

SDI Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021
and Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
SDI Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of SDI Corporation and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, of changes in equity, and of cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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



Basis for Qualified Conclusion

As disclosed in Note 4(3) to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2022 and 2021, assets of those non-reviewed consolidated subsidiaries amounted to \$1,001,185 thousand and \$945,345 thousand (all in NTD unless specified otherwise), representing 7% and 8%, respectively, of total consolidated assets, and the liabilities amounted to \$171,959 thousand and \$164,325 thousand, representing 2% and 3%, respectively, of total consolidated liabilities. Comprehensive income of those consolidated subsidiaries for the three months and six months ended June 30, 2022 and 2021 were \$38,454 thousand, \$22,527 thousand, \$74,403 thousand and \$41,711 thousand, representing 14%, 10%, 13% and 10%, respectively, of the total consolidated comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the aforementioned paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shao, Chao Pin and Lin, Ming Shou.

A handwritten signature in blue ink that reads "Crowe TW CPAs".

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

August 4, 2022

Notice to Readers

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

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

SDI Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

| ASSETS | NOTES | June 30, 2022 (Reviewed) | | December 31, 2021 (Audited) | | June 30, 2021 (Reviewed) | |
|--|-------|-----------------------------|------------|--------------------------------|------------|-----------------------------|------------|
| | | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 6(1) | \$ 636,999 | 5 | \$ 702,314 | 5 | \$ 648,603 | 6 |
| Financial assets at fair value through profit or loss - current | 6(2) | 57,525 | - | 57,434 | - | 57,376 | - |
| Notes receivable, net | 6(3) | 136,891 | 1 | 141,917 | 1 | 155,749 | 1 |
| Accounts receivable, net | 6(4) | 2,339,353 | 17 | 2,379,821 | 18 | 2,108,663 | 18 |
| Accounts receivable, net - related parties | 7 | 18,690 | - | 20,881 | - | 22,471 | - |
| Other receivables | | 17,160 | - | 20,559 | - | 17,084 | - |
| Inventories, net | 6(5) | 4,670,045 | 35 | 4,086,541 | 33 | 3,632,079 | 31 |
| Prepayments | 6(6) | 80,836 | 1 | 110,409 | 1 | 87,303 | 1 |
| Other financial assets - current | 6(7) | 58,032 | - | 55,190 | - | 62,046 | 1 |
| Other current assets | | 777 | - | - | - | 1,744 | - |
| Total current assets | | <u>8,016,308</u> | <u>59</u> | <u>7,575,066</u> | <u>58</u> | <u>6,793,118</u> | <u>58</u> |
| NONCURRENT ASSETS | | | | | | | |
| Financial assets at fair value through other comprehensive income - noncurrent | 6(8) | 19,725 | - | 20,222 | - | 16,697 | - |
| Property, plant and equipment | 6(9) | 5,062,591 | 37 | 4,951,418 | 38 | 4,441,214 | 38 |
| Right-of-use assets | 6(10) | 209,820 | 2 | 213,854 | 2 | 217,815 | 2 |
| Intangible assets | 6(11) | 61,820 | - | 42,705 | - | 48,150 | - |
| Deferred income tax assets | | 149,057 | 1 | 120,527 | 1 | 121,585 | 1 |
| Other noncurrent assets | 6(12) | 93,382 | 1 | 120,798 | 1 | 89,082 | 1 |
| Total noncurrent assets | | <u>5,596,395</u> | <u>41</u> | <u>5,469,524</u> | <u>42</u> | <u>4,934,543</u> | <u>42</u> |
| TOTAL | | <u>\$ 13,612,703</u> | <u>100</u> | <u>\$ 13,044,590</u> | <u>100</u> | <u>\$ 11,727,661</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Short-term loans | 6(13) | \$ 830,480 | 6 | \$ 867,361 | 7 | \$ 807,592 | 7 |
| Short-term notes and bills payable | 6(14) | - | - | - | - | 9,994 | - |
| Contract liabilities - current | 6(25) | 110,012 | 1 | 104,504 | 1 | 137,266 | 1 |
| Notes payable | 6(15) | 189,372 | 1 | 159,924 | 1 | 195,461 | 2 |
| Accounts payable | | 1,252,509 | 9 | 1,316,613 | 9 | 1,297,815 | 11 |
| Accounts payable - related parties | 7 | 1,932 | - | 2,198 | - | 2,629 | - |
| Dividends payable | | 549,919 | 4 | - | - | - | - |
| Other payables | 6(16) | 631,498 | 5 | 722,253 | 6 | 579,008 | 5 |
| Other payables - related parties | 7 | - | - | 860 | - | 843 | - |
| Current income tax liabilities | | 208,476 | 2 | 209,988 | 2 | 127,495 | 1 |
| Lease liabilities - current | 6(10) | 10,127 | - | 9,436 | - | 9,770 | - |
| Long term loans - current portion | 6(17) | 303,793 | 2 | 135,082 | 1 | 138,804 | 2 |
| Other current liabilities | | 12,804 | - | 21,273 | - | 11,995 | - |
| Total current liabilities | | <u>4,100,922</u> | <u>30</u> | <u>3,549,492</u> | <u>27</u> | <u>3,318,672</u> | <u>29</u> |
| NONCURRENT LIABILITIES | | | | | | | |
| Long term loans | 6(17) | 2,399,895 | 18 | 2,381,276 | 19 | 1,463,291 | 12 |
| Deferred income tax liabilities | | 332,739 | 2 | 311,966 | 2 | 303,139 | 3 |
| Lease liabilities - noncurrent | 6(10) | 88,079 | 1 | 92,497 | 1 | 93,427 | 1 |
| Net defined benefit liability-noncurrent | 6(19) | 133,783 | 1 | 144,397 | 1 | 132,367 | 1 |
| Other noncurrent liabilities | | 28,336 | - | 31,768 | - | 38,450 | - |
| Total noncurrent liabilities | | <u>2,982,832</u> | <u>22</u> | <u>2,961,904</u> | <u>23</u> | <u>2,030,674</u> | <u>17</u> |
| Total liabilities | | <u>7,083,754</u> | <u>52</u> | <u>6,511,396</u> | <u>50</u> | <u>5,349,346</u> | <u>46</u> |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | | | | |
| Common stocks | 6(20) | 1,821,403 | 13 | 1,821,403 | 14 | 1,821,403 | 16 |
| Capital surplus | 6(21) | 485,808 | 4 | 485,598 | 4 | 485,570 | 4 |
| Retained earnings | 6(22) | | | | | | |
| Legal capital reserve | | 983,960 | 7 | 899,980 | 7 | 865,445 | 7 |
| Special capital reserve | | 139,763 | 1 | 134,642 | 1 | 155,570 | 1 |
| Unappropriated earnings | | 2,881,133 | 22 | 2,984,948 | 22 | 2,895,852 | 25 |
| Others | 6(23) | (111,525) | (1) | (139,763) | (1) | (151,496) | (1) |
| Equity attributable to shareholders of the parent | | <u>6,200,542</u> | <u>46</u> | <u>6,186,808</u> | <u>47</u> | <u>6,072,344</u> | <u>52</u> |
| NON-CONTROLLING INTERESTS | 6(24) | <u>328,407</u> | <u>2</u> | <u>346,386</u> | <u>3</u> | <u>305,971</u> | <u>2</u> |
| Total equity | | <u>6,528,949</u> | <u>48</u> | <u>6,533,194</u> | <u>50</u> | <u>6,378,315</u> | <u>54</u> |
| TOTAL | | <u>\$ 13,612,703</u> | <u>100</u> | <u>\$ 13,044,590</u> | <u>100</u> | <u>\$ 11,727,661</u> | <u>100</u> |

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

SDI Corporation and Subsidiaries

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

| | NOTES | For the three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|--|-----------|------------------------------------|------|--------------|------|----------------------------------|------|--------------|------|
| | | 2022 | | 2021 | | 2022 | | 2021 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| NET REVENUE | 6(25) · 7 | \$ 3,086,298 | 100 | \$ 2,764,685 | 100 | \$ 5,878,422 | 100 | \$ 5,216,899 | 100 |
| COST OF REVENUE | 6(26) · 7 | (2,488,782) | (81) | (2,204,072) | (80) | (4,747,712) | (81) | (4,175,011) | (80) |
| GROSS PROFIT | | 597,516 | 19 | 560,613 | 20 | 1,130,710 | 19 | 1,041,888 | 20 |
| OPERATING EXPENSES | 6(26) · 7 | | | | | | | | |
| Marketing | | (80,060) | (2) | (75,241) | (3) | (160,117) | (3) | (151,739) | (3) |
| General and administrative | | (93,232) | (3) | (84,838) | (3) | (181,270) | (3) | (164,395) | (3) |
| Research and development | | (65,984) | (2) | (60,450) | (2) | (135,310) | (2) | (118,360) | (2) |
| Expected credit (loss) gain | 6(4) | (434) | - | 181 | - | (451) | - | 509 | - |
| Total operating expenses | | (239,710) | (7) | (220,348) | (8) | (477,148) | (8) | (433,985) | (8) |
| OPERATING INCOME | | 357,806 | 12 | 340,265 | 12 | 653,562 | 11 | 607,903 | 12 |
| NONOPERATING INCOME AND EXPENSES | | | | | | | | | |
| Interest income | | 435 | - | 280 | - | 857 | - | 555 | - |
| Other income | 6(27) | 6,131 | - | 9,934 | - | 9,779 | - | 13,244 | - |
| Other gains and losses, net | 6(28) | 44,565 | 2 | (31,075) | (1) | 95,866 | 2 | (44,393) | (1) |
| Finance costs | 6(29) | (19,050) | (1) | (14,178) | - | (37,194) | (1) | (29,438) | - |
| Total nonoperating income and expenses | | 32,081 | 1 | (35,039) | (1) | 69,308 | 1 | (60,032) | (1) |
| INCOME BEFORE INCOME TAX | | 389,887 | 13 | 305,226 | 11 | 722,870 | 12 | 547,871 | 11 |
| INCOME TAX EXPENSE | 6(30) | (94,259) | (3) | (72,721) | (3) | (161,077) | (3) | (123,708) | (3) |
| NET INCOME | | 295,628 | 10 | 232,505 | 8 | 561,793 | 9 | 424,163 | 8 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss : | | | | | | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | 6(31) | (1,290) | - | 336 | - | (497) | - | (201) | - |
| Income tax benefit (expenses) related to items that will not be reclassified subsequently | 6(30) | 268 | - | 2 | - | 184 | - | 127 | - |
| Items that may be reclassified subsequently to profit or loss : | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | 6(31) | (33,346) | (1) | (11,745) | - | 35,689 | - | (20,975) | - |
| Income tax benefit (expenses) related to items that may be reclassified subsequently | 6(30) | 6,669 | - | 2,349 | - | (7,138) | - | 4,195 | - |
| Other comprehensive income (loss), net of income tax | | (27,699) | (1) | (9,058) | - | 28,238 | - | (16,854) | - |
| TOTAL COMPREHENSIVE INCOME | | \$ 267,929 | 9 | \$ 223,447 | 8 | \$ 590,031 | 9 | \$ 407,309 | 8 |
| NET INCOME ATTRIBUTABLE TO : | | | | | | | | | |
| Shareholders of the parent | | \$ 280,169 | 9 | \$ 224,214 | 8 | \$ 531,707 | 8 | \$ 409,245 | 8 |
| Non-controlling interests | | 15,459 | 1 | 8,291 | - | 30,086 | 1 | 14,918 | - |
| | | \$ 295,628 | 10 | \$ 232,505 | 8 | \$ 561,793 | 9 | \$ 424,163 | 8 |
| TOTAL COMPREHENSIVE INCOME : | | | | | | | | | |
| Shareholders of the parent | | \$ 252,470 | 8 | \$ 215,156 | 8 | \$ 559,945 | 8 | \$ 392,391 | 8 |
| Non-controlling interests | | 15,459 | 1 | 8,291 | - | 30,086 | 1 | 14,918 | - |
| | | \$ 267,929 | 9 | \$ 223,447 | 8 | \$ 590,031 | 9 | \$ 407,309 | 8 |
| EARNINGS PER SHARE (IN DOLLARS) | 6(32) | | | | | | | | |
| Basic earnings per share | | \$ 1.54 | | \$ 1.23 | | \$ 2.92 | | \$ 2.25 | |
| Diluted earnings per share | | \$ 1.54 | | \$ 1.23 | | \$ 2.92 | | \$ 2.25 | |

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

SDI Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| Items | Equity Attributable to Shareholders of the Parent | | | | | | | | | | |
|--|---|-------------------|-----------------------|-------------------------|-------------------------|--------------------------------------|---|---------------------|--|---------------------------|---------------------|
| | Retained Earnings | | | | | Other Equity | | | | | |
| | 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, 2021 | \$ 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 |
| Donation from shareholders | - | 167 | - | - | - | - | - | - | 167 | - | 167 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | (40,515) | (40,515) |
| Net income for the six months ended June 30, 2021 | - | - | - | - | 409,245 | - | - | - | 409,245 | 14,918 | 424,163 |
| Other comprehensive income (loss) for the six months ended June 30, 2021 | - | - | - | - | - | (16,780) | (74) | (16,854) | (16,854) | - | (16,854) |
| BALANCE, JUNE 30, 2021 | \$ 1,821,403 | \$ 485,570 | \$ 865,445 | \$ 155,570 | \$ 2,895,852 | \$ (164,589) | \$ 13,093 | \$ (151,496) | \$ 6,072,344 | \$ 305,971 | \$ 6,378,315 |
| BALANCE, JANUARY 1, 2022 | \$ 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 |
| Appropriations of prior year's earnings | | | | | | | | | | | |
| Special capital reserve | - | - | - | 5,121 | (5,121) | - | - | - | - | - | - |
| Legal capital reserve | - | - | 83,980 | - | (83,980) | - | - | - | - | - | - |
| Cash dividends to shareholders - NT\$3.0 per share | - | - | - | - | (546,421) | - | - | - | (546,421) | - | (546,421) |
| Donation from shareholders | - | 210 | - | - | - | - | - | - | 210 | - | 210 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | (48,065) | (48,065) |
| Net income for the six months ended June 30, 2022 | - | - | - | - | 531,707 | - | - | - | 531,707 | 30,086 | 561,793 |
| Other comprehensive income (loss) for the six months ended June 30, 2022 | - | - | - | - | - | 28,551 | (313) | 28,238 | 28,238 | - | 28,238 |
| BALANCE, JUNE 30, 2022 | \$ 1,821,403 | \$ 485,808 | \$ 983,960 | \$ 139,763 | \$ 2,881,133 | \$ (127,138) | \$ 15,613 | \$ (111,525) | \$ 6,200,542 | \$ 328,407 | \$ 6,528,949 |

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|---|----------------------------------|------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before income tax | \$ 722,870 | \$ 547,871 |
| Depreciation | 323,177 | 332,328 |
| Amortization | 9,513 | 9,848 |
| Expected credit loss (or reversal) | 451 | (509) |
| Loss (gain) on financial assets and liability at fair value through profit or loss | (90) | (74) |
| Interest expense | 37,194 | 29,438 |
| Interest income | (857) | (555) |
| Dividend income | (1,298) | (362) |
| Gain on disposal of property, plant and equipment | 302 | (353) |
| Impairment loss on non-financial assets | - | 13,980 |
| Net changes in operating assets and liabilities | | |
| Notes receivable | 7,225 | (10,992) |
| Accounts receivable | 53,314 | (356,021) |
| Inventories | (562,749) | (838,691) |
| Prepayments | 30,158 | 5,170 |
| Other financial assets | 2,626 | 2,573 |
| Other current assets | (198) | (6,932) |
| Contract liabilities | 5,304 | 58,418 |
| Notes payable | 26,549 | 92,289 |
| Accounts payable | (68,862) | 472,174 |
| Other payables | (21,351) | 59,181 |
| Other current liabilities | (9,487) | (755) |
| Net defined benefit liability | (10,614) | (5,184) |
| Other operating liabilities | (3,639) | 2,792 |
| Cash provided from operations | 539,538 | 405,634 |
| Interest received | 877 | 581 |
| Dividends received | 1,298 | 362 |
| Interest paid | (36,911) | (28,854) |
| Income taxes paid | (177,276) | (71,674) |
| Net cash provided by operating activities | 327,526 | 306,049 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (460,582) | (413,001) |
| Proceeds from disposal of property, plant and equipment | 1,143 | 513 |
| Decrease (increases) in refundable deposits | (200) | 842 |
| Acquisition of intangible assets | (10,614) | (7,285) |
| Increase in other financial assets | (1,986) | (17,292) |
| Net cash used in investing activities | (472,239) | (436,223) |

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|--|----------------------------------|------------|
| | 2022 | 2021 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term loans | \$ (54,305) | \$ 30,774 |
| Proceeds from long-term debt | 1,265,607 | 423,063 |
| Repayment of long-term debt | (1,085,399) | (388,090) |
| Repayment of the principal portion of lease liabilities | (5,980) | (5,914) |
| Increase (decrease) in other noncurrent liabilities | 162 | (1,698) |
| Decrease in non-controlling interests | (44,567) | (40,515) |
| Net cash provided by financing activities | 75,518 | 17,620 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 3,880 | (3,022) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (65,315) | (115,576) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | 702,314 | 764,179 |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | \$ 636,999 | \$ 648,603 |

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

(Concluded)

SDI Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Reviewed, Not Audited)

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

1. ORGANIZATION AND OPERATIONS

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

Since April 25, 1996, the Company's stocks have been listed on the Taiwan Stock Exchange ("TWSE"). The main operating activities of the Company and its subsidiaries (the "Group") are as well as aforementioned (refer to note 4.3(2) 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 August 4, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB (Note 1)</u> |
|--|---|
| 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.

(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.

The above standards and interpretations do not have a significant effect on the Group's consolidated financial statements.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company:

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|--------------------------------------|
| Amendments to IAS 1 "Disclosure 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 |

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments clarify that accounting policy information must be disclosed when transactions, other events or conditions is material whilst the related accounting policy information is simultaneously material to the financial statements. Disclosure of immaterial accounting policy information would not be compulsory if the amounts or the nature of transactions, other events or conditions is considered immaterial by the corporation, or is considered material but the related accounting policy information immaterial; this conclusion of immateriality does not affect relevant disclosures regulated by other IFRSs.

2. Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty." In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

3. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments provide a further exception from the initial recognition exemption of deferred tax related to assets and liabilities. Applying this exception, an entity does not apply the initial recognition exemption for transactions in which equal amounts of deductible and taxable temporary differences arise from a single transaction on initial recognition. First-time adopters, at the beginning of the earliest comparative period presented, should recognize deferred tax for all temporary differences related to leases and decommissioning obligations, and the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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.

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

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|--|-------------------------------|
| 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 IFRS 17 | January 1, 2023 |
| Amendments to IFRS 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 (Note) |
| Note : The IASB tentatively decided to require entities to apply the amendments for annual reporting periods beginning on or after 1 January 2024. | |

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

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Statement of Compliance

- (1) The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," endorsed and issued into effect by the FSC.
- (2) The accompanying consolidated financial statements should be read with the consolidated financial statements for the year ended December 31, 2021.

4.2 Basis of Preparation

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

4.3 Basis of consolidation

- (1) Basis for preparation of consolidated financial statements:
 - A. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of

subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- C. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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

| Name of investor | Name of subsidiary | Main business activities | Percentage of Ownership | | |
|-------------------|--|--|-------------------------|-------------------|---------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 2021 |
| The Company | SHUEN DER (B.V.I.) CO. (SHUEN DER(B.V.I.)) | Investing activities | 100% | 100% | 100% |
| SHUEN DER(B.V.I.) | SDI China (SDI(JIANGSU)) | Office supplies (Blades, stationery, etc.) and manufacturing and processing of electronic components | 100% | 100% | 100% |
| The Company | CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal) | Smelting and rolling of metal strips | 84.62% | 84.62% | 84.62% |
| The Company | TEC BRITE TECHNOLOGY CO., LTD. (TEC Brite Technology) | Manufacturing of electronic components and international trade | 54.98% | 54.98% | 54.98% |

The financial statements for the six months ended June 30, 2022 and 2021 of aforementioned subsidiaries were not reviewed by independent auditors, except for those of the significant subsidiaries, i.e. SHUEN DER (B.V.I.) and SDI (JIANGSU).

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

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

| Name of subsidiary | Percentage of Ownership of Non-controlling Interest | | |
|----------------------|---|-------------------|---------------|
| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
| TEC Brite Technology | 45.02% | 45.02% | 45.02% |

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

| Name of subsidiary | Profit or Loss Distribute to Non-controlling Interest | | | |
|----------------------|---|----------|--------------------------|-----------|
| | Three Months Ended June 31 | | Six Months Ended June 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| TEC Brite Technology | \$ 14,497 | \$ 7,331 | \$ 28,315 | \$ 12,915 |
| Others | 962 | 960 | 1,770 | 2,003 |
| Total | \$ 15,459 | \$ 8,291 | \$ 30,085 | \$ 14,918 |

| Name of subsidiary | Non-controlling Interest | | |
|----------------------|--------------------------|-------------------|---------------|
| | June 31, 2022 | December 31, 2021 | June 30, 2021 |
| TEC Brite Technology | \$ 284,757 | \$ 301,008 | \$ 260,954 |
| Others | 43,650 | 45,378 | 45,017 |
| Total | \$ 328,407 | \$ 346,386 | \$ 305,971 |

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

| <u>Balance sheets</u> | TEC Brite Technology | | |
|---------------------------|----------------------|-------------------|---------------|
| | June 31, 2022 | December 31, 2021 | June 30, 2021 |
| Current assets | \$ 560,444 | \$ 605,628 | \$ 478,896 |
| Non-current assets | 315,725 | 337,413 | 346,008 |
| Current liabilities | (129,688) | (152,162) | (117,244) |
| Non-current liabilities | (107,141) | (115,434) | (121,186) |
| Equity | \$ 639,340 | \$ 675,445 | \$ 586,474 |
| Equity attributable to: | | | |
| Shareholder of the parent | \$ 351,509 | \$ 371,360 | \$ 322,443 |

Balance sheets

| | TEC Brite Technology | | |
|--|----------------------|----------------------|---------------|
| | June 31, 2022 | December 31, 2021 | June 30, 2021 |
| | | | |
| Non-controlling Interests of TEC Brite Technology | \$ 287,831 | \$ 304,085 | \$ 264,031 |
| Total | \$ 639,340 | \$ 675,445 | \$ 586,474 |

Statements of comprehensive incomes

| | TEC Brite Technology | | | |
|--|----------------------------|------------|--------------------------|------------|
| | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | \$ 198,014 | \$ 167,021 | \$ 393,777 | \$ 320,859 |
| Net profit for the period | \$ 32,200 | \$ 18,832 | \$ 62,895 | \$ 32,872 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | \$ 32,200 | \$ 18,832 | \$ 62,895 | \$ 32,872 |
| Net profit attributable to: | | | | |
| Shareholder of the parent | \$ 17,704 | \$ 10,354 | \$ 34,580 | \$ 18,073 |
| Non-controlling interests of TEC Brite Technology | 14,496 | 8,478 | 28,315 | 14,799 |
| Total | \$ 32,200 | \$ 18,832 | \$ 62,895 | \$ 32,872 |
| Net profit attributable to | | | | |
| Shareholder of the parent | \$ 17,704 | \$ 10,354 | 34,580 | \$ 18,073 |
| Non-controlling interests of TEC Brite Technology | 14,496 | 8,478 | 28,315 | 14,799 |
| Total | \$ 32,200 | \$ 18,832 | \$ 62,895 | \$ 32,872 |

| | TEC Brite Technology | |
|--|--------------------------|-----------|
| | Six Months Ended June 30 | |
| | 2022 | 2021 |
| Dividends paid to non-controlling interests | \$ 44,567 | \$ 40,515 |

| <u>Statement of cash flow</u> | TEC Brite Technology | |
|--|--------------------------|------------------|
| | Six Months Ended June 30 | |
| | 2022 | 2021 |
| Net cash generated from operating activities | \$ 137,046 | \$ 38,656 |
| Net cash used in investing activities | (15,988) | (40,134) |
| Net cash used in financing activities | (107,138) | (98,010) |
| Increase (decrease) in cash and cash equivalents | 13,920 | (99,488) |
| Cash and cash equivalents, beginning of the period | 100,585 | 144,579 |
| Cash and cash equivalents, end of the period | <u>\$ 114,505</u> | <u>\$ 45,091</u> |

4.4 Retirement benefits

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

4.5 Income Tax

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

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

The Group takes the economic impact of the Covid-19 pandemic into consideration in critical accounting estimates, and continue to review basic assumptions and estimates. If the impact of the change in accounting estimate relating to the current period is recognized in the current period; the impact in the current period or is expected to have an effect in future periods, it shall be recognized in the current period and the future period of the amendment.

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2021, which were stated in Note 5.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------------|---------------|----------------------|---------------|
| Cash on hand and petty cash | \$ 1,338 | \$ 914 | \$ 1,130 |
| Checking accounts and demand deposits | 595,582 | 701,400 | 647,473 |
| Cash equivalent | | | |
| Redeemable bond | 40,079 | - | - |
| Total | \$ 636,999 | \$ 702,314 | \$ 648,603 |

- (1) Time deposits with original maturities over three months was classified as other current financial assets as of June 30, 2022, December 31, 2021 and June 30, 2021.
- (2) The cash and cash equivalents of the Group are not pledged to others.
- (3) Please refer to Note 12 for related credit risk management and assessment.

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|---------------|----------------------|---------------|
| Mandatorily measured at FVTPL | | | |
| Non-derivative financial assets | | | |
| Funds | \$ 57,525 | \$ 57,434 | \$ 57,376 |
| Total | \$ 57,525 | \$ 57,434 | \$ 57,376 |

- (1) The Group recognized net profit or loss of FVTPL for the three months and six months ended June 30, 2022 and 2021 is \$54 thousand, \$32 thousand, \$90 thousand and \$74 thousand.
- (2) Financial instruments at fair value through profit or loss of the Group are not pledged to others.

6.3 NOTES RECEIVABLE

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|-------------------|----------------------|-------------------|
| Amortized at cost | | | |
| Gross carrying amount | \$ 136,991 | \$ 142,017 | \$ 155,849 |
| Less: Loss allowance | (100) | (100) | (100) |
| Notes receivable, net | <u>\$ 136,891</u> | <u>\$ 141,917</u> | <u>\$ 155,749</u> |

- (1) As of June 30, 2022, December 31, 2021 and June 30, 2021, the banker's acceptance bill of the Group was \$112,737 thousand, \$109,918 thousand and \$123,213 thousand.
- (2) The Group pledged bankers' acceptance bill as collaterals to banks, please refer to Note 8.
- (3) Please refer to Note 6.4 for information on loss allowance for notes receivable.

6.4 ACCOUNTS RECEIVABLE

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------|---------------------|----------------------|---------------------|
| Amortized at cost | | | |
| Gross carrying amount | \$ 2,351,249 | \$ 2,391,206 | \$ 2,122,205 |
| Less: Loss allowance | (11,896) | (11,385) | (13,542) |
| Accounts receivable, net | <u>\$ 2,339,353</u> | <u>\$ 2,379,821</u> | <u>\$ 2,108,663</u> |

- (1) The accounts receivable was following the Group's credit policy determined by reference to the industrial characteristics, operating scale and profitability of the counterparties. The average credit term is due on monthly aggregate sales plus 30 to 150 days.
- (2) The Group applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. The allowance matrix of different customer segments, the provision for loss allowance is based on the number of past due days.
- (3) The following table detailed the loss allowance of notes and accounts receivable based on the Group's provision matrix (include related parties).

June 30, 2022

| Aging terms | Gross carrying amount | Loss allowance (lifetime ECLs) | Amortized cost |
|-------------------------------|-----------------------|--------------------------------|----------------|
| Neither past due nor impaired | \$ 2,395,530 | \$ (4,647) | \$ 2,390,883 |
| Past due but not impaired | | | |
| Past due within 30 days | 88,376 | (2,614) | 85,762 |
| Past due 31-90 days | 19,761 | (2,621) | 17,140 |
| Past due 91-180 days | 3,097 | (1,948) | 1,149 |
| Past due over 365 days | 2,524 | (2,524) | - |
| Total | \$ 2,509,288 | \$ (14,354) | \$ 2,494,934 |

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 over 365 days | 8,686 | (8,686) | - |
| Total | \$ 2,562,263 | \$ (19,644) | \$ 2,542,619 |

June 30, 2021

| Aging terms | Gross carrying amount | Loss allowance (lifetime ECLs) | Amortized cost |
|-------------------------------|-----------------------|--------------------------------|----------------|
| Neither past due nor impaired | \$ 2,247,390 | \$ (9,107) | \$ 2,238,283 |
| Past due but not impaired | | | |
| Past due within 30 days | 38,175 | (1,139) | 37,036 |
| Past due 31-90 days | 11,982 | (754) | 11,228 |
| Past due 91-180 days | 832 | (496) | 336 |
| Past due 181-365 days | 1,496 | (1,496) | - |
| Past due over 365 days | 8,794 | (8,794) | - |
| Total | \$ 2,308,669 | \$ (21,786) | \$ 2,286,883 |

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

| Items | Six Months Ended June 30 | |
|---|--------------------------|-----------|
| | 2022 | 2021 |
| Beginning Balance | \$ 19,644 | \$ 22,386 |
| Add: Provision for (reversal of) impairment | 451 | (509) |
| Less: Reversal of impairment | (5,847) | - |
| Effect of exchange rate changes | 106 | (91) |
| Ending Balance | \$ 14,354 | \$ 21,786 |

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

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

6.5 INVENTORIES AND COST OF SALES

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------|---------------|-------------------|---------------|
| Raw materials | \$ 1,649,802 | \$ 1,486,234 | \$ 1,358,749 |
| Work-in-process | 1,661,800 | 1,453,154 | 1,297,270 |
| Finished goods | 1,224,052 | 982,857 | 927,894 |
| Goods | 107,724 | 92,135 | 16,062 |
| Inventory in transit | 26,667 | 72,161 | 32,104 |
| Total | \$ 4,670,045 | \$ 4,086,541 | \$ 3,632,079 |

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

| Items | Three Months Ended June 30 | | Six months ended June 30 | |
|-----------------------------------|----------------------------|----------|--------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Provision for loss on inventories | \$ 70,588 | \$ 3,408 | \$ 90,774 | \$ 40,509 |
| Unallocated fixed FOH | 81 | - | 1,023 | 404 |
| Loss on scrapped inventory | 13,827 | 10,092 | 22,039 | 24,143 |

| Items | Three Months Ended June 30 | | Six months ended June 30 | |
|-------|----------------------------|-----------|--------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Total | \$ 84,496 | \$ 13,500 | \$ 113,836 | \$ 65,056 |

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

6.6 PREPAYMENTS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------|---------------|-------------------|---------------|
| Prepaid expenses | \$ 27,739 | \$ 32,076 | \$ 33,407 |
| Overpaid VAT | 10,216 | 2,882 | 19,704 |
| Input tax | 20,836 | 22,570 | 17,729 |
| Prepayment for purchases | 11,793 | 43,215 | 4,979 |
| Others | 10,252 | 9,666 | 11,484 |
| Total | \$ 80,836 | \$ 110,409 | \$ 87,303 |

6.7 OTHER FINANCIAL ASSETS-CURRENT

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|---------------|-------------------|---------------|
| Pledged time deposits | \$ 36,838 | \$ 23,906 | \$ 36,642 |
| Restricted deposits | 21,194 | 31,284 | 25,404 |
| Total | \$ 58,032 | \$ 55,190 | \$ 62,046 |

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

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

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|---------------|-------------------|---------------|
| Equity instrument | | | |
| Unlisted stock | \$ 2,203 | \$ 2,203 | \$ 2,203 |
| Valuation Adjustments | 17,522 | 18,019 | 14,494 |

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------|---------------|----------------------|---------------|
| Total | \$ 19,725 | \$ 20,222 | \$ 16,697 |

- (1) The Group invests in unlisted stocks for medium and long-term strategic purposes and expects 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 investments.
- (2) Financial assets at fair value through other comprehensive income of the Group are not pledged to others.

6.9 PROPERTY, PLANT AND EQUIPMENT

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|---------------|----------------------|---------------|
| Land | \$ 571,471 | \$ 254,419 | \$ 254,419 |
| Buildings | 2,383,482 | 2,357,039 | 2,340,946 |
| Machinery | 6,096,422 | 6,140,196 | 6,020,691 |
| Molds | 2,077,940 | 2,058,845 | 2,053,351 |
| Other equipment | 1,369,337 | 1,345,722 | 1,292,393 |
| Equipment to be inspected and construction in progress | 826,292 | 1,087,457 | 632,741 |
| Total cost | 13,324,944 | 13,243,678 | 12,594,541 |
| Less: Accumulated depreciation and impairment | (8,262,353) | (8,292,260) | (8,153,327) |
| Total | \$ 5,062,591 | \$ 4,951,418 | \$ 4,441,214 |

| | Land | Buildings | Machinery | Molds | Other equipment | Equipment under installation and construction in progress | Total |
|---------------------------------------|------------|--------------|--------------|--------------|--------------------|--|---------------|
| Cost | | | | | | | |
| Balance, January 1, 2022 | \$ 254,419 | \$ 2,357,039 | \$ 6,140,196 | \$ 2,058,845 | \$ 1,345,722 | \$ 1,087,457 | \$ 13,243,678 |
| Additions | - | 11,769 | 35,649 | 6,870 | 25,746 | 317,421 | 397,455 |
| Disposals | - | (16,810) | (242,690) | (67,088) | (62,478) | - | (389,066) |
| Reclassification | 317,052 | 14,257 | 132,537 | 62,489 | 54,541 | (580,876) | - |
| Effect of exchange rate difference | - | 17,227 | 30,730 | 16,824 | 5,806 | 2,290 | 72,877 |
| Balance, June 30, 2022 | \$ 571,471 | \$ 2,383,482 | \$ 6,096,422 | \$ 2,077,940 | \$ 1,369,337 | \$ 826,292 | \$ 13,324,944 |

| | Land | Buildings | Machinery | Molds | Other equipment | Equipment under installation and construction in progress | Total |
|--|------------|----------------|----------------|----------------|-----------------|---|----------------|
| Accumulated depreciation and impairment | | | | | | | |
| Balance, January 1, 2022 | \$ - | \$ (985,429) | \$ (4,614,153) | \$ (1,735,696) | \$ (956,982) | \$ - | \$ (8,292,260) |
| Depreciation expense | - | (34,355) | (156,256) | (76,124) | (48,115) | - | (314,850) |
| Disposals | - | 16,810 | 242,647 | 66,724 | 61,440 | - | 387,621 |
| Effect of exchange rate difference | - | (5,577) | (21,417) | (11,589) | (4,281) | - | (42,864) |
| Balance, June 30, 2022 | \$ - | \$ (1,008,551) | \$ (4,549,179) | \$ (1,756,685) | \$ (947,938) | \$ - | \$ (8,262,353) |
| 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 | - | 3,091 | 18,849 | 1,900 | 19,631 | 337,438 | 380,909 |
| Disposals | - | (9,976) | (25,768) | (10,005) | (8,465) | - | (54,214) |
| Reclassification | - | 2,790 | 122,552 | 106,284 | 16,670 | (248,296) | - |
| Effect of exchange rate difference | - | (10,305) | (18,335) | (9,679) | (3,453) | (788) | (42,560) |
| Balance, June 30, 2021 | \$ 254,419 | \$ 2,340,946 | \$ 6,020,691 | \$ 2,053,351 | \$ 1,292,393 | \$ 632,741 | \$ 12,594,541 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance, January 1, 2021 | \$ - | \$ (927,659) | \$ (4,443,855) | \$ (1,632,248) | \$ (890,615) | \$ - | \$ (7,894,377) |
| Depreciation expense | - | (34,498) | (154,963) | (90,781) | (43,787) | - | (324,029) |
| Impairment loss | - | - | (13,980) | - | - | - | (13,980) |
| Disposals | - | 9,976 | 25,741 | 10,005 | 8,332 | - | 54,054 |
| Reclassification | - | - | (2,605) | - | 2,605 | - | - |
| Effect of exchange rate difference | - | 3,195 | 12,589 | 6,725 | 2,496 | - | 25,005 |
| Balance, June 30, 2021 | \$ - | \$ (948,986) | \$ (4,577,073) | \$ (1,706,299) | \$ (920,969) | \$ - | \$ (8,153,327) |

(1) In order to fulfill operational and productivity expansion strategies, the Company built a plant in Nantou Industrial Park. The project has still not been completed, please refer to table 3 for relevant information.

(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 | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------|---------------|-------------------|---------------|
| Land | \$ 96,848 | \$ 96,840 | \$ 92,822 |
| Use right of land | 78,941 | 77,392 | 76,905 |
| Buildings | 80,802 | 81,274 | 81,269 |
| Total cost | 256,591 | 255,506 | 250,996 |

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------|-------------------|---------------|
| Less: Accumulated depreciation and impairment | \$ (46,771) | \$ (41,652) | \$ (33,181) |
| Total | \$ 209,820 | \$ 213,854 | \$ 217,815 |

| | Land | Use right of land | Buildings | Total |
|------------------------------------|-----------|-------------------|-----------|------------|
| <u>Cost</u> | | | | |
| Balance, January 1, 2022 | \$ 96,840 | \$ 77,392 | \$ 81,274 | \$ 255,506 |
| Additions | 2,665 | - | 221 | 2,886 |
| Derecognition | (2,657) | - | (709) | (3,366) |
| Effect of exchange rate difference | - | 1,549 | 16 | 1,565 |
| Balance, June 30, 2022 | \$ 96,848 | \$ 78,941 | \$ 80,802 | \$ 256,591 |

| | | | | |
|--|-------------|------------|-------------|-------------|
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance, January 1, 2022 | \$ (20,399) | \$ (7,652) | \$ (13,601) | \$ (41,652) |
| Depreciation expense | (3,964) | (1,302) | (3,061) | (8,327) |
| Derecognition | 2,657 | - | 709 | 3,366 |
| Effect of exchange rate difference | - | (151) | (7) | (158) |
| Balance, June 30, 2022 | \$ (21,706) | \$ (9,105) | \$ (15,960) | \$ (46,771) |

| | Land | Use right of land | Buildings | Total |
|------------------------------------|-----------|-------------------|-----------|------------|
| <u>Cost</u> | | | | |
| Balance, January 1, 2021 | \$ 92,822 | \$ 77,836 | \$ 81,279 | \$ 251,937 |
| Effect of exchange rate difference | - | (931) | (10) | (941) |
| Balance, June 30, 2021 | \$ 92,822 | \$ 76,905 | \$ 81,269 | \$ 250,996 |

| | | | | |
|--|-------------|------------|------------|-------------|
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance, January 1, 2021 | \$ (12,340) | \$ (5,131) | \$ (7,487) | \$ (24,958) |
| Depreciation expense | (3,962) | (1,279) | (3,058) | (8,299) |
| Effect of exchange rate difference | - | 73 | 3 | 76 |

| | Land | Use right of land | Buildings | Total |
|------------------------|-------------|----------------------|-------------|-------------|
| Balance, June 30, 2021 | \$ (16,302) | \$ (6,337) | \$ (10,542) | \$ (33,181) |

(2) Lease liabilities

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------|---------------|-------------------|---------------|
| Current | \$ 10,127 | \$ 9,436 | \$ 9,770 |
| Non-current | \$ 88,079 | \$ 92,497 | \$ 93,427 |

Range of discounts rate for lease liabilities is as follow :

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------|---------------|-------------------|---------------|
| Land | 0.89%~1.20% | 0.90%~1.20% | 1.20% |
| Buildings | 0.88%~4.13% | 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 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 | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|----------|--------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Expenses relating to short-term leases | \$ 843 | \$ 856 | \$ 1,720 | \$ 1,711 |
| Total cash outflow for leases | \$ 2,687 | \$ 4,134 | \$ 8,280 | \$ 8,262 |

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

6.11 INTANGIBLE ASSETS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------------|---------------|-------------------|---------------|
| Trademarks | \$ 2,263 | \$ 2,432 | \$ 2,559 |
| Patent | 52,626 | 55,416 | 57,724 |
| Computer software | 51,408 | 29,200 | 30,443 |
| Total | 106,297 | 87,048 | 90,726 |
| Less: Accumulated amortization | (44,477) | (44,343) | (42,576) |
| Intangible assets, net | \$ 61,820 | \$ 42,705 | \$ 48,150 |

| Items | Six Months Ended June 30, 2022 | | | |
|------------------------------------|--------------------------------|-------------|-------------------|-------------|
| | Trademarks | Patent | Computer software | Total |
| Cost | | | | |
| Balance, January 1 | \$ 2,432 | \$ 55,416 | \$ 29,200 | \$ 87,048 |
| Additions | 17 | 825 | 27,773 | 28,615 |
| Disposals | (186) | (3,615) | (5,694) | (9,495) |
| Effect of exchange rate difference | - | - | 129 | 129 |
| Balance, June 30 | \$ 2,263 | \$ 52,626 | \$ 51,408 | \$ 106,297 |
| Accumulated amortization | | | | |
| Balance, January 1 | \$ (1,567) | \$ (23,508) | \$ (19,268) | \$ (44,343) |
| Amortization expense | (150) | (4,052) | (5,311) | (9,513) |
| Disposals | 186 | 3,615 | 5,694 | 9,495 |

| Items | Six Months Ended June 30, 2022 | | | |
|------------------------------------|--------------------------------|-------------|-------------------|-------------|
| | Trademarks | Patent | Computer software | Total |
| Effect of exchange rate difference | \$ - | \$ - | \$ (116) | \$ (116) |
| Balance, June 30 | \$ (1,531) | \$ (23,945) | \$ (19,001) | \$ (44,477) |

| Items | Six Months Ended June 30, 2021 | | | |
|------------------------------------|--------------------------------|-------------|-------------------|-------------|
| | Trademarks | Patent | Computer software | Total |
| Cost | | | | |
| Balance, January 1 | \$ 2,674 | \$ 62,226 | \$ 40,119 | \$ 105,019 |
| Additions | 171 | 1,679 | 2,675 | 4,525 |
| Disposals | (286) | (6,181) | (12,276) | (18,743) |
| Effect of exchange rate difference | - | - | (75) | (75) |
| Balance, June 30 | \$ 2,559 | \$ 57,724 | \$ 30,443 | \$ 90,726 |
| Accumulated amortization | | | | |
| Balance, January 1 | \$ (1,700) | \$ (24,394) | \$ (25,431) | \$ (51,525) |
| Amortization expense | (161) | (5,270) | (4,417) | (9,848) |
| Disposals | 286 | 6,181 | 12,276 | 18,743 |
| Effect of exchange rate difference | - | - | 54 | 54 |
| Balance, June 30 | \$ (1,575) | \$ (23,483) | \$ (17,518) | \$ (42,576) |

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

6.12 OTHER NON-CURRENT ASSETS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------|---------------|-------------------|---------------|
| Prepayments for equipment | \$ 80,052 | \$ 76,387 | \$ 58,359 |
| Refundable deposits | 12,412 | 12,175 | 12,191 |
| Overdue receivables | 2,358 | 8,159 | 8,144 |
| Less: loss allowance | (2,358) | (8,159) | (8,144) |
| Prepayments for software | - | 31,501 | 18,351 |

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------|---------------|----------------------|---------------|
| Others | \$ 918 | \$ 735 | \$ 181 |
| Total | \$ 93,382 | \$ 120,798 | \$ 89,082 |

6.13 SHORT-TERM LOANS

| Type of loans | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------|---------------|----------------------|---------------|
| Secured loans | \$ 7,198 | \$ 20,743 | \$ - |
| Unsecured loans | 823,282 | 846,618 | 807,592 |
| Total | \$ 830,480 | \$ 867,361 | \$ 807,592 |
| Interest rate range | 1.60%~4.15% | 1.20%~4.15% | 1.20%~4.61% |

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 | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|---------------|----------------------|---------------|
| China Bills Finance Corporation | \$ - | \$ - | \$ 10,000 |
| Less: Unamortized discounts | - | - | (6) |
| Total | \$ - | \$ - | \$ 9,994 |
| Interest rate range | - | - | 0.98% |

6.15 NOTES PAYABLE

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------------------------|---------------|----------------------|---------------|
| Notes payable-operating activities | \$ 189,372 | \$ 159,924 | \$ 195,461 |
| Total | \$ 189,372 | \$ 159,924 | \$ 195,461 |

6.16 OTHER PAYABLES

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------|----------------------|-------------------|
| Accrued salaries and bonuses | \$ 306,149 | \$ 354,544 | \$ 266,855 |
| Payable for equipment and construction | 42,631 | 114,155 | 57,015 |
| Accrued supplies expense | 54,985 | 53,144 | 58,628 |
| Compensation payable of employees, directors and supervisors | 47,601 | 29,081 | 25,825 |
| Accrued repairs and maintenance | 30,732 | 27,241 | 23,808 |
| Accrued utilities expense | 28,740 | 25,083 | 31,906 |
| Accrued insurance expense | 17,735 | 17,398 | 18,382 |
| Others | 102,925 | 101,607 | 96,589 |
| Total | <u>\$ 631,498</u> | <u>\$ 722,253</u> | <u>\$ 579,008</u> |

6.17 LONG-TERM LOANS AND ITS CURRENT PORTION

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|---------------------|----------------------|---------------------|
| Unsecured loans | \$ 2,713,255 | \$ 2,525,015 | \$ 1,609,213 |
| Less: Current portion | (303,793) | (135,082) | (138,804) |
| Discounted government grants (Note 6.18) | (9,567) | (8,657) | (7,118) |
| Total | <u>\$ 2,399,895</u> | <u>\$ 2,381,276</u> | <u>\$ 1,463,291</u> |
| Interest rate range | <u>0.70%~4.72%</u> | <u>0.45%~5.18%</u> | <u>0.45%~4.534%</u> |
| Year to maturity | <u>2023~2027</u> | <u>2022~2027</u> | <u>2021~2027</u> |

(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 June 30, 2022, December 31, 2021 and June 30, 2021.

6.18 GOVERNMENT GRANTS

(1)The Company has obtained a \$1,174,747 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 June 30, 2022, the fair value of loan is estimated to be \$1,165,180 thousand. The difference \$9,657 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 \$1,152 thousand and \$2,118 thousand in other income, \$3,571 thousand and \$6,201 thousand in interest expense for the loan, and has paid \$2,419 thousand and \$4,083 thousand interests to the bank for the three months and six months ended June 30, 2022.

- (2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not be able to build plants and relevant facilities, purchase equipment or use as mid-term working capital.

6.19 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

- A. The plan under Labor Pension Act (the "Act") of the R.O.C. is deemed a defined contribution plan. Pursuant to the Act, the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.
- B. The foreign subsidiaries also make contribution in accordance with the rate specified in the plans in the local regulations, which is a defined contribution plan.
- C. The Group's recognized expenses in the consolidated statement of comprehensive income were \$18,649 thousand, \$16,324 thousand, \$37,656 thousand and \$30,830 thousand under the contributions rates specified in the plans for the three months and six months ended June 30, 2022 and 2021, 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. Due to no major downsize, discharges, significant one-time matters and major changes of market happened after the last fiscal year ended, the Group evaluated the periodic pension cost considered the actuarial report of 2021 and 2020 and disclosed the midterm cost.
- C. The Group's recognized expenses in the consolidated statement of comprehensive income were \$979 thousand, \$358 thousand, \$1,575 thousand and \$1,091 thousand under the defined benefit plans for the three months and six months ended June 30, 2022 and 2021, respectively.

6.20 COMMON STOCKS

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

| | Six Months Ended June 30 | | | |
|-------------------|--------------------------|--------------|-----------------------|--------------|
| | 2022 | | 2021 | |
| | Shares (in Thousands) | Capital | Shares (in Thousands) | Capital |
| Beginning Balance | 182,140 | \$ 1,821,403 | 182,140 | \$ 1,821,403 |
| Ending Balance | 182,140 | \$ 1,821,403 | 182,140 | \$ 1,821,403 |

(2) The par value of common stock is \$10 per share, carrying one vote per share and carry a right to dividends.

(3) The Company's authorized capital was \$2,700,000 thousand, consisting of 270,000 thousand shares as of June 30, 2022.

6.21 CAPITAL SURPLUS

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|---------------|-------------------|---------------|
| Additional paid-in capital | \$ 451,220 | \$ 451,220 | \$ 451,220 |
| Long-term investments at equity | 3,546 | 3,546 | 3,546 |
| Treasury stock transactions | 30,359 | 30,359 | 30,359 |
| Others | 683 | 473 | 445 |
| Total | \$ 485,808 | \$ 485,598 | \$ 485,570 |

(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 only 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 | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------|---------------|-------------------|---------------|
| Special reserve | \$ 139,763 | \$ 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 thousand. 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 2021 and 2020 earnings have been approved by shareholders' meetings held on May 27, 2022 and August 26, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

| Items | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|--------------------------------|---------------------------|---------------|----------------------------|---------------|
| | For Year 2021 | For Year 2020 | For Year 2021 | For Year 2020 |
| Legal reserve | \$ 83,980 | \$ 34,535 | | |
| Special reserve | 5,121 | (20,928) | | |
| Cash dividends to shareholders | 546,421 | 327,852 | \$ 3.00 | \$ 1.80 |

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

6.23 OTHER EQUITY

| Items | Exchange differences on translation of foreign financial statements | Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income | Total |
|---|---|---|--------------|
| Balance, January 1, 2022 | \$ (155,689) | \$ 15,926 | \$ (139,763) |
| Exchange differences on translation of foreign financial statements | 28,551 | - | 28,551 |
| Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income | - | (313) | (313) |
| Balance, June 30, 2022 | \$ (127,138) | \$ 15,613 | \$ (111,525) |

| 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 | (16,780) | - | (16,780) |
| Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income | - | (74) | (74) |
| Balance, June 30, 2021 | \$ (164,589) | \$ 13,093 | \$ (151,496) |

6.24 NON-CONTROLLING INTEREST

| Items | Six Months Ended June 30 | |
|--|--------------------------|------------|
| | 2022 | 2021 |
| Beginning Balance | \$ 346,386 | \$ 331,568 |
| Attributable to non-controlling interests: | | |
| Distribution of cash dividends by subsidiaries | (48,065) | (40,515) |
| Net income | 30,086 | 14,918 |
| Ending Balance | \$ 328,407 | \$ 305,971 |

6.25 OPERATING REVENUE

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------|----------------------------|--------------|--------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue from contracts with customers | | | | |
| Sale of goods | \$ 3,076,812 | \$ 2,751,357 | \$ 5,860,289 | \$ 5,192,168 |
| Service revenue | 5,260 | 7,727 | 9,127 | 13,634 |
| Subtotal | 3,082,072 | 2,759,084 | 5,869,416 | 5,205,802 |
| Other operating revenues | 4,226 | 5,601 | 9,006 | 11,097 |
| Total | \$ 3,086,298 | \$ 2,764,685 | \$ 5,878,422 | \$ 5,216,899 |

(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 contracts. The consideration is classified as short-term receivables, and is therefore measured at invoice price.

(2) Disaggregation of revenue from contracts with customers

| Major products /Service line | Three Months Ended June, 2022 | | | | | |
|------------------------------|-------------------------------|------------|------------|------------|------------|--------------|
| | China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 1,320,250 | \$ 271,385 | \$ 322,724 | \$ 247,329 | \$ 449,318 | \$ 2,611,006 |
| Stationery | 70,566 | 60,349 | 34,867 | 3,371 | 269,558 | 438,711 |
| Others | 1,423 | 4,365 | 2,026 | 15,976 | 8,565 | 32,355 |
| Total | \$ 1,392,239 | \$ 336,099 | \$ 359,617 | \$ 266,676 | \$ 727,441 | \$ 3,082,072 |

| Three Months Ended June, 2022 | | | | | | |
|---|--------------|------------|------------|------------|------------|--------------|
| Major products /Service line | China | Taiwan | Japan | Malaysia | Others | Total |
| Timing of revenue recognition | | | | | | |
| Performance obligation satisfied at a point in time | \$ 1,392,239 | \$ 336,099 | \$ 359,617 | \$ 266,676 | \$ 727,441 | \$ 3,082,072 |

| Three Months Ended June, 2021 | | | | | | |
|---|--------------|------------|------------|------------|------------|--------------|
| Major products /Service line | China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 1,160,285 | \$ 322,390 | \$ 289,073 | \$ 164,664 | \$ 364,040 | \$ 2,300,452 |
| Stationery | 65,311 | 97,460 | 40,661 | 2,353 | 217,192 | 422,977 |
| Others | 8,519 | 2,323 | 5,492 | 12,249 | 7,072 | 35,655 |
| Total | \$ 1,234,115 | \$ 422,173 | \$ 335,226 | \$ 179,266 | \$ 588,304 | \$ 2,759,084 |
| Timing of revenue recognition | | | | | | |
| Performance obligation satisfied at a point in time | \$ 1,234,115 | \$ 422,173 | \$ 335,226 | \$ 179,266 | \$ 588,304 | \$ 2,759,084 |

| Six Months Ended June 30, 2022 | | | | | | |
|---|--------------|------------|------------|------------|--------------|--------------|
| Major products /Service line | China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 2,471,201 | \$ 533,166 | \$ 629,037 | \$ 476,647 | \$ 844,489 | \$ 4,954,540 |
| Stationery | 118,019 | 138,195 | 78,098 | 5,741 | 527,777 | 867,830 |
| Others | 10,980 | 4,794 | 2,026 | 18,163 | 11,083 | 47,046 |
| Total | \$ 2,600,200 | \$ 676,155 | \$ 709,161 | \$ 500,551 | \$ 1,383,349 | \$ 5,869,416 |
| Timing of revenue recognition | | | | | | |
| Performance obligation satisfied at a point in time | \$ 2,600,200 | \$ 676,155 | \$ 709,161 | \$ 500,551 | \$ 1,383,349 | \$ 5,869,416 |

| Six Months Ended June 30, 2021 | | | | | | |
|--------------------------------|--------------|------------|------------|------------|--------------|--------------|
| Major products /Service line | China | Taiwan | Japan | Malaysia | Others | Total |
| Electronic | \$ 2,184,719 | \$ 552,692 | \$ 537,335 | \$ 348,158 | \$ 714,726 | \$ 4,337,630 |
| Stationery | 107,684 | 223,502 | 86,918 | 2,949 | 398,451 | 819,504 |
| Others | 11,892 | 2,363 | 5,492 | 16,439 | 12,482 | 48,668 |
| Total | \$ 2,304,295 | \$ 778,557 | \$ 629,745 | \$ 367,546 | \$ 1,125,659 | \$ 5,205,802 |

| Major products /Service line | Six Months Ended June 30, 2021 | | | | | |
|---|--------------------------------|------------|------------|------------|--------------|--------------|
| | China | Taiwan | Japan | Malaysia | Others | Total |
| Timing of revenue recognition | | | | | | |
| Performance obligation satisfied at a point in time | \$ 2,304,295 | \$ 778,557 | \$ 629,745 | \$ 367,546 | \$ 1,125,659 | \$ 5,205,802 |

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

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------------------|---------------|-------------------|---------------|
| Contract liabilities-current | \$ 110,012 | \$ 104,504 | \$ 137,266 |

6.26 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| By nature | Three Months Ended June 30, 2022 | | | Three Months Ended June 30, 2021 | | |
|-----------------|----------------------------------|---|------------|----------------------------------|---|------------|
| | Cost of sales | Operating expense (include non-operating) | Total | Cost of sales | Operating expense (include non-operating) | Total |
| Personnel | | | | | | |
| Salary | \$ 309,977 | \$ 125,925 | \$ 435,902 | \$ 299,872 | \$ 107,811 | \$ 407,683 |
| Labor insurance | 24,816 | 6,931 | 31,747 | 23,764 | 5,874 | 29,638 |
| Pension | 15,953 | 3,675 | 19,628 | 13,457 | 3,225 | 16,682 |
| Other | 29,048 | 6,566 | 35,614 | 25,033 | 8,831 | 33,864 |
| Depreciation | 150,844 | 10,423 | 161,267 | 152,410 | 12,749 | 165,159 |
| Amortization | 1,004 | 3,608 | 4,612 | 561 | 3,434 | 3,995 |
| Total | \$ 531,642 | \$ 157,128 | \$ 688,770 | \$ 515,097 | \$ 141,924 | \$ 657,021 |

| By nature | Six Months Ended June 30, 2022 | | | Six Months Ended June 30, 2021 | | |
|-----------------|--------------------------------|---|------------|--------------------------------|---|------------|
| | Cost of sales | Operating expense (include non-operating) | Total | Cost of sales | Operating expense (include non-operating) | Total |
| Personnel | | | | | | |
| Salary | \$ 620,278 | \$ 247,882 | \$ 868,160 | \$ 579,490 | \$ 205,903 | \$ 785,393 |
| Labor insurance | 53,250 | 15,142 | 68,392 | 45,748 | 13,026 | 58,774 |
| Pension | 31,848 | 7,383 | 39,231 | 24,713 | 7,208 | 31,921 |
| Other | 57,119 | 13,238 | 70,357 | 50,471 | 17,925 | 68,396 |

| By nature | Six Months Ended June 30, 2022 | | | Six Months Ended June 30, 2021 | | |
|--------------|--------------------------------|---|---------------------|--------------------------------|---|---------------------|
| | Cost of sales | Operating expense (include non-operating) | Total | Cost of sales | Operating expense (include non-operating) | Total |
| Depreciation | \$ 300,380 | \$ 22,797 | \$ 323,177 | \$ 307,083 | \$ 25,245 | 332,328 |
| Amortization | 2,080 | 7,433 | 9,513 | 1,187 | 8,661 | 9,848 |
| Total | <u>\$ 1,064,955</u> | <u>\$ 313,875</u> | <u>\$ 1,378,830</u> | <u>\$ 1,008,692</u> | <u>\$ 277,968</u> | <u>\$ 1,286,660</u> |

(1) In accordance with the Company's Article of incorporation, the Company is stipulated to distribute compensation of employees at the rate of 1.5% of profit before tax, and directors' and supervisors' remuneration at the rate not higher than 1.5% of profit before tax. For the three months and six months ended June 30, 2022, the employees' compensation were accrued at \$5,518 thousand and \$10,289 thousand, directors' and supervisors' remuneration were accrued at \$4,415 thousand and \$8,231 thousand. For the three months and six months ended June 30, 2021, the employees' compensation was accrued at \$4,262 thousand and \$7,811 thousand, directors' and supervisors' remuneration were accrued at \$3,409 thousand and \$6,248 thousand. The Company accrued employees' compensation and remuneration of directors and supervisors at the rates 1.5% and 1.2%, respectively, of net profit before income tax. If there is a change in the proposed amount after the annual financial statement are authorized for issue, the difference will be 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 | <u>16,156</u> | <u>12,925</u> | <u>6,537</u> | <u>5,229</u> |
| Difference | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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 | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------|----------------------------|-----------------|--------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Rental income | \$ 177 | \$ 156 | \$ 336 | \$ 262 |
| Government subsidies | 2,255 | 5,396 | 2,580 | 5,983 |
| Dividend income | - | - | 1,298 | 362 |
| Others | 3,699 | 4,382 | 5,565 | 6,637 |
| Total | <u>\$ 6,131</u> | <u>\$ 9,934</u> | <u>\$ 9,779</u> | <u>\$ 13,244</u> |

6.28 OTHER GAINS AND LOSSES

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|--------------------|--------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net gains (losses) on financial assets and liabilities at FVTPL | \$ 54 | \$ 32 | \$ 90 | \$ 74 |
| Gain (losses) on disposal of property, plant and equipment | (582) | 327 | (302) | 353 |
| Impairment loss on Property, Plant and Equipment | - | (13,980) | - | (13,980) |
| Foreign exchange gain (losses), net | 45,124 | (16,956) | 97,741 | (29,514) |
| Others | (31) | (498) | (1,663) | (1,326) |
| Total | <u>\$ 44,565</u> | <u>\$ (31,075)</u> | <u>\$ 95,866</u> | <u>\$ (44,393)</u> |

6.29 FINANCIAL COSTS

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|-------------|--------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense | | | | |
| Bank loans | \$ 19,813 | \$ 15,186 | \$ 38,879 | \$ 29,688 |
| Interest on lease liabilities | 290 | 315 | 581 | 637 |
| Less: capitalized amount for qualified assets | (1,053) | (1,323) | (2,266) | (887) |
| Financial costs | \$ 19,050 | \$ 14,178 | \$ 37,194 | \$ 29,438 |
| Interest capitalization rates | | | | |
| | 0.89%-4.32% | 0.67%-4.32% | 0.89%-4.32% | 0.67%-4.32% |

6.30 INCOME TAX

(1) Components of income tax expense:

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|-----------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Current income tax expense</u> | | | | |
| Current tax expense (benefit) recognized in the current period | \$ 93,784 | \$ 63,885 | \$ 166,082 | \$ 120,917 |
| Tax on undistributed surplus earnings | 10,747 | 545 | 10,747 | 545 |
| Income tax adjustments on prior years | (1,340) | 46 | (1,340) | 1,320 |
| Current tax | 103,191 | 64,476 | 175,489 | 122,782 |
| <u>Deferred income tax expense</u> | | | | |
| The origination and reversal of temporary differences | (8,932) | 8,245 | (14,412) | 926 |
| Deferred tax | (8,932) | 8,245 | (14,412) | 926 |
| Income tax expense recognized in profit or loss | \$ 94,259 | \$ 72,721 | \$ 161,077 | \$ 123,708 |

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

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

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|------------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Exchange differences arising on translation of foreign operations | \$ (6,669) | \$ (2,349) | \$ 7,138 | \$ (4,195) |
| Financial assets at fair value through other comprehensive income | (268) | (2) | (184) | (127) |
| Total | \$ (6,937) | \$ (2,351) | \$ 6,954 | \$ (4,322) |

(3) The income tax returns of the Company through 2019 and the income tax returns of Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. through 2020 have examined by tax authority.

6.31 OTHER COMPREHENSIVE INCOME

| Items | Three Months Ended June 30, 2022 | | |
|--|----------------------------------|------------------------------|-------------|
| | Before tax | Income tax (expense) benefit | After tax |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Unrealized gains (losses) on debt investments at fair value through other comprehensive income | \$ (1,290) | \$ 268 | \$ (1,022) |
| Subtotal | (1,290) | 268 | (1,022) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | (33,346) | 6,669 | (26,677) |
| Subtotal | (33,346) | 6,669 | (26,677) |
| Total | \$ (34,636) | \$ 6,937 | \$ (27,699) |

| Items | Three Months Ended June 30, 2021 | | |
|--|----------------------------------|------------------------------|------------|
| | Before tax | Income tax (expense) benefit | After tax |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Unrealized gains (losses) on debt investments at fair value through other comprehensive income | \$ 336 | \$ 2 | \$ 338 |
| Subtotal | 336 | 2 | 338 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | (11,745) | 2,349 | (9,396) |
| Subtotal | (11,745) | 2,349 | (9,396) |
| Total | \$ (11,409) | \$ 2,351 | \$ (9,058) |

| Items | Six Months Ended June 30, 2022 | | |
|--|--------------------------------|---------------------------------|-----------|
| | Before tax | Income tax (expense) benefit | After tax |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Unrealized gains (losses) on debt investments at fair value through other comprehensive income | \$ (497) | \$ 184 | \$ (313) |
| Subtotal | (497) | 184 | (313) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | 35,689 | (7,138) | 28,551 |
| Subtotal | 35,689 | (7,138) | 28,551 |
| Total | \$ 35,192 | \$ (6,954) | \$ 28,238 |

| Items | Six Months Ended June 30, 2021 | | |
|--|--------------------------------|---------------------------------|-------------|
| | Before tax | Income tax (expense) benefit | After tax |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Unrealized gains (losses) on debt investments at fair value through other comprehensive income | \$ (201) | \$ 127 | \$ (74) |
| Subtotal | (201) | 127 | (74) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | (20,975) | 4,195 | (16,780) |
| Subtotal | (20,975) | 4,195 | (16,780) |
| Total | \$ (21,176) | \$ 4,322 | \$ (16,854) |

6.32 EARNINGS PER SHARE

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

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|------------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic earnings per share | | | | |
| Net income attributable to ordinary shareholders of the Company | \$ 280,169 | \$ 224,214 | \$ 531,707 | \$ 409,245 |
| Net income for calculating basic earnings per share | \$ 280,169 | \$ 224,214 | \$ 531,707 | \$ 409,245 |
| Weighted average shares outstanding (thousand shares) | 182,140 | 182,140 | 182,140 | 182,140 |
| Basic earnings per share (after tax) (in dollars) | \$ 1.54 | \$ 1.23 | \$ 2.92 | \$ 2.25 |

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|------------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Diluted earnings per share | | | | |
| Net income attributable to ordinary shareholders of the Company | \$ 280,169 | \$ 224,214 | \$ 531,707 | \$ 409,245 |
| Net income for calculating diluted earnings per share | \$ 280,169 | \$ 224,214 | \$ 531,707 | \$ 409,245 |
| Weighted average shares outstanding (thousand shares) | 182,140 | 182,140 | 182,140 | 182,140 |
| Effect of dilutive potential common shares | | | | |
| Employees' compensation (thousand shares) | 79 | 34 | 113 | 91 |
| Weighted average shares outstanding for diluted earnings per share (thousand shares) | 182,219 | 182,174 | 182,253 | 182,231 |
| Diluted earnings per share (after tax) (in dollars) | \$ 1.54 | \$ 1.23 | \$ 2.92 | \$ 2.25 |

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 |

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

(2) Significant transactions between related parties

A. Revenue

| Related Party | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|-----------|--------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Investors with significant influence over the Group | \$ 589 | \$ 2,000 | \$ 589 | \$ 3,922 |
| Other related parties | 12,098 | 11,867 | 20,378 | 21,708 |
| Total | \$ 12,687 | \$ 13,867 | \$ 20,967 | \$ 25,630 |

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 | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|--------|--------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Investors with significant influence over the Group | \$ 1,062 | \$ - | \$ 1,062 | \$ 1,245 |
| Other related parties | 3,195 | 923 | 5,706 | 2,397 |
| Total | \$ 4,257 | \$ 923 | \$ 6,768 | \$ 3,642 |

C. Receivables due from related parties

| Items | Related Party | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------|---|---------------|-------------------|---------------|
| Accounts receivable | Investors with significant influence over the Group | \$ 209 | \$ 233 | \$ 1,353 |
| | Other related parties | 18,481 | 20,648 | 21,118 |
| | Total | \$ 18,690 | \$ 20,881 | \$ 22,471 |
| Other receivables | Other related parties | \$ 150 | \$ 70 | \$ 69 |

D. Payables due to related parties

| Items | Related Party | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|---|---------------|-------------------|---------------|
| Accounts payable | Investors with significant influence over the Group | \$ - | \$ 1,078 | \$ 1,763 |
| | Other related parties | 1,932 | 1,120 | 866 |
| | Total | \$ 1,932 | \$ 2,198 | \$ 2,629 |
| Other payables | Other related parties | \$ - | \$ 860 | \$ 843 |

E. Other transactions

| Items | Related Party | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------|--|----------------------------|----------|--------------------------|----------|
| | | 2022 | 2021 | 2022 | 2021 |
| Consumable expenses | Investors with significant influence over the subsidiaries | \$ - | \$ 1,733 | \$ 40 | \$ 2,176 |
| | Total | \$ - | \$ 1,733 | \$ 40 | \$ 2,176 |
| Other income | Other related parties | \$ 24 | \$ 65 | \$ 102 | \$ 145 |

F. Acquisition of property, plant and equipment

| Related Party | Acquisition Price | | | |
|---|----------------------------|----------|--------------------------|-----------|
| | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2022 | 2021 | 2022 | 2021 |
| Investors with significant influence over the Group | \$ - | \$ 2,429 | \$ - | \$ 19,287 |

(3) Compensation of key management personnel

| Items | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|----------------------------|-----------|--------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | \$ 21,780 | \$ 15,309 | \$ 42,828 | \$ 27,601 |
| Post-employment benefits | 117 | 138 | 235 | 277 |
| Total | \$ 21,897 | \$ 15,447 | \$ 43,063 | \$ 27,878 |

8. PLEDGED ASSETS

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

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------|-------------------|---------------|
| Pledge time deposits (recognized as other financial assets - current) | \$ 36,838 | \$ 23,906 | \$ 36,642 |
| Restricted deposits (recognized as other financial assets - current) | 21,194 | 31,284 | 25,404 |
| Notes receivable (the banker's acceptance notes) | 70,321 | 65,875 | 85,126 |

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------|-------------------|-------------------|
| Refundable deposits (recognized as other non - current assets) | \$ 694 | \$ 494 | \$ 494 |
| Total | <u>\$ 129,047</u> | <u>\$ 121,559</u> | <u>\$ 147,666</u> |

9. SIGNIFICANT CONTINGENCY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

- A. The unused letters of credit for purchasing raw materials and equipment as of June 30, 2022 is \$16,772 thousand.
- B. Capital expenditures committed but not yet incurred are as follows :

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------------|-------------------|-------------------|-------------------|
| Property, plant, and equipment | <u>\$ 246,914</u> | <u>\$ 267,514</u> | <u>\$ 621,166</u> |

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

12.1 Seasonality or periodicity of operations

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

12.2 Capital risk management

There were no changes to the Group's policies for capital risk management from those described in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 12.1 of the consolidated financial statements for the year ended December 31, 2021 for the related information.

12.3 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

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

The Group's material financial activities are approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which

requires the Group to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

Significant financial risks and degrees of financial risk

A. Market risk

a. Foreign exchange risk

i. There were no significant changes in the nature and degree of material financial risk from those described in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 12.2 of the consolidated financial statements for the year ended December 31, 2021 for the related information.

ii. Sensitivity analysis of foreign currency risk

| | | June 30, 2022 | | |
|------------------------------|----|---------------------|------------------|-----------------------|
| | | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial Assets</u> | | | | |
| Monetary Items | | | | |
| USD | \$ | 79,531 | 29.71 | \$ 2,362,879 |
| JPY | | 144,106 | 0.22 | 31,450 |
| <u>Financial Liabilities</u> | | | | |
| Monetary Items | | | | |
| USD | | 42,926 | 29.71 | 1,275,345 |
| JPY | | 197,272 | 0.22 | 43,055 |
| | | December 31, 2021 | | |
| Items | | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial Assets</u> | | | | |
| Monetary Items | | | | |
| USD | \$ | 80,211 | 27.67 | \$ 2,219,434 |
| JPY | | 162,916 | 0.24 | 39,189 |
| <u>Financial Liabilities</u> | | | | |
| Monetary Items | | | | |
| USD | | 48,350 | 27.67 | 1,337,831 |
| JPY | | 236,510 | 0.24 | 56,892 |

| Items | June 30, 2021 | | |
|------------------------------|------------------|---------------|--------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial Assets</u> | | | |
| Monetary Items | | | |
| USD | \$ 72,145 | 27.86 | \$ 2,009,960 |
| JPY | 212,506 | 0.25 | 53,583 |
| <u>Financial Liabilities</u> | | | |
| Monetary Items | | | |
| USD | 46,673 | 27.86 | 1,300,305 |
| JPY | 248,920 | 0.25 | 62,765 |

Foreign currency risks of the Group are mainly exposed to US dollar and JPY. The sensitivity analysis for the Group is 1% increase/decrease in NTD against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. An increase/decrease in profit before tax would be resulted where the NTD strengthens/weakens 1% against the relevant currency with all other variables held constant in the amounts of \$10,759 thousand and \$7,005 thousand for the six months ended June 30, 2022 and 2021, 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 \$575 thousand, \$197 thousand, \$574 thousand and \$167 thousand for the six months ended June 30, 2022 and 2021, respectively, due from increase/decrease in fair value.

c. Interest rate risk

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

| Items | Carrying Amounts | | |
|-------------------------------|------------------|-------------------|----------------|
| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
| Fair value interest rate risk | | | |
| Financial assets | \$ 31,153 | \$ 1,094 | \$ 794 |
| Financial liabilities | - | - | (9,994) |
| Net | \$ 31,153 | \$ 1,094 | \$ (9,200) |
| Cash flow interest rate risk | | | |
| Financial assets | \$ 656,558 | \$ 741,767 | \$ 703,730 |
| Financial liabilities | (3,534,168) | (3,383,719) | (2,409,687) |
| Net | \$ (2,877,610) | \$ (2,641,952) | \$ (1,705,957) |

Sensitivity analysis for instruments with fair value interest rate risk

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

Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Group's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease \$14,388 thousand and \$8,530 thousand for the six months ended June 30, 2022 and 2021, 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 affect 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 June 30, 2022 and December 31, 2021 and June 30, 2021, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 22%, 12% and 15%, 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 notes receivable and accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low 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 | June 30, 2022 | | | | |
|--|---------------|--------------|--------------|------------------------|---------------------|
| | Within 1 year | 1-5 years | Over 5 years | Contract cash flows | Carrying amounts |
| Short-term loans | \$ 841,005 | \$ - | \$ - | \$ 841,005 | \$ 830,480 |
| Notes payable | 189,372 | - | - | 189,372 | 189,372 |
| Accounts payable | 1,254,441 | - | - | 1,254,441 | 1,254,441 |
| Other payables | 586,500 | - | - | 586,500 | 586,500 |
| Lease liabilities | 11,211 | 30,733 | 64,280 | 106,224 | 98,206 |
| Long-term loan (include current portion) | 345,422 | 2,388,098 | 57,416 | 2,790,936 | 2,703,688 |
| Guarantee deposits | - | - | 6,968 | 6,968 | 6,968 |
| Total | \$ 3,227,951 | \$ 2,418,831 | \$ 128,664 | \$ 5,775,446 | \$ 5,669,655 |

Further information on maturity analysis for lease liabilities

| | June 30, 2022 | | | | | Total undiscounted lease payments |
|-------------------|---------------|-----------|------------|-------------|-------------|---|
| | Within 1 year | 1-5 years | 5-10 years | 10-15 years | 15-20 years | |
| Lease liabilities | \$ 11,211 | \$ 30,733 | \$ 32,565 | \$ 31,715 | \$ - | \$ 106,224 |

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

| Non-derivative Financial Liabilities | June 30, 2021 | | | | |
|--|---------------|--------------|--------------|------------------------|---------------------|
| | Within 1 year | 1-5 years | Over 5 years | Contract cash flows | Carrying amounts |
| Short-term loans | \$ 816,458 | \$ - | \$ - | \$ 816,458 | \$ 807,592 |
| Short-term notes and bills payable | 10,000 | - | - | 10,000 | 9,994 |
| Notes payable | 195,461 | - | - | 195,461 | 195,461 |
| Accounts payable | 1,300,444 | - | - | 1,300,444 | 1,300,444 |
| Other payables | 550,309 | - | - | 550,309 | 550,309 |
| Lease liabilities | 10,947 | 33,033 | 68,327 | 112,307 | 103,197 |
| Long-term loan (include current portion) | 158,485 | 1,453,621 | 41,365 | 1,653,471 | 1,602,095 |
| Guarantee deposits | - | - | 3,689 | 3,689 | 3,689 |
| Total | \$ 3,042,104 | \$ 1,486,654 | \$ 113,381 | \$ 4,642,139 | \$ 4,572,781 |

Further information on maturity analysis for lease liabilities

| | June 30, 2021 | | | | | Total undiscounted lease payments |
|----------------------|---------------|-----------|------------|-------------|-------------|---|
| | Within 1 year | 1-5 years | 5-10 years | 10-15 years | 15-20 years | |
| Lease Liabilities | \$ 10,947 | \$ 33,033 | \$ 30,410 | \$ 31,900 | \$ 6,017 | \$ 112,307 |

The Group does not expect that the cash flows would occur significantly earlier or at significantly different amounts from those indicated in the data.

12.4 Types of Financial instruments

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|---------------|----------------------|---------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value | | | |
| through profit or loss- current | \$ 57,525 | \$ 57,434 | \$ 57,376 |
| Financial assets measured at | | | |
| amortized cost (Note 1) | 3,204,982 | 3,314,741 | 3,012,165 |
| Financial assets at fair value | | | |
| through other comprehensive | | | |
| income- noncurrent | 19,725 | 20,222 | 16,697 |

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------------------|---------------|----------------------|---------------|
| <u>Financial liability</u> | | | |
| Financial liabilities measured at | | | |
| amortized cost (Note 2) | \$ 5,571,449 | \$ 5,564,450 | \$ 4,469,584 |

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

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

12.5 Fair value information of financial instruments

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

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

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

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

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

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

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

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

| Items | June 30, 2022 | | | Total |
|-----------------------------|---------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| <u>measurements</u> | | | | |
| Financial assets at FVTPL | | | | |
| Funds | \$ 57,525 | \$ - | \$ - | \$ 57,525 |

| Items | June 30, 2022 | | | |
|----------------------------|---------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTOCI | | | | |
| Equity instruments | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 19,725 | \$ 19,725 |
| Total | \$ 57,525 | \$ - | \$ 19,725 | \$ 77,250 |

| Items | December 31, 2021 | | | |
|-----------------------------|-------------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| <u>measurements</u> | | | | |
| 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 |

| Items | June 30, 2021 | | | |
|-----------------------------|---------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| <u>measurements</u> | | | | |
| Financial assets at FVTPL | | | | |
| Funds | \$ 57,376 | \$ - | \$ - | \$ 57,376 |
| Financial assets at FVTOCI | | | | |
| Equity instruments | | | | |
| Unlisted stocks | - | - | 16,697 | 16,697 |
| Total | \$ 57,376 | \$ - | \$ 16,697 | \$ 74,073 |

- (4) The methods and assumptions the Group used to measure fair value are as follows:
- A. The Group measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

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

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

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

(6) Changes in level 3 instruments:

| Items | Six Months Ended June 30 | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| <u>Financial assets at FVTOCI</u> | | |
| Beginning Balance | \$ 20,222 | \$ 16,898 |
| Gains or losses recognized in other comprehensive income | (497) | (201) |
| Effect of exchange rate difference | - | - |
| Ending Balance | \$ 19,725 | \$ 16,697 |

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 them: 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 | Six Months Ended June 30, 2022 | | | | |
|---------------------------------|--------------------------------|---------------------|------------------|---------------------|---------------------|
| | Electronic | Stationery | Others | Eliminations | Total |
| Revenue | | | | | |
| Revenue from external customers | \$ 4,954,540 | \$ 867,830 | \$ 56,052 | \$ - | \$ 5,878,422 |
| Revenue from intersegments | 385,368 | 331,134 | 28,596 | (745,098) | - |
| | <u>\$ 5,339,908</u> | <u>\$ 1,198,964</u> | <u>\$ 84,648</u> | <u>\$ (745,098)</u> | <u>\$ 5,878,422</u> |

| Six Months Ended June 30, 2022 | | | | | |
|--------------------------------|------------|------------|-----------|--------------|---------------|
| Items | Electronic | Stationery | Others | Eliminations | Total |
| Interest expenses | \$ 30,904 | \$ 6,290 | \$ - | \$ - | \$ 37,194 |
| Depreciation and amortization | \$ 277,440 | \$ 46,215 | \$ 9,035 | \$ - | \$ 332,690 |
| Segment income (loss) | \$ 598,696 | \$ 110,174 | \$ 14,000 | \$ - | \$ 722,870 |
| Income (loss) before tax | | | | | \$ 722,870 |
| Total assets | | | | | \$ 13,612,703 |

| Six Months Ended June 30, 2021 | | | | | |
|---|--------------|--------------|-----------|--------------|---------------|
| Items | Electronic | Stationery | Others | Eliminations | Total |
| Revenue | | | | | |
| Revenue from external customers | \$ 4,337,630 | \$ 819,504 | \$ 59,765 | \$ - | \$ 5,216,899 |
| Revenue from intersegments | 311,784 | 268,117 | 20,650 | (600,551) | - |
| | \$ 4,649,414 | \$ 1,087,621 | \$ 80,415 | \$ (600,551) | \$ 5,216,899 |
| Interest expenses | \$ 21,946 | \$ 7,492 | \$ - | \$ - | \$ 29,438 |
| Depreciation ,amortization and impairment | \$ 299,703 | \$ 44,904 | \$ 11,549 | \$ - | \$ 356,156 |
| Segment income (loss) | \$ 452,876 | \$ 86,967 | \$ 8,028 | \$ - | \$ 547,871 |
| Income (loss) before tax | | | | | \$ 547,871 |
| Total assets | | | | | \$ 11,727,661 |

14.4 Reconciliation for segment income (loss)

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

SDI CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS / GUARANTEES PROVIDED
 FOR THE SIX MONTHS ENDED JUNE 30, 2022

TABLE 1

Amounts in Thousands of New Taiwan Dollars

| No. | Endorsement /Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement /Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement /Guarantee Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Remarks |
|-----|---------------------------------|------------------|------------------------|---|--------------------------------|---------------------------|-----------------------|---|--|---|--------------------------------------|------------------------------------|--|---------|
| | | Name | Nature of Relationship | | | | | | | | | | | |
| 0 | SDI | SDI (JIANGSU) | (3) | \$ 2,790,244 | \$ 1,494,264 | \$ 1,339,327 | \$ 759,004 | \$ - | 21.60% | \$ 3,100,271 | Y | N | Y | |
| | | | | | USD 19,750 RMB 205,000 | USD 19,750 RMB 170,000 | | | | | | | | |

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 45% of Company's net worth.

Note 4 : The total amount of guarantee shall not exceed 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 (excluding investments in subsidiaries and associates)
JUNE 30, 2022

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 | JUNE 30, 2022 | | | | 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 | \$ 38,828 | - | \$ 38,828 | |
| | Capital Money Market Fund | — | Financial Assets at Fair Value through Profit or Loss – Current | 1,145 | 18,697 | - | 18,697 | |
| SDI | Chang Hwa Golf Club | — | Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent | 90 | 8,544 | 0.24% | 8,544 | |
| | SDI ELECTRONICS JAPAN CO., LTD | — | Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent | 30 | 7,332 | 15.00% | 7,332 | |
| | SDI JAPAN CO.,LTD. | — | Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent | 200 | 3,849 | 19.61% | 3,849 | |

SDI CORPORATION AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022

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 | Other Terms |
|--------------|----------------------------------|-----------------------------|--------------------|--------------|---|-------------------------|--|---------------|---------------|--------|--|------------------------|-------------|
| | | | | | | | 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 | — |

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

SDI CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022

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 | \$ 103,976 | 2.30% | As prescribed by the agreement | — | — | \$ 124,767 | 6.86% | Note 1 |
| SDI Jiangsu | SDI | The ultimate parent of the Company | Sales | 445,028 | 28.18% | As prescribed by the agreement | — | — | 78,116 | 10.63% | Note 1 |
| TEC Brite Technology | SDI | Subsidiaries | Sales | 135,349 | 34.37% | As prescribed by the agreement | — | — | 98,192 | 45.07% | Note 1 |

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

SDI CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022

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-subsidiary | Account Receivable | \$ 124,767 | 0.83 | \$ 15,450 | - | \$ 13,718 | - |
| | | | Other Receivables | 316 | | | | | |

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

SDI CORPORATION AND SUBSIDIARIES
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY
TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

TABLE 6 Amounts in Thousands of New Taiwan Dollars

| No. (Note 1) | Company Name | Counter Party | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|-----------------|-----------------|----------------------|------------------------------------|---------------------------|----------|---------------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 0 | SDI | Chao Shin Metal | 1 | Sales revenue | \$ 5,961 | Note 3 | 0.10% |
| | | Chao Shin Metal | 1 | Accounts receivable | 1,815 | Note 3 | 0.01% |
| | | Chao Shin Metal | 1 | Other receivables | 19,398 | — | 0.14% |
| | | TEC Brite Technology | 1 | Sales revenue | 5 | Note 3 | - |
| | | TEC Brite Technology | 1 | Other receivables | 8,339 | — | 0.06% |
| | | SDI (JIANGSU) | 1 | Sales revenue | 103,976 | Note 3 | 1.77% |
| | | SDI (JIANGSU) | 1 | Accounts receivable | 124,767 | Note 3 | 0.92% |
| | | SDI (JIANGSU) | 1 | Other receivables | 316 | — | - |
| | | 1 | SDI (JIANGSU) | SDI | 2 | Sales revenue | 445,028 |
| SDI | 2 | | | Accounts receivable | 78,116 | Note 3 | 0.57% |
| SDI | 2 | | | Other receivables | 384 | — | - |
| 2 | Chao Shin Metal | SDI | 2 | Sales revenue | 9,572 | Note 3 | 0.16% |
| | | SDI | 2 | Processing income | 2,506 | Note 3 | 0.04% |
| | | SDI | 2 | Accounts receivable | 4,367 | Note 3 | 0.03% |
| | | SDI (JIANGSU) | 3 | Sales revenue | 42,585 | Note 3 | 0.72% |
| | | SDI (JIANGSU) | 3 | Accounts receivable | 33,168 | Note 3 | 0.24% |
| | | 3 | TEC Brite Technology | SDI | 2 | Sales revenue | 135,349 |
| SDI | 2 | | | Accounts receivable | 98,192 | Note 3 | 0.72% |
| Chao Shin Metal | 3 | | | Sales revenue | 116 | Note 3 | - |

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

(1) Parent company is '0'.

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

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

'1' represents parent company to subsidiary.

'2' represents subsidiary to parent company.

'3' represents subsidiary to subsidiary.

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

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

SDI CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES
JUNE 30, 2022

TABLE 7

Amounts in Thousands of New Taiwan Dollars

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2022 | | | Net Income(Losses) of the Investee | Share of Profits/Losses of Investee | Remarks |
|------------------|----------------------------------|----------|--|----------------------------|-------------------|-----------------------------|-------------------------|----------------|------------------------------------|-------------------------------------|--------------|
| | | | | June 30, 2022 | December 31, 2021 | Shares/Units (In Thousands) | Percentage of Ownership | Carrying Value | | | |
| SDI | CHAO SHIN METAL INDUSTRIAL CORP. | Taiwan | Smelting and rolling of metal strips | \$ 106,953 | \$ 106,953 | 14,810 | 84.62% | \$ 240,782 | \$ 11,508 | \$ 9,820 | Note 1, 2 |
| SDI | TEC BRITE TECHNOLOGY CO., LTD | Taiwan | Manufacturing of electronic components and international trade | 98,969 | 98,969 | 9,897 | 54.98% | 350,694 | 62,895 | 34,819 | Note 1, 2 |
| SDI | SHUEN DER (B.V.I.) | BVI | Holding Company | 683,330 | 636,410 | 8,920 | 100.00% | 1,797,106 | 21,226 | 21,615 | Note 1, 2, 3 |

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

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

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

SDI CORPORATION AND SUBSIDIARIES
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE SIX MONTHS ENDED JUNE 30, 2022

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, 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2022 | Net Income (Losses) of the Investee Company | Percentage of Ownership | Shares of Profits/Losses | Carrying Amount as of June 30, 2022 | Accumulated Inward Remittance of Earnings as of June 30, 2022 | Remarks |
|------------------|--|---------------------------------|----------------------|---|------------------|--------|---|---|-------------------------|--------------------------|-------------------------------------|---|---------|
| | | | | | Outflow | Inflow | | | | | | | |
| SDI Jiangsu | Manufacture, process and sales of integrated circuit frame, blades, stationary, etc. | NTD 1,039,850 | Note 1 | NTD 683,330 | | | NTD 683,330 | | | | | | |
| | | USD 35,000 | | USD 23,000 | NTD - | NTD - | USD 23,000 | NTD - | 100.00% | NTD 21,234 | NTD 1,833,144 | NTD - | |

| Accumulated Investment in Mainland China as of June 30, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| NTD 683,330 | NTD 1,039,850 | NTD 3,917,369 |
| USD 23,000 | USD 35,000 | |

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

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

Note 3 : Foreign currencies aforementioned are translated into NTD using the exchange rate at the reporting date or average exchange rate for the six months ended June 30, 2022.

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