------------|
| Measured at amortized cost | | | |
| Total carrying amount | \$ 130,437 | \$ 108,213 | \$ 137,437 |
| Less: Loss allowance | (100) | (100) | (100) |
| Net amount | <u>\$ 130,337</u> | <u>\$ 108,113</u> | <u>\$ 137,337</u> |

1. Notes receivable as of March 31, 2020, December 31, 2019, and March 31, 2019 accepted by banks amounted to NT\$105,497 thousand, NT\$83,629 thousand, and NT\$108,480 thousand, respectively.
2. Please refer to Note 8 for the amount of notes receivable pledged as collateral by the Group.
3. For relevant disclosure of loss allowance for notes receivables, please refer to Note 6 (4).

(IV) Accounts receivable – net

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------------|---------------------|---------------------|---------------------|
| Measured at amortized cost | | | |
| Total carrying amount | \$ 1,532,160 | \$ 1,613,358 | \$ 1,678,377 |
| Less: Loss allowance | (22,427) | (22,113) | (19,649) |
| Net amount | <u>\$ 1,509,733</u> | <u>\$ 1,591,245</u> | <u>\$ 1,658,728</u> |

1. The Group's accounts receivables that are not overdue nor impaired all meet the credit standards stipulated based on the trading customers' industrial characteristics, operation scale, and profitability. The average collection period is net 30 to 150 days.
2. The Group adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowance for accounts receivables based on the full lifetime expected credit loss. Where an individual customer has actual credit losses incurred and full impairment losses have been listed, these are classified as other non-current assets – overdue receivables. Other receivables are measured at the lifetime expected credit losses using a provision matrix that takes into account the customer's past default history, current financial position, and industrial economic trends. Therefore, the provision matrix, depending on the category of customer bases, sets the expected credit loss rate based on the number of overdue days of accounts receivable .
3. The Group has measured the loss allowance for notes receivables and accounts receivable (including related parties) according to the provision matrix as follows:

March 31, 2020

| Aging Interval | Total carrying amount | Loss allowance (lifetime expected credit loss) | Amortized cost |
|-------------------------------|-----------------------|--|---------------------|
| Neither past due nor impaired | \$ 1,561,657 | \$ (6,344) | \$ 1,555,313 |
| Past due but not impaired | | | |
| Within 30 days | 55,873 | (2,593) | 53,280 |
| 31 to 90 days | 42,788 | (6,808) | 35,980 |
| 91 to 180 days | 3,363 | (1,679) | 1,684 |
| 181 days or above | 5,103 | (5,103) | - |
| Total | <u>\$ 1,668,784</u> | <u>\$ (22,527)</u> | <u>\$ 1,646,257</u> |

December 31, 2019

| Aging Interval | Total carrying amount | Loss allowance (lifetime expected credit loss) | Amortized cost |
|-------------------------------|-----------------------|--|---------------------|
| Neither past due nor impaired | \$ 1,612,515 | \$ (5,355) | \$ 1,607,160 |
| Past due but not impaired | | | |
| Within 30 days | 66,158 | (2,799) | 63,359 |
| 31 to 90 days | 35,567 | (5,219) | 30,348 |
| 91 to 180 days | 6,363 | (2,593) | 3,770 |
| 181 days or above | 6,247 | (6,247) | - |
| Total | <u>\$ 1,726,850</u> | <u>\$ (22,213)</u> | <u>\$ 1,704,637</u> |

March 31, 2019

| Aging Interval | Total carrying amount | Loss allowance (lifetime expected credit loss) | Amortized cost |
|-------------------------------|-----------------------|--|---------------------|
| Neither past due nor impaired | \$ 1,742,684 | \$ (3,014) | \$ 1,739,670 |
| Past due but not impaired | | | |
| Within 30 days | 37,594 | (1,317) | 36,277 |
| 31 to 90 days | 25,054 | (3,765) | 21,289 |
| 91 to 180 days | 5,752 | (2,517) | 3,235 |
| 181 days or above | 9,136 | (9,136) | - |
| Total | <u>\$ 1,820,220</u> | <u>\$ (19,749)</u> | <u>\$ 1,800,471</u> |

4. Changes in loss allowance for notes receivable and accounts receivable (including related parties) are as follows:

| Item | From January to March 2020 | From January to March 2019 |
|---|----------------------------|----------------------------|
| Balance at beginning of the period | \$ 22,213 | \$ 18,216 |
| Add: Provision of impairment loss | 398 | 3,858 |
| Less: Reclassified as overdue receivables | - | (2,483) |
| Impact of foreign exchange differences | (84) | 158 |
| Ending balance | <u>\$ 22,527</u> | <u>\$ 19,749</u> |

5. The Group does not hold any security or other credit enhancement security for such accounts receivable.
6. For relevant credit risk management and evaluation methods, please refer to Note 12.

(V) Inventories and cost of goods sold

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------|---------------------|---------------------|---------------------|
| Raw materials | \$ 1,022,900 | \$ 849,191 | \$ 1,164,088 |
| Work-in-process | 979,219 | 996,345 | 1,009,576 |
| Finished goods | 661,493 | 678,196 | 818,982 |
| Products | 32,602 | 31,370 | 41,663 |
| Inventory in transit | 13,683 | 48,375 | 18,477 |
| Total | <u>\$ 2,709,897</u> | <u>\$ 2,603,477</u> | <u>\$ 3,052,786</u> |

1. Inventory gains (losses) recognized as cost of goods sold are as follows:

| Item | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| Allowance for inventory valuation and obsolescence loss (gains on recovery) | \$ 26,472 | \$ (9,838) |
| Unallocated fixed overheads | 4,407 | - |
| Retirement loss | 16,223 | 6,602 |
| Total | \$ 47,102 | \$ (3,236) |

2. There is no inventory pledged as collateral by the Group.

(VI) Prepayments

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--------------------------|----------------|----------------------|----------------|
| Prepaid expense | \$ 30,249 | \$ 31,272 | \$ 38,532 |
| Tax overpaid retained | 9,337 | 6,434 | 9,094 |
| Business tax paid | 8,996 | 7,369 | 14,391 |
| Inventory of supplies | 8,218 | 6,918 | 7,596 |
| Prepayments to suppliers | 6,392 | 13,863 | 4,258 |
| Others | 5,228 | 5,399 | 6,013 |
| Total | \$ 68,420 | \$ 71,255 | \$ 79,884 |

(VII) Other financial assets – current

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--|----------------|----------------------|----------------|
| Bank time deposits with original maturity of over three months | \$ - | \$ - | 15,410 |
| Pledged time deposits | 10,338 | 10,338 | 10,338 |
| Restrictive demand deposit | 14,573 | 10,155 | 30,784 |
| Total | \$ 24,911 | \$ 20,493 | \$ 56,532 |

Please refer to Note 8 for the amounts of the pledge and restricted deposits set by the Group.

(VIII) Financial assets at fair value through other comprehensive income (FVTOCI) - non-current

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------|----------------|----------------------|----------------|
| Equity instruments | | | |
| Unlisted stocks | \$ 2,203 | \$ 2,203 | \$ 2,203 |
| Valuation adjustment | 14,125 | 15,015 | 12,731 |
| Total | \$ 16,328 | \$ 17,218 | \$ 14,934 |

1. The Group invests in unlisted stocks according to its mid- and long-term business strategies and expects to make a profit through long-term investments. The management of the Group believes that if the short-term fair value fluctuations of such investments are included in profit or loss, it is inconsistent with the aforementioned long-term investment plan, so it has chosen to designate the said investments to be measured at FVTOCI.
2. The Group has no financial assets measured at FVTOCI pledged as collateral.

(IX) Property, Plant and Equipment

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|----------------|----------------------|----------------|
| Land | \$ 254,419 | \$ 254,419 | \$ 254,419 |
| Buildings | 2,326,574 | 2,338,428 | 2,316,010 |
| Machinery equipment | 5,932,182 | 5,947,531 | 5,985,783 |
| Tooling equipment | 1,873,788 | 1,847,451 | 1,879,558 |
| Other Equipment | 1,213,664 | 1,216,019 | 1,158,234 |
| Unfinished constructions and equipment to be tested | 411,386 | 411,547 | 495,813 |
| Total cost | 12,012,013 | 12,015,395 | 12,089,817 |
| Less: Accumulated depreciation and impairment | (7,558,923) | (7,448,630) | (7,224,989) |
| Total | \$ 4,453,090 | \$ 4,566,765 | \$ 4,864,828 |

| | Land | Buildings | Machinery equipment | Tooling equipment | Other Equipment | Unfinished constructions and equipment to be tested | Total |
|--|-------------------|---------------------|-----------------------|-----------------------|---------------------|---|-----------------------|
| <u>Cost</u> | | | | | | | |
| Balance as of January 1, 2020 | \$ 254,419 | \$ 2,338,428 | \$ 5,947,531 | \$ 1,847,451 | \$ 1,216,019 | \$ 411,547 | \$ 12,015,395 |
| Additions | - | 1,467 | 3,049 | 817 | 2,695 | 56,893 | 64,921 |
| Disposal | - | (7,243) | (31,697) | - | (4,666) | - | (43,606) |
| Reclassification | - | - | 24,251 | 30,792 | 1,625 | (56,668) | - |
| Impact of foreign exchange differences | - | (6,078) | (10,952) | (5,272) | (2,009) | (386) | (24,697) |
| Balance as of March 31, 2020 | <u>\$ 254,419</u> | <u>\$ 2,326,574</u> | <u>\$ 5,932,182</u> | <u>\$ 1,873,788</u> | <u>\$ 1,213,664</u> | <u>\$ 411,386</u> | <u>\$ 12,012,013</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance as of January 1, 2020 | \$ - | \$ (859,443) | \$ (4,285,117) | \$ (1,480,403) | \$ (823,667) | \$ - | \$ (7,448,630) |
| Depreciation charge | - | (17,503) | (79,979) | (49,046) | (21,138) | - | (167,666) |
| Disposal | - | 7,243 | 31,614 | - | 4,665 | - | 43,522 |
| Impact of foreign exchange differences | - | 1,721 | 6,850 | 3,866 | 1,414 | - | 13,851 |
| Balance as of March 31, 2020 | <u>\$ -</u> | <u>\$ (867,982)</u> | <u>\$ (4,326,632)</u> | <u>\$ (1,525,583)</u> | <u>\$ (838,726)</u> | <u>\$ -</u> | <u>\$ (7,558,923)</u> |
| <u>Cost</u> | | | | | | | |
| Balance as of January 1, 2019 | \$ 254,419 | \$ 2,240,093 | \$ 5,777,434 | \$ 1,786,905 | \$ 1,129,467 | \$ 608,785 | \$ 11,797,103 |
| Additions | - | 52,369 | 33,766 | 2,415 | 15,348 | 132,872 | 236,770 |
| Disposal | - | - | (16,562) | (672) | (6,319) | - | (23,553) |
| Reclassification | - | 3,824 | 156,526 | 75,445 | 13,802 | (249,597) | - |
| Impact of foreign exchange differences | - | 19,724 | 34,619 | 15,465 | 5,936 | 3,753 | 79,497 |
| Balance as of March 31, 2019 | <u>\$ 254,419</u> | <u>\$ 2,316,010</u> | <u>\$ 5,985,783</u> | <u>\$ 1,879,558</u> | <u>\$ 1,158,234</u> | <u>\$ 495,813</u> | <u>\$ 12,089,817</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance as of January 1, 2019 | \$ - | \$ (803,026) | \$ (4,043,831) | \$ (1,421,114) | \$ (766,372) | \$ - | \$ (7,034,343) |
| Depreciation charge | - | (16,364) | (91,264) | (45,222) | (19,357) | - | (172,207) |
| Disposal | - | - | 15,720 | 672 | 6,267 | - | 22,659 |
| Impact of foreign exchange differences | - | (5,086) | (20,178) | (11,360) | (4,474) | - | (41,098) |
| Balance as of March 31, 2019 | <u>\$ -</u> | <u>\$ (824,476)</u> | <u>\$ (4,139,553)</u> | <u>\$ (1,477,024)</u> | <u>\$ (783,936)</u> | <u>\$ -</u> | <u>\$ (7,224,989)</u> |

1. Please refer to Note 6 (28) for details on the amount of capitalization of interest.
2. No property, plant and equipment were pledged by the Group as collateral.

(X) Lease Agreements

1. Right-of-use assets

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|-------------------|-------------------|-------------------|
| Land | \$ 87,390 | \$ 86,223 | \$ 86,223 |
| Land use rights | 76,086 | 76,636 | 81,622 |
| Buildings | 75,280 | 75,283 | 23,540 |
| Total cost | 238,756 | 238,142 | 191,385 |
| Less: Accumulated depreciation and impairment | (17,088) | (14,441) | (3,477) |
| Total | <u>\$ 221,668</u> | <u>\$ 223,701</u> | <u>\$ 187,908</u> |

| | Land | Land use rights | Buildings | Total |
|--|-------------------|-------------------|-------------------|--------------------|
| <u>Cost</u> | | | | |
| Balance as of January 1, 2020 | \$ 86,223 | \$ 76,636 | \$ 75,283 | \$ 238,142 |
| Increase in the period | 2,657 | - | - | 2,657 |
| Decrease in the period | (1,490) | - | - | (1,490) |
| Impact of foreign exchange differences | - | (550) | (3) | (553) |
| Balance as of March 31, 2020 | <u>\$ 87,390</u> | <u>\$ 76,086</u> | <u>\$ 75,280</u> | <u>\$ 238,756</u> |
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance as of January 1, 2020 | \$ (7,975) | \$ (2,526) | \$ (3,940) | \$ (14,441) |
| Depreciation charge | (1,993) | (634) | (1,539) | (4,166) |
| Decrease in the period | 1,490 | - | - | 1,490 |
| Impact of foreign exchange differences | - | 26 | 3 | 29 |
| Balance as of March 31, 2020 | <u>\$ (8,478)</u> | <u>\$ (3,134)</u> | <u>\$ (5,476)</u> | <u>\$ (17,088)</u> |

| | Land | Land use rights | Buildings | Total |
|--|-------------------|------------------|------------------|-------------------|
| <u>Cost</u> | | | | |
| Balance as of January 1, 2019 | \$ - | \$ - | \$ - | \$ - |
| Adjustment upon initial application of IFRS 16 | 86,223 | 79,807 | 23,529 | 189,559 |
| Impact of foreign exchange differences | - | 1,815 | 11 | 1,826 |
| Balance as of March 31, 2019 | <u>\$ 86,223</u> | <u>\$ 81,622</u> | <u>\$ 23,540</u> | <u>\$ 191,385</u> |
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance as of January 1, 2019 | \$ - | \$ - | \$ - | \$ - |
| Adjustment upon initial application of IFRS 16 | - | - | - | - |
| Depreciation charge | (1,994) | (672) | (810) | (3,476) |
| Impact of foreign exchange differences | - | (1) | - | (1) |
| Balance as of March 31, 2019 | <u>\$ (1,994)</u> | <u>\$ (673)</u> | <u>\$ (810)</u> | <u>\$ (3,477)</u> |

2. Lease liabilities

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------|------------------|-------------------|------------------|
| Current | <u>\$ 6,959</u> | <u>\$ 5,802</u> | <u>\$ 9,980</u> |
| Non-current | <u>\$ 92,472</u> | <u>\$ 92,720</u> | <u>\$ 96,946</u> |

The discount rate intervals of the lease liabilities are as follows:

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-----------|----------------|-------------------|----------------|
| Land | 1.20% | 1.20% | 1.20% |
| Buildings | 1.20%~4.26% | 1.20%~4.26% | 1.20%~4.26% |

Please refer to Note 12 for the maturity analysis of lease liabilities.

3. Important leasing activities and terms

(1) Land, buildings and structures

The Group leases land and properties for a period from 2015 to 2037, and has paid a security deposit of NT\$4,123 thousand as a guarantee for operating lease. The Group and the lessor agreed to build a building on the leased land at the Group's own expense, and the ownership of the building is registered under the name of the lessor. During the lease period, it is agreed that the Group uses the land and the property; the building was already completed in the third quarter of 2019. As of March 31, 2020, the right-of-use assets showed no signs of impairment, hence impairment assessment was not performed.

(2) Land use rights

The subsidiary Shuen Der Industry (Jiangsu) acquired the land west of the Gangao Road in the Free Trade Zone, Zhangjiagang, in May 2017, and the tenure of use expires on November 22, 2051. The subsidiary Shuen Der Industry (Jiangsu) entered into a land use contract with the Zhangjiagang Free Trade Zone Development General Company with the the tenure of use of the factory and living areas of 50 years and 70 years, respectively. The subsidiary Shuen Der Industry (Jiangsu) enjoys the land use rights, income rights, and transfer and lease rights within the tenure of use of the land, and is responsible for paying various taxes and fees arising from the use of the land. The land is used for the construction of production factories, office buildings, and staff dormitories.

(XI) Intangible assets

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--------------------------------|------------------|-------------------|------------------|
| Trademark | \$ 2,469 | \$ 2,501 | \$ 2,436 |
| Patent | 66,308 | 69,193 | 65,842 |
| Computer software cost | 34,610 | 40,873 | 46,397 |
| Total cost | 103,387 | 112,567 | 114,675 |
| Less: Accumulated amortization | (40,754) | (52,436) | (51,384) |
| Total | <u>\$ 62,633</u> | <u>\$ 60,131</u> | <u>\$ 63,291</u> |

| Item | From January to March 2020 | | | |
|--|----------------------------|------------------|-------------------|-------------------|
| | Trademark | Patent | Computer software | Total |
| Cost | | | | |
| Balance as of January 1 | \$ 2,501 | \$ 69,193 | \$ 40,873 | \$ 112,567 |
| Additions | - | 717 | 6,162 | 6,879 |
| Disposals | (32) | (3,602) | (14,322) | (17,956) |
| Reclassifications | - | - | 1,940 | 1,940 |
| Impact of foreign exchange differences | - | - | (43) | (43) |
| Balance as of March 31 | <u>\$ 2,469</u> | <u>\$ 66,308</u> | <u>\$ 34,610</u> | <u>\$ 103,387</u> |
| Accumulated amortization | | | | |
| Balance as of January 1 | \$ 1,518 | \$ 25,045 | \$ 25,873 | \$ 52,436 |
| Amortization expenses | 86 | 3,639 | 2,562 | 6,287 |
| Disposals | (32) | (3,602) | (14,322) | (17,956) |
| Impact of foreign exchange differences | - | - | (13) | (13) |
| Balance as of March 31 | <u>\$ 1,572</u> | <u>\$ 25,082</u> | <u>\$ 14,100</u> | <u>\$ 40,754</u> |

| Item | From January to March 2019 | | | |
|--|----------------------------|------------------|-------------------|-------------------|
| | Trademark | Patent | Computer software | Total |
| Cost | | | | |
| Balance as of January 1 | \$ 2,436 | \$ 64,291 | \$ 45,970 | \$ 112,697 |
| Additions | - | 1,945 | 768 | 2,713 |
| Disposals | - | (394) | (516) | (910) |
| Impact of foreign exchange differences | - | - | 175 | 175 |
| Balance as of March 31 | <u>\$ 2,436</u> | <u>\$ 65,842</u> | <u>\$ 46,397</u> | <u>\$ 114,675</u> |
| Accumulated amortization | | | | |
| Balance as of January 1 | \$ 1,259 | \$ 21,403 | \$ 25,604 | \$ 48,266 |
| Amortization expenses | 67 | 1,164 | 2,618 | 3,849 |
| Disposals | - | (394) | (516) | (910) |
| Impact of foreign exchange differences | - | - | 179 | 179 |
| Balance as of March 31 | <u>\$ 1,326</u> | <u>\$ 22,173</u> | <u>\$ 27,885</u> | <u>\$ 51,384</u> |

No intangible assets were pledged as collateral by the Group.

(XII) Other non-current assets

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------------------------------|------------------|-------------------|------------------|
| Prepayments for business facilities | \$ 37,122 | \$ 22,246 | \$ 22,713 |
| Refundable deposits | 11,981 | 12,053 | 10,569 |
| Overdue receivables | 8,120 | 8,136 | 8,285 |
| Less: Loss allowance | (8,120) | (8,136) | (8,285) |
| Others | 601 | 562 | - |
| Total | <u>\$ 49,704</u> | <u>\$ 34,861</u> | <u>\$ 33,282</u> |

1. The Group set the amount of refundable deposits as a pledged amount. Please refer to Note 8.

(XIII) Short-term borrowings

| Types of borrowing | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--------------------|--------------------|--------------------|--------------------|
| Credit loan | \$ 710,150 | \$ 767,575 | \$ 787,239 |
| Interest range | <u>1.20%~4.35%</u> | <u>1.20%~4.35%</u> | <u>1.30%~4.87%</u> |

(XIV) Short-term notes payable

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---------------------------------|-----------------|-------------------|-----------------|
| China Bills Finance Corporation | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| Less: Unamortized discount | (2) | (2) | (17) |
| Total | <u>\$ 9,998</u> | <u>\$ 9,998</u> | <u>\$ 9,983</u> |
| Interest range | <u>1.16%</u> | <u>1.16%</u> | <u>1.16%</u> |

(XV) Notes payable

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--|------------------|-------------------|------------------|
| Notes payable - arising out of operation | \$ 43,583 | \$ 44,036 | \$ 79,235 |
| Notes payable - not arising out of operation | - | 473 | - |
| Total | <u>\$ 43,583</u> | <u>\$ 44,509</u> | <u>\$ 79,235</u> |

(XVI) Other payables

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|-------------------|-------------------|-------------------|
| Salary and bonus payable | \$ 140,100 | \$ 246,006 | \$ 163,978 |
| Balance payable - equipment and construction | 29,378 | 38,759 | 60,100 |
| Consumables payable | 33,712 | 35,199 | 38,033 |
| Employees benefits payables and remuneration payable to directors and supervisors | 18,502 | 16,825 | 35,034 |
| Repairing charges payable | 23,978 | 28,912 | 29,167 |
| Utility expenses payable | 23,163 | 21,761 | 22,215 |
| Insurance fee payable | 16,118 | 16,205 | 16,828 |
| Others | 97,772 | 102,777 | 115,879 |
| Total | <u>\$ 382,723</u> | <u>\$ 506,444</u> | <u>\$ 481,234</u> |

(XVII) Long-term borrowings and current portion of long-term borrowings

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-----------------------------------|----------------|-------------------|----------------|
| Credit loan | \$ 1,842,236 | \$ 1,850,440 | \$ 1,803,935 |
| Less: Portion due within one year | (100,013) | (132,465) | (453,935) |
| Total | \$ 1,742,223 | \$ 1,717,975 | \$ 1,350,000 |
| Interest range | 0.70%~4.98% | 0.70%~5.20% | 1.09%~4.26% |
| Maturity period | 2020-2026 | 2020-2026 | 2019 - 2021 |

(XVIII) Post-employment benefit plan

1. Defined contribution plan

- (1) Under the plan, 6% of employees' monthly salary is contributed as pension each month by SDI, Chao Shin Metal, and TBT in the Group to employees' personal accounts set up by the government of the Bureau of Labor Insurance.
- (2) The employees of the Group's subsidiaries in overseas regions are members of the local government's pension benefit plan. The Group's obligations to the pension benefit plan operated by the local government are only to contribute a portion to the pension benefit plan in a specific proportion of the salary cost.
- (3) The Group has recognized the total amounts of expenses of NT\$12,801 thousand and NT\$16,624 thousand, contributed in accordance with the specified proportion in the defined contribution plan, in the consolidated statement of comprehensive income from January to March of 2020 and 2019, respectively,

2. Defined benefit plan

- (1) The pension system set out in the Labor Standards Act applicable to SDI, Chao Shin Metal, and TBT in the Group is a defined benefit plan. Pension is based on the employee's years of service rendered and the average wages over the six months prior to retirement. SDI and Chao Shin Metal contribute 6% of the total monthly salary of employees to the pension fund; TBT contribute 2% of the total monthly salary of employees to the employee pension fund. The contribution is then deposited by the Labor Pension Reserve Supervision Committee in the name of the said committee into the special account with the Bank of Taiwan. Before the end of each year, where it is estimated that the balance of the special account is insufficient to pay the workers who are expected to meet the retirement conditions within the next year, the differences will be made up in a lump sum before the end of March of the following year. The Bureau of Labor Fund is commissioned to manage and utilize this special account, and the Group has no right to influence the investment management strategies.

- (2) There was no major market fluctuations, significant reduction, liquidation, or other one-off significant events following the terminal date of the previous fiscal year, so the Group adopted the actuarially determined pension costs to measure and disclose the pension costs as of December 31, 2019 and 2018.
- (3) The pension costs related to the defined benefit plan recognized by the Group for the periods from January to March, 2020 and 2019 were NT\$754 thousand and NT\$1,194 thousand, respectively, in the consolidated statement of comprehensive income.

(XIX) Capital of common stocks

1. Quantities and amount of the SDI's outstanding ordinary shares at the beginning and ending of periods were reconciled as follows:

| | From January to March 2020 | | From January to March 2019 | |
|---------------------------------------|---------------------------------------|---------------------|---------------------------------------|---------------------|
| | Number of shares (thousand shares) | Amount | Number of shares (thousand shares) | Amount |
| Balance at beginning of the period | 182,140 | \$ 1,821,403 | 182,140 | \$ 1,821,403 |
| Ending balance | <u>182,140</u> | <u>\$ 1,821,403</u> | <u>182,140</u> | <u>\$ 1,821,403</u> |

The par value of ordinary shares issued were NT\$10 per share. Each share is entitled to the right to vote and receive dividend.

2. As of March 31, 2020, SDI's authorized capital was NT\$2,700,000 thousand divided into 270,000 thousand shares.

(XX) Capital surplus

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------------------|-------------------|-------------------|-------------------|
| Share premium of ordinary shares | \$ 451,220 | \$ 451,220 | \$ 451,220 |
| Long-term equity investment | 3,546 | 3,546 | 3,546 |
| Treasury stock trade | 30,359 | 30,359 | 30,359 |
| Others | 132 | 132 | 30 |
| Total | <u>\$ 485,257</u> | <u>\$ 485,257</u> | <u>\$ 485,155</u> |

1. According to the Company Act, surplus from issuance of shares in excess of the par value and the capital surplus received from gifts, except for covering deficit, when there is no accumulated deficit, SDI may issue new shares or cash in proportion to the shareholders' original shares. In accordance with regulations in the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount each year shall not exceed 10% of the paid-in capital. Capital surplus shall not be used to make up for accumulated deficit unless the legal reserve is insufficient.
2. The capital surplus generated from investment and stock option under equity method shall not be used for any purposes.

(XXI) Retained earnings and distribution of earnings

1. The earnings distribution policy in the Articles of Incorporation provides that SDI shall use the earnings for the year, if any, to pay all taxes pursuant to laws and make up for accumulated losses before allocating 10% of which as legal capital reserve. However, no additional legal capital reserve shall be appropriated once it reaches SDI's paid-in capital. Special capital reserve shall then be appropriated or reversed from the balance pursuant to relevant laws and regulations. The Board of Directors shall prepare a proposal for the appropriation of earnings of the remaining balance, if any, combined with accumulated unappropriated earnings and submit it to the shareholders' meeting for resolution on bonus to shareholders in accordance with Article 32 regarding SDI's dividend policy.

The SDI's dividends policy is formulated by the Board of Directors based on business plans, investment plans, capital budgeting, and changes in internal and external circumstances. SDI is now in a stage of stable business growth. The earnings distribution shall primarily be made in cash dividends, but stock dividends is also allowed. However, in principle, the ratio of stock dividends shall not be higher than fifty percent of the total amount of dividends.

2. The legal capital reserve shall not be used except for making up the SDI's losses and the issuance of new shares or cash in proportion to shareholders' original shares . However, if new shares or cash is issued, it shall be limited to the surplus exceeding 25% of the paid-in capital.
3. Special capital reserve

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------------------|----------------|-------------------|----------------|
| Special capital reserve | \$ 101,183 | \$ 101,183 | \$ 84,954 |

- (1) SDI may distribute earnings only after appropriating a fund as special capital reserve for debt balance in other equity on the terminal date of the fiscal year, and the reversal of debit balance in other equity, if any, may be stated as allocable retained earnings.
 - (2) In accordance with Financial Supervisory Commission Official Letter No. Zheng-Fa—1010012865 dated April 6, 2012, appropriation of the unrealized revaluation increments and the cumulative translation adjustment transferred to the retained surplus as the special capital reserve in the amount of NT\$53,205 thousand upon the first application of IFRSs. Where SDI uses, disposes of, or reclassifies the relevant assets afterwards, it may reverse special capital reserve in the original proportion to allocable retained earnings.
4. The Board of Directors's proposal on March 6, 2020, a proposal for annual earnings distribution for 2019 and 2018 approved at the shareholders' meeting on June 21, 2019, and dividends per share are as follows:

| Item | Earnings distribution proposal (NT\$ thousands) | | Dividend per share (NT\$) | |
|-------------------------|--|-----------|---------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| Legal capital reserve | \$ 50,253 | \$ 82,888 | | |
| Special capital reserve | 54,387 | 16,229 | | |
| Cash dividends | 327,852 | 509,993 | \$ 1.80 | \$ 2.80 |

The earnings distribution proposal for 2019 still await the resolution by the general shareholders' meeting that will be held in June 2020.

5. Information about proposals approved by the Board of Directors and the proposal for earnings distribution resolved by the shareholders' meeting is available on the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

(XXII) Other equity

| Item | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at FVTOCI | Total |
|--|---|--|--------------|
| Balance as of January 1, 2020 | \$ (168,987) | \$ 13,417 | \$ (155,570) |
| Exchange difference on translation of foreign operations' financial statements | (9,107) | - | (9,107) |
| Unrealized gains (losses) from financial assets measured at FVTOCI | - | (711) | (711) |
| Balance as of March 31, 2020 | \$ (178,094) | \$ 12,706 | \$ (165,388) |

| Item | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at FVTOCI | Total |
|--|---|--|--------------|
| Balance as of January 1, 2019 | \$ (113,793) | \$ 12,610 | \$ (101,183) |
| Exchange difference on translation of foreign operations' financial statements | 32,659 | - | 32,659 |
| Unrealized gains (losses) from financial assets measured at FVTOCI | - | (1,110) | (1,110) |
| Balance as of March 31, 2019 | \$ (81,134) | \$ 11,500 | \$ (69,634) |

(XXIII) Non-controlling interests

| Item | From January to March 2020 | From January to March 2019 |
|--|----------------------------|----------------------------|
| Balance at beginning of the period | \$ 330,453 | \$ 321,035 |
| Share attributable to non-controlling interests: | | |
| Net profit for the year | 13,508 | 9,142 |
| Ending balance | \$ 343,961 | \$ 330,177 |

(XXIV) Operating income

| Item | From January to March 2020 | From January to March 2019 |
|--------------------------------------|----------------------------|----------------------------|
| Income from contracts with customers | | |
| Sales income | \$ 1,931,000 | \$ 2,256,320 |
| Service income | 4,257 | 5,215 |
| Sub-total | 1,935,257 | 2,261,535 |
| Other operating income | 4,558 | 5,506 |
| Total | <u>\$ 1,939,815</u> | <u>\$ 2,267,041</u> |

1. Explanation regarding customer contracts

Lead frames and stationery are mainly sold to downstream businesses and agents at a price agreed in the contract; the consideration for sales of products is short-term receivables, which are therefore measured at the original amount in the invoice.

2. Disaggregation of revenue from contracts with customers is as follows:

| Primary product/service lines | From January to March 2020 | | | | | |
|---|----------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Mainland China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 717,204 | \$ 119,119 | \$ 231,806 | \$ 178,325 | \$ 353,999 | \$ 1,600,453 |
| Stationery | 34,285 | 94,998 | 55,160 | 188 | 144,899 | 329,520 |
| Others | - | 5,267 | - | 17 | - | 5,284 |
| Total | <u>\$ 751,489</u> | <u>\$ 219,374</u> | <u>\$ 286,966</u> | <u>\$ 178,530</u> | <u>\$ 498,898</u> | <u>\$ 1,935,257</u> |
| Revenue Recognition Time Meeting performance obligations at a certain point in time | <u>\$ 751,489</u> | <u>\$ 219,374</u> | <u>\$ 286,966</u> | <u>\$ 178,530</u> | <u>\$ 498,898</u> | <u>\$ 1,935,257</u> |

| Primary product/service lines | From January to March 2019 | | | | | |
|---|----------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Mainland China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 759,354 | \$ 145,355 | \$ 247,120 | \$ 241,676 | \$ 457,383 | \$ 1,850,888 |
| Stationery | 53,845 | 84,963 | 64,888 | 849 | 193,447 | 397,992 |
| Others | - | 12,610 | - | 45 | - | 12,655 |
| Total | <u>\$ 813,199</u> | <u>\$ 242,928</u> | <u>\$ 312,008</u> | <u>\$ 242,570</u> | <u>\$ 650,830</u> | <u>\$ 2,261,535</u> |
| Revenue Recognition Time Meeting performance obligations at a certain point in time | <u>\$ 813,199</u> | <u>\$ 242,928</u> | <u>\$ 312,008</u> | <u>\$ 242,570</u> | <u>\$ 650,830</u> | <u>\$ 2,261,535</u> |

3. The Group recognizes contract liabilities relating to customer contract revenues as follows:

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------------------|------------------|-------------------|------------------|
| Contract liability - current | <u>\$ 96,529</u> | <u>\$ 70,600</u> | <u>\$ 52,213</u> |

(XXV) Employee benefits, depreciation, and amortization expenses

| Nature | From January to March 2020 | | | From January to March 2019 | | |
|-------------------------------------|----------------------------|--|------------|----------------------------|--|------------|
| | Operating expenses | Operating expenses (including non-operating) | Total | Operating expenses | Operating expenses (including non-operating) | Total |
| Personnel expenses | | | | | | |
| Salary expenses | \$ 231,701 | \$ 73,582 | \$ 305,283 | \$ 251,454 | \$ 89,900 | \$ 341,354 |
| Labor and health insurance expenses | 20,184 | 6,425 | 26,609 | 23,811 | 7,536 | 31,347 |
| Pension cost | 10,456 | 3,099 | 13,555 | 14,416 | 3,402 | 17,818 |
| Other personnel expenses | 21,961 | 8,684 | 30,645 | 20,448 | 7,291 | 27,739 |
| Depreciation charge | 158,715 | 13,117 | 171,832 | 162,532 | 13,151 | 175,683 |
| Amortisation charges | 361 | 5,926 | 6,287 | 1,033 | 3,612 | 4,645 |
| Total | \$ 443,378 | \$ 110,833 | \$ 554,211 | \$ 473,694 | \$ 124,892 | \$ 598,586 |

1. According to SDI's Articles of Incorporation, where SDI makes a profit for the year, it shall contribute 1.5% of the pre-tax profit as employee compensation and no more than 1.5% as director and supervisor remuneration. SDI estimated employee compensation in the amounts of NT\$932 thousand and NT\$3,390 thousand and director and supervisor remuneration in the amounts of NT\$745 thousand and NT\$2,700 thousand for the periods from January to March, 2020 and 2019, respectively, at the aforementioned rate of 1.5% and 1.2% of the net income before tax, respectively. If there is a change in the amounts after the annual financial statements are authorized for issue, the differences shall be recorded as a change in the accounting estimate in the following year.
2. Employee compensation and director and supervisor remuneration in 2019 and 2018 were passed by the Board of Directors of SDI on March 6, 2020 and March 8, 2019, respectively. Relevant amounts recognized in financial reports are as follows:

| | 2019 | | 2018 | |
|--|-----------------------|---|-----------------------|---|
| | Employee compensation | Remuneration to directors and supervisors | Employee compensation | Remuneration to directors and supervisors |
| Resolved distributed amount | \$ 9,347 | \$ 7,478 | \$ 16,080 | \$ 12,864 |
| Amount recognized in the annual financial statements | 9,347 | 7,478 | 16,080 | 12,864 |
| Difference | \$ - | \$ - | \$ - | \$ - |

Employee compensation for the years ended December 31, 2019 and 2018 was distributed in cash.

3. Information about SDI's employee compensation and remuneration to directors and supervisors is available on MOPS of Taiwan Stock Exchange.

(XXVI) Other income

| Item | From January to March 2020 | From January to March 2019 |
|----------------------|-------------------------------|-------------------------------|
| Bank interest income | \$ 262 | \$ 608 |
| Rent income | 87 | 86 |
| Subsidy income | 14,155 | - |
| Dividend income | 445 | 1,693 |
| Others | 1,397 | 2,460 |
| Total | <u>\$ 16,346</u> | <u>\$ 4,847</u> |

(XXVII) Other gains and losses

| Item | From January to March 2020 | From January to March 2019 |
|--|-------------------------------|-------------------------------|
| Net gains (losses) on financial assets and liabilities measured at FVTPL | \$ (3,075) | \$ 287 |
| Disposal of plant, property and equipment | 2,472 | 1,625 |
| Net exchange gain (loss) | 3,508 | 19,755 |
| Others | (260) | (338) |
| Total | <u>\$ 2,645</u> | <u>\$ 21,329</u> |

(XXVIII) Financial cost

| Item | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| Interest expense | | |
| Bank borrowings | \$ 14,326 | \$ 16,168 |
| Interest on lease liabilities | 295 | 322 |
| Less: Amount qualified for capitalization | (314) | (701) |
| Financial costs | <u>\$ 14,307</u> | <u>\$ 15,789</u> |
| Interest rate of capitalization of interest | <u>1.44%~4.32%</u> | <u>1.44%~4.32%</u> |

(XXIX) Income tax

1. Components of income tax expense

| Item | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| <u>Current tax</u> | | |
| Income tax incurred in current period | \$ 24,931 | \$ 42,627 |
| Adjustment to prior income taxes | 3,114 | 89 |
| Total income tax in the period | <u>28,045</u> | <u>42,716</u> |
| <u>Deferred income tax</u> | | |
| Deferred income tax related to timing differences | (17,234) | (5,182) |
| Total deferred income tax | <u>(17,234)</u> | <u>(5,182)</u> |
| Income tax expenses | <u>\$ 10,811</u> | <u>\$ 37,534</u> |

The Group's business income tax is declared by each subsidiary. The business income tax rate of SDI, Chao Shin Metal, and TBT is 20%, and the tax rate applicable to undistributed earnings is 5%; the amount of tax incurred in other jurisdictions is calculated according to the tax rate applicable in each jurisdiction.

2. Income tax expense (benefits) associated with other comprehensive income:

| Item | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| Exchange differences on translation of foreign financial statements | \$ (2,277) | \$ 8,165 |
| Financial assets measured at FVTOCI | (179) | (292) |
| Total | <u>\$ (2,456)</u> | <u>\$ 7,873</u> |

3. The settlement and declaration of the business income tax of SDI and the subsidiaries of Chao Shin Metal and TBT have been approved by the tax collection authorities to the year of 2018.

(XXX) Other comprehensive income

| Item | Income (loss) before tax | January to March 2020 Income tax expense (gain) | Net of tax |
|---|-----------------------------|---|-------------------|
| Items that will not be reclassified to profit or loss | | | |
| Unrealized gains (losses) from investments in equity instruments measured at FVTOCI | \$ (890) | \$ 179 | \$ (711) |
| Sub-total | (890) | 179 | (711) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign financial statements | (11,384) | 2,277 | (9,107) |
| Sub-total | (11,384) | 2,277 | (9,107) |
| Recognized in other comprehensive income | <u>\$ (12,274)</u> | <u>\$ 2,456</u> | <u>\$ (9,818)</u> |

| Item | Income (loss) before tax | January to March 2019 Income tax expense (gain) | Net of tax |
|---|-----------------------------|---|------------------|
| Items that will not be reclassified to profit or loss | | | |
| Unrealized gains (losses) from investments in equity instruments measured at FVTOCI | \$ (1,402) | \$ 292 | \$ (1,110) |
| Sub-total | (1,402) | 292 | (1,110) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign financial statements | 40,824 | (8,165) | 32,659 |
| Sub-total | 40,824 | (8,165) | 32,659 |
| Recognized in other comprehensive income | <u>\$ 39,422</u> | <u>\$ (7,873)</u> | <u>\$ 31,549</u> |

(XXXI) Earnings per share (EPS)

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

| Item | From January to March 2020 | From January to March 2019 |
|--|-------------------------------|-------------------------------|
| Basic earnings per share | | |
| Net profit attributable to equity holders of SDI's ordinary shares | \$ 48,580 | \$ 153,856 |
| Net profit used for the calculation of basic EPS | <u>\$ 48,580</u> | <u>\$ 153,856</u> |
| Weighted average shares (thousand shares) | <u>182,140</u> | <u>182,140</u> |
| Basic EPS (after tax) (NT\$) | <u>\$ 0.27</u> | <u>\$ 0.84</u> |
| Diluted EPS | | |
| Net profit attributable to equity holders of SDI's ordinary shares | \$ 48,580 | \$ 153,856 |
| Net profit used in calculating diluted EPS | <u>\$ 48,580</u> | <u>\$ 153,856</u> |
| Weighted average shares (thousand shares) | 182,140 | 182,140 |
| The effect of dilutive potential ordinary shares Employee compensation (thousand shares) | <u>140</u> | <u>202</u> |
| Weighted-average number of ordinary shares outstanding (thousand shares) | <u>182,280</u> | <u>182,342</u> |
| Diluted EPS (after tax) (NT\$) | <u>\$ 0.27</u> | <u>\$ 0.84</u> |

If SDI can choose between stocks and cash for the appropriation of employee compensation, it shall assume the employee compensation would be appropriated in stocks for the calculation of diluted EPS. The dilutive potential ordinary shares shall be incorporated in the weighted average number of shares outstanding when calculating the diluted EPS. The dilutive effect of such potential ordinary shares shall continue to be considered when calculating the diluted EPS before resolving the number of shares to be distributed as employee compensation in the following year.

VII. Related Party Transactions

The amounts and balances of transactions between SDI and its subsidiaries have been eliminated in preparing the consolidated financial statements and are not disclosed in this note. Details of transactions between the Group and other related parties are as follows:

(I) The names and relations of related parties

| Name of related party | Relationship with the Group |
|----------------------------|---|
| NIPPON FILCON CO.,LTD. | Investor with significant influence over the subsidiaries |
| SJD Industries (M) Sdn.Bhd | Other related parties |

Other related parties refer to the person in charge who is a relative within the second degree of kinship to the Chairman of SDI.

(II) Significant transactions with related parties

1. Operating revenue

| Category of related parties | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| Investor with significant influence over the subsidiaries | \$ 576 | \$ 216 |
| Other related parties | 3,095 | 2,912 |
| Total | <u>\$ 3,671</u> | <u>\$ 3,128</u> |

For the sale of goods by the Group to related parties, transaction prices are agreed by both parties based on relevant market prices. Payment terms are T/T60-120 days.

2. Purchases

| Category of related parties | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| Investor with significant influence over the subsidiaries | \$ 1,230 | \$ 1,245 |
| Other related parties | 132 | 1,324 |
| Total | <u>\$ 1,362</u> | <u>\$ 2,569</u> |

For purchases from related parties by the Group, transaction prices are agreed by both parties based on relevant market prices, and the payment terms are T/T60-90 days.

3. Receivables from related parties

| Accounting item | Category of related parties | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---------------------|---|-----------------|-------------------|-----------------|
| Accounts receivable | Investor with significant influence over subsidiaries | \$ 581 | \$ 403 | \$ 10 |
| | Other related parties | 5,606 | 4,876 | 4,396 |
| | Total | <u>\$ 6,187</u> | <u>\$ 5,279</u> | <u>\$ 4,406</u> |
| | Other receivables from subsidiaries | <u>\$ 383</u> | <u>\$ 1,402</u> | <u>\$ 14</u> |

4. Accounts payables to related parties

| Accounting item | Category of related parties | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------|---|----------------|-------------------|----------------|
| Accounts payable | Investor with significant influence over subsidiaries | \$ - | \$ 209 | \$ 1,250 |
| | Other related parties | - | 1,304 | 1,358 |
| | Total | \$ - | \$ 1,513 | \$ 2,608 |
| Other payables | Other related parties | \$ 229 | \$ 813 | \$ 1,369 |

5. Others

| Accounting item | Category of related parties | From January to March 2020 | From January to March 2019 |
|----------------------|---|----------------------------|----------------------------|
| Consumables expenses | Investor with significant influence over the subsidiaries | \$ - | \$ 1,247 |
| Other income | Other related parties | \$ 68 | \$ 134 |

(III) Information of rewards to key management personnel

| Item | From January to March 2020 | From January to March 2019 |
|---------------------------|----------------------------|----------------------------|
| Short-term benefits | \$ 7,950 | \$ 13,323 |
| Benefits after retirement | 77 | 95 |
| Total | \$ 8,027 | \$ 13,418 |

VIII. Pledged Assets

The following assets have been pledged as collateral for lease and tariff.

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|--|----------------|-------------------|----------------|
| Pledged time deposits (listed in Other financial assets – current) | \$ 10,338 | \$ 10,338 | \$ 10,338 |
| Restrictive demand deposit (listed in Other financial assets – current) | 14,573 | 10,155 | 30,784 |
| Notes receivable | 46,876 | 49,481 | 46,240 |
| Refundable deposits (listed in Other non-current assets) | 794 | 794 | 765 |
| Total | \$ 72,581 | \$ 70,768 | \$ 88,127 |

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Significant commitments

- As of March 3, 2020, the Group has issued unused letters of credit for purchase of raw materials amounting to approximately NT\$12,784 thousand.
- Significant capital expenditure committed but yet to incur

| Item | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|-------------------------------|----------------|-------------------|----------------|
| Property, plant and equipment | \$ 341,315 | \$ 332,290 | \$ 104,623 |

X. Material Disaster Loss: None

XI. Material Subsequent Events: None

XII. Others

(I) Seasonal or cyclical explanation of mid-term operations

The operations of the Group are not affected by seasonal or cyclical factors.

(II) Capital risk management

There are no significant changes regarding the Group's capital risk management compared to that stated in the 2019 consolidated financial statements. Please refer to Note 12 (1) in the 2019 consolidated financial statements for relevant information.

(III) Financial instruments

1. Financial risk of financial instruments

Financial risk management policy

The Group's daily operations are affected by various financial risks, including market risk (such as exchange rate, interest rate, and price risks), credit risk, and liquidity risk. The Group is devoted to identify, assess, and avoid market uncertainties in order to eliminate the potential adverse effects of market changes on financial performance.

Before engaging in significant transactions by the Group, due approval process by the Board of Directors must be carried out based on relevant protocols and internal control procedures. During the execution of the financial plan, the Group shall comply with relevant financial operation procedures on the overall financial risk management and segregation of duties at all times.

Significant financial risks and degrees of financial risks

(1) Market risk

There are no significant differences regarding the nature and degree of significant financial risks compared to that stated in the 2019 consolidated financial statements. Please refer to Note 12 (2) in the 2019 consolidated financial statements for relevant information.

A. Foreign exchange risk

Exchange rate exposure and sensitivity analysis

| Item | March 31, 2020 | | |
|------------------------------|--------------------|---------------|-------------------|
| | Foreign currencies | Exchange rate | New Taiwan Dollar |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 53,294 | 30.23 | \$ 1,611,075 |
| JPY | 244,533 | 0.28 | 68,237 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 29,332 | 30.23 | 886,701 |
| JPY | 57,330 | 0.28 | 15,998 |

| Item | December 31, 2019 | | |
|------------------------------|--------------------|---------------|-------------------|
| | Foreign currencies | Exchange rate | New Taiwan Dollar |
| Financial assets | | | |
| Monetary items | | | |
| USD | \$ 55,224 | 29.98 | \$ 1,655,616 |
| JPY | 288,982 | 0.28 | 79,759 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 22,392 | 29.98 | 671,324 |
| JPY | 46,771 | 0.28 | 12,909 |

| Item | March 31, 2019 | | |
|------------------------------|--------------------|---------------|-------------------|
| | Foreign currencies | Exchange rate | New Taiwan Dollar |
| Financial assets | | | |
| Monetary items | | | |
| USD | \$ 64,746 | 30.82 | \$ 1,995,457 |
| JPY | 365,599 | 0.28 | 101,746 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 35,008 | 30.82 | 1,078,946 |
| JPY | 150,415 | 0.28 | 41,861 |

The Group's main risk-exposed currencies are US Dollar and Japanese Yen, and the increase and decrease of the exchange rate of the New Taiwan Dollar against various foreign currencies by 1% is adopted as the sensitivity ratio used when the exchange rate risk is reported to the key management within the Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation on the terminal date of the reporting period is conducted based on a 1% change in exchange rate. Where the exchange rate increases or decreases by 1%, with all other variables remaining unchanged, the Group's net income before tax for periods from January to March, 2020 and 2019 will increase or decrease by NT\$7,766 thousand and NT\$9,764 thousand, respectively.

B. Price risk

Since the funds held by the Group and the investments in unlisted equity instruments in the consolidated balance sheet are classified as financial assets measured at FVTPL and FVTOCI, the Group is exposed to the price risk of funds and unlisted equity instruments.

The Group mainly invests in funds and unlisted equity instruments, the price of these funds and unlisted equity instruments is affected by the uncertainty of the future value of these investment targets.

If the price of the equity instruments increases or decreases by 1%, the net income before tax and other comprehensive income before tax for the periods from January to March, 2020 and 2019 would increase

(decrease) by NT\$599 thousand, NT\$163 thousand, NT\$27 thousand, and NT\$149 thousand, respectively, as a result of the increase or decrease in the fair value of financial assets measured at at FVTPL and FVTOCI.

C. Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities that are exposed to interest rate risk on the terminal date of the reporting period are as follows:

| Item | Carrying amount | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
| Interest rate risk with fair value | | | |
| Financial assets | \$ 1,294 | \$ 1,294 | \$ 32,085 |
| Financial liabilities | (9,998) | (9,998) | (9,983) |
| Net amount | <u>\$ (8,704)</u> | <u>\$ (8,704)</u> | <u>\$ 22,102</u> |
| Interest rate risk with cash flow | | | |
| Financial assets | \$ 1,108,554 | \$ 885,716 | \$ 1,002,437 |
| Financial liabilities | (2,552,386) | (2,618,015) | (2,591,174) |
| Net amount | <u>\$ (1,443,832)</u> | <u>\$ (1,732,299)</u> | <u>\$ (1,588,737)</u> |

Sensitivity analysis on interest rate risk with fair value

The Group has yet to classify any fixed-rate financial assets and liabilities as measured at FVTPL. In addition, it has yet to designate derivative instruments (interest rate swaps) as a hedging tool under the fair value hedge accounting model. Therefore, changes in interest rates on the terminal date of financial reporting will not affect the profit (loss) and other comprehensive net income.

Sensitivity analysis on interest rate risk with cash flow

The Group's financial instruments with variable interest rates are assets (liabilities) subject to floating interest rates. Therefore, changes in market interest rates will result in changes in effective interest rates and fluctuations in future cash flows. For every 1% increase (decrease) in market interest rates, the net income before tax will increase (decrease) by NT\$3,610 thousand and NT\$3,972 thousand for the periods from January to March, 2020 and 2019, respectively.

(2) Credit risk

Credit risk refers to the risk that the transaction counterparty breaches the contractual obligations and causes financial losses to the Group. Credit risk of the Group mainly comes from receivables under operating activities and bank deposits and other financial instruments under investing activities. Credit risk related to operation and financial credit risk are managed separately.

Credit risk related to operation

To maintain the quality of accounts receivable, the Group has established the procedures for credit risk management with regard to its operations. Risk assessment on individual customer includes factors that could affect the customer's ability to pay, such as the customer's financial status, the Group's internal credit ratings, historical transactions, and current economic conditions.

The Group does not hold any collateral or other credit enhancements to avoid credit risk of financial assets.

Financial credit risk

The credit risks of bank deposits and other financial instruments are measured and monitored by each finance department within the Group. Given that the Group's transaction counter-parties and other contract-performing parties are banks with sound credit, financial institutions at the investment level or above, corporate organizations, and government agencies, there is no material doubt about contract performance, hence no material credit risk.

A. Credit concentration risk

As of March 31, 2020, December 31, 2019, and March 31, 2019, the balance of the accounts receivable of the top four customers accounted for 34%, 37%, and 40% of the Group's balance of accounts receivable, respectively; the credit concentration risk of the remaining accounts receivable is relatively insignificant.

B. Measurement of expected credit impairment losses

(a) Accounts receivable: A simplified approach is adopted; please refer to Note 6 (4) for more information.

(b) Judgment basis on whether credit risk increases significantly: None.

C. Collateral and other credit enhancements held to avoid credit risk of financial assets:

D. Credit risk of financial assets measured at amortized cost

Please refer to Note 6(4) for credit risk exposure information on notes and accounts receivable. Other financial assets measured at amortized cost, including cash and cash equivalents and other receivables, are financial assets with a low credit risk. Therefore, the amount of 12-month expected credit loss was adopted to measure the loss allowance for the period; after evaluation by the Group, there was no impairment loss incurred.

(3) Liquidity risk

A. Liquidity risk management

The objective of the Group's liquidity risk management is to maintain

cash and cash equivalents, highly liquid securities, and sufficient bank facilities required for its operations, so as to ensure that the Group possesses adequate financial flexibility.

B. Financial liability maturity analysis

The table below shows an analysis of the financial liabilities held by the Group with defined repayment terms based on maturity dates and undiscounted payment upon maturity:

| Non-derivative financial liabilities | March 31, 2020 | | | | |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Within one year | 1 to 5 year(s) | 5 years or above | Contract cash flow | Carrying amount |
| Short-term borrowings | \$ 718,305 | \$ - | \$ - | \$ 718,305 | \$ 710,150 |
| Short-term bills payable | 10,000 | - | - | 10,000 | 9,998 |
| Notes payable | 43,583 | - | - | 43,583 | 43,583 |
| Accounts payable | 844,298 | - | - | 844,298 | 844,298 |
| Other payables | 350,178 | - | - | 350,178 | 350,178 |
| Lease liabilities | 8,099 | 25,931 | 75,631 | 109,661 | 99,431 |
| Long-term borrowings (including current portion) | 116,948 | 1,318,156 | 470,734 | 1,905,838 | 1,842,236 |
| Guarantee deposit received | - | 8,817 | - | 8,817 | 8,817 |
| Total | \$ 2,091,411 | \$ 1,352,904 | \$ 546,365 | \$ 3,990,680 | \$ 3,908,691 |

Further information on the maturity analysis of lease liabilities is listed as follows:

| | March 31, 2020 | | | | | Total undiscounted lease payments |
|-------------------|-----------------|----------------|---------------|----------------|----------------|-----------------------------------|
| | Within one year | 1 to 5 year(s) | 5 to 10 years | 10 to 15 years | 15 to 20 years | |
| Lease liabilities | \$ 8,099 | \$ 25,931 | \$ 29,980 | \$ 31,461 | \$ 14,190 | \$ 109,661 |

| Non-derivative financial liabilities | December 31, 2019 | | | | |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Within one year | 1 to 5 year(s) | 5 years or above | Contract cash flow | Carrying amount |
| Short-term borrowings | \$ 775,472 | \$ - | \$ - | \$ 775,472 | \$ 767,575 |
| Short-term bills payable | 10,000 | - | - | 10,000 | 9,998 |
| Notes payable | 44,509 | - | - | 44,509 | 44,509 |
| Accounts payable | 555,860 | - | - | 555,860 | 555,860 |
| Other payables | 476,038 | - | - | 476,038 | 476,038 |
| Lease liabilities | 6,939 | 24,989 | 77,088 | 109,016 | 98,522 |
| Long-term borrowings (including current portion) | 153,062 | 1,286,888 | 471,055 | 1,911,005 | 1,850,440 |
| Guarantee deposit received | - | 9,092 | - | 9,092 | 9,092 |
| Total | \$ 2,021,880 | \$ 1,320,969 | \$ 548,143 | \$ 3,890,992 | \$ 3,812,034 |

Further information on the maturity analysis of lease liabilities is listed as follows:

| | December 31, 2019 | | | | | Total undiscounted lease payments |
|-------------------|-------------------|----------------|---------------|----------------|----------------|-----------------------------------|
| | Within one year | 1 to 5 year(s) | 5 to 10 years | 10 to 15 years | 15 to 20 years | |
| Lease liabilities | \$ 6,939 | \$ 24,989 | \$ 29,892 | \$ 31,413 | \$ 15,783 | \$ 109,016 |

| Non-derivative financial liabilities | March 31, 2019 | | | | |
|--|---------------------|---------------------|------------------|---------------------|---------------------|
| | Within one year | 1 to 5 year(s) | 5 years or above | Contract cash flow | Carrying amount |
| Short-term borrowings | \$ 799,704 | \$ - | \$ - | \$ 799,704 | \$ 787,239 |
| Short-term bills payable | 10,000 | - | - | 10,000 | 9,983 |
| Notes payable | 79,235 | - | - | 79,235 | 79,235 |
| Accounts payable | 1,025,116 | - | - | 1,025,116 | 1,025,116 |
| Other payables | 448,621 | - | - | 448,621 | 448,621 |
| Lease liabilities | 11,191 | 25,697 | 81,463 | 118,351 | 106,926 |
| Long-term borrowings (including current portion) | 471,860 | 1,358,035 | - | 1,829,895 | 1,803,935 |
| Guarantee deposit received | - | 8,336 | - | 8,336 | 8,336 |
| Total | <u>\$ 2,845,727</u> | <u>\$ 1,392,068</u> | <u>\$ 81,463</u> | <u>\$ 4,319,258</u> | <u>\$ 4,269,391</u> |

Further information on the maturity analysis of lease liabilities is listed as follows:

| | March 31, 2019 | | | | | Total undiscounted lease payments |
|-------------------|-----------------|----------------|---------------|----------------|----------------|-----------------------------------|
| | Within one year | 1 to 5 year(s) | 5 to 10 years | 10 to 15 years | 15 to 20 years | |
| Lease liabilities | \$ 11,191 | \$ 25,697 | \$ 29,655 | \$ 31,246 | \$ 20,562 | \$ 118,351 |

The Group does not expect that the occurrence timing of cash flow analyzed on the terminal date would arrive significantly earlier, or the actual amount would vary significantly.

(IV) Categories of financial instruments

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|---|----------------|-------------------|----------------|
| Financial assets measured at FVTPL-current | \$ 59,873 | \$ 62,947 | \$ 2,712 |
| Financial assets measured at amortized cost (Note 1) | 2,778,837 | 2,611,701 | 2,854,408 |
| Financial assets measured at FVTOCI - non-current | 16,328 | 17,218 | 14,934 |
| Financial liabilities measured at amortized cost (Note 2) | 3,809,260 | 3,713,512 | 4,162,465 |

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, and other financial assets, which are measured at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes payable, accounts payable, other payables, long-term borrowings (including current portion), guarantee deposits received, and other financial liabilities, which are measured at amortized cost.

(V) Information on fair value of financial instruments

1. Definition of the three levels of fair value

Level 1 inputs refer to quoted prices in active markets for identical instruments.

Level 2 inputs include direct or indirect observable inputs except for observable quoted prices in active markets.

Level 3 inputs refer to inputs used in the fair value measurement rather than

based on observable inputs accessible from the market.

2. Fair value hierarchy of financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term borrowings, accounts payable, long-term borrowings (including current portion), and other financial liabilities are reasonable approximation of their fair value.

3. Fair value hierarchy of financial instruments measured at fair value

The financial instruments measured at fair value by the Group is on a recurring basis, and the information on the fair value hierarchy is as follows:

| Item | March 31, 2020 | | | |
|---|------------------|-------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets measured at FVTPL-current | | | | |
| Funds | \$ 59,873 | \$ - | \$ - | \$ 59,873 |
| Financial assets measured at FVTOCI - non-current | | | | |
| Equity instruments | | | | |
| Unlisted stocks | - | - | 16,328 | 16,328 |
| | <u>\$ 59,873</u> | <u>\$ -</u> | <u>\$ 16,328</u> | <u>\$ 76,201</u> |

| Item | December 31, 2019 | | | |
|--|-------------------|-------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets measured at FVTPL-current | | | | |
| Funds | \$ 62,947 | \$ - | \$ - | \$ 62,947 |
| Financial assets measured at FVTOCI- non-current | | | | |
| Equity instruments | | | | |
| Unlisted instruments | - | - | 17,218 | 17,218 |
| | <u>\$ 62,947</u> | <u>\$ -</u> | <u>\$ 17,218</u> | <u>\$ 80,165</u> |

| Item | March 31, 2019 | | | |
|---|-----------------|-------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| Financial assets measured at FVTPL-current | | | | |
| Funds | \$ 2,712 | \$ - | \$ - | \$ 2,712 |
| Financial assets measured at FVTOCI - non-current | | | | |
| Equity instruments | | | | |
| Unlisted stocks | - | - | 14,934 | 14,934 |
| | <u>\$ 2,712</u> | <u>\$ -</u> | <u>\$ 14,934</u> | <u>\$ 17,646</u> |

4. Fair value valuation technique for instruments measured at fair value
 - (1) If a financial instrument has a quoted price in an active market, the quoted price will be adopted as the fair value.
 - (2) The fair value of the Group's holding of unlisted stocks for which no active market exists is estimated by using the market approach, which refers to the valuation of identical entities, quoted prices from a third party, the net worth of an entity, and the operating performance. In addition, the significant unobservable inputs mainly comprise liquidity discount, in which the possible changes would not result in a potentially material financial effect. Therefore, the Group does not disclose the quantitative information.
 - (3) The fair value of other financial assets and financial liabilities (except what is mentioned above) is determined in accordance with generally accepted pricing models based on the discounted cash flow analysis.
5. Transfers between Level 1 and Level 2 fair value hierarchy: None.
6. Statement of changes at Level 3 fair value hierarchy:

| Item | From January to March 2020 | From January to March 2019 |
|---|-------------------------------|-------------------------------|
| <u>Financial assets measured at FVTOCI- non-current</u> | | |
| Balance at beginning of the period | \$ 17,218 | \$ 16,336 |
| Recognized in other comprehensive income | (890) | (1,402) |
| Effect of exchange rate | - | - |
| Ending balance | <u>\$ 16,328</u> | <u>\$ 14,934</u> |

XIII. Additional Disclosures

- (I) Information about significant transactions (before elimination upon consolidation)
 1. Lending of funds to others: None.
 2. Endorsements for others: Table I.
 3. Securities held at the end of the period (excluding investments in companies, affiliates, and joint ventures and control): Table II.
 4. Purchases or sales of the same securities in a cumulative amount of NT\$300 million or accounting for more than 20% of the paid-up capital: None.
 5. Acquisition of individual real estate properties at costs of at least NT\$300 million or accounting for 20% of the paid-in capital: Table III.
 6. Disposal of individual real estate properties at prices of at least NT\$300 million or accounting for 20% of the paid-in capital: None.
 7. Purchases or sales of goods from or to related parties reaching NT\$100 million or accounting for 20% of paid-in capital or more: Table IV.
 8. Receivables from related parties reaching NT\$100 million or accounting for 20% of paid-in capital or more: Table V.

9. Derivative financial instrument transactions: None.

10. Relationships between parent company and subsidiaries and significant transactions: Table VI.

(II) Reinvestment Information (before elimination upon consolidation): Table VII.

(III) Investments in Mainland China (before elimination upon consolidation):

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table VIII.

2. Significant transactions that occurred directly or indirectly through the third region with any investee company in mainland China, as well as the prices, payment terms, unrealized gain or loss, and other relevant information that helps to understand the impact of the investments in mainland China on the financial statements: Table VI.

(IV) Information on substantial shareholders (name of shareholders with shareholding percentage exceeding 5%, as well as quantity and proportion of shares held): Table IX.

XIV. Departmental Information

(I) General information

For management purposes, the operating decision-makers of the Group has divided the operating units based on product lines, and divided the major reportable segments into the parts of electronic product components and stationery office products.

(II) Basis of measurement

The decision makers of the Group monitor the operation results of each operating segments to makes decision on resource allocation and performance evaluation. The performance of the segments is evaluated based on the net profit (loss) before tax and evaluated through methods consistent with the net profit (loss) in consolidated financial statements. In addition, the Group does not include assets and liabilities in the management report, so the measurement amounts of assets and liabilities of operating segments are zero. The accounting policy of operating segments is the same as that described in Note 4 to the consolidated financial statements.

(III) Information about segment profit or loss, assets, and liabilities

The financial information on reportable segments provided to chief operating decision makers is as follows:

| Item | From January to March 2020 | | | | Total |
|---------------------------------|-----------------------------------|----------------------------|------------------|-----------------------------|----------------------|
| | Components of electronic products | Stationery office products | Others | Adjustments and elimination | |
| Revenue | | | | | |
| Revenue from external customers | \$ 1,600,453 | \$ 329,520 | \$ 9,842 | \$ - | \$ 1,939,815 |
| Inter-segment revenue | 130,439 | 110,638 | 7,739 | (248,816) | - |
| | <u>\$ 1,730,892</u> | <u>\$ 440,158</u> | <u>\$ 17,581</u> | <u>\$ (248,816)</u> | <u>\$ 1,939,815</u> |
| Interest expense | <u>\$ 10,956</u> | <u>\$ 3,351</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,307</u> |
| Depreciation and amortisation | <u>\$ 148,812</u> | <u>\$ 24,534</u> | <u>\$ 4,773</u> | <u>\$ -</u> | <u>\$ 178,119</u> |
| Segment profit/loss | <u>\$ 44,393</u> | <u>\$ 26,607</u> | <u>\$ 1,899</u> | <u>\$ -</u> | <u>\$ 72,899</u> |
| Net income before tax | | | | | <u>\$ 72,899</u> |
| Total assets | | | | | <u>\$ 10,571,851</u> |

| Item | From January to March 2019 | | | | Total |
|---------------------------------|-----------------------------------|----------------------------|------------------|-----------------------------|----------------------|
| | Components of electronic products | Stationery office products | Others | Adjustments and elimination | |
| Revenue | | | | | |
| Revenue from external customers | \$ 1,850,888 | \$ 397,992 | \$ 18,161 | \$ - | \$ 2,267,041 |
| Inter-segment revenue | 168,519 | 138,164 | 11,659 | (318,342) | - |
| | <u>\$ 2,019,407</u> | <u>\$ 536,156</u> | <u>\$ 29,820</u> | <u>\$ (318,342)</u> | <u>\$ 2,267,041</u> |
| Interest expense | <u>\$ 12,129</u> | <u>\$ 3,660</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,789</u> |
| Depreciation and amortisation | <u>\$ 152,903</u> | <u>\$ 22,411</u> | <u>\$ 5,014</u> | <u>\$ -</u> | <u>\$ 180,328</u> |
| Segment profit/loss | <u>\$ 140,050</u> | <u>\$ 57,835</u> | <u>\$ 2,647</u> | <u>\$ -</u> | <u>\$ 200,532</u> |
| Net income before tax | | | | | <u>\$ 200,532</u> |
| Total assets | | | | | <u>\$ 11,317,963</u> |

(IV) Reconciliation of segment profit/loss, assets, and liabilities

Segment revenue and segment profit/loss are presented to the chief operating decision makers. The measurement method adopted is the same as the one used in the consolidated statement of comprehensive income.

SDI Corporation and Its Subsidiaries
Endorsement/Guarantee Provided for Others
From January 1, 2020 to March 31, 2020

Table I

Unit: NT\$1,000

| No. | Endorsement/Guarantee provider name | Subject of endorsements/guarantees | | Limit on endorsements/guarantees provided for a single party | Maximum balance for this period | Endorsement and guarantee closing balance | Actual expenditure | Amount of endorsement/guarantee collateralized by properties | Ratio of accumulated endorsement/guarantee to net equity per latest financial statements | Maximum endorsement/guarantee amount allowable | Guarantee provided by parent company to subsidiaries | Guarantee provided by subsidiaries to parent company | Endorsement provided to subsidiaries in mainland China Guarantee | Remarks |
|-----|-------------------------------------|--|----------|--|---------------------------------|---|--------------------|--|--|--|--|--|--|---------|
| | | Name | Relation | | | | | | | | | | | |
| 0 | SDI | Shuen Der Industry (Jiangsu) Co., Ltd. | (3) | \$ 2,555,989 | \$1,345,621 | \$1,345,621 | \$820,170 | \$ - | 23.69% | \$ 2,839,988 | Y | N | Y | |

Note 1: The filling method of the "No." column is as follows:

(1) The issuer shall be coded 0.

Note 2: The relation between the endorsement/guarantee provider and the subject of endorsement/guarantee:

(1) Companies with which SDI conducts business.

(2) A subsidiary of which SDI directly holds over 50% of the voting rights.

(3) An investee company of which the parent company and its subsidiaries together hold more than 50% of its the common stocks.

Note 3: The amount of endorsements/guarantees provided to any single entity shall be limited to 40% of SDI's net worth.

Note 4: The total limit for endorsements and guarantees provided to external entities is 50% of SDI's net worth.

Note 5: Mark Y for an endorsement/guarantee provided by the listed parent company to a subsidiary, an endorsement/guarantee provided by a subsidiary to the listed parent company, and an endorsement/guarantee provided to an entity in mainland China.

SDI Corporation and Its Subsidiaries
 Marketable Securities Held at the End of the Period
 March 31, 2020

Table II

Unit: Thousand Shares; NT\$1000

| Company | Name and types of securities | Relationship with the issuer of the securities | Financial statement account | End of the period | | | | Remarks |
|---------|--|--|--|-------------------|-----------------|--------------------|------------|---------|
| | | | | Number of shares | Carrying amount | Shareholding ratio | Fair value | |
| SDI | Capital China Income Balanced Fund TWD A | — | Financial assets at FVTPL - current | 300 | \$2,758 | -% | \$2,758 | |
| TBT | Jih Sun Money Market Fund | — | Financial assets at FVTPL - current | 2,587 | 38,538 | -% | 38,538 | |
| | Capital Money Market Fund | — | Financial assets at FVTPL - current | 1,145 | 18,577 | -% | 18,577 | |
| SDI | Changhua Golf Club | — | Financial assets at FVTOCI - non-current | 90 | 7,604 | 0.24% | 7,604 | |
| | SDI Electronics Japan Co., Ltd. | — | Financial assets at FVTOCI - non-current | 30 | 5,214 | 15.00% | 5,214 | |
| | SDI Japan Co., Ltd . | — | Financial assets at FVTOCI - non-current | 200 | 3,510 | 19.61% | 3,510 | |

SDI CORPORATION AND SBUSIDIARIES

ACQUISITION OF INDIVIDUAL 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 III

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 and Its Subsidiaries

Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

From January 1, 2020 to March 31, 2020

Table IV

Unit: NT\$1,000

| Company Name | Name of Transaction Counterparty | Relation | Transaction Details | | | | Situations and reasons that transaction terms are different from the general ones | | Notes/accounts receivable or payable | | Remarks |
|--|----------------------------------|-------------------------|---------------------|------------|--------------------------------|--|---|-------------|--------------------------------------|---|---------|
| | | | Purchases/sales | Amount | Ratio to total purchases/sales | Loan period | Unit price | Loan period | Balance | Ratio to total amount of notes/accounts receivable or payable | |
| Shuen Der Industry (Jiangsu) Co., Ltd. | SDI | Ultimate parent company | Sales | \$ 138,603 | 31.41% | Subject to conditions agreed by both parties | — | — | \$ 51,930 | 10.57% | Note 1 |

Note 1: It has already been charged-off during preparation of the consolidated financial statements.

SDI Corporation and Its Subsidiaries
 Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
 March 31, 2020

Table V

Unit: NT\$1,000

| Company Name | Name of the transaction counterparty | Relations | Balance of receivables from related parties(Note 1) | Turnover rate | Overdue receivables from related parties | | Amounts received from related parties in subsequent period | Allowance for bad debts recognized |
|--------------|--|----------------|---|---------------|--|--------------|--|------------------------------------|
| | | | | | Amount | Action taken | | |
| SDI | Shuen Der Industry (Jiangsu) Co., Ltd. | Sub-subsidiary | \$ 104,561 | 1.90 | \$ 36,442 | (Note 2) | \$ 14,815 | \$ - |

Note 1: It has already been charged-off during preparation of the consolidated financial statements.

Note 2: Shuen Der Industry (Jiangsu) is expected to operate stably in the second quarter. It may repay the debt in the next two quarters after getting sufficient funds.

SDI Corporation and Its Subsidiaries

Business Relations Between Parent Company and Subsidiaries and Important Transactions

From January 1, 2020 to March 31, 2020

Table VI

Unit: NT\$1,000

| No. (Note 1) | Name of trader | Name of transaction counterparty | Relationship (Note 2) | Transaction Details | | | |
|-----------------|--|--|--------------------------|---------------------|--------------------|-------------------------|---|
| | | | | Account | Amount (Note 4) | Terms of transaction | Ratio to consolidated net revenue or total assets |
| 0 | SDI | Chao Shin Metal Industrial Corp. | 1 | Sales | \$ 3,989 | Note 3 | 0.21% |
| | | Chao Shin Metal Industrial Corp. | 1 | Accounts receivable | 3,196 | Note 3 | 0.03% |
| | | Chao Shin Metal Industrial Corp. | 1 | Other receivables | 363 | — | -% |
| | | Tec Brite Technology Co., Ltd. | 1 | Sales | 146 | Note 3 | 0.01% |
| | | Tec Brite Technology Co., Ltd. | 1 | Accounts receivable | 146 | Note 3 | -% |
| | | Tec Brite Technology Co., Ltd. | 1 | Other receivables | 8,475 | — | 0.08% |
| | | Tec Brite Technology Co., Ltd. | 1 | Payments for other | 1,063 | — | 0.01% |
| | | Shuen Der Industry (Jiangsu) Co., Ltd. | 1 | Sales | 40,122 | Note 3 | 2.07% |
| | | Shuen Der Industry (Jiangsu) Co., Ltd. | 1 | Accounts receivable | 104,561 | Note 3 | 0.99% |
| | | Shuen Der Industry (Jiangsu) Co., Ltd. | 1 | Other receivables | 13,494 | — | 0.13% |
| 1 | Shuen Der Industry (Jiangsu) Co., Ltd. | SDI | 2 | Sales | 138,603 | Note 3 | 7.15% |
| | | SDI | 2 | Accounts receivable | 51,930 | Note 3 | 0.49% |
| | | SDI | 2 | Other receivables | 11,488 | — | 0.11% |
| 2 | Chao Shin Metal Industrial Corp. | SDI | 2 | Sales | 5,392 | Note 3 | 0.28% |
| | | SDI | 2 | Subcontract revenue | 478 | Note 3 | 0.02% |
| | | SDI | 2 | Accounts receivable | 2,237 | Note 3 | 0.02% |
| | | Shuen Der Industry (Jiangsu) Co., Ltd. | 3 | Sales | 27,323 | Note 3 | 1.41% |
| | | Shuen Der Industry (Jiangsu) Co., Ltd. | 3 | Accounts receivable | 38,382 | Note 3 | 0.36% |
| 3 | Tec Brite Technology Co., Ltd. | SDI | 2 | Sales | 32,763 | Note 3 | 1.69% |
| | | SDI | 2 | Accounts receivable | 40,264 | Note 3 | 0.38% |

Note 1: The information on transactions between the parent company and the subsidiaries shall be noted in the "No." column, and the filling method is as follows:

1. Parent company shall be coded "0".
2. The subsidiaries shall be coded sequentially starting with numerical number 1 according to company type.

Note 2: Relations with counterparty can be any one of the following three types; just mark the type:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3: The transaction price was agreed by both parties based on the relevant market prices.

Note 4: It has already been charged-off during preparation of the consolidated financial statements.

SDI Corporation and Its Subsidiaries

Names, Locations, and Relevant Information on Investees over which SDI exercises significant Influence

March 31, 2020

Table VII

Unit: NT\$1,000; Number of Shares: shares

| Investor company | Name of investee | Location | Primary business activities | Original investment amount | | Shareholding at the end of the period | | | Investee Gain (loss) during this period | Investment gains or losses recognized for this period | Remarks |
|------------------|----------------------------------|------------------------|---|----------------------------|------------------|---------------------------------------|---------|-----------------|---|---|-------------------|
| | | | | End of the period | End of last year | Number of shares | Ratio | Carrying amount | | | |
| SDI | Chao Shin Metal Industrial Corp. | Taiwan | Smelting and rolling of sheet metal | \$ 106,953 | \$ 106,953 | 14,810 | 84.62% | \$ 243,681 | \$ 3,961 | \$ 3,408 | Note 1 |
| | Tec Brite Technology Co., Ltd. | Taiwan | Manufacturing of electronic parts and components and international trading. | 98,969 | 98,969 | 9,897 | 54.98% | 367,385 | 28,651 | 16,008 | Note 1 |
| | SHUEN DER (B.V.I.) CORPORATION | British Virgin Islands | Holding company | 669,415 | 669,415 | 8,920 | 100.00% | 1,578,909 | (45,089) | (45,280) | Notes 1, 2, and 3 |

Note 1: It has already been charged-off during preparation of the consolidated financial statements.

Note 2: The differences of the investment gains or losses recognized for this period are unrealized gross profit.

Note 3: Please refer to Table VI for information on investees in mainland China.

SDI Corporation and Its Subsidiaries
Information on investments in Mainland China
From January 1, 2020 to March 31, 2020

Table VIII

Unit: NT\$1,000

| Name of investee in mainland China | Primary business activities | Actual paid-in capital | Method of investment | Accumulated amount of investment remitted from Taiwan from the beginning of the current period amount of investment | Outward and inward remittance of investment in the current period | | Accumulated amount of investment remitted from Taiwan at the end of the current period | Investee Gain (loss) during this period | Shareholding ratio of SDI's direct or indirect investment | Current recognition Gain (loss) from investment | Investment ending balance Carrying amount | Ending balance of accumulated inward remittance of earnings | Remarks |
|--|--|------------------------|----------------------|---|---|-------------------|--|---|---|---|---|---|---------|
| | | | | | Outward remittance | Inward remittance | | | | | | | |
| Shuen Der Industry (Jiangsu) Co., Ltd. | Manufacturing, processing, and sales of integrated circuit frames, blades, stationery, and other office supplies | 1,058,050 | Note 1 | 695,290 | - | - | 695,290 | (45,082) | 100.00% | (45,082) | 1,611,588 | - | |

| Accumulated amount of investment remitted from Taiwan to mainland China at the end of the current period | Investment amounts authorized by Investment Commission, MOEA | Investment limit in mainland China in accordance with regulations of Investment Commission, MOEA |
|--|--|--|
| 695,290 | 1,058,050 | 3,614,362 |

Note 1: Invested in companies in mainland China by a company founded in a third region.

Note 2: The number in the share of investment profit (loss) for the period field is recognized based on the reviewed financial statements of the investee company for the same period.

Note 3: If relevant figures in the table above involve foreign currencies, the figures are converted into New Taiwan Dollars based on the exchange rate on each financial reporting date and the average exchange rate.

Note 4: It has already been charged-off during preparation of the consolidated financial statements.

SDI Corporation and Its Subsidiaries
Information on Substantial Shareholders
March 31, 2020

Table IX

| Shareholding Shareholder's name | Number of shares held | Shareholding ratio |
|------------------------------------|-----------------------|--------------------|
| Cathay Life Insurance Co., Ltd. | 12,590,000 | 6.91% |
| Weite Chen | 9,237,690 | 5.12% |

Note 1: The substantial shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the number of shares recorded in SDI's financial statements and the number of shares actually delivered by SDI without physical registration may differ due to calculation basis.