

SDI Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
SDI Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of SDI Corporation and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in basis for qualified conclusion paragraph, we conducted our reviews in accordance with the statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Basis for Qualified Conclusion

As disclosed in Note 4(3) to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of September 30, 2020 and 2019, assets of those non-reviewed consolidated subsidiaries amounted to \$986,912 thousand and \$1,020,744 thousand (all in NTD unless specified otherwise), representing 10% and 10%, respectively, of total consolidated assets, and the liabilities amounted to \$160,982 thousand and \$190,417 thousand, representing 4% and 4%, respectively, of total consolidated liabilities. Comprehensive income of those consolidated subsidiaries for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 were \$38,376 thousand, \$41,171 thousand, \$106,068 thousand and \$104,832 thousand, representing 28%, 40%, 43% and 23%, respectively, of the total consolidated comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the aforementioned paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its financial performance for the three months and nine months ended September 30, 2020 and 2019 and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yang, Chen Yu and Lin, Ming Shou.

A handwritten signature in black ink that reads "Crowe TW CPAs". The signature is written in a cursive, flowing style.

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

November 4, 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' review 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' review report and consolidated financial statements shall prevail.

SDI Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	NOTES	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
Cash and cash equivalents	6(1)	\$ 629,728	6	\$ 871,509	8	\$ 576,135	5
Financial assets at fair value through profit or loss - current	6(2)	57,248	1	62,947	1	66,102	1
Notes receivable, net	6(3)	166,021	2	108,113	1	91,169	1
Accounts receivable, net	6(4)	1,656,569	16	1,591,245	15	1,606,518	15
Accounts receivable, net - related parties	6(4) - 7	1,991	-	5,279	-	5,181	-
Other receivables	7	15,980	-	13,779	-	12,222	-
Inventories, net	6(5)	2,753,997	27	2,603,477	25	3,007,354	28
Prepayments	6(6)	81,141	1	71,255	1	72,486	1
Other financial assets - current	6(7)	40,288	-	20,493	-	27,414	-
Other current assets		1,232	-	1,943	-	2,230	-
Total current assets		<u>5,404,195</u>	<u>53</u>	<u>5,350,040</u>	<u>51</u>	<u>5,466,811</u>	<u>51</u>
NONCURRENT ASSETS							
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	16,562	-	17,218	-	17,585	-
Property, plant and equipment	6(9)	4,375,300	43	4,566,765	44	4,630,258	44
Right-of-use assets	6(10)	229,572	2	223,701	2	227,665	2
Intangible assets	6(11)	57,676	1	60,131	1	60,766	1
Deferred income tax assets		119,937	1	143,854	2	162,846	2
Other noncurrent assets	6(12)	53,154	-	34,861	-	26,173	-
Total noncurrent assets		<u>4,852,201</u>	<u>47</u>	<u>5,046,530</u>	<u>49</u>	<u>5,125,293</u>	<u>49</u>
TOTAL		<u>\$ 10,256,396</u>	<u>100</u>	<u>\$ 10,396,570</u>	<u>100</u>	<u>\$ 10,592,104</u>	<u>100</u>
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Short-term loans	6(13)	\$ 766,845	8	\$ 772,231	8	\$ 783,093	7
Short-term notes and bills payable	6(14)	9,985	-	9,998	-	9,994	-
Contract liabilities - current	6(25)	90,399	1	70,600	1	69,151	1
Notes payable	6(15)	49,185	-	44,509	-	49,149	-
Accounts payable		669,737	7	554,347	5	675,212	6
Accounts payable - related parties	7	1,538	-	1,513	-	1,311	-
Other payables	6(16)	436,746	4	501,788	5	492,034	5
Other payables - related parties	7	1,151	-	813	-	774	-
Current income tax liabilities		41,371	-	35,634	-	33,372	-
Lease liabilities - current	6(10)	10,135	-	5,802	-	9,330	-
Long term liabilities - current portion	6(17)	104,339	1	132,465	2	174,320	2
Other current liabilities		8,920	-	13,224	-	9,629	-
Total current liabilities		<u>2,190,351</u>	<u>21</u>	<u>2,142,924</u>	<u>21</u>	<u>2,307,369</u>	<u>21</u>
NONCURRENT LIABILITIES							
Long term loans	6(17)	1,668,972	17	1,717,975	17	1,780,000	17
Deferred income tax liabilities		289,155	3	289,993	3	295,987	3
Lease liabilities - noncurrent	6(10)	100,619	1	92,720	1	94,120	1
Net defined benefit liability	6(19)	136,064	1	148,350	1	163,360	2
Other noncurrent liabilities		30,658	-	32,942	-	34,131	-
Total noncurrent liabilities		<u>2,225,468</u>	<u>22</u>	<u>2,281,980</u>	<u>22</u>	<u>2,367,598</u>	<u>23</u>
Total liabilities		<u>4,415,819</u>	<u>43</u>	<u>4,424,904</u>	<u>43</u>	<u>4,674,967</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Common stocks	6(20)	1,821,403	18	1,821,403	17	1,821,403	17
Capital surplus	6(21)	485,403	5	485,257	4	485,257	4
Retained earnings	6(22)						
Legal capital reserve		865,445	8	815,192	8	815,192	8
Special capital reserve		155,570	2	101,183	1	101,183	1
Unappropriated earnings		2,352,200	23	2,573,748	25	2,507,394	24
Others	6(23)	(163,754)	(2)	(155,570)	(1)	(126,368)	(1)
Equity attributable to shareholders of the parent		<u>5,516,267</u>	<u>54</u>	<u>5,641,213</u>	<u>54</u>	<u>5,604,061</u>	<u>53</u>
NON-CONTROLLING INTERESTS	6(24)	<u>324,310</u>	<u>3</u>	<u>330,453</u>	<u>3</u>	<u>313,076</u>	<u>3</u>
Total equity		<u>5,840,577</u>	<u>57</u>	<u>5,971,666</u>	<u>57</u>	<u>5,917,137</u>	<u>56</u>
TOTAL		<u>\$ 10,256,396</u>	<u>100</u>	<u>\$ 10,396,570</u>	<u>100</u>	<u>\$ 10,592,104</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

SDI Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	NOTES	For the Three Months Ended September 30				For the Nine Months Ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE		\$ 2,131,507	100	\$ 2,129,617	100	\$ 6,120,076	100	\$ 6,685,410	100
COST OF REVENUE		(1,778,606)	(83)	(1,734,265)	(81)	(5,209,816)	(85)	(5,456,593)	(82)
GROSS PROFIT		352,901	17	395,352	19	910,260	15	1,228,817	18
OPERATING EXPENSES									
Marketing		(68,520)	(3)	(67,645)	(3)	(200,224)	(3)	(203,075)	(3)
General and administrative		(63,932)	(3)	(73,053)	(4)	(188,384)	(3)	(230,783)	(3)
Research and development		(52,666)	(3)	(60,462)	(3)	(154,385)	(3)	(180,253)	(3)
Expected credit (loss) gain		1,250	-	(5,181)	-	823	-	(10,854)	-
Total operating expenses		(183,868)	(9)	(206,341)	(10)	(542,170)	(9)	(624,965)	(9)
INCOME FROM OPERATIONS		169,033	8	189,011	9	368,090	6	603,852	9
NONOPERATING INCOME AND EXPENSES									
Interest income		273	-	728	-	1,105	-	2,536	-
Other income		4,572	-	5,296	-	25,938	-	11,998	-
Other gains and losses, net		(17,603)	(1)	(3,871)	-	(29,766)	-	28,223	-
Finance costs		(12,544)	-	(14,726)	(1)	(40,773)	(1)	(44,295)	-
Total nonoperating income and expenses		(25,302)	(1)	(12,573)	(1)	(43,496)	(1)	(1,538)	-
INCOME BEFORE INCOME TAX		143,731	7	176,438	8	324,594	5	602,314	9
INCOME TAX EXPENSE		(34,224)	(2)	(33,509)	(1)	(68,483)	(1)	(124,685)	(2)
NET INCOME		109,507	5	142,929	7	256,111	4	477,629	7
OTHER COMPREHENSIVE INCOME (LOSS)									
Items that will not be reclassified subsequently to profit or loss :									
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(284)	-	1,517	-	(656)	-	1,249	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently		54	-	(303)	-	99	-	(168)	-
Items that may be reclassified subsequently to profit or loss :									
Exchange differences arising on translation of foreign operations		33,586	2	(50,327)	(2)	(9,534)	-	(32,833)	-
Income tax benefit (expenses) related to items that may be reclassified subsequently		(6,717)	(1)	10,066	-	1,907	-	6,567	-
Other comprehensive income (loss) for the period, net of income tax		26,639	1	(39,047)	(2)	(8,184)	-	(25,185)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$ 136,146	6	\$ 103,882	5	\$ 247,927	4	\$ 452,444	7
NET INCOME ATTRIBUTABLE TO :									
Shareholders of the parent		\$ 92,882	4	\$ 125,856	6	\$ 210,944	3	\$ 436,177	6
Non-controlling interests		16,625	1	17,073	1	45,167	1	41,452	1
		\$ 109,507	5	\$ 142,929	7	\$ 256,111	4	\$ 477,629	7
TOTAL COMPREHENSIVE INCOME :									
Shareholders of the parent		\$ 119,521	5	\$ 86,809	4	\$ 202,760	3	\$ 410,992	6
Non-controlling interests		16,625	1	17,073	1	45,167	1	41,452	1
		\$ 136,146	6	\$ 103,882	5	\$ 247,927	4	\$ 452,444	7
EARNINGS PER SHARE (IN DOLLARS)									
Basic earnings per share		\$ 0.51		\$ 0.69		\$ 1.16		\$ 2.39	
Diluted earnings per share		\$ 0.51		\$ 0.69		\$ 1.16		\$ 2.39	

The accompanying notes are an integral part of the consolidated financial statements.

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Items	Equity Attributable to Shareholders of the Parent											
	Retained Earnings					Other Equity			Total Other Equity	Total Attributable to Shareholders of the Parent	Non-controlling Interests	Total Equity
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
BALANCE, 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	
Appropriations of prior year's earnings												
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-	-	-	
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)	-	(509,993)	
Donation from shareholders	-	102	-	-	-	-	-	-	102	-	102	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(49,411)	(49,411)	
Net income for the nine months ended September 30, 2019	-	-	-	-	436,177	-	-	-	436,177	41,452	477,629	
Other comprehensive income (loss) for the nine months ended												
September 30, 2019, net of income tax	-	-	-	-	-	(26,266)	1,081	(25,185)	(25,185)	-	(25,185)	
BALANCE, SEPTEMBER 30, 2019	\$ 1,821,403	\$ 485,257	\$ 815,192	\$ 101,183	\$ 2,507,394	\$ (140,059)	\$ 13,691	\$ (126,368)	\$ 5,604,061	\$ 313,076	\$ 5,917,137	
2020												
BALANCE, 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	
Appropriations of prior year's earnings												
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-	-	-	
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	-	(327,852)	
Donation from shareholders	-	146	-	-	-	-	-	-	146	-	146	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(51,310)	(51,310)	
Net income for the nine months ended September 30, 2020	-	-	-	-	210,944	-	-	-	210,944	45,167	256,111	
Other comprehensive income (loss) for the nine months ended												
September 30, 2020, net of income tax	-	-	-	-	-	(7,627)	(557)	(8,184)	(8,184)	-	(8,184)	
BALANCE, SEPTEMBER 30, 2020	\$ 1,821,403	\$ 485,403	\$ 865,445	\$ 155,570	\$ 2,352,200	\$ (176,614)	\$ 12,860	\$ (163,754)	\$ 5,516,267	\$ 324,310	\$ 5,840,577	

The accompanying notes are an integral part of the consolidated financial statements.

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 324,594	\$ 602,314
Depreciation	506,393	537,452
Amortization	15,235	12,275
Expected credit loss (or reversal)	(823)	10,854
Loss (gain) on financial assets at fair value through profit or loss	(404)	(671)
Interest expense	40,773	44,295
Interest income	(1,105)	(2,536)
Dividend income	(475)	(1,693)
Gain on disposal of property, plant and equipment	(8,590)	(6,975)
Impairment loss (reversal of impairment loss) on non-financial asset	(4,000)	1,814
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	6,103	(63,006)
Notes receivable	(58,285)	44,991
Accounts receivable	(63,072)	427,378
Inventories	(153,314)	(150,293)
Prepayments	(11,960)	8,878
Other financial assets	747	3,005
Other current assets	(1,722)	2,760
Contract liabilities	19,814	18,665
Notes payable	5,215	(37,458)
Accounts payable	116,041	(505,472)
Other payables	(54,366)	(122,874)
Other current liabilities	(4,303)	(8,670)
Net defined benefit liability	(12,286)	(6,343)
Other operating liabilities	(5,670)	(6,302)
Cash provided from operations	654,540	802,388
Interest received	1,131	2,742
Dividends received	475	1,693
Interest paid	(38,875)	(44,737)
Income taxes paid	(37,806)	(286,322)
Net cash provided by operating activities	579,465	475,764

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (348,258)	\$ (425,591)
Proceeds from disposal of property, plant and equipment	30,279	7,112
Refundable deposits paid	1,467	(1,874)
Acquisition of intangible assets	(23,593)	(7,874)
Acquisition of right-of-use assets	-	(45,000)
Decrease (increase) in other financial assets	(19,808)	36,655
Net cash used in investing activities	<u>(359,913)</u>	<u>(436,572)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(961)	(66,101)
Increase in short-term notes and bills payable	-	10,000
Proceeds from long-term loans	402,636	1,000,000
Repayment of long-term loans	(471,000)	(842,000)
Repayment of the principal portion of lease liabilities	(6,503)	(5,191)
Increase (decrease) in other noncurrent liabilities	(3,711)	1,307
Cash dividends paid	(327,852)	(509,993)
Increase (decrease) in non-controlling interests	(51,310)	(49,411)
Net cash used in financing activities	<u>(458,701)</u>	<u>(461,389)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH	<u>(2,632)</u>	<u>2,658</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,781)	(419,539)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	871,509	995,674
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 629,728</u>	<u>\$ 576,135</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

SDI Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Reviewed, Not Audited)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATIONS

SDI Corporation (the "Company") was incorporated on October 17, 1967. The Company manufactures mainly in stationery related products before the Company repetitively expanded to produce and manufacture lead frames and molds.

Since April 25, 1996, the Company's stocks have been listed on the Taiwan Stock Exchange ("TWSE"). The main operating activities of the Company and its subsidiaries (the "Group") are as well as aforementioned (refer to note 4.3 B for further information).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on November 4, 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 The adoption of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC), and the impact of the application of the amendment to IFRS 16 in advance:

The Group negotiates with the lessor for rent concessions and accounts for the rent concessions as lease modifications. The Group discounts the modified lease payments adopting revised discount rate at the commencement date of modification and remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets.

The Group does not plan on acquiring any businesses in 2020, therefore, the initial application of the amendment to IFRS 3 does not have any effects on the Group's consolidated financial statements. Amendments to IAS 1 and IAS 8 have no effect in the Group's consolidated financial statements. In addition, the Group does not engage in any hedging transactions, the amendments of IFRS 9, IAS 39 and IFRS 7

have no effect on the Group's consolidated financial statements.

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	June 25, 2020 (Effective immediately upon promulgation by the IASB)

Amendments to IFRS 4 have no effect in the Group's consolidated financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022 (Note 5)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

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

Note 2: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 3: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 4: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 5: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

(1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

(2) Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

(3) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of

depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the aforementioned amendments in the retained earnings at the date of the initial application.

(4) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

(5) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires comparing the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 percent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

(6) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

Several standards were amended in the amendments. The amendments to IFRS 9 and IFRS 16 provide specific practical expedient that the modification of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate. Besides, the amendments to IFRS 9 introduce additional temporary exceptions for hedging relationships subject to interest rate benchmark reform.

The Group may not restate prior reporting periods when applying the aforementioned amendments, and recognize the cumulative effect in the retained earnings or other component of equity at the date of the initial application instead.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Statement of Compliance

- (1) The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," endorsed and issued into effect by the FSC.
- (2) The accompanying consolidated financial statements should be read with the consolidated financial statements for the year ended December 31, 2019.

4.2 Basis of Preparation

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

4.3 Basis of consolidation

- (1) Basis for preparation of consolidated financial statements:
 - A. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) 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.

- B. 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.
- C. 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.
- D. 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. 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.
- E. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any 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 or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership		
			September 30, 2020	December 31, 2019	September 30, 2019
The Company	SHUEN DER (B.V.I.) CO. (SHUEN DER(B.V.I.))	Investing activities	100%	100%	100%
SHUEN DER (B.V.I.)	SDI China (SDI(JIANGSU))	Office supplies (Blades, stationery, etc.) and manufacturing and processing of electronic components	100%	100%	100%

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership		
			September 30, 2020	December 31, 2019	September 30, 2019
The Company	CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Smelting and Rolling of metal strips	84.62%	84.62%	84.62%
The Company	TEC BRITE TECHNOLOGY CO., LTD. (TEC Brite Technology)	Manufacturing of electronic components and international trade	54.98%	54.98%	54.98%

The financial statements for the nine months ended September 30, 2020 and 2019 of aforementioned subsidiaries were not reviewed by independent auditors, expect for those of the significant subsidiaries, i.e. SHUEN DER (B.V.I.) and SDI (JIANGSU).

(3) Subsidiaries excluded from the consolidated financial statements: None.

(4) Subsidiaries that have non-controlling interests that are material to the Group

Name of subsidiary	Percentage of Ownership of Non-controlling Interest		
	September 30, 2020	December 31, 2019	September 30, 2019
TEC Brite Technology	45.02%	45.02%	45.02%

Please refer to Table 6 for information of principal place of business and registered countries of TEC Brite Technology.

Name of subsidiary	Profit or Loss Distribute to Non-controlling Interest			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
TEC Brite Technology	\$ 16,285	\$ 16,313	\$ 43,825	\$ 38,471
Others	340	760	1,342	2,981
Total	\$ 16,625	\$ 17,073	\$ 45,167	\$ 41,452

Name of subsidiary	Non-controlling Interest		
	September 30, 2020	December 31, 2019	September 30, 2019
TEC Brite Technology	\$ 282,017	\$ 286,810	\$ 270,774
Others	42,293	43,643	42,302

Name of subsidiary	Non-controlling Interest		
	September 30, 2020	December 31, 2019	September 30, 2019
Total	\$ 324,310	\$ 330,453	\$ 313,076

The summary financial information (including the intra-company transactions) of subsidiaries are as follows :

Balance sheets

	TEC Brite Technology		
	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 561,685	\$ 572,703	\$ 509,582
Non-current assets	329,038	343,630	355,267
Current liabilities	(127,436)	(130,317)	(109,064)
Non-current liabilities	(134,206)	(146,280)	(149,851)
Equity	\$ 629,081	\$ 639,736	\$ 605,934
Equity attributable to:			
Shareholder of the parent	\$ 345,869	\$ 351,727	\$ 333,143
Non-controlling Interests of TEC Brite Technology	283,212	288,009	272,791
Total	\$ 629,081	\$ 639,736	\$ 605,934

Statements of comprehensive incomes

	TEC Brite Technology			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 221,090	\$ 193,888	\$ 594,628	\$ 511,921
Net profit for the period	\$ 36,174	\$ 36,235	\$ 97,346	\$ 85,453
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	\$ 36,174	\$ 36,235	\$ 97,346	\$ 85,453
Net profit attributable to:				
Shareholder of the parent	\$ 19,889	\$ 19,922	\$ 53,521	\$ 46,982
Non-controlling interests of TEC Brite Technology	16,285	16,313	43,825	38,471
Total	\$ 36,174	\$ 36,235	\$ 97,346	\$ 85,453

	TEC Brite Technology			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Total comprehensive income attributable to: Shareholder of the parent	\$ 19,889	\$ 19,922	\$ 53,521	\$ 46,982
Non-controlling interests of TEC Brite Technology	16,285	16,313	43,825	38,471
Total	\$ 36,174	\$ 36,235	\$ 97,346	\$ 85,453

	TEC Brite Technology	
	For the Nine Months Ended September 30	
	2020	2019
Dividends paid to non-controlling interests	\$ 48,619	\$ 44,567

Statements of cash flows

	TEC Brite Technology	
	For the Nine Months Ended September 30	
	2020	2019
Net cash generated from operating activities	\$ 51,378	\$ 64,415
Net cash used in investing activities	(30,554)	(4,918)
Net cash used in financing activities	(119,847)	(110,659)
Decrease in cash and cash equivalents	(99,023)	(51,162)
Cash and cash equivalents, beginning of the period	195,144	169,918
Cash and cash equivalents, end of the period	\$ 96,121	\$ 118,756

4.4 Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

4.5 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

4.6 Leases

(1) The Group as lessee

For a lease modification that is not treated as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decrease in the scope of the lease, and any gain or loss relating to the partial or full termination is recognised in profit or loss; (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

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

The Group has considered the economic implications of COVID-19 on critical accounting estimates as well as related assumptions and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition, the same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2019, which were stated in note 5.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and petty cash	\$ 1,106	\$ 1,173	\$ 1,532
Checking accounts and demand deposits	628,622	868,336	488,580
Cash equivalents			
Time deposits (original maturities within three months)	-	2,000	86,023
Total	\$ 629,728	\$ 871,509	\$ 576,135

- (1) Time deposits with original maturities over three months was classified as other current financial assets as of September 30, 2020, December 31, 2019 and September 30, 2019.
- (2) The cash and cash equivalents of the Group are not pledged to others.
- (3) Please refer to Note 12 for related credit risk management and assessment.

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily measured at FVTPL			
Non-derivative financial assets			
Funds	\$ 57,248	\$ 62,947	\$ 66,102
Total	\$ 57,248	\$ 62,947	\$ 66,102

- (1) The Group recognized net profit or loss of FVTPL for the three months and nine months ended September 30, 2020 and 2019 is \$62 thousand, \$127 thousand, (\$2,672) thousand and \$671 thousand.
- (2) Financial instruments at fair value through profit or loss of the Group are not pledged to others.

6.3 NOTES RECEIVABLE

Items	September 30, 2020	December 31, 2019	September 30, 2019
Amortized at cost			
Gross carrying amount	\$ 166,121	\$ 108,213	\$ 91,269
Less: Loss allowance	(100)	(100)	(100)
Notes receivable, net	<u>\$ 166,021</u>	<u>\$ 108,113</u>	<u>\$ 91,169</u>

(1) As of September 30, 2020, December 31, 2019 and September 30, 2019, the banker's acceptance bill of the Group was \$138,384 thousand, \$83,629 thousand and \$63,962 thousand, respectively. Short-term bank loans with bankers' acceptance bill as collaterals and pledges for writing bankers' acceptance bill as payments, please refer to Note 8.

(2) Please refer to Note 6.4 for information on loss allowance for notes receivable.

6.4 ACCOUNTS RECEIVABLE

Items	September 30, 2020	December 31, 2019	September 30, 2019
Amortized at cost			
Gross carrying amount	\$ 1,677,794	\$ 1,613,358	\$ 1,632,621
Less: Loss allowance	(21,225)	(22,113)	(26,103)
Accounts receivable, net	<u>\$ 1,656,569</u>	<u>\$ 1,591,245</u>	<u>\$ 1,606,518</u>

(1) The accounts receivable that was neither past due nor impaired was following the Group's credit policy determined by reference to the industrial characteristics, operating scale and current financial position of the counterparties. The average credit term is due on monthly aggregate sales plus 30 to 150 days.

(2) The Group applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. The allowance matrix of different customer segments, the provision for loss allowance is based on the number of past due days. All amounts due from specific customers which have impaired have been recognized impairment loss

in full amounts and have been accounted in uncollectible accounts (overdue receivables) under non-current assets.

- (3) The following table detailed the loss allowance of notes and accounts receivable based on the Group's provision matrix (include related parties).

September 30, 2020

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 1,744,124	\$ (12,003)	\$ 1,732,121
Past due but not impaired			
Past due within 30 days	81,807	(3,411)	78,396
Past due 31-90 days	15,691	(1,644)	14,047
Past due 91-180 days	277	(260)	17
Past due over 181 days	4,007	(4,007)	-
Total	\$ 1,845,906	\$ (21,325)	\$ 1,824,581

December 31, 2019

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 1,612,515	\$ (5,355)	\$ 1,607,160
Past due but not impaired			
Past due within 30 days	66,158	(2,799)	63,359
Past due 31-90 days	35,567	(5,219)	30,348
Past due 91-180 days	6,363	(2,593)	3,770
Past due over 181 days	6,247	(6,247)	-
Total	\$ 1,726,850	\$ (22,213)	\$ 1,704,637

September 30, 2019

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 1,603,772	\$ (4,877)	\$ 1,598,895
Past due but not impaired			
Past due within 30 days	77,984	(4,873)	73,111
Past due 31-90 days	36,697	(6,920)	29,777

September 30, 2019

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Past due 91-180 days	\$ 1,905	\$ (820)	\$ 1,085
Past due over 181 days	8,713	(8,713)	-
Total	\$ 1,729,071	\$ (26,203)	\$ 1,702,868

(4) Movements of the loss allowance for notes and accounts receivable (include related parties).

Items	For the Nine Months Ended September 30	
	2020	2019
Balance, January 1	\$ 22,213	\$ 18,216
Add: Provision for impairment	-	10,854
Less: Reversal of impairment	(823)	-
Less: Reclassified as overdue receivables	-	(2,463)
Effect of exchange rate changes	(65)	(404)
Balance, September 30	\$ 21,325	\$ 26,203

(5) The Group has not held any collateral or other credit enhancement for accounts receivable as stated above.

(6) Please refer to Note 12 for information on the Group's management and measurement policies of credit risk.

6.5 INVENTORIES AND COST OF SALES

Items	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 1,078,450	\$ 849,191	\$ 1,092,729
Work-in-process	980,006	996,345	1,096,874
Finished goods	624,483	678,196	766,229
Goods	48,326	31,370	38,506
Inventory in transit	22,732	48,375	13,016
Total	\$ 2,753,997	\$ 2,603,477	\$ 3,007,354

(1) The cost of inventories recognized as expenses for the period :

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Provision for (recovery of) loss (gain) on inventories	\$ (7,372)	\$ (6,708)	1,075	\$ (6,423)
Unallocated fixed FOH	4,248	2,717	9,718	2,717
Loss on disposal of inventories	15,963	26,858	42,726	59,380
Total	\$ 12,839	\$ 22,867	\$ 53,519	\$ 55,674

(2) The inventories are not pledged by the Group.

6.6 PREPAYMENTS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Prepaid expenses	\$ 28,762	\$ 31,272	\$ 31,937
Prepayment for purchases	21,734	13,863	7,583
Input tax	9,206	7,369	9,229
Overpaid VAT	10,552	6,434	11,598
Others	10,887	12,317	12,139
Total	\$ 81,141	\$ 71,255	\$ 72,486

6.7 OTHER FINANCIAL ASSETS-CURRENT

Items	September 30, 2020	December 31, 2019	September 30, 2019
Pledged time deposits	\$ 6,500	\$ 10,338	\$ 10,338
Restricted deposits	33,788	10,155	17,076
Total	\$ 40,288	\$ 20,493	\$ 27,414

(1) Please refer to Note 8 for information on the amounts of pledged and restricted bank deposits.

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

Items	September 30, 2020	December 31, 2019	September 30, 2019
Equity instrument			
Unlisted stock	\$ 2,203	\$ 2,203	\$ 2,203
Valuation Adjustments	14,359	15,015	15,382
Total	<u>\$ 16,562</u>	<u>\$ 17,218</u>	<u>\$ 17,585</u>

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

(2) Financial assets at fair value through other comprehensive income of the Group are not pledged to others.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 254,419	\$ 254,419	\$ 254,419
Buildings	2,336,183	2,338,428	2,334,317
Machinery	5,858,641	5,947,531	5,944,748
Molds	1,919,550	1,847,451	1,849,188
Other equipment	1,251,068	1,216,019	1,193,528
Equipment under installation and construction in progress	466,681	411,547	384,212
Total cost	12,086,542	12,015,395	11,960,412
Less: Accumulated depreciation and impairment	(7,711,242)	(7,448,630)	(7,330,154)
Total	<u>\$ 4,375,300</u>	<u>\$ 4,566,765</u>	<u>\$ 4,630,258</u>

	Land	Buildings	Machinery	Molds	Other equipment	Equipment under installation and construction in progress	Total
Cost							
Balance, January 1, 2020	\$ 254,419	\$ 2,338,428	\$ 5,947,531	\$ 1,847,451	\$ 1,216,019	\$ 411,547	\$ 12,015,395
Additions	-	8,879	12,204	1,713	10,652	295,790	329,238
Disposals	-	(7,153)	(176,046)	(37,482)	(17,874)	-	(238,555)
Reclassification	-	921	83,642	111,891	43,897	(240,351)	-
Effect of exchange rate difference	-	(4,892)	(8,690)	(4,023)	(1,626)	(305)	(19,536)
Balance, September 30, 2020	<u>\$ 254,419</u>	<u>\$ 2,336,183</u>	<u>\$ 5,858,641</u>	<u>\$ 1,919,550</u>	<u>\$ 1,251,068</u>	<u>\$ 466,681</u>	<u>\$ 12,086,542</u>
Accumulated depreciation and impairment							
Balance, January 1, 2020	\$ -	\$ (859,443)	\$ (4,285,117)	\$ (1,480,403)	\$ (823,667)	\$ -	\$ (7,448,630)
Depreciation expense	-	(52,071)	(233,323)	(145,431)	(63,129)	-	(493,954)
Reversal of impairment	-	-	4,000	-	-	-	4,000
Disposals	-	7,153	154,789	37,214	17,710	-	216,866
Effect of exchange rate difference	-	1,348	5,109	2,898	1,121	-	10,476
Balance, September 30, 2020	<u>\$ -</u>	<u>\$ (903,013)</u>	<u>\$ (4,354,542)</u>	<u>\$ (1,585,722)</u>	<u>\$ (867,965)</u>	<u>\$ -</u>	<u>\$ (7,711,242)</u>
Cost							
Balance, January 1, 2019	\$ 254,419	\$ 2,240,093	\$ 5,777,434	\$ 1,786,905	\$ 1,129,467	\$ 608,785	\$ 11,797,103
Additions	-	59,287	51,591	5,449	27,441	285,086	428,854
Disposals	-	(476)	(70,918)	(112,268)	(11,034)	-	(194,696)
Reclassification	-	53,148	218,402	184,235	53,881	(509,666)	-
Effect of exchange rate difference	-	(17,735)	(31,761)	(15,133)	(6,227)	7	(70,849)
Balance, September 30, 2019	<u>\$ 254,419</u>	<u>\$ 2,334,317</u>	<u>\$ 5,944,748</u>	<u>\$ 1,849,188</u>	<u>\$ 1,193,528</u>	<u>\$ 384,212</u>	<u>\$ 11,960,412</u>
Accumulated depreciation and impairment							
Balance, January 1, 2019	\$ -	\$ (803,026)	\$ (4,043,831)	\$ (1,421,114)	\$ (766,372)	\$ -	\$ (7,034,343)
Depreciation expense	-	(49,573)	(274,377)	(142,962)	(60,131)	-	(527,043)
Impairment loss	-	-	(1,814)	-	-	-	(1,814)
Disposals	-	476	70,736	112,370	10,977	-	194,559
Effect of exchange rate difference	-	5,005	18,973	10,422	4,087	-	38,487
Balance, September 30, 2019	<u>\$ -</u>	<u>\$ (847,118)</u>	<u>\$ (4,230,313)</u>	<u>\$ (1,441,284)</u>	<u>\$ (811,439)</u>	<u>\$ -</u>	<u>\$ (7,330,154)</u>

- (1) Please refer to Note 6.29 for information on the Group's capitalized interest.
- (2) The property, plants, and equipment of the Group are not pledged to others.

6.10 LEASE ARRANGEMENT

(1) Right-of-use assets

Items	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 92,821	\$ 86,223	\$ 86,223
Land use right	76,200	76,636	78,260
Buildings	81,262	75,283	73,520
Total cost	250,283	238,142	238,003
Less: Accumulated depreciation and impairment	(20,711)	(14,441)	(10,338)
Total	\$ 229,572	\$ 223,701	\$ 227,665

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2020	\$ 86,223	\$ 76,636	\$ 75,283	\$ 238,142
Additions	10,173	–	8,566	18,739
Derecognition	(3,575)	–	(2,580)	(6,155)
Effect of exchange rate difference	–	(436)	(7)	(443)
Balance, September 30, 2020	\$ 92,821	\$ 76,200	\$ 81,262	\$ 250,283
Accumulated depreciation and impairment				
Balance, January 1, 2020	\$ (7,975)	\$ (2,526)	\$ (3,940)	\$ (14,441)
Depreciation expense	(5,959)	(1,880)	(4,600)	(12,439)
Derecognition	3,575	–	2,580	6,155
Effect of exchange rate difference	–	11	3	14
Balance, September 30, 2020	\$ (10,359)	\$ (4,395)	\$ (5,957)	\$ (20,711)

	Land	Use right of land	Buildings	Total
<u>Cost</u>				
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16	86,223	79,807	23,529	189,559
Additions	-	-	50,000	50,000
Derecognition	-	-	-	-
Effect of exchange rate difference	-	(1,547)	(9)	(1,556)
Balance, September 30, 2019	<u>\$ 86,223</u>	<u>\$ 78,260</u>	<u>\$ 73,520</u>	<u>\$ 238,003</u>
<u>Accumulated depreciation and impairment</u>				
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16	-	-	-	-
Depreciation expense	(5,981)	(1,999)	(2,429)	(10,409)
Effect of exchange rate difference	-	64	7	71
Balance, September 30, 2019	<u>\$ (5,981)</u>	<u>\$ (1,935)</u>	<u>\$ (2,422)</u>	<u>\$ (10,338)</u>

(2) Lease liabilities

Items	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ 10,135	\$ 5,802	\$ 9,330
Non-current	<u>\$ 100,619</u>	<u>\$ 92,720</u>	<u>\$ 94,120</u>

Range of discounts rate for lease liabilities is as follow :

	September 30, 2020	December 31, 2019	September 30, 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 information about the maturity analysis for lease liabilities.

(3) Material lease-in activities and terms

A. Land and Buildings

The Group leases land and plants with lease terms between 2015 and 2037, and paid \$4,123 thousand for guarantee deposit for the lease. The Group and the lessor agreed that a plant may be built on the leased land by the Group. However, title deed of the plant should be registered by the lessor. The Group has the right to use the plant within the lease terms. The construction of the plant was completed in the third quarter of 2019.

B. Use right of land

SDI (JIANGSU) acquired land use rights at Jiangsu, mainland China which would be matured in November, 2047, November, 2067 and November, 2051, respectively, within granted useful terms in 50 years、70 years and 34 years, respectively.

During the terms of the land use right, SDI (JIANGSU) has the right to use, to receive the benefit from, to transfer the title of the land use right and to lease the land use right, and should undertake taxes and duties for using the land. The land use right was used to build plants, office buildings and employee dormitories.

6.11 INTANGIBLE ASSETS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Trademarks	\$ 2,608	\$ 2,501	\$ 2,485
Patent	64,865	69,193	68,323
Computer software	34,130	40,873	42,245
Total	101,603	112,567	113,053
Less: Accumulated amortization	(43,927)	(52,436)	(52,287)
Intangible assets, net	\$ 57,676	\$ 60,131	\$ 60,766

For the Nine Months Ended September 30

	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1, 2020	\$ 2,501	\$ 69,193	\$ 40,873	\$ 112,567
Additions	189	3,282	7,372	10,843
Disposals	(82)	(7,610)	(16,028)	(23,720)
Reclassified	-	-	1,940	1,940

	For the Nine Months Ended September 30			
	Patent	Trademarks	Computer software	Total
Effect of exchange rate difference	\$ -	\$ -	\$ (27)	\$ (27)
Balance, September 30, 2020	<u>\$ 2,608</u>	<u>\$ 64,865</u>	<u>\$ 34,130</u>	<u>\$ 101,603</u>
<u>Accumulated amortization</u>				
Balance, January 1, 2020	\$ (1,518)	\$ (25,045)	\$ (25,873)	\$ (52,436)
Amortization expense	(247)	(7,387)	(7,601)	(15,235)
Disposals	82	7,610	16,028	23,720
Effect of exchange rate difference	-	-	24	24
Balance, September 30, 2020	<u>\$ (1,683)</u>	<u>\$ (24,822)</u>	<u>\$ (17,422)</u>	<u>\$ (43,927)</u>

	For the Nine Months Ended September 30			
	Patent	Trademarks	Computer software	Total
<u>Cost</u>				
Balance, January 1, 2019	\$ 2,436	\$ 64,291	\$ 45,970	\$ 112,697
Additions	49	4,876	2,949	7,874
Disposals	-	(844)	(6,608)	(7,452)
Effect of exchange rate difference	-	-	(66)	(66)
Balance, September 30, 2019	<u>\$ 2,485</u>	<u>\$ 68,323</u>	<u>\$ 42,245</u>	<u>\$ 113,053</u>
<u>Accumulated amortization</u>				
Balance, January 1, 2019	\$ (1,259)	\$ (21,403)	\$ (25,604)	\$ (48,266)
Amortization expense	(206)	(3,500)	(7,834)	(11,540)
Disposals	-	844	6,608	7,452
Effect of exchange rate difference	-	-	67	67
Balance, September 30, 2019	<u>\$ (1,465)</u>	<u>\$ (24,059)</u>	<u>\$ (26,763)</u>	<u>\$ (52,287)</u>

The intangible assets of the Group are not pledged to others.

6.12 OTHER NON-CURRENT ASSETS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments for equipment	\$ 29,111	\$ 22,246	\$ 13,670
Refundable deposits	10,558	12,053	12,503
Overdue receivables	8,123	8,136	8,185
Less: Allowance for uncollectible accounts	(8,123)	(8,136)	(8,185)
Prepayments for software	12,750	-	-
Others	735	562	-
Total	\$ 53,154	\$ 34,861	\$ 26,173

6.13 SHORT-TERM LOANS

Type of loans	September 30, 2020	December 31, 2019	September 30, 2019
Secured loans	\$ 22,733	\$ 4,656	\$ 5,562
Unsecured loans	744,112	767,575	777,531
Total	\$ 766,845	\$ 772,231	\$ 783,093
Interest rate range	1. 73%~4. 35%	1. 20%~4. 35%	1. 20%~4. 35%

Please refer to Note 8 for the information of pledging the banker's acceptance bill received from China counterparties for secured loans.

6.14 SHORT-TERM NOTES AND BILLS PAYABLES

Items	September 30, 2020	December 31, 2019	September 30, 2019
China Bills Finance Corporation	\$ 10,000	\$ 10,000	\$ 10,000
Less: Unamortized discounts	(15)	(2)	(6)
Total	\$ 9,985	\$ 9,998	\$ 9,994
Interest rate range	1. 06%	1. 16%	1. 16%

6.15 NOTES PAYABLE

Items	September 30, 2020	December 31, 2019	September 30, 2019
Notes payable-operating activities	\$ 49,065	\$ 44,036	\$ 48,860
Notes payable-non-operating activities	120	473	289
Total	\$ 49,185	\$ 44,509	\$ 49,149

6.16 OTHER PAYABLES

Items	September 30, 2020	December 31, 2019	September 30, 2019
Accrued salaries and bonuses	\$ 194,277	\$ 246,006	\$ 239,646
Accrued remuneration of directors and supervisors	14,378	16,825	34,350
Payable for equipment and construction	26,957	38,759	35,322
Accrued supplies expense	38,661	35,199	28,401
Accrued repairs and maintenance expense	21,568	28,912	21,229
Accrued utilities expense	26,605	21,761	26,629
Accrued insurance expense	16,374	16,205	16,513
Others	97,926	98,121	89,944
Total	\$ 436,746	\$ 501,788	\$ 492,034

6.17 LONG-TERM LOANS AND ITS CURRENT PORTION

Items	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured loans	\$ 1,780,483	\$ 1,850,440	\$ 1,954,320
Less: Current portion	(104,339)	(132,465)	(174,320)
Discount of government grants (Note 6.18)	(7,172)	-	-
Total	\$ 1,668,972	\$ 1,717,975	\$ 1,780,000
Interest rate range	0.45%~4.61%	0.70%~5.20%	0.70%~4.23%
Year to maturity	2021~2027	2020~2026	2020~2026

- (1) The loans from Bank of Taiwan, Mega Bank, E.SUN Bank, Chang Hwa Bank and The Shanghai Commercial & Savings Bank are repaid in installments, the rest of the loans will be repaid in full on the maturity date.
- (2) Under the Group's loan agreement with certain banks in the fourth quarter of 2019, the Group should meet several financial ratios and criteria. The Group had no violation of the aforementioned financial ratio regulations as of September 30, 2020 and December 31, 2019.

6.18 GOVERNMENT GRANTS

- (1) The Company has obtained a \$761,000 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The difference between transaction price and fair value is regarded as the government grants. As of September 30, 2020, the fair value of loan is estimated to be \$753,828 thousand. The difference \$7,172 between transaction price and fair value is recognized as deferred income (under other non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized \$683 thousand in other income, \$2,633 thousand in interest expense for the loan, and paid \$1,950 thousand interests to the bank.
- (2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not be able to build plants and relevant facilities, purchase equipment or use as mid-term working capital.

6.19 RETIREMENT BENEFIT PLANS

- (1) Defined contribution plans
 - A. The plan under Labor Pension Act (the "Act") of the R.O.C. is deemed a defined contribution plan. Pursuant to the Act, the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.
 - B. The foreign subsidiaries also make contribution in accordance with the rate specified in the plans in the local regulations, which is a defined contribution plan.
 - C. The Group's recognized expenses in the consolidated statement of comprehensive income were \$9,530 thousand, \$15,226 thousand, \$31,130 thousand and \$47,238 thousand under the contributions rates specified in the plans for the three months and nine months ended September 30, 2020 and 2019, respectively.

(2) Defined benefit plans

- A. The Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have defined benefit plans in accordance with Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and average monthly salaries and wages of the last 6 months prior to retirement. The Company and Chao Shin Metal Industrial Corporation contribute monthly an amount equal to 6% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.
- B. Due to no major downsize, discharges, significant one-time matters and major changes of market happened after the last fiscal year ended, the Group evaluated the periodic pension cost considered the actuarial report of 2019 and 2018 and disclosed the midterm cost.
- C. The Group's recognized expenses in the consolidated statement of comprehensive income were \$515 thousand, \$1,021 thousand, \$2,260 thousand and \$3,236 thousand under the defined benefit plans for three months and nine months ended September 30, 2020 and 2019, respectively.

6.20 COMMON STOCKS

- (1) Movements in the number of the Group's common shares outstanding were as follows:

	For the Nine Months Ended September 30			
	2020		2019	
	Shares (in Thousands)	Capital	Shares (in Thousands)	Capital
Beginning Balance	182,140	\$ 1,821,403	182,140	\$ 1,821,403
Ending Balance	182,140	\$ 1,821,403	182,140	\$ 1,821,403

- (2) The par value of common stock is \$10 per share, carrying one vote per share and carry a right to dividends.
- (3) The Company's authorized capital was \$2,700,000 thousand, consisting of 270,000 thousand shares as of September 30, 2020.

6.21 CAPITAL SURPLUS

Items	September 30, 2020	December 31, 2019	September 30, 2019
Additional paid-in capital	\$ 451,220	\$ 451,220	\$ 451,220
Long-term investments at equity	3,546	3,546	3,546
Treasury stock transactions	30,359	30,359	30,359
Others	278	132	132
Total	<u>\$ 485,403</u>	<u>\$ 485,257</u>	<u>\$ 485,257</u>

- (1) Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient.
- (2) The capital surplus from long-term investments and stock warrants may not be used for any purpose.

6.22 RETAINED EARNINGS

- (1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders' meeting according to the Company's Articles of Incorporation.

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

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

(3) Special reserve

Items	September 30, 2020	December 31, 2019	September 30, 2019
Special reserve	\$ 155,570	\$ 101,183	\$ 101,183

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

B. On initial application of IFRSs, the unrealized revaluation increments and cumulative translation adjustment should be reclassified into retained earnings, and was set aside as special reserve \$53,205 in accordance with rule No.1010012865 issue by the FSC. When the relevant assets are used, disposal of or reclassified subsequently, the special reserve set aside previously shall be reversed to distributable earnings proportionately.

(4) The appropriations of 2019 and 2018 earnings have been approved by shareholders' meetings held on June 23, 2020 and June 21, 2019, respectively. The appropriations of earnings and dividends per share were as follows:

Items	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve	\$ 50,253	\$ 82,888		
Special reserve	54,387	16,229		
Cash dividends to shareholders	327,852	509,993	\$ 1.80	\$ 2.80

(5) Information on the resolution regarding the appropriation of earnings of the Board of Directors' and shareholders' meetings is available from the Market Observation Post System on the website of the TSE.

6.23 OTHER EQUITY

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2020	\$ (168,987)	\$ 13,417	\$ (155,570)

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Exchange differences on translation of foreign financial statements	\$ (7,627)	\$ -	\$ (7,627)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	-	(557)	(557)
Balance, September 30, 2020	\$ (176,614)	\$ 12,860	\$ (163,754)

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2019	\$ (113,793)	\$ 12,610	\$ (101,183)
Exchange differences on translation of foreign financial statements	(26,266)	-	(26,266)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	-	1,081	1,081
Balance, September 30, 2019	\$ (140,059)	\$ 13,691	\$ (126,368)

6.24 NON-CONTROLLING INTEREST

Items	For the Nine Months Ended September 30	
	2020	2019
Balance, January 1	\$ 330,453	\$ 321,035
Attributable to non-controlling interests:		
Distribution of cash dividends by subsidiaries	(51,310)	(49,411)
Net income	45,167	41,452
Balance, September 30	\$ 324,310	\$ 313,076

6.25 OPERATING REVENUE

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue from contracts with customers				
Sale of goods	\$ 2,122,123	\$ 2,120,119	\$ 6,093,093	\$ 6,653,022
Service revenue	2,758	3,343	10,970	14,772
Subtotal	2,124,881	2,123,462	6,104,063	6,667,794
Other operating revenues	6,626	6,155	16,013	17,616
Total	\$ 2,131,507	\$ 2,129,617	\$ 6,120,076	\$ 6,685,410

(1) Description of customer contract

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

(2) Disaggregation of revenue from contracts with customers

Major products /Service line	For the Three Months Ended September 30, 2020					
	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	\$ 982,923	\$ 39,940	\$ 180,079	\$ 152,647	\$ 402,483	\$ 1,758,072
Stationery	46,622	101,354	31,385	1,529	161,153	342,043
Others	-	24,763	-	3	-	24,766
Total	\$ 1,029,545	\$ 166,057	\$ 211,464	\$ 154,179	\$ 563,636	\$ 2,124,881

Timing of revenue recognition

Performance obligation satisfied at a point in time	\$ 1,029,545	\$ 166,057	\$ 211,464	\$ 154,179	\$ 563,636	\$ 2,124,881
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For the Three Months Ended September 30, 2019

Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	\$ 827,463	\$ 105,665	\$ 237,478	\$ 196,554	\$ 364,590	\$ 1,731,750
Stationery	7,249	111,023	48,146	(220)	199,897	366,095
Others	-	25,494	-	123	-	25,617
Total	\$ 834,712	\$ 242,182	\$ 285,624	\$ 196,457	\$ 564,487	\$ 2,123,462
Timing of revenue recognition						
Performance obligation satisfied at a point in time	<u>\$ 834,712</u>	<u>\$ 242,182</u>	<u>\$ 285,624</u>	<u>\$ 196,457</u>	<u>\$ 564,487</u>	<u>\$ 2,123,462</u>

For the Nine Months Ended September 30, 2020

Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	\$ 2,693,550	\$ 311,346	\$ 604,660	\$ 489,935	\$ 941,460	\$ 5,040,951
Stationery	120,865	259,127	133,283	1,992	501,810	1,017,077
Others	-	45,976	-	59	-	46,035
Total	\$ 2,814,415	\$ 616,449	\$ 737,943	\$ 491,986	\$ 1,443,270	\$ 6,104,063
Timing of revenue recognition						
Performance obligation satisfied at a point in time	<u>\$ 2,814,415</u>	<u>\$ 616,449</u>	<u>\$ 737,943</u>	<u>\$ 491,986</u>	<u>\$ 1,443,270</u>	<u>\$ 6,104,063</u>

For the Nine Months Ended September 30, 2019

Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	\$ 2,444,450	\$ 384,959	\$ 731,817	\$ 646,911	\$ 1,233,998	\$ 5,442,135
Stationery	113,937	261,625	164,067	1,654	635,043	1,176,326
Others	-	49,115	-	218	-	49,333
Total	\$ 2,558,387	\$ 695,699	\$ 895,884	\$ 648,783	\$ 1,869,041	\$ 6,667,794
Timing of revenue recognition						
Performance obligation satisfied at a point in time	<u>\$ 2,558,387</u>	<u>\$ 695,699</u>	<u>\$ 895,884</u>	<u>\$ 648,783</u>	<u>\$ 1,869,041</u>	<u>\$ 6,667,794</u>

(3) The recognized contract liabilities arising from contracts with customers are as follows:

Items	September 30, 2020	December 31, 2019	September 30, 2019
Contract liabilities -current	\$ 90,399	\$ 70,600	\$ 69,151

6.26 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

By nature	For the Three Months Ended September 30, 2020			For the Three Months Ended September 30, 2019		
	Cost of sales	Operating expense (include non- operating)	Total	Cost of sales	Operating expense (include non- operating)	Total
Personnel						
Salary	\$ 229,276	\$ 78,768	\$ 308,044	\$ 222,228	\$ 87,616	\$ 309,844
Labor insurance	19,097	6,331	25,428	20,880	6,505	27,385
Pension	7,102	2,943	10,045	12,879	3,368	16,247
Other	23,192	7,718	30,910	22,051	6,396	28,447
Depreciation	152,785	12,677	165,462	170,159	11,232	181,391
Amortization	597	4,065	4,662	255	3,434	3,689
Total	\$ 432,049	\$ 112,502	\$ 544,551	\$ 448,452	\$ 118,551	\$ 567,003

By nature	For the Nine Months Ended September 30, 2020			For the Nine Months Ended September 30, 2019		
	Cost of sales	Operating expense (include non- operating)	Total	Cost of sales	Operating expense (include non- operating)	Total
Personnel						
Salary	\$ 693,097	\$ 220,977	\$ 914,074	\$ 717,828	\$ 274,082	\$ 991,910
Labor insurance	57,871	19,195	77,066	65,804	19,339	85,143
Pension	24,475	8,915	33,390	40,367	10,107	50,474
Other	68,089	23,993	92,082	66,633	19,779	86,412
Depreciation	467,868	38,525	506,393	499,857	37,595	537,452
Amortization	1,646	13,589	15,235	1,504	10,771	12,275
Total	\$ 1,313,046	\$ 325,194	\$ 1,638,240	\$ 1,391,993	\$ 371,673	\$ 1,763,666

(1) In accordance with the Company's Article of incorporation, the Company is stipulated to distribute compensation of employees at the rate of 1.5% of profit before tax, and directors' and supervisors' remuneration at the rate not higher

than 1.5% of profit before tax. For the three and nine months ended September 30, 2020, the employees' compensation was accrued at \$931 thousand and \$2,795 thousand, directors' and supervisors' remuneration were accrued at \$745 thousand and \$2,236 thousand. For the three and nine months ended September 30, 2019, employees' compensation was accrued at \$3,390 thousand and \$10,170 thousand, directors' and supervisors' remuneration were accrued at \$2,700 thousand and \$8,100 thousand. The Company accrued employees' compensation and remuneration of directors and supervisors at the rates 1.5% and 1.2%, respectively, of net profit before income tax. If there is a change in the proposed amount after the annual financial statement are authorized for issue, the difference is recorded as a change in accounting estimate and adjusted in the next fiscal year.

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

	For Year 2019		For Year 2018	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Amounts approved in meeting	\$ 9,347	\$ 7,478	\$ 16,080	\$ 12,864
Amounts recognized in respective financial statement	9,347	7,478	16,080	12,864
Difference	\$ -	\$ -	\$ -	\$ -

The employee compensation of 2019 and 2018 are paid in cash.

- (3) Information regarding employees' compensation and directors' and supervisors' remuneration is available from the Market Observation Post System at the website of the TWSE.

6.27 OTHER INCOME

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental income	\$ 158	\$ 86	\$ 333	\$ 259

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Government subsidies	\$ 872	\$ -	\$ 16,213	\$ -
Dividend income	30	-	475	1,693
Others	3,512	5,210	8,917	10,046
Total	\$ 4,572	\$ 5,296	\$ 25,938	\$ 11,998

6.28 OTHER GAINS AND LOSSES

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net gains (losses) on financial assets and liabilities at FVTPL	\$ 62	\$ 127	\$ (2,672)	\$ 671
Gain on disposal of property, plant and equipment	250	5,123	8,590	6,975
Gain on reversal of impairment loss / impairment loss of property, plant and equipment	4,000	(1,814)	4,000	(1,814)
Foreign exchange gain (losses), net	(22,061)	(6,604)	(39,505)	24,952
Others	146	(703)	(179)	(2,561)
Total	\$ (17,603)	\$ (3,871)	\$ (29,766)	\$ 28,223

6.29 FINANCIAL COSTS

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest expense				
Bank loans	\$ 12,682	\$ 14,915	\$ 40,979	\$ 46,671
Interest on lease liabilities	332	312	950	952

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Less:				
capitalized amount for qualified assets	\$ (470)	\$ (501)	\$ (1,156)	\$ (3,328)
Financial costs	\$ 12,544	\$ 14,726	\$ 40,773	\$ 44,295
Interest capitalization rates	1.44%~4.32%	1.44%~4.32%	1.44%~4.32%	1.44%~4.32%

6.30 INCOME TAX

(1) Components of income tax expense:

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Current income tax expense</u>				
Current tax expense (benefit) recognized in the current year	\$ 19,167	\$ 41,034	\$ 43,232	\$ 134,683
Tax on undistributed surplus earnings	-	-	3,700	11,422
Income tax adjustments on prior years	-	640	(2,579)	(1,033)
Current tax	19,167	41,674	44,353	145,072
<u>Deferred income tax expense</u>				
The origination and reversal of temporary differences	15,057	(8,165)	24,130	(20,387)
Deferred tax	15,057	(8,165)	24,130	(20,387)
Income tax expense recognized in profit or loss	\$ 34,224	\$ 33,509	\$ 68,483	\$ 124,685

The Group used each subsidiary as filed subjects for income tax. Income tax rate of the Company, Chao Shin Metal and TEC Brite Technology is 20%, and the tax rate for retained earnings is 5%. Tax rates used by other jurisdiction shall be based on related local tax laws.

- (2) Income tax benefits (expenses) recognized in other comprehensive income were as follows:

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Exchange differences arising on translation of foreign operations	\$ 6,717	\$ (10,066)	\$ (1,907)	\$ (6,567)
Financial assets at fair value through other comprehensive income	(54)	303	(99)	168
Total	\$ 6,663	\$ (9,763)	\$ (2,006)	\$ (6,399)

- (3) The income tax returns of the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have examined through 2018 by tax authority, except for 2017 of SDI.

6.31 OTHER COMPREHENSIVE INCOME

Items	For the Three Months Ended September 30, 2020		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gains (losses) on debt investments at fair value through other comprehensive income	\$ (284)	\$ 54	\$ (230)
Subtotal	(284)	54	(230)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	33,586	(6,717)	26,869
Subtotal	33,586	(6,717)	26,869
Total	\$ 33,302	\$ (6,663)	\$ 26,639

Items	For the Three Months Ended September 30, 2019		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gains (losses) on debt investments at fair value through other comprehensive income	\$ 1,517	\$ (303)	\$ 1,214
Subtotal	1,517	(303)	1,214
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(50,327)	10,066	(40,261)
Subtotal	(50,327)	10,066	(40,261)
Total	\$ (48,810)	\$ 9,763	\$ (39,047)

Items	For the Nine Months Ended September 30, 2020		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gains (losses) on debt investments at fair value through other comprehensive income	\$ (656)	\$ 99	\$ (557)
Subtotal	(656)	99	(557)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(9,534)	1,907	(7,627)
Subtotal	(9,534)	1,907	(7,627)
Total	\$ (10,190)	\$ 2,006	\$ (8,184)

Items	For the Nine Months Ended September 30, 2019		
	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gains (losses) on debt investments at fair value through other comprehensive income	\$ 1,249	\$ (168)	\$ 1,081
Subtotal	1,249	(168)	1,081
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(32,833)	6,567	(26,266)
Subtotal	(32,833)	6,567	(26,266)
Total	\$ (31,584)	\$ 6,399	\$ (25,185)

6.32 EARNINGS PER SHARE

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

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ 92,882	\$ 125,856	\$ 210,944	\$ 436,177
Net income for calculating basic earnings per share	\$ 92,882	\$ 125,856	\$ 210,944	\$ 436,177
Weighted average shares outstanding (thousand shares)	182,140	182,140	182,140	182,140
Basic earnings per share (after tax) (in dollars)	\$ 0.51	\$ 0.69	\$ 1.16	\$ 2.39
Diluted earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ 92,882	\$ 125,856	\$ 210,944	\$ 436,177
Net income for calculating diluted earnings per share	\$ 92,882	\$ 125,856	\$ 210,944	\$ 436,177

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average shares outstanding (thousand shares)	182,140	182,140	182,140	182,140
Effect of dilutive potential common shares				
Employees' compensation (thousand shares)	48	164	86	215
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,188	182,304	182,226	182,355
Diluted earnings per share (after tax) (in dollars)	\$ 0.51	\$ 0.69	\$ 1.16	\$ 2.39

If the Company is able to settle the employee compensation by cash or stocks, the employee compensation should be assumed to be settled in stocks and the resulting potential shares increased should be included in the weighted average shares outstanding in calculation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted earnings per share until employee compensation is approved in the following year.

7. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

(1) Related party name and categories

Related Party	Related Party Categories
NIPPON FILCON CO., LTD	Investors with significant influence over the Group
SJD Industries (M) Sdn. Bhd	Other related parties

Other related party is related by blood within second degree of relationship to the representative and the chairman of the Company.

(2) Significant transactions between related parties

A. Revenue

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Investors with significant influence over the Group	\$ 785	\$ 1,405	\$ 2,179	\$ 2,462
Other related parties	1,278	2,621	5,914	10,305
Total	\$ 2,063	\$ 4,026	\$ 8,093	\$ 12,767

Selling prices between related parties were determined and negotiated referring to related market prices. Payment terms were ranging from T/T 60 to 120 days.

B. Purchases

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Investors with significant influence over the Group	\$ -	\$ 1,332	\$ 2,491	\$ 2,595
Other related parties	1,533	22	3,201	2,653
Total	\$ 1,533	\$ 1,354	\$ 5,692	\$ 5,248

Purchasing prices between related parties were determined and negotiated referring to related market prices. The payment terms were ranging from T/T 60 to 90 days.

C. Receivables due from related parties

Items	Related Party	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	Investors with significant influence over the Group	\$ 294	\$ 403	\$ 712

Items	Related Party	September 30, 2020	December 31, 2019	September 30, 2019
	Other related parties	\$ 1,697	\$ 4,876	\$ 4,469
	Total	\$ 1,991	\$ 5,279	\$ 5,181
Other receivables	Other related parties	\$ 849	\$ 1,402	\$ 784

D. Payables due to related parties

Items	Related Party	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable	Investors with significant influence over the Group	\$ -	\$ 209	\$ 1,289
	Other related parties	1,538	1,304	22
	Total	\$ 1,538	\$ 1,513	\$ 1,311
Other payables	Other related parties	\$ 1,151	\$ 813	\$ 774

E. Property transaction

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Investors with significant influence over the subsidiaries	\$ -	\$ -	\$ 14,665	\$ -

F. Other transactions

Items	Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Consumable expenses	Investors with significant influence over the subsidiaries	\$ -	\$ -	\$ 1,130	\$ 1,247
	Total	\$ -	\$ -	\$ 1,130	\$ 1,247
Other income	Other related parties	\$ 102	\$ 73	\$ 241	\$ 488

(3) Compensation of key management personnel

Items	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 8,057	\$ 15,504	\$ 22,856	\$ 44,102
Post- employment benefits	84	99	233	287
Total	\$ 8,141	\$ 15,603	\$ 23,089	\$ 44,389

8. PLEDGED ASSETS

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

Items	September 30, 2020	December 31, 2019	September 30, 2019
Pledge time deposits (recognized as other financial assets - current)	\$ 6,500	\$ 10,338	\$ 10,338
Restricted deposits (recognized as other financial assets - current)	33,788	10,155	17,076
Notes receivable (the banker's acceptance notes)	65,838	54,137	44,280
Refundable deposits (recognized as other non - current assets)	644	794	944
Total	\$ 106,770	\$ 75,424	\$ 72,638

9. SIGNIFICANT CONTINGENCIY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

- A. The unused letters of credit for purchasing raw materials and equipment as of September 30, 2020 is \$6,700 thousand.
- B. Capital expenditures committed but not yet incurred are as follows :

Items	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant, and equipment	\$ 338,569	\$ 332,290	\$ 69,078

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

12.1 Seasonality or periodicity of operations

The operation of the Group's is not influenced by seasonal or periodical factors.

12.2 Capital risk management

There were no changes to the Group's policies for capital risk management from those described in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 12.1 of the consolidated financial statements for the year ended December 31, 2019 for the related information.

12.3 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Group's activities are exposed to a variety of financial risks. These financial risks included market risk (i.e. foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

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

Significant financial risks and degrees of financial risk

A. Market risk

a. Foreign exchange risk

- i. There were no significant changes in the nature and degree of material financial risk from those described in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 12.2 of the consolidated financial statements for the year ended December 31, 2019 for the related information.
- ii. Sensitivity analysis of foreign currency risk

September 30, 2020			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>			
Monetary Items			
USD	\$ 56,686	29.10	\$ 1,649,563
JPY	198,948	0.28	54,900
<u>Financial Liabilities</u>			
Monetary Items			
USD	22,748	29.10	661,967
JPY	78,490	0.28	21,659

December 31, 2019			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>			
Monetary Items			
USD	\$ 55,224	29.98	\$ 1,655,616
JPY	288,982	0.28	79,759
<u>Financial Liabilities</u>			
Monetary Items			
USD	22,392	29.98	671,324
JPY	46,771	0.28	12,909

September 30, 2019			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>			
Monetary Items			
USD	\$ 56,815	31.04	\$ 1,763,547
JPY	295,316	0.29	84,992
<u>Financial Liabilities</u>			
Monetary Items			
USD	28,630	31.04	888,677
JPY	35,613	0.29	10,249

Foreign currency risks of the Group are mainly exposed to US dollar and JPY. The sensitivity analysis for the Group is 1% increase/decrease in NTD against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. An increase/decrease in profit before tax would be resulted where the NTD strengthens/weakens 1% against the relevant currency with all other variables held constant in the amounts of \$10,208 thousand and \$9,496 thousand for the nine months ended September 30, 2020 and 2019, respectively.

b. Price risk

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

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

If the prices of these equity securities had increased/decreased by 1%, the profit before tax and other comprehensive income before tax would have increased/decreased by \$572 thousand, \$166 thousand, \$661 thousand and \$176 thousand for the nine months ended September 30, 2020 and 2019, respectively, due from increase/decrease in fair value.

c. Interest rate risk

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

Items	Carrying Amounts		
	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 1,144	\$ 1,294	\$ 85,467
Financial liabilities	(9,985)	(9,998)	(9,994)
Net	\$ (8,841)	\$ (8,704)	\$ 75,473
Cash flow interest rate risk			
Financial assets	\$ 662,044	\$ 885,716	\$ 512,768
Financial liabilities	(2,540,156)	(2,618,015)	(2,731,851)

Items	Carrying Amounts		
	September 30, 2020	December 31, 2019	September 30, 2019
Net	\$ (1,878,112)	\$ (1,732,299)	\$ (2,219,083)

Sensitivity analysis for instruments with fair value interest rate risk

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

Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Group's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease \$14,086 thousand and \$16,643 thousand for the nine months ended September 30, 2020 and 2019, respectively.

B. Credit risk

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

Business - related credit risk

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

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

Financial credit risk

The Group's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Group's treasury function. The Group only transacts with creditworthy

counterparties and banks; therefore, no significant financial credit risk was identified.

a. Credit concentration risk

As of September 30, 2020 and December 31, 2019 and September 30, 2019, there is/are 2, 1, and 1 customers, respectively, that its/their proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 24%, 14% and 14%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant.

b. Measurement of expected credit losses

- i. Accounts receivable: The Group applies simplified approach to accounts receivable. Please refer to Note 6.4 for more information.
- ii. The criteria used to determine whether credit risk has increased significantly: The Group considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

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

d. Credit risk of financial assets measured at amortized cost

Please refer to Note 6.4 for information on the Group's credit exposures associated with accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses; therefore, the loss allowance for those instruments is measured at an amount equal to 12-month expected credit losses. After assessment, the Group determined that no material impairment occurred.

C. Liquidity risk

a. Liquidity risk management

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

b. Maturity analysis for financial liabilities

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

Non-derivative Financial Liabilities	September 30, 2020				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 776,527	\$ -	\$ -	\$ 776,527	\$ 766,845
Short-term notes and bills payable	10,000	-	-	10,000	9,985

Non-derivative Financial Liabilities	September 30, 2020				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	\$ 49,185	\$ -	\$ -	\$ 49,185	\$ 49,185
Accounts payable	671,275	-	-	671,275	671,275
Other payables	408,358	-	-	408,358	408,358
Lease liabilities	11,408	36,707	72,716	120,831	110,754
Long-term loan (include current portion)	128,551	1,589,403	108,678	1,826,632	1,773,311
Guarantee deposits	-	5,325	-	5,325	5,325
Total	\$ 2,055,304	\$ 1,631,435	\$ 181,394	\$ 3,868,133	\$ 3,795,038

Further information on maturity analysis for lease liabilities

	September 30, 2020					Total undiscounted lease payments
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	
Lease liabilities	\$ 11,408	\$ 36,707	\$ 30,158	\$ 31,618	\$ 10,940	\$ 120,831

Non-derivative Financial Liabilities	December 31, 2019				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 782,362	\$ -	\$ -	\$ 782,362	\$ 772,231
Short-term notes and 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	471,382	-	-	471,382	471,382
Lease liabilities	6,939	24,989	77,088	109,016	98,522
Long-term loan (include current portion)	153,062	1,286,888	471,055	1,911,005	1,850,440
Guarantee deposits	-	9,092	-	9,092	9,092
Total	\$ 2,024,114	\$ 1,320,969	\$ 548,143	\$ 3,893,226	\$ 3,812,034

Further information on maturity analysis for lease liabilities

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

Non-derivative Financial Liabilities	September 30, 2019				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 796,201	\$ -	\$ -	\$ 796,201	\$ 783,093
Short-term notes and bills payable	10,000	-	-	10,000	9,994
Notes payable	49,149	-	-	49,149	49,149
Accounts payable	676,523	-	-	676,523	676,523
Other payables	461,008	-	-	461,008	461,008
Lease liabilities	10,489	25,209	78,548	114,246	103,450
Long-term loan (include current portion)	196,110	1,599,131	202,631	1,997,872	1,954,320
Guarantee deposits	-	9,276	-	9,276	9,276
Total	\$ 2,199,480	\$ 1,633,616	\$ 281,179	\$ 4,114,275	\$ 4,046,813

Further information on maturity analysis for lease liabilities

	September 30, 2019					Total undiscounted lease payments
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	
Lease liabilities	\$ 10,489	\$ 25,209	\$ 29,803	\$ 31,369	\$ 17,376	\$ 114,246

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

12.4 Capital risk management

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Financial assets at fair value			
through profit or loss- current	\$ 57,248	\$ 62,947	\$ 66,102
Financial assets measured at			
amortized cost (Note 1)	2,508,105	2,611,701	2,320,648
Financial assets at fair value			
through other comprehensive			
income- noncurrent	16,562	17,218	17,585

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liability</u>			
Financial liabilities measured at			
amortized cost (Note 2)	\$ 3,684,284	\$ 3,713,512	\$ 3,943,363

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

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

12.5 Fair value information of financial instruments

(1) Definition of fair value measurements are grouped into Level 1 to 3 as follows:

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

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

Level 3: Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.

(2) Financial instruments that are not measured at fair value

The fair value 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 loan, accounts payables, long-term loan (including current portion) and other financial liabilities approximate their fair value.

(3) Financial instruments that are measured at fair value:

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

Items	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at FVTPL				
Funds	\$ 57,248	\$ -	\$ -	\$ 57,248
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	16,562	16,562
Total	\$ 57,248	\$ -	\$ 16,562	\$ 73,810

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

Items	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at FVTPL				
Funds	\$ 66,102	\$ -	\$ -	\$ 66,102
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	17,585	17,585
Total	\$ 66,102	\$ -	\$ 17,585	\$ 83,687

- (4) The methods and assumptions the Group used to measure fair value are as follows:
- A. The Group measures the fair values of its financial instruments with an active market using their quoted prices in the active market.
 - B. Fair value of equity investment of unlisted stocks without active market was estimated through the market approach that is mainly referenced to the same type of companies' evaluation, quotes from third parties, net assets and state of operation. The significant and unobservable input parameter for assessing the unlisted stocks mainly relates to liquidity discount rate. Since the possible changes of liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.
 - C. Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.
- (5) Transfer between Level 1 and Level 2 of the fair value hierarchy: none.
- (6) Changes in level 3 instruments:

ITEMS	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
<u>Financial assets at FVTOCI</u>		
Beginning Balance	\$ 17,218	\$ 16,336
Unrealized valuation gains or losses on equity investments at FVTOCI	(656)	1,249
Effect of exchange rate difference	-	-
Ending Balance	<u>\$ 16,562</u>	<u>\$ 17,585</u>

13. SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information (before inter-company eliminations):

- (1) Financings provided to others: None;
- (2) Endorsement and guarantee provided to others: Please see Table 1 attached;
- (3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period): Please see Table 2 attached;
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 3 attached;

- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
 - (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid- in capital: None;
 - (9) Information on the derivative instrument transactions: None;
 - (10) The business relationship between the parent and the subsidiaries and significant transaction between them: Please see Table 5 attached;
- 13.2 Information on investees (before inter-company eliminations): Please see Table 6 attached;
- 13.3 Information on investment in Mainland China (before inter-company eliminations):
- (1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
 - (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 5 attached.
- 13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): Please see Table 8 attached.

14. SEGMENT INFORMATION

14.1 General information

For the purpose of management, the chief operating decision maker of the Group separates its operations based on different products and have two reportable segments: Stationary segment and electronic segment.

14.2 Measurement basis

Management monitors the operation results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax and is measured consistently with profit or loss before tax in the consolidated financial statements. Furthermore, the information of assets and liabilities do not report to chief operating decision maker for operation decision making, segment assets and liabilities are not disclosed. The accounting policies for reportable segments are the same as Group's accounting policies described in Note 4.

14.3 Segment information

The segment information provided to the chief operating decision-maker:

For the Nine Months Ended September 30, 2020					
Items	Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	\$ 5,040,951	\$ 1,017,077	\$ 62,048	\$ -	\$ 6,120,076
Revenue from intersegments	461,443	357,540	18,978	(837,961)	-
	<u>\$ 5,502,394</u>	<u>\$ 1,374,617</u>	<u>\$ 81,026</u>	<u>\$ (837,961)</u>	<u>\$ 6,120,076</u>
Interest expenses	<u>\$ 32,318</u>	<u>\$ 8,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,773</u>
Depreciation and amortization	<u>\$ 437,067</u>	<u>\$ 70,950</u>	<u>\$ 13,611</u>	<u>\$ -</u>	<u>\$ 521,628</u>
Segment income (loss)	<u>\$ 214,577</u>	<u>\$ 111,288</u>	<u>\$ (1,271)</u>	<u>\$ -</u>	<u>\$ 324,594</u>
Income (loss) before tax					<u>\$ 324,594</u>
Total assets					<u>\$ 10,256,396</u>

For the Nine Months Ended September 30, 2019					
Items	Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	\$ 5,442,135	\$ 1,176,326	\$ 66,949	\$ -	\$ 6,685,410
Revenue from intersegments	438,960	415,284	25,261	(879,505)	-
	<u>\$ 5,881,095</u>	<u>\$ 1,591,610</u>	<u>\$ 92,210</u>	<u>\$ (879,505)</u>	<u>\$ 6,685,410</u>
Interest expenses	<u>\$ 34,202</u>	<u>\$ 10,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,295</u>
Depreciation and amortization	<u>\$ 466,541</u>	<u>\$ 67,911</u>	<u>\$ 15,275</u>	<u>\$ -</u>	<u>\$ 549,727</u>
Segment income (loss)	<u>\$ 429,529</u>	<u>\$ 160,555</u>	<u>\$ 12,230</u>	<u>\$ -</u>	<u>\$ 602,314</u>
Income (loss) before tax					<u>\$ 602,314</u>
Total assets					<u>\$ 10,592,104</u>

14.4 Reconciliation for segment income (loss)

The segment revenue and segment income (loss) reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statements of comprehensive income.

SDI CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS / GUARANTEES PROVIDED
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 1

Amounts in Thousands of New Taiwan Dollars

NO.	Endorsement /Guarantee Provider	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Name	Nature of Relationship											
0	SDI	SDI (JIANGSU)	(3)	\$ 2,482,320	\$ 1,304,444	\$ 1,188,044	\$ 864,391	\$ -	21.54%	\$ 2,758,134	Y	N	Y	

Note 1 : The numbers filled in for the financing company represent the following :

(1) The Company is '0'.

Note 2 : Relationships between the endorser/guarantor and the party being endorsed/guaranteed :

(1) Trading parties.

(2) The Company direct and indirect owns over 50% ownership of subsidiaries.

(3) The Company and its subsidiaries own over 50% ownership of the investee company.

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

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

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

SDI CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

TABLE 2

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2020				Remarks
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TEC Brite Technology	Jih Sun Money Market Fund	—	Financial Assets at Fair Value through Profit or Loss – Current	2,587	\$ 38,632	—%	\$ 38,632	
	Capital Money Market Fund	—	Financial Assets at Fair Value through Profit or Loss – Current	1,145	18,616	—%	18,616	
SDI	Chang Hwa Golf Club	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	90	7,436	0.24%	7,436	
	SDI ELECTRONICS JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	30	6,060	15.00%	6,060	
	SDI JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	200	3,066	19.61%	3,066	

SDI CORPORATION AND SUBSIDIARIES

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 3

Amounts in Thousands of New Taiwan Dollars

Company Name	Types of Property	Date of Occurrence (Note 1)	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Remarks
							Owner	Relationships	Transfer Date	Amount			
SDI	Building H construction (Nantou)	November 8, 2019	\$ 314,500	\$ 62,900	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 SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 4

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases /Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
SDI	SDI Jiangsu	Subsidiary	Sales	\$ 115,126	2.54%	As prescribed by the agreement	—	—	\$ 63,829	5.41%	Note 1
SDI Jiangsu	SDI	The ultimate parent of the Company	Sales	487,479	29.53%	As prescribed by the agreement	—	—	60,417	9.95%	Note 1
TEC Brite Technology	SDI	The ultimate parent of the Company	Sales	137,895	23.19%	As prescribed by the agreement	—	—	76,575	38.28%	Note 1

Note 1: All the transactions had been eliminated when preparing consolidated financial report.

SDI CORPORATION AND SUBSIDIARIES
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY
TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 5 Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	SDI	Chao Shin Metal	1	Sales revenue	\$ 10,954	Note 3	0.18%
		Chao Shin Metal	1	Accounts receivable	3,023	Note 3	0.03%
		Chao Shin Metal	1	Other receivables	1,786	—	0.02%
		TEC Brite Technology	1	Sales revenue	151	Note 3	—%
		TEC Brite Technology	1	Accounts receivable	2	Note 3	—%
		TEC Brite Technology	1	Other receivables	10,953	—	0.11%
		SDI (JIANGSU)	1	Sales revenue	115,126	Note 3	1.88%
		SDI (JIANGSU)	1	Accounts receivable	63,829	Note 3	0.62%
		SDI (JIANGSU)	1	Other receivables	1,739	—	0.02%
1	SDI (JIANGSU)	SDI	2	Sales revenue	487,479	Note 3	7.97%
		SDI	2	Accounts receivable	60,417	Note 3	0.59%
		SDI	2	Other receivables	35,897	—	0.35%
2	Chao Shin Metal	SDI	2	Sales revenue	13,633	Note 3	0.22%
		SDI	2	Processing income	2,874	Note 3	0.05%
		SDI	2	Accounts receivable	1,882	Note 3	0.02%
		SDI (JIANGSU)	3	Sales revenue	69,849	Note 3	1.14%
		SDI (JIANGSU)	3	Accounts receivable	24,812	Note 3	0.24%

(Continued)

SDI CORPORATION AND SUBSIDIARIES
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY
TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 5 Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
3	TEC Brite Technology	SDI	2	Sales revenue	137,895	Note 3	2.25%
		SDI	2	Accounts receivable	76,575	Note 3	0.75%

Note 1: The numbers filled in for the transaction company represent the follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationships between transaction companies and counter parties are classified into the following three categories as listed below :

'1' represents parent company to subsidiary.

'2' represents subsidiary to parent company.

'3' represents subsidiary to subsidiary.

Note 3: Sale price with related parties were determined and negotiated referring to related market price.

Note 4: All the transactions had been eliminated when preparing consolidated financial report.

(Concluded)

SDI CORPORATION AND SUBSIDIARIES

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 6

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2020			Net Income(Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				September 30, 2020	December 31, 2019	Shares/Units (In Thousands)	Percentage of Ownership	Carrying Value			
SDI	CHAO SHIN METAL INDUSTRIAL CORP.	Taiwan	Smelting and rolling of metal strips	\$ 106,953	\$ 106,953	14,810	84.62%	\$ 233,008	\$ 8,722	\$ 7,545	Note 1
	TEC BRITE TECHNOLOGY CO., LTD	Taiwan	Manufacturing of electronic components and international trade	98,969	98,969	9,897	54.98%	346,237	97,346	54,241	Note 1
	SHUEN DER (B.V.I.)	BVI	Holding Company	669,300	669,300	8,920	100.00%	1,635,319	7,616	6,806	Note 1, 2, 3

Note 1 : All the transactions had been eliminated when preparing consolidated financial report.

Note 2 : The difference of the shares of profits/losses of investee is recognized as unrealized gross profit.

Note 3 : Please refer to Table 7 for information of investees of China Mainland.

SDI CORPORATION AND SUBSIDIARIES
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/Losses	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020	Note
					Outflow	Inflow							
SDI Jiangsu	Manufacture, process and sales of integrated circuit frame, blades, stationary, etc.	\$ 1,018,500	Note 1	\$ 669,300	-	-	\$ 669,300	\$ 7,710	100.00%	\$ 7,710	\$ 1,666,324	-	

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 669,300	\$ 1,018,500	\$ 3,504,346

Note 1 : Reinvesting in the Mainland China through third-region companies.

Note 2 : Amounts was recognized based on reviewed financial statements.

Note 3 : Foreign currencies aforementioned are translated into NTD using the exchange rate at the reporting date or average exchange rate for the nine months ended September 30, 2020.

Note 4 : All the transactions had been eliminated when preparing consolidated financial report.

SDI CORPORATION AND SUBSIDIARIES
 INFORMATION OF MAJOR SHAREHOLDERS
 SEPTEMBER 30, 2020

TABLE 8

Shareholders (Note 1)	Shares	
	Total Shares Owned	Ownership Percentage
Cathay Life Insurance Co.,Ltd.	11,496,000	6.31%
Chen, Wei Te	10,327,690	5.67%

Note 1: The information of major shareholders is based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of September 30, 2020. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.