SDI Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of SDI Corporation as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SDI Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SDI Corporation

By

Chen Jau Shyong
Chairman

February 24, 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

We have audited the accompanying consolidated financial statements of SDI Corporation and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with 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) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are started as follows：

1. Valuation of Inventory Impairment

Description

As of December 31, 2021, inventory accounted for 33% of the Group's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

How our audit addressed the matter

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

2. Revenue Recognition

Description

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

How our audit addressed the matter

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

Other Matter

We have also audited the parent company only financial statements of SDI Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Crowe TW CPAs

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

February 24, 2022

<u>*Notice to Readers*</u>

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

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

SDI Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

		December 31, 2021			December 31, 2020		
ASSETS	NOTES		Amount	%		Amount	%
CURRENT ASSETS							
Cash and cash equivalents	6(1)	$	702,314	5	$	764,179	7
Financial assets at fair value through profit or loss - current	6(2)		57,434	-		57,302	1
Notes receivable, net	6(3)		141,917	1		146,242	1
Accounts receivable, net	6(4)		2,379,821	18		1,757,587	17
Accounts receivable - related parties	7		20,881	-		23,461	-
Other receivables	7		20,559	-		14,117	-
Inventories, net	5、6(5)		4,086,541	33		2,804,041	27
Prepayments	6(6)		110,409	1		92,955	1
Other financial assets - current	6(7)、7		55,190	-		45,249	-
Other current assets			-	-		616	-
Total current assets			7,575,066	58		5,705,749	54
NONCURRENT ASSETS							
Financial assets at fair value through other comprehensive income - noncurrent	6(8)		20,222	-		16,898	-
Property, plant and equipment	5、6(9)		4,951,418	38		4,416,029	42
Right-of-use assets	6(10)		213,854	2		226,979	2
Intangible assets	5、6(11)		42,705	-		53,494	1
Deferred income tax assets	5、6(30)		120,527	1		114,660	1
Other noncurrent assets	6(12)		120,798	1		41,909	-
Total noncurrent assets			5,469,524	42		4,869,969	46
TOTAL		$	13,044,590	100	$	10,575,718	100
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Short-term loans	6(13)	$	867,361	7	$	788,562	7
Short-term notes and bills payable	6(14)		-	-		9,985	-
Contract liabilities	6(25)		104,504	1		78,902	1
Notes payable	6(15)		159,924	1		105,124	1
Accounts payable			1,316,613	9		830,196	8
Accounts payable - related parties	7		2,198	-		-	-
Other payables	6(16)		722,253	6		508,824	5
Other payables - related parties	7		860	-		440	-
Current income tax liabilities	6(30)		209,988	2		76,429	1
Lease liabilities - current	6(10)		9,436	-		10,214	-
Long-term liabilities - current portion	6(17)		135,082	1		145,920	1
Other current liabilities			21,273	-		12,802	-
Total current liabilities			3,549,492	27		2,567,398	24
NONCURRENT LIABILITIES							
Long term loans	6(17)		2,381,276	19		1,424,558	14
Deferred income tax liabilities	5、6(30)		311,966	2		299,423	3
Lease liabilities - noncurrent	6(10)		92,497	1		98,046	1
Net defined benefit liability - noncurrent	6(19)		144,397	1		137,552	1
Other noncurrent liabilities	6(18)		31,768	-		37,387	-
Total noncurrent liabilities			2,961,904	23		1,996,966	19
Total liabilities			6,511,396	50		4,564,364	43
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Common stocks	6(20)		1,821,403	14		1,821,403	17
Capital surplus	6(21)		485,598	4		485,403	5
Retained earnings	6(22)						
Legal capital reserve			899,980	7		865,445	8
Special capital reserve			134,642	1		155,570	1
Unappropriated earnings			2,984,948	22		2,486,607	24
Others	6(23)		(139,763)	(1)		(134,642)	(1)
Equity attributable to shareholders of the parent			6,186,808	47		5,679,786	54
NON-CONTROLLING INTERESTS	6(24)		346,386	3		331,568	3
Total equity			6,533,194	50		6,011,354	57
TOTAL		$	13,044,590	100	$	10,575,718	100

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	NOTES	2021 Amount	2021 %	2020 Amount	2020 %
NET REVENUE	6(25)、7	$ 11,152,550	100	$ 8,450,611	100
COST OF REVENUE	5、6(26)、7	(9,042,560)	(81)	(7,118,232)	(84)
GROSS PROFIT		2,109,990	19	1,332,379	16
OPERATING EXPENSES	6(26)、7				
Marketing		(311,191)	(3)	(273,859)	(3)
General and administrative		(328,226)	(3)	(256,243)	(3)
Research and development		(247,850)	(2)	(207,140)	(3)
Expected credit (losses) gains	6(4)	2,696	-	6,450	-
Total operating expenses		(884,571)	(8)	(730,792)	(9)
OPERATING PROFIT		1,225,419	11	601,587	7
NONOPERATING INCOME AND EXPENSES					
Interest income	6(27)	1,116	-	1,439	-
Other income	6(28)	36,904	-	33,664	1
Other gains and losses	6(29)	(37,430)	-	(64,784)	(1)
Finance costs		(58,468)	(1)	(57,333)	(1)
Total nonoperating income and expenses		(57,878)	(1)	(87,014)	(1)
INCOME BEFORE INCOME TAX		1,167,541	10	514,573	6
INCOME TAX EXPENSE	5, 6(30)	(257,202)	(2)	(113,192)	(1)
NET INCOME		910,339	8	401,381	5
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss：					
Remeasurement of defined benefit obligation	6(31)	(16,652)	-	(4,506)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6(31)	3,324	-	(320)	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently	6(30)	2,765	-	971	-
Items that may be reclassified subsequently to profit or loss：					
Exchange differences arising on translation of foreign operations	6(31)	(9,850)	-	26,472	-
Income tax benefit (expenses) related to items that may be reclassified subsequently	6(30)	1,970	-	(5,294)	-
Other comprehensive income (loss) for the year, net of income tax		(18,443)	-	17,323	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 891,896	8	$ 418,704	5
NET INCOME ATTRIBUTABLE TO：					
Shareholders of the parent		$ 852,244	7	$ 349,147	4
Non-controlling interests		58,095	1	52,234	1
		$ 910,339	8	$ 401,381	5
TOTAL COMPREHENSIVE INCOME：					
Shareholders of the parent		$ 834,679	7	$ 366,279	4
Non-controlling interests		57,217	1	52,425	1
		$ 891,896	8	$ 418,704	5
EARNINGS PER SHARE (IN DOLLARS)	6(32)				
Basic earnings per share		$ 4.68		$ 1.92	
Diluted earnings per share		$ 4.68		$ 1.92	

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Capital Stocks		Retained Earnings			Others					
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Attributable to Shareholders of the Parent	Non-controlling Interests	Total Equity
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)
Deemed donation from shareholders - dividends give up	-	146	-	-	-	-	-	-	146	-	146
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(51,310)	(51,310)
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147	52,234	401,381
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132	191	17,323
BALANCE, DECEMBER 31, 2020	1,821,403	485,403	865,445	155,570	2,486,607	(147,809)	13,167	(134,642)	5,679,786	331,568	6,011,354
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	(20,928)	20,928	-	-	-	-	-	-
Legal capital reserve	-	-	34,535	-	(34,535)	-	-	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	-	(327,852)
Deemed donation from shareholders - dividends give up	-	195	-	-	-	-	-	-	195	-	195
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(42,399)	(42,399)
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244	58,095	910,339
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)	(878)	(18,443)
BALANCE, DECEMBER 31, 2021	$ 1,821,403	$ 485,598	$ 899,980	$ 134,642	$ 2,984,948	$ (155,689)	$ 15,926	$ (139,763)	$ 6,186,808	$ 346,386	$ 6,533,194

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,167,541	$ 514,573
Adjustments to reconcile profit (loss)		
Depreciation	656,417	675,333
Amortization	17,580	20,561
Expected credit losses reversal	(2,696)	(6,450)
Gain on financial assets at fair value through profit or loss	(132)	(458)
Interest expense	58,468	57,333
Interest income	(1,116)	(1,439)
Dividend income	(392)	(475)
Loss (gain) on disposal of property, plant and equipment	174	(8,586)
Impairment loss (reversal of impairment loss) on non-financial assets	13,935	(4,000)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	-	6,103
Notes receivable	3,625	(36,111)
Accounts receivable	(619,536)	(170,673)
Inventories	(1,286,508)	(188,882)
Prepayments	(17,629)	(23,148)
Other financial assets	(102)	1,023
Other current assets	(6,030)	(38)
Contract liabilities	25,611	8,277
Notes payable	55,328	59,417
Accounts payable	489,327	272,299
Other payables	143,070	(1,483)
Other current liabilities	8,348	(1,342)
Net defined benefit liability	(10,167)	(14,794)
Other operating liabilities	(8,260)	1,857
Cash provided from operations	686,856	1,158,897
Interest received	1,118	1,451
Dividends received	392	475
Interest paid	(55,432)	(56,048)
Income taxes paid	(112,350)	(37,806)
Net cash provided by operating activities	520,584	1,066,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,193,835)	(489,263)
Proceeds from disposal of Property, plant and equipment	3,130	30,360
Decrease (increase) in refundable deposits	868	(978)
Acquisition of intangible assets	(6,804)	(11,944)
Increase in other financial assets	(10,098)	(24,258)
Increase in other noncurrent assets	(15,909)	(15,591)
Net cash used in investing activities	(1,222,648)	(511,674)

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	$ 83,277	$ 4,269
Decrease in short-term notes and bills payable	(10,000)	-
Proceeds from long-term loans	1,790,640	437,050
Repayment of long-term loans	(840,961)	(710,000)
Repayment of the principal portion of lease liabilities	(12,032)	(9,012)
Increase (decrease) in other noncurrent liabilities	1,280	(3,725)
Cash dividends paid	(327,852)	(327,852)
Decrease in non-controlling interests	(42,399)	(51,310)
Net cash provided by (used in) financing activities	641,953	(660,580)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,754)	(2,045)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,865)	(107,330)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	764,179	871,509
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 702,314	$ 764,179

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

(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 February 24, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 The adoption of the amendments to 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):

New standards, interpretations and amendments endorsed by the FSC and effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Temporary exemption from IFRS 9"	June 25, 2020, the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-related rent concessions beyond 30 June 2021"	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by the FSC.

Based on the Group's assessment, the above standards and interpretations have no significant effect on the Group's financial position and financial performance.

3.2 The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New standards, interpretations and amendments endorsed by the FSC and effective from 20222 are as follows:

New IFRSs	Effective Date Announced by IASB (Note 1)
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)

Note 1: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply those amendments retrospectively, but only to items of 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 the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

Note 3: The Company shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note 4: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note 5: The amendments to IFRS 9 apply to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 apply to fair value measurement on or after the beginning of the first annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 apply to the annual reporting periods beginning on or after January 1, 2022.

(1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

These amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards. In addition, the amendment clarifies that the cost of testing the proper functioning of an asset refers to assessing whether the technical and physical properties of the asset are sufficient to enable it to be used for the production or the provision of goods and services, leased to others or for management purposes.

The Group shall apply these amendments retrospectively, but only to items of 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 the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. The cumulative effect of initially applying the amendments shall be recognize as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented with comparative information restated.

(2) Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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

The amendments update a reference to the Framework in IFRS 3 and require the acquirer shall apply IFRIC 21 for a levy that would be within the scope of IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

(4) Annual Improvement to IFRS Standards 2018-2020

The annual improvements amend several Standards. Among which, the amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from the original one, only fees paid or received between the Group (the borrower) and the lender, including fees paid or received by either the Group or the lender on the other’s behalf, shall be included in the ‘10 per cent’ test of discounting present value of the cash flows under the new terms.

Based on the Group’s assessment, the application of the New IFRSs above will not have a significant impact on the Group’s financial position and financial performance.

3.3 The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC:

New standards, interpretations and amendments issued by the IASB but not yet endorsed by the FSC are as follows:

New IFRSs	Effective Date Announced 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
Amendments to IRFS 17	January 1, 2023
Amendments to IRFS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 "Disclosures of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

As of the date the accompanying consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs as endorsed by the FSC.

4.2 Basis of Preparation

A. 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.

B. 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

A. 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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership	
			2021.12.31	2020.12.31
The Company	SHUEN DER (B.V.I.) (B.V.I.) CO. (SHUEN DER(B.V.I.))	Investing activities	100%	100%
SHUEN DER (B.V.I.)	SDI China (SDI(JIANGSU))	Office supplies (Blades, stationery, etc.) and manufacturing and	100%	100%

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership 2021. 12. 31	Percentage of Ownership 2020. 12. 31
		processing of electronic components		
The Company	CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Smelting and Rolling of metal strips	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%

The subsidiaries consolidated in the consolidated financial statements of 2021 and 2020 were audited by the Company's independent auditors.

C. Subsidiaries excluded from the consolidated financial statements: None.

D. Subsidiaries that have non-controlling interests that are material to the Group

Name of subsidiary	Percentage of Ownership of Non-controlling Interest December 31, 2021	Percentage of Ownership of Non-controlling Interest December 31, 2020
TEC Brite Technology	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 2021	Profit or Loss Distribute to Non-controlling Interest 2020
TEC Brite Technology	$ 53,893	$ 50,075
Others	4,202	2,159
Total	$ 58,095	$ 52,234

Name of subsidiary	Non-controlling Interest December 31, 2021	Non-controlling Interest December 31, 2020
TEC Brite Technology	$ 301,008	$ 288,554
Others	45,378	43,014
Total	$ 346,386	$ 331,568

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

Balance sheets

	TEC Brite Technology	
	December 31, 2021	December 31, 2020
Current assets	$ 605,628	$ 555,295
Non-current assets	337,413	343,946
Current liabilities	(152,162)	(126,263)
Non-current liabilities	(115,434)	(129,376)
Equity	$ 675,445	$ 643,602
Equity attributable to :		
Shareholder of the parent	$ 371,360	$ 353,852
Non-controlling Interests of TEC Brite Technology	304,085	289,750
Total	$ 675,445	$ 643,602

Statements of comprehensive incomes

	TEC Brite Technology	
	2021	2020
Revenue	$ 799,412	$ 732,880
Net profit for the period	$ 123,892	$ 111,229
Other comprehensive income	(2,048)	637
Total comprehensive income for the period	$ 121,844	$ 111,866
Net profit attributable to :		
Shareholder of the parent	$ 68,116	$ 61,154
Non-controlling Interests of TEC Brite Technology	55,776	50,075
Total	$ 123,892	$ 111,229
Total comprehensive income attributable to :		
Shareholder of the parent	$ 66,990	$ 61,504
Non-controlling interests of TEC Brite Technology	54,854	50,362
Total	$ 121,844	$ 111,866

	TEC Brite Technology	
	2021	2020
Dividends paid to non-controlling interests		
TEC Brite Technology	$ (40,516)	$ (48,619)

Statements of cash flows

	TEC Brite Technology	
	2021	2020
Net cash generated from operating activities	$ 130,573	$ 129,587
Net cash used in investing activities	(68,484)	(56,324)
Net cash used in financing activities	(106,083)	(123,828)
Net increase (decrease) in cash and cash equivalents	(43,994)	(50,565)
Cash and cash equivalents at beginning of year	144,579	195,144
Cash and cash equivalents at the end of year	$ 100,585	$ 144,579

4.4 Foreign Currencies

A. Items included in the financial statements of each of the Group's entities are measured using the functional currency of each entity. The consolidated financial statements are presented in New Taiwan Dollars, which is the Group's functional currency.

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

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

4.5 Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the end of reporting period.

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of reporting period.

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

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the end of reporting period, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

4.6 Cash and cash equivalents

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

4.7 Financial Instruments

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

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

A. Financial assets

(a) Measurement categories

All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, any dividends earned recognized as other income, and interest earned and gains or losses arising from remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 12.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investment in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate equity investments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Equity investments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

(b) Impairment of financial assets

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

ii. The Group recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs for which there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

(c) Derecognition of financial assets

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

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

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

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

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

B. Equity instruments

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

C. Financial liabilities

(a) Subsequent measurement

Except for the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term. Derivatives are also categorized as financial liabilities held for trading unless they are financial guarantee contracts or designated and effective hedging derivatives. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition.

(i) They are hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

iii.For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

(b) Derecognition of financial liabilities

The Group derecognizes a financial liability when, and only when, it is extinguished—i.e. when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.8 Inventories

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

4.9 Property, Plant and Equipment

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

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

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

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

Buildings	8~50 years
Machinery	2~25 years
Molds	2~10 years
Other equipment	3~18 years

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

4.10 Leases

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

A.The Group as lessee

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

<u>Right-of-use assets</u>

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

Right-of-use assets are presented as a separate line item in the consolidated balance sheets.

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

Lease liabilities

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group shall remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the leas for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented as a separate line item in the consolidated balance sheets.

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

4.11 Intangible Assets

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

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

4.12 Impairment of non-financial assets

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

4.13 Employee Benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by using the market yields (at the end of the reporting period) on government bonds denominated in the currency in which the benefits are to be paid. The currency and term of the government bonds are consistent with the currency and estimated term of the obligation.

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

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. Any differences between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

D. Termination benefits

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

4.14 Capital Stock and Treasury Stock

A. Capital stock

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

B. Treasury Stock

The Group's repurchased stocks are recognized as treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

Upon retirement, treasury shares are derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury shares in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

4.15 Income Tax

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

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

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

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

4.16 Revenue Recognition

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

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

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

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

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

A. Revenue from sale of goods

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

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

B. Revenue from rendering of services

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

4.17 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

Except for those qualifying capitalization, all other borrowing costs are recognized as an expense in profit or loss as incurred.

4.18 Government Grants

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

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

The Group takes Covid-19 pandemic impact into consideration in critical accounting estimates and reviewing basic assumptions and estimates continually. The impacts of the change in accounting estimate shall be recognized currently when the impacts are related to the current period only. However, the impact shall be recognized currently and prospectively when the impacts not only effect current period but also the future periods.

The preparation of these Group's consolidated financial statements in applying the Group's accounting policies and making critical assumptions and estimates are consisted of the following:

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group applies judgement and considers relevant factors such as the measurement of assets performing, the risks affected by the performance and the regulations for related manager's remuneration. The Group monitors the fair value through profit or loss financial assets that are derecognized prior to their maturity to assess whether the purpose of derecognition is consistent with the business model's. If there has been a change in the business model, the Group shall postpone the adjustment of the reclassifications of financial assets in accordance with IFRS 9.

B. Lease terms

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

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

The provision for impairment of accounts receivable and debt investments is based on assumptions on risk of default and expected loss rates. The Group makes these assumptions and selects inputs for the impairment calculation, based on the Group's historical experience and existing market conditions, as well as forward looking information. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

B. Impairment of tangible and intangible assets

In the course of impairment assessments, the Group determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Group's strategy might result in material impairment of assets in the future.

C. Realizability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. The Group’s management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

D. Evaluation of inventories

As inventories are stated at the lower of cost or net realizable value, and the Group uses judgements and actuarial assumptions to determine the net realizable value of inventory at the end of each reporting period. The Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period, and then writes down the cost of inventories to net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

E. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group uses judgements and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate at the end of reporting period. Any changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligation.

F. The lessee’s incremental borrowing rate

In determining a lessee’s incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee’s credit spread adjustments and lease specific adjustments (such as asset type, guarantees, etc.) are also taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 914	$ 958
Checking accounts and demand deposits	701,400	763,221
Total	$ 702,314	$ 764,179

(1) Time deposits with original maturities over three months was classified as other financial assets- current as of December 31, 2021 and 2020.
(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 - CURRENT

Items	December 31, 2021	December 31, 2020
Mandatorily measured at FVTPL		
Non-derivative financial assets		
Funds	$ 57,434	$ 57,302
Total	$ 57,434	$ 57,302

(1) The Group recognized net profit or loss of FVTPL for the years ended December 31, 2021 and 2020 are $132 thousand and ($2,639) thousand.
(2) Financial instruments at fair value through profit or loss of the Group are not pledged to others.

6.3 NOTES RECEIVABLE, NET

Items	December 31, 2021	December 31, 2020
Amortized at cost		
Gross carrying amount	$ 142,017	$ 146,342
Less: Loss allowance	(100)	(100)
Notes receivable, net	$ 141,917	$ 146,242

(1) As of December 31, 2021 and 2020 the banker's acceptance bill of the Group was $109,918 thousand and $122,214 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, NET

Items	December 31, 2021	December 31, 2020
Amortized at cost		
Gross carrying amount	$ 2,391,206	$ 1,771,701
Less: Loss allowance	(11,385)	(14,114)
Accounts receivable, net	$ 2,379,821	$ 1,757,587

(1) The average credit period of sales of goods ranges from 30 to 150 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.

(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 (include overdue receivables) based on the Group's provision matrix (include related parties).

December 31, 2021

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 2,435,103	$ (3,678)	$ 2,431,425
Past due but not impaired			
Past due within 30 days	94,493	(3,623)	90,870
Past due 31-90 days	22,785	(2,621)	20,164
Past due 91-180 days	1,196	(1,036)	160
Past due 181-365 days	-	-	-
Past due over 365 days	8,686	(8,686)	-
Total	$ 2,562,263	$ (19,644)	$ 2,542,619

December 31, 2020

Aging terms		Gross carrying amount		Loss allowance (lifetime ECLs)		Amortized cost
Neither past due nor impaired	$	1,863,311	$	(6,521)	$	1,856,790
Past due but not impaired						
Past due within 30 days		46,847		(2,256)		44,591
Past due 31-90 days		26,238		(2,851)		23,387
Past due 91-180 days		3,518		(996)		2,522
Past due 181-365 days		278		(278)		–
Past due over 365 days		9,484		(9,484)		–
Total	$	1,949,676	$	(22,386)	$	1,927,290

(4) Movements of the loss allowance for notes and accounts receivable (including of which overdue and related parties').

Items		2021		2020
Balance, January 1	$	22,386	$	30,349
Add: Provision for (Reversal of) impairment		(2,696)		(6,450)
Less: Amounts written off		–		(1,616)
Effect of exchange rate changes		(46)		103
Balance, December 31	$	19,644	$	22,386

(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.

(7) Accounts receivable of the Group are not pledged to others

6.5 INVENTORIES AND COST OF SALES

Items		December 31, 2021		December 31, 2020
Raw materials	$	1,486,234	$	977,419
Work-in-process		1,453,154		918,704
Finished goods		982,857		777,533
Goods		92,135		42,205

Items	December 31, 2021	December 31, 2020
Inventory in transit	$ 72,161	$ 88,180
Total	$ 4,086,541	$ 2,804,041

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

Items	2021	2020
Loss on decline (gain on reversal) in market value of inventories	$ 3,752	$ (5,520)
Unallocated fixed FOH	810	10,169
Loss on inventory given up	77,592	69,939
Total	$ 82,154	$ 74,588

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

6.6 PREPAYMENTS

Items	December 31, 2021	December 31, 2020
Prepaid expenses	$ 32,076	$ 30,902
Prepayment for purchases	43,215	32,814
Input tax	22,570	10,280
Overpaid VAT	2,882	9,712
Others	9,666	9,247
Total	$ 110,409	$ 92,955

6.7 OTHER FINANCAIL ASSETS - CURRENT

Items	December 31, 2021	December 31, 2020
Pledged time deposits	$ 23,906	$ 20,917
Restricted deposits	31,284	24,332
Total	$ 55,190	$ 45,249

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

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

Items	December 31, 2021	December 31, 2020
Equity instrument		
Unlisted stock	$ 2,203	$ 2,203
Valuation Adjustments	18,019	14,695
Total	$ 20,222	$ 16,898

(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 against the medium and long-term investment strategies.
(2) Financial assets at FVTOCI of the Group are not pledged to others.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2021	December 31, 2020
Land	$ 254,419	$ 254,419
Buildings	2,357,039	2,355,346
Machinery	6,140,196	5,923,393
Molds	2,058,845	1,964,851
Other equipment	1,345,722	1,268,010
Equipment to be inspected and construction in progress	1,087,457	544,387
Total cost	13,243,678	12,310,406
Less: Accumulated depreciation and impairment	(8,292,260)	(7,894,377)
Total	$ 4,951,418	$ 4,416,029

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2021	$ 254,419	$ 2,355,346	$ 5,923,393	$ 1,964,851	$ 1,268,010	$ 544,387	$ 12,310,406
Additions	–	9,811	51,545	5,523	54,020	1,079,956	1,200,855
Disposals	–	(9,944)	(153,407)	(64,515)	(19,680)	–	(247,546)
Reclassification	–	6,780	327,346	157,262	45,010	(536,398)	–
Effect of exchange rate difference	–	(4,954)	(8,681)	(4,276)	(1,638)	(488)	(20,037)
Balance, December 31, 2021	$ 254,419	$ 2,357,039	$ 6,140,196	$ 2,058,845	$ 1,345,722	$ 1,087,457	$ 13,243,678

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Accumulated depreciation and impairment							
Balance, January 1, 2021	$ –	$ (927,659)	$ (4,443,855)	$ (1,632,248)	$ (890,615)	$ –	$ (7,894,377)
Depreciation expense	–	(69,224)	(310,696)	(170,933)	(88,841)	–	(639,694)
Impairment loss	–	–	(13,935)	–	–	–	(13,935)
Disposals	–	9,944	151,192	64,409	18,697	–	244,242
Reversal of impairment	–	–	(2,612)	–	2,612	–	–
Effect of exchange rate difference	–	1,510	5,753	3,076	1,165	–	11,504
Balance, December 31, 2021	$ –	$ (985,429)	$ (4,614,153)	$ (1,735,696)	$ (956,982)	$ –	$ (8,292,260)
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	–	9,789	26,881	2,765	18,169	445,421	503,025
Disposals	–	(7,181)	(183,099)	(51,388)	(20,744)	–	(262,412)
Reclassification	–	922	108,655	154,310	50,139	(314,026)	–
Effect of exchange rate difference	–	13,388	23,425	11,713	4,427	1,445	54,398
Balance, December 31, 2020	$ 254,419	$ 2,355,346	$ 5,923,393	$ 1,964,851	$ 1,268,010	$ 544,387	$ 12,310,406
Accumulated depreciation and impairment							
Balance, January 1, 2020	$ –	$ (859,443)	$ (4,285,117)	$ (1,480,403)	$ (823,667)	$ –	$ (7,448,630)
Depreciation expense	–	(71,230)	(308,610)	(194,558)	(84,350)	–	(658,748)
Reversal of Impairment loss	–	–	4,000	–	–	–	4,000
Disposals	–	7,181	161,763	51,120	20,574	–	240,638
Effect of exchange rate difference	–	(4,167)	(15,891)	(8,407)	(3,172)	–	(31,637)
Balance, December 31, 2020	$ –	$ (927,659)	$ (4,443,855)	$ (1,632,248)	$ (890,615)	$ –	$ (7,894,377)

(1) In order to fulfill operational and productivity expansion strategies, board of directors passed a resolution and authorized chairman to conduct the purchase of land and plants on March 9, 2021. The Group purchased the land and plants in Da-gang Section, Nantou City from KOAN HAO TECHNOLOGY CO., LTD. with an area of approximately 5,880 square meters for land and 3,514 square meters for plants, respectively. On June 22, 2021, the purchasing contract was signed. The purchasing price of the land and plants in total is $ 323,700 thousand, and the transferring of ownership was completed in October, 2021. As of December 31, 2021, full payments have been made and the building is still under construction. Please refer to Table 3 for the payment status.

(2) Please refer to Note 6.29 for information on the Group's capitalized interest.

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

6.10 LEASE ARRANGEMENT

(1) Right-of-use assets

Items	December 31, 2021	December 31, 2020
Land	$ 96,840	$ 92,822
Use right of land	77,392	77,836
Buildings	81,274	81,279
Total cost	255,506	251,937
Less: Accumulated depreciation and impairment	(41,652)	(24,958)
Total	$ 213,854	$ 226,979

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2021	$ 92,822	$ 77,836	$ 81,279	$ 251,937
Additions	4,018	–	–	4,018
Effect of exchange rate difference	–	(444)	(5)	(449)
Balance, December 31, 2021	$ 96,840	$ 77,392	$ 81,274	$ 255,506
Accumulated depreciation and impairment				
Balance, January 1, 2021	$ (12,340)	$ (5,131)	$ (7,487)	$ (24,958)
Depreciation expense	(8,059)	(2,550)	(6,114)	(16,723)
Derecognition	–	–	–	–
Effect of exchange rate difference	–	29	–	29
Balance, December 31, 2021	$ (20,399)	$ (7,652)	$ (13,601)	$ (41,652)

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2020	$ 86,223	$ 76,636	$ 75,283	$ 238,142
Additions	10,174	–	8,566	18,740
Derecognition	(3,575)	–	(2,581)	(6,156)
Effect of exchange rate difference	–	1,200	11	1,211
Balance, December 31, 2020	$ 92,822	$ 77,836	$ 81,279	$ 251,937

	Land	Use right of land	Buildings	Total
Accumulated depreciation and impairment				
Balance, January 1, 2020	$ (7,975)	$ (2,526)	$ (3,940)	$ (14,441)
Depreciation expense	(7,940)	(2,517)	(6,128)	(16,585)
Derecognition	3,575	-	2,581	6,156
Effect of exchange rate difference	-	(88)	-	(88)
Balance, December 31, 2020	$ (12,340)	$ (5,131)	$ (7,487)	$ (24,958)

(2) Lease liabilities

Items	December 31, 2021	December 31, 2020
Current	$ 9,436	$ 10,214
Non-current	$ 92,497	$ 98,046

Range of discounts rate for lease liabilities is as follow：

	December 31, 2021	December 31, 2020
Land	0.90%~1.20%	1.20%
Buildings	1.20%~4.13%	1.20%~4.13%

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 guaranteed 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.

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.

(4) Other lease information

Items	2021	2020
Expenses relating to short-term leases	$ 4,350	$ 3,775
Total cash outflow for leases	$ 17,635	$ 12,787

The Group elected to apply the recognition exemption for short-term leases and low-value asset leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

6.11 INTANGIBLE ASSETS

Items	December 31, 2021	December 31, 2020
Patent	$ 55,416	$ 62,226
Trademarks	2,432	2,674
Computer software	29,200	40,119
Total	87,048	105,019
Less: Accumulated amortization	(44,343)	(51,525)
Intangible assets, net	$ 42,705	$ 53,494

	2021			
Items	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 62,226	$ 2,674	$ 40,119	$ 105,019
Additions	$ 2,950	$ 208	$ 3,645	$ 6,803
Disposals	(9,760)	(450)	(14,529)	(24,739)
Effect of exchange rate difference	-	-	(35)	(35)
Balance, December 31	$ 55,416	$ 2,432	$ 29,200	$ 87,048
Accumulated amortization				
Balance, January 1	$ (24,394)	$ (1,700)	$ (25,431)	$ (51,525)
Amortization expense	(8,874)	(317)	(8,389)	(17,580)
Disposals	9,760	450	14,529	24,739

Items	2021 Patent	Trademarks	Computer software	Total
Effect of exchange rate difference	$ –	$ –	$ 23	$ 23
Balance, December 31	$ (23,508)	$ (1,567)	$ (19,268)	$ (44,343)

Items	2020 Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 69,193	$ 2,501	$ 40,873	$ 112,567
Additions	3,843	318	7,783	11,944
Disposals	(10,810)	(145)	(10,578)	(21,533)
Reclassified	–	–	1,940	1,940
Effect of exchange rate difference	–	–	101	101
Balance, December 31	62,226	2,674	40,119	105,019
Accumulated amortization				
Balance, January 1	$ (25,045)	$ (1,518)	$ (25,873)	$ (52,436)
Amortization expense	(10,159)	(327)	(10,075)	(20,561)
Disposals	10,810	145	10,578	21,533
Effect of exchange rate difference	–	–	(61)	(61)
Balance, December 31	$ (24,394)	$ (1,700)	$ (25,431)	$ (51,525)

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

6.12 OTHER NON-CURRENT ASSETS

Items	December 31, 2021	December 31, 2020
Prepayments for equipment	$ 76,387	$ 13,210
Refundable deposits	12,175	13,056
Overdue receivables	8,159	8,172
Less: loss allowance	(8,159)	(8,172)
Prepayments for software	31,501	15,591
Others	735	52
Total	$ 120,798	$ 41,909

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

6.13 SHORT-TERM LOANS

The nature of loans	December 31, 2021	December 31, 2020
Secured loans	$ 20,743	$ 9,690
Unsecured loans	846,618	778,872
Total	$ 867,361	$ 788,562
Interest rate range	1. 20%~4. 15%	1. 80%~4. 84%

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	December 31, 2021	December 31, 2020
China Bills Finance Corporation	$ -	$ 10,000
Less: Unamortized discounts	-	(15)
Total	$ -	$ 9,985
Interest rate range	-	1. 06%

6.15 NOTES PAYABLE

Items	December 31, 2021	December 31, 2020
Notes payable-operating activities	$ 159,924	$ 105,124
Total	$ 159,924	$ 105,124

6.16 OTHER PAYABLES

Items	December 31, 2021	December 31, 2020
Salaries and bonuses payable	$ 354,544	$ 236,818
Payable for equipment and construction	114,155	43,958
Payable for supplies expense	53,144	47,786

Items	December 31, 2021	December 31, 2020
Compensation payable of employees, directors and supervisors	$ 29,081	$ 11,766
Payable for repairs and maintenance	27,241	24,136
Payable for utilities expense	25,083	24,026
Payable for insurance	17,398	16,592
Others	101,607	103,742
Total	$ 722,253	$ 508,824

6.17 LONG-TERM LOANS AND ITS CURRENT PORTION

Items	December 31, 2021	December 31, 2020
Unsecured loans	$ 2,525,015	$ 1,577,608
Less: Current portion	(135,082)	(145,920)
Discount of government grants (Note 6.18)	(8,657)	(7,130)
Total	$ 2,381,276	$ 1,424,558
Interest rate range	0. 45%~5. 18%	0. 45%~5. 15%
Year to maturity	2022 to 2027	2021 to 2027

(1) The loans from Bank of Taiwan, Mega Bank, E.SUN Bank, Chang Hwa Bank, The Shanghai Commercial & Savings Bank, Bangkok Bank and Fubon 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, the Group should meet several financial ratios and criteria. The Group had no violation of the aforementioned financial ratio regulations as of December 31, 2021 and 2020.

6.18 GOVERNMENT GRANTS

(1) The Company has obtained a $1,088,747 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 December 31, 2021, the fair value of loan is estimated to be $1,080,090 thousand. The difference $8,657 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 $2,825 thousand in other income, $7,547 thousand in interest expense for the loan, and paid $4,722 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 using for the construction of plants and relevant facilities, purchasing equipment or using as mid-term working capital. Therefore, the loan interests of the Company will adopt the original agreed interest rate.

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 70,889 thousand and $40,192 thousand under the contributions rates specified in the plans for the years ended December 31, 2021 and 2020, 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, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD make monthly contributions of 6%, 6% and 2% respectively of each individual employee's salary to employees' pension accounts, which submit to the Labor Retirement Reserve Supervisory Committee to the retirement fund deposited in Bank of Taiwan under the name of the committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

B. Amounts recognized in the consolidated balance sheet are as follows:

Items	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 291,842	$ 297,766
Fair value of plan assets	(148,180)	(160,266)
Net defined benefit liability	$ 143,662	$ 137,500
Net defined benefit liability	$ 144,397	$ 137,552
Other non-current assets (Note)	$ 735	$ 52

Note: Net defined benefit asset of the subsidiary Chao Shin Metal was $735 thousands and $52 thousands for the years ended December 31, 2021 and 2020, respectively, and recognized in other non-current assets.

C. Movements in net defined benefit liability are as follows:

	2021		
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 297,766	$ (160,266)	$ 137,500
Service costs			
Current service cost	1,733	–	1,733
Interest expense (revenue)	1,039	(590)	449
Amounts recognized in profit and loss	2,772	(590)	2,182
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(2,166)	(2,166)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	$ 15,791	$ –	$ 15,791
Effect of changes in financial assumptions	13,330	–	13,330
Experience adjustments	(10,303)	–	(10,303)
Amounts recognized in other comprehensive income (losses)	18,818	(2,166)	16,652
Pension fund contributions	–	(12,672)	(12,672)
Paid pension	(27,514)	27,514	–
Balance at December 31	$ 291,842	$ (148,180)	$ 143,662

Items	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 293,144	$ (145,356)	$ 147,788
Service costs			
Current service cost	1,881	–	1,881
Interest expense (revenue)	2,330	(1,198)	1,132
Amounts recognized in profit and loss	4,211	(1,198)	3,013
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(4,880)	(4,880)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	1,271	–	1,271
Effect of changes in financial assumptions	6,359	–	6,359
Experience adjustments	1,756	–	1,756
Amounts recognized in other comprehensive income (losses)	9,386	(4,880)	4,506
Pension fund contributions	–	(17,807)	(17,807)
Paid pension	(8,975)	8,975	–
Balance at December 31	$ 297,766	$ (160,266)	$ 137,500

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

Items	2021	2020
Cost of revenue	$ 1,458	$ 2,002
Marketing expenses	121	153
General and administrative expenses	380	555
Research and development expenses	223	303
Total	$ 2,182	$ 3,013

D. Information about Fair value of plan assets are as follows:

Items	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 148,180	$ 160,266

E. Because of the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

(a) Investment risk

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

(b) Interest risk

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

(c) Salary risk

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

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

	Measurement date	
Items	December 31, 2021	December 31, 2020
Discount rate	0. 750%	0. 350%
Expected salary increase rate	1. 875%~2. 125%	1. 875%~2. 125%

Reasonably possible changes at December 31, 2021 and 2020 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Items	December 31, 2021	December 31, 2020
Discount rate		
0.25% increase	$ (6,545)	$ (6,929)
0.25% decrease	6,779	7,184

Items	December 31, 2021	December 31, 2020
Expected salary increase rate		
0.25% increase	$ 6,513	$ 6,874
0.25% decrease	(6,321)	(6,666)

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

G. The contribution that the Group expects to make to its defined benefit pension plans in next year is $12,672 thousand. The weighted average maturity period of the defined benefit obligation is 8~11 years.

6.20 COMMON STOCKS

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

	2021		2020	
Items	Shares	Capital	Shares	Capital
Balance, January 1	182,140	$ 1,821,403	182,140	$ 1,821,403
Balance, December 31	182,140	$ 1,821,403	182,140	$ 1,821,403

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

(2) The Company's authorized capital was $2,700,000 thousand, consisting of 270,000 thousand shares as of December 31, 2021.

6.21 CAPITAL SURPLUS

Items	December 31, 2021	December 31, 2020
Additional paid-in capital	$ 451,220	$ 451,220
Long-term investments at equity	3,546	3,546
Treasury stock transactions	30,359	30,359
Others	473	278
Total	$ 485,598	$ 485,403

(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 32 para 1 ad finem.

The Company's dividend policy was established by the Board of Directors according to operating plans, investment plans, capital budgets, 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	December 31, 2021	December 31, 2020
Special reserve	$ 134,642	$ 155,570

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. 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 2020 and 2019 earnings have been approved by shareholders' meetings held on August 26, 2021 and June 23, 2020, respectively. The appropriations of earnings and dividends per share were as follows:

Items	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2020	For Year 2019	For Year 2020	For Year 2019
Legal reserve	$ 34,535	$ 50,253		
Special reserve	(20,928)	54,387		
Cash dividends	327,852	327,852	$ 1.80	$ 1.80

(5) The Company's appropriation of earnings for 2021 had been approved in the meeting of the Board of Directors held on February 24, 2022. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 83,980	
Special reserve	5,121	
Cash dividends	546,421	$ 3.00

The appropriations of earnings for 2021 are to be presented for approval in the shareholders' meeting to be held in May, 2022.

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

6.23 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, 2021	$ (147,809)	$ 13,167	$ (134,642)
Exchange differences on translation of foreign financial statements	(7,880)	-	(7,880)

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	$ –	$ 2,759	$ 2,759
Balance, December 31, 2021	$ (155,689)	$ 15,926	$ (139,763)

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)
Exchange differences on translation of foreign financial statements	21,178	–	21,178
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	–	(250)	(250)
Balance, December 31, 2020	$ (147,809)	$ 13,167	$ (134,642)

6.24 NON-CONTROLLING INTEREST

Items	2021	2020
Balance, January 1	$ 331,568	$ 330,453
Share attributable to non-controlling interests:		
Net income	58,095	52,234
Other comprehensive income	(878)	191
Decrease in non-controlling interests	(42,399)	(51,310)
Balance, December 31	$ 346,386	$ 331,568

6.25 OPERATING REVENUE

Items	2021	2020
Revenue from contracts with customers		
Sale of goods	$ 11,103,639	$ 8,411,124
Service revenue	26,287	17,975
Subtotal	11,129,926	8,429,099
Other operating revenues	22,624	21,512
Total	$ 11,152,550	$ 8,450,611

(1) Description of customer contract

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

(2) Disaggregation of revenue from contracts with customers

	2021					
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 4,861,283	$ 1,158,977	$ 1,111,093	$ 735,214	$ 1,497,545	$ 9,364,112
Stationery	230,969	390,484	161,368	3,784	902,431	1,689,036
Others	18,762	4,308	5,716	25,801	22,191	76,778
Total	$ 5,111,014	$ 1,553,769	$ 1,278,177	$ 764,799	$ 2,422,167	$ 11,129,926

	2020					
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 3,718,749	$ 471,516	$ 825,632	$ 661,466	$ 1,280,280	$ 6,957,643
Stationery	175,009	377,600	172,309	2,206	679,821	1,406,945
Others	5,567	58,885	–	59	–	64,511
Total	$ 3,899,325	$ 908,001	$ 997,941	$ 663,731	$ 1,960,101	$ 8,429,099

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

Items	December 31, 2021	December 31, 2020
Contract liabilities -current	$ 104,504	$ 78,902

6.26 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2021			2020		
By nature	Cost of sales	Operating expense (include not operating)	Total	Cost of sales	Operating expense (include not operating)	Total
Personnel						
Salary	$ 1,149,260	$ 410,520	$ 1,559,780	$ 949,176	$ 295,559	$ 1,244,735
Labor insurance	93,348	27,749	121,097	77,360	25,542	102,902
Pension	54,207	18,864	73,071	31,356	11,849	43,205
Others	103,675	31,852	135,527	90,257	32,235	122,492
Depreciation	605,732	50,685	656,417	626,051	49,282	675,333
Amortization	2,355	15,225	17,580	2,245	18,316	20,561
Total	$ 2,008,577	$ 554,895	$ 2,563,472	$ 1,776,445	$ 432,783	$ 2,209,228

(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. 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 2021 and 2020 have been approved by the board of directors held on February 24, 2022, and March 9, 2021, respectively. The amount of approved and recognized in financial statement is shown as follows:

	For Year 2021		For Year 2020	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Amounts approved in meeting	$ 16,156	$ 12,925	$ 6,537	$ 5,229
Amounts recognized in respective financial statement	16,156	12,925	6,537	5,229

	For Year 2021		For Year 2020	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Difference	$ –	$ –	$ –	$ –

The employee compensation of 2021 and 2020 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	2021	2020
Rental income	$ 592	$ 478
Government subsidies	19,442	18,648
Dividend income	392	475
Others	$ 16,478	$ 14,063
Total	$ 36,904	$ 33,664

The subsidies are mainly related to Covid-19 approved by the government to reduce operational difficulties of Group.

6.28 OTHER GAINS AND LOSSES

Items	2021	2020
Foreign exchange gain (losses), net	$ (20,425)	$ (74,354)
Gain (losses) on disposal of property, plant and equipment	(174)	8,586
Gain on reversal of impairment loss / impairment loss of property, plant and equipment	(13,935)	4,000
Net gains (losses) on financial assets and liabilities at FVTPL	132	(2,639)
Others	(3,028)	(377)
Total	$ (37,430)	$ (64,784)

6.29 FINANCIAL COSTS

Items	2021	2020
Interest expense		
Bank loans	$ 60,565	$ 58,327
Interest on lease liabilities	1,253	1,280
Less: capitalized amount for qualified assets	(3,350)	(2,274)
Financial costs	$ 58,468	$ 57,333
Interest capitalization rates	0.66%~4.32%	1.44%~4.32%

6.30 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2021	2020
Current income tax expense		
Current tax expense (benefit)recognized in the current year	$ 241,997	$ 77,678
Tax on undistributed surplus earnings	729	3,502
Adjustments on prior years	3,180	(2,579)
Current tax	245,906	78,601
Deferred income tax expense		
The origination and reversal of temporary differences	11,296	34,591
Deferred tax	11,296	34,591
Income tax expense recognized in profit or loss	$ 257,202	$ 113,192

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

Items	2021	2020
Exchange differences on translation of foreign operations	$ (1,970)	$ 5,294
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	565	(70)

Items	2021	2020
Remeasurement of defined benefit obligation	(3,330)	(901)
Total	$ (4,735)	$ 4,323

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

Items	2021	2020
Income before tax	$ 1,167,541	$ 514,573
Income tax expense at the statutory rate	$ 270,501	$ 116,255
Tax effect of adjusting items:		
Deductible items in determining taxable income	(28,504)	(38,577)
Income tax on unappropriated earnings	729	3,502
Income tax adjustments on prior years	3,180	(2,579)
Net changes on deferred income tax	11,296	34,591
Income tax expense recognized in profit or loss	$ 257,202	$ 113,192

The Group used each subsidiary as filed subjects for income tax. Income tax rate of the Company, Chao Shin Metal and TEC Brite Technology are 20%, and the tax rate for retained earnings is 5%. SHUEN DER(B.V.I) was established at tax-free region. According to the local law, all income of offshore companies is exempted. SDI(JIAN GSU) was established at China, which is required to apply 25% of business income tax rate.

C. Income tax liabilities

Items	December 31, 2021	December 31, 2020
Income tax liabilities	$ 209,988	$ 76,429

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

Items	2021 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 28,341	$ 1,072	$ –	$ (16)	$ 29,397
Net defined benefit liability	26,464	(1,843)	3,403	–	28,024
Cutoff	23,654	9,092	–	–	32,746
Depreciation expense	9,037	436	–	(51)	9,422
Others	27,164	(6,178)	–	(48)	20,938
Subtotal	114,660	2,579	3,403	(115)	120,527
Deferred tax liabilities					
Temporary differences					
Gain on foreign investments accounted for using the equity method	(184,401)	(13,507)	–	–	(197,908)
Exchange differences arising on translation of foreign operations	(8,478)	–	1,970	–	(6,508)
Reserve for land revaluation increment tax	(103,673)	–	–	–	(103,673)
Others	(2,871)	(368)	(638)	–	(3,877)
Subtotal	(299,423)	(13,875)	1,332	–	(311,966)
Total	$ (184,763)	$ (11,296)	$ 4,735	$ (115)	$ (191,439)

Items	2020 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 29,911	$ (1,605)	$ –	$ 35	$ 28,341
Net defined benefit liability	28,934	(2,755)	285	–	26,464
Accrued year-end bonus	22,377	(22,377)	–	–	–
Cutoff	14,385	9,269	–	–	23,654
Depreciation expense	8,542	354	–	141	9,037
Others	39,705	(12,655)	–	114	27,164
Subtotal	143,854	(29,769)	285	290	114,660

Items	2020 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred tax liabilities					
Temporary differences					
Gain on foreign investments accounted for using the equity method	$ (179,856)	$ (4,545)	$ –	$ –	$ (184,401)
Exchange differences arising on translation of foreign operations	(3,184)	–	(5,294)	–	(8,478)
Reserve for land revaluation increment tax	(103,673)	–	–	–	(103,673)
Others	(3,280)	(277)	686	–	(2,871)
Subtotal	(289,993)	(4,822)	(4,608)	–	(299,423)
Total	$ (146,139)	$ (34,591)	$ (4,323)	$ 290	$ (184,763)

E. The income tax returns of the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. through 2019 have examined by tax authority.

6.31 OTHER COMPREHENSIVE INCOME

Items	2021 Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (16,652)	$ 3,330	$ (13,322)
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	3,324	(565)	2,759
Subtotal	(13,328)	2,765	(10,563)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(9,850)	1,970	(7,880)
Subtotal	(9,850)	1,970	(7,880)
Total	$ (23,178)	$ 4,735	$ (18,443)

Items	2020 Before tax		2020 Income tax (expense) benefit		2020 After tax	
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of defined benefit obligation	$	(4,506)	$	901	$	(3,605)
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income		(320)		70		(250)
Subtotal		(4,826)		971		(3,855)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		26,472		(5,294)		21,178
Subtotal		26,472		(5,294)		21,178
Total	$	21,646	$	(4,323)	$	17,323

6.32 EARNINGS PER SHARE

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

Items	2021		2020	
Basic earnings per share				
Net income attributable to ordinary shareholders of the Company	$	852,244	$	349,147
Net income for calculating basic earnings per share	$	852,244	$	349,147
Weighted average shares outstanding (thousand shares)		182,140		182,140
Basic earnings per share (after tax) (in dollars)	$	4. 68	$	1. 92
Diluted earnings per share				
Net income attributable to ordinary shareholders of the Company	$	852,244	$	349,147
Net income for calculating diluted earnings per share	$	852,244	$	349,147
Weighted average shares outstanding (thousand shares)		182,140		182,140
Effect of dilutive potential common shares				
Employees' compensation (thousand shares)		106		95

Items	2021	2020
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,246	182,235
Diluted earnings per share (after tax) (in dollars)	$ 4. 68	$ 1. 92

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
SDI JAPAN CO.,LTD.	Other related parties

(2) Significant transactions between related parties

Significant transactions between the Group and other related parties for the years ended December 31, 2021 and 2020 are as follow:

A. Revenue

Related Party	2021	2020
Investors with significant influence over the Group	$ 5,194	$ 2,669
Other related parties	43,274	37,407

Related Party	2021	2020
Total	$ 48,468	$ 40,076

Selling prices between related parties were determined and negotiated referring to related market prices. Payment terms were ranging from T/T 60 to 240 days.

B. Purchases

Related Party	2021	2020
Investors with significant influence over the Group	$ 2,385	$ 3,730
Other related parties	4,643	5,431
Total	$ 7,028	$ 9,161

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	December 31, 2021	December 31, 2020
Accounts receivable	Investors with significant influence over the Group	$ 233	$ 202
	Other related parties	20,648	23,259
	Total	$ 20,881	$ 23,461
Other receivables	Other related parties	$ 70	$ –

D. Payables due to related parties

Items	Related Party	December 31, 2021	December 31, 2020
Accounts payable	Investors with significant influence over the Group	$ 1,078	$ –
	Other related parties	1,120	–

Items	Related Party	December 31, 2021	December 31, 2020
	Total	$ 2,198	$ –
Other payables	Other related parties	$ 860	$ 440

E. Property transaction

Related Party	2021	2020
Investors with significant influence over the Group	$ 38,255	$ 32,683

F. Other transactions

Items	Related Party	2021	2020
Addition of expenses	Investors with significant influence over the Subsidiaries	$ 2,765	$ 1,130
	Other related parties	–	93
	Total	$ 2,765	$ 1,223
Deduction of expenses	Other related parties	$ 153	$ 88
Other income	Other related parties	$ 317	$ 344

(3) Compensation of key management personnel

Items	2021	2020
Short-term employee benefits	$ 62,402	$ 33,499
Post- employment benefits	474	319
Total	$ 62,876	$ 33,818

8. PLEDGED ASSETS

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

Items	December 31, 2021	December 31, 2020
Pledge time deposits (recognized as other financial assets - current)	$ 23,906	$ 20,917
Restricted deposits (recognized as other financial assets - current)	31,284	24,332
Notes receivable (the banker's acceptance notes)	65,875	86,302
Refundable deposits (recognized as other non - current assets)	494	1,080
Total	$ 121,559	$ 132,631

9. SIGNIFICANT CONTINGENCIY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

A. The unused letters of credit for purchasing raw materials and equipment as of December 31, 2021 is $17,666 thousand.

B. Capital expenditures committed but not yet incurred are as follows：

Items	December 31, 2021	December 31, 2020
Property, plant, and equipment	$ 267,514	$ 331,818

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

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

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Group's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign exchange risk, interest rate risk and 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 (and Audit Committee) 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 risks

A. Market risk

(a) Foreign exchange risk

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

ii.Sensitivity analysis of foreign currency risk

	December 31, 2021		
Items	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 80,211	27. 67	$ 2,219,434
JPY	162,916	0. 24	39,189
Financial Liabilities			
Monetary Items			
USD	48,350	27. 67	1,337,831
JPY	236,510	0. 28	56,892

Items	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 57,224	28. 48	$ 1,629,746
JPY	169,021	0. 28	46,759
Financial Liabilities			
Monetary Items			
USD	27,074	28. 48	771,063
JPY	129,306	0. 28	35,772

The Group is mainly exposed to US dollar and JPY. The sensitivity analysis rate for the Group is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $8,639 thousand and $8,697 thousand for the years ended December 31, 2021 and 2020, 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 $574 thousand, $202 thousand, $573 thousand and $169 thousand, respectively, due from increase/decrease in fair value.

The realized and unrealized foreign currency exchange losses for the years ended December 31, 2021 and 2020 are $20,425 thousand and $74,354 thousand, respectively. Due to the wide variety of currencies in the foreign currency transactions of Group, the exchange gains and losses is not disclosed in each foreign currencies.

(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	
	December 31, 2021	December 31, 2020
Fair value interest rate risk		
Financial assets	$ 1,094	$ 1,880
Financial liabilities	–	(9,985)
Net	$ 1,094	$ (8,105)
Cash flow interest rate risk		
Financial assets	$ 741,767	$ 802,088
Financial liabilities	(3,383,719)	(2,359,040)
Net	$ (2,641,952)	$ (1,556,952)

i. 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.

ii. 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 $26,420 thousand and $15,570 thousand for the years ended December 31, 2021 and 2020, 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

(a) 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.

(b) 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.

i. Credit concentration risk

As of December 31, 2021 and 2020, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 12% and 12%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant

ii. 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.

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

iv. Credit risk of financial assets measured at amortized cost

Please refer to Note 6.4 for information on the 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	December 31, 2021 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	$ 876,677	$ –	$ –	$ 876,677	$ 867,361
Notes payable	159,924	–	–	159,924	159,924
Accounts payable	1,318,811	–	–	1,318,811	1,318,811
Other payables	695,314	–	–	695,314	695,314
Lease liabilities	10,586	32,740	67,284	110,610	101,933
Long-term loan (include current portion)	164,788	2,374,553	50,769	2,590,110	2,516,358
Guarantee deposits	–	–	6,682	6,682	6,682
Total	$ 3,226,100	$ 2,407,293	$ 124,735	$ 5,758,128	$ 5,666,383

Further information on maturity analysis for lease liabilities

	December 31, 2021 Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payments
Lease liabilities	$ 10,586	$ 32,740	$ 32,460	$ 32,089	$ 2,735	$ 110,610

Non-derivative Financial Liabilities	December 31, 2020 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	$ 799,360	$ –	$ –	$ 799,360	$ 788,562
Short-term notes and bills payable	10,000	–	–	10,000	9,985
Notes payable	105,124	–	–	105,124	105,124
Accounts payable	830,196	–	–	830,196	830,196
Other payables	479,805	–	–	479,805	479,805
Lease liabilities	11,455	35,295	71,258	118,008	108,260
Long-term loan (include current portion)	164,741	1,368,342	85,545	1,618,628	1,570,478
Guarantee deposits	–	–	5,430	5,430	5,430
Total	$ 2,400,681	$ 1,403,637	$ 162,233	$ 3,966,551	$ 3,897,840

Further information on maturity analysis for lease liabilities

	December 31, 2020					
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payments
Lease liabilities	$ 11,455	$ 35,295	$ 30,247	$ 31,712	$ 9,299	$ 118,008

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.

12.3 Capital risk management

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through profit or loss- current	$ 57,434	$ 57,302
Financial assets measured at amortized cost (Note 1)	3,314,741	2,751,756
Financial assets at fair value through other comprehensive income- noncurrent	20,222	16,898
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	$ 5,564,450	$ 3,789,580

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.

12.4 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:

	December 31, 2021			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 57,434	$ -	$ -	$ 57,434
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	20,222	20,222
Total	$ 57,434	$ -	$ 20,222	$ 77,656

	December 31, 2020			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 57,302	$ -	$ -	$ 57,302
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	-	-	16,898	16,898
Total	$ 57,302	$ -	$ 16,898	$ 74,200

(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 liquidly discount rate. Since the possible changes of liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.

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

(5) Transfer between Level 1 and Level 2 of the fair value hierarchy: none.

(6) Changes in level 3 instruments:

Items	2021	2020
Financial assets at FVTOCI		
Beginning Balance	$ 16,898	$ 17,218
Unrealized valuation gains or losses on equity investments at FVTOCI	3,324	(320)
Effect of exchange rate difference	–	–
Ending Balance	$ 20,222	$ 16,898

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: Please see Table 5 attached;

(9) Information on the derivative instrument transactions: None;

(10) The business relationship between the parent and the subsidiaries and significant transaction between then: Please see Table 6 attached;

13.2 Information on investees (before inter-company eliminations): Please see Table 7 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 8 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 6 attached.

13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): None.

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:

Items	2021 Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	$ 9,364,112	$ 1,689,036	$ 99,402	$ -	$ 11,152,550
Revenue from intersegments	723,233	595,183	46,271	(1,364,687)	-
Total	$ 10,087,345	$ 2,284,219	$ 145,673	$ (1,364,687)	$ 11,152,550
Interest expenses	$ 43,733	$ 14,735	$ -	$ -	$ 58,468
Depreciation, amortization and impairment loss	$ 578,225	$ 87,428	$ 22,279	$ -	$ 687,932
Segment income (loss)	$ 948,398	$ 193,735	$ 25,408	$ -	$ 1,167,541
Income (loss) before tax					$ 1,167,541
Total assets					$ 13,044,590

Items	2020 Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	$ 6,957,643	$ 1,406,945	$ 86,023	$ -	$ 8,450,611
Revenue from intersegments	592,865	476,259	25,056	(1,094,180)	-
Total	$ 7,550,508	$ 1,883,204	$ 111,079	$ (1,094,180)	$ 8,450,611
Interest expenses	$ 43,399	$ 13,934	$ -	$ -	$ 57,333
Depreciation and amortization	$ 580,033	$ 96,184	$ 19,677	$ -	$ 695,894
Segment income (loss)	$ 355,372	$ 155,905	$ 3,296	$ -	$ 514,573
Income (loss) before tax					$ 514,573
Total assets					$ 10,575,718

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.

14.5 Information on geographic area

(1) Sales from external customers

Areas	2021	2020
China	$ 5,113,079	$ 3,900,258
Japan	1,278,177	997,941
Taiwan	1,556,685	928,580
Malaysia	776,401	663,731
Others	2,428,208	1,960,101
Total	$ 11,152,550	$ 8,450,611

(2) Non-current assets

Areas	December 31, 2021	December 31, 2020
Taiwan	$ 3,709,465	$ 3,149,333
China	1,606,400	1,575,970
Total	$ 5,315,865	$ 4,725,303

14.6 Major customer information

Major customers representing at least 10% of net revenue:

	2021		2020	
Client name	Amount	%	Amount	%
Group A	$ 1,674,135	15%	$ 1,101,755	13%
Group B	1,116,490	10%	722,199	9%
Total	$ 2,790,625	25%	$ 1,823,954	22%

Note：The trading amounts shall be demonstrated in one single customer, if the customers were controlled by the same entity of group.

SDI CORPORATION AND SUBSIDIARIES

ENDORSEMENTS / GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE 1

Amounts in Thousands of New Taiwan Dollars

NO.	Endorsement/ Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Nature of Relationship	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	Remark
0	SDI	SDI (JIANGSU)	(3)	NTD 2,784,064	NTD	1,436,168	NTD	1,436,168	NTD 956,675	NTD -	23.21%	NTD 3,093,404	Y	N	Y	
					USD	19,750	USD	19,750								
					RMB	205,000	RMB	205,000								

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

DECEMBER 31, 2021

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	DECEMBER 31, 2021				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	$ 38,767	-%	$ 38,767	
	Capital Money Market Fund	—	Financial Assets at Fair Value through Profit or Loss—Current	1,145	18,667	-%	18,667	
SDI	Chang Hwa Golf Club	—	Financial Assets at Fair Value through Other Comprehensive Income—Noncurrent	90	8,124	0. 24%	8,124	
	SDI ELECTRONICS JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income—Noncurrent	30	9,020	15. 00%	9,020	
	SDI JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income—Noncurrent	200	3,078	19. 61%	3,078	

SDI CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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	$ 267,325	HSING YA CONSTRUCTION ENGINEERING CO., LTD.	—	—	—	—	$ -	Price comparison and price negotiation	Plant Expansion	—
SDI	Land and plant (Note 2)	March 30, 2021	323,700	323,700	Koan Hao Technology Co., Ltd.	—	—	—	—	-	Price negotiated with the seller upon an appraisal report	Capacity expansion and warehousing purpose	—

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.

Note 2： SDI purchased land and plants from Koan Hao Technology Co., Ltd. Please refer to Note 6(9) for further information.

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 YEAR ENDED DECEMBER 31, 2021

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	Sub-Subsidiary	Sales	$ 208,955	2. 53%	As prescribed by the agreement	—	—	$ 124,830	7. 04%	Note
SDI Jiangsu	SDI	The ultimate parent of the Company	Sales	769,208	24. 68%	As prescribed by the agreement	—	—	72,200	9. 83%	Note
CHAO SHIN METAL INDUSTRIAL CORP.	SDI Jiangsu	Associate	Sales	127,331	37. 22%	As prescribed by the agreement	—	—	38,246	55. 18%	Note
TEC BRITE TECHNOLOGY CO., LTD	SDI	Parents Company	Sales	214,776	26. 87%	As prescribed by the agreement	—	—	87,340	30. 94%	Note

NOTE：All the transactions had been eliminated when preparing consolidated financial statements.

SDI CORPORATION AND SUBSIDIARIES

RECEIVEALES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 30, 2021

TABLE 5

Amounts in Thousands of New Taiwan Dollars

Creditor	Counterparty	Relationship	General ledger account (Note 1)	Balance	Turnover rate	Overdue receivables		Subsequent collections	Allowance for bad doubtful accounts
						Amount	Action taken		
SDI	SDI Jiangsu	Sub-subsidary	Account Receivable	$ 124,830	1.67	$ 255	-	$ 254	$ -
			Other Receivables	611	-	-	-	-	-

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

SDI CORPORATION AND SUBSIDIARIES

SUBSIDIARIESINTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE 6 Amounts in Thousands of New Taiwan Dollars

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	SDI	SDI (JIANGSU)	1	Sales revenue	$ 208,955	Note 3	1.87%
		SDI (JIANGSU)	1	Accounts receivable	124,830	Note 3	0.96%
		SDI (JIANGSU)	1	Other receivables	611	—	—
		Chao Shin Metal	1	Sales revenue	15,691	Note 3	0.14%
		Chao Shin Metal	1	Accounts receivable	1,493	Note 3	0.01%
		Chao Shin Metal	1	Other receivables	181	—	—
		TEC Brite Technology	1	Sales revenue	11	Note 3	—
		TEC Brite Technology	1	Other receivables	8,571	—	0.07%
1	SDI (JIANGSU)	SDI	2	Sales revenue	769,208	Note 3	6.90%
		SDI	2	Accounts receivable	72,200	Note 3	0.55%
		SDI	2	Other receivables	399	—	—
2	Chao Shin Metal	SDI	2	Sales revenue	6,768	Note 3	0.06%
		SDI	2	Processing revenue	21,947	Note 3	0.20%
		SDI	2	Accounts receivable	2,612	Note 3	0.02%
		SDI (JIANGSU)	3	Sales revenue	127,331	Note 3	1.14%
		SDI (JIANGSU)	3	Accounts receivable	38,246	Note 3	0.29%
3	TEC Brite Technology	SDI	2	Sales revenue	214,776	Note 3	1.93%
		SDI	2	Accounts receivable	87,340	Note 3	0.67%

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 counterparties 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.

SDI CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2021

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
SDI	CHAO SHIN METAL INDUSTRIAL CORP.	Taiwan	Smelting and rolling of metal strips	$ 106,953	$ 106,953	14,810	84. 62%	$ 250,215	$ 29,098	$ 23,309	Note 1、2
	TEC BRITE TECHNOLOGY CO., LTD	Taiwan	Manufacturing of electronic components and international trade	98,969	98,969	9,897	54. 98%	370,308	123,892	66,489	Note 1、2
	SHUEN DER （B. V. I. ）	BVI	Holding Company	636,410	655,040	8,920	100. 00%	1,741,359	67,533	62,360	Note 1,2,3

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

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

Note 3：Please refer to Table 8 for information of investees of China Mainland.

SDI CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE 8

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 1,2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/ Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
SDI Jiangsu	Manufacture, process and sales of integrated circuit frame, blades, stationary, etc.	NTD 968,450	Note 1	NTD 636,410	NTD －	NTD －	NTD 636,410	NTD 67,624	100. 00%	NTD 67,624	NTD 1,776,381	NTD －	
		USD 35,000		USD 23,000			USD 23,000	USD 2,415					

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 636,410	NTD 968,450	NTD 3,919,916
USD 23,000	USD 35,000	

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

Note 2：Amounts is recognized based on the audited financial statements.

Note 3：Foreign currencies aforementioned are translated into NTD using the exchange rate at the reporting date or average exchange rate for the year ended.

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