

SDI Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2023 and 2022
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, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, 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 Standards on Review Engagements No. 2410, "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, 2023 and 2022, assets of those non-reviewed consolidated subsidiaries amounted to \$1,005,741 thousand and \$1,001,185 thousand (all in NTD unless specified otherwise), representing 8% and 7%, respectively, of total consolidated assets, and the liabilities amounted to \$135,094 thousand and \$171,959 thousand, representing 2% and 2%, respectively, of total consolidated liabilities. Comprehensive income of those consolidated subsidiaries for the three months and six months ended June 30, 2023 and 2022 were \$15,046 thousand, \$38,454 thousand, \$38,517 thousand and \$74,403 thousand, representing 9%, 14%, 9% and 13%, 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, 2023 and 2022, 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, 2023 and 2022 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 black ink that reads "Crowe TW CPAs".

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

August 3, 2023

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, 2023 (Reviewed)		December 31, 2022 (Audited)		June 30, 2022 (Reviewed)	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
Cash and cash equivalents	6(1)	\$ 1,060,876	8	\$ 1,058,687	8	\$ 636,999	5
Financial assets at fair value through profit or loss - current	6(2)	58,090	-	57,751	-	57,525	-
Notes receivable, net	6(3)	110,638	1	123,141	1	136,891	1
Accounts receivable, net	6(4)	1,989,169	16	1,979,426	15	2,339,353	17
Accounts receivable, net - related parties	7	17,822	-	22,145	-	18,690	-
Other receivables		14,312	-	15,606	-	17,160	-
Inventories, net	6(5)	3,627,258	29	3,865,821	30	4,670,045	35
Prepayments	6(6)	76,166	1	67,339	1	80,836	1
Other financial assets - current	6(7)	42,270	-	69,667	1	58,032	-
Other current assets		1,797	-	193	-	777	-
Total current assets		<u>6,998,398</u>	<u>55</u>	<u>7,259,776</u>	<u>56</u>	<u>8,016,308</u>	<u>59</u>
NONCURRENT ASSETS							
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	22,833	-	21,023	-	19,725	-
Property, plant and equipment	6(9)	5,261,080	42	5,190,999	40	5,062,591	37
Right-of-use assets	6(10)	194,748	2	201,146	2	209,820	2
Intangible assets	6(11)	54,341	-	56,856	-	61,820	-
Deferred income tax assets		104,152	1	132,465	1	149,057	1
Other noncurrent assets	6(12)	59,619	-	63,734	1	93,382	1
Total noncurrent assets		<u>5,696,773</u>	<u>45</u>	<u>5,666,223</u>	<u>44</u>	<u>5,596,395</u>	<u>41</u>
TOTAL		<u>\$ 12,695,171</u>	<u>100</u>	<u>\$ 12,925,999</u>	<u>100</u>	<u>\$ 13,612,703</u>	<u>100</u>
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Short-term loans	6(13)	\$ 736,090	6	\$ 738,126	6	\$ 830,480	6
Contract liabilities - current	6(24)	117,993	1	96,448	1	110,012	1
Notes payable	6(14)	77,288	1	153,769	1	189,372	1
Accounts payable		1,068,847	8	852,721	6	1,252,509	9
Accounts payable - related parties	7	1,820	-	1,045	-	1,932	-
Dividends payable		584,732	5	-	-	549,919	4
Other payables	6(15)	630,379	5	744,959	6	631,498	5
Current income tax liabilities	6(29)	142,442	1	300,317	2	208,476	2
Lease liabilities - current	6(10)	9,986	-	10,078	-	10,127	-
Long term loans - current portion	6(16)	520,848	4	463,363	4	303,793	2
Other current liabilities		13,528	-	24,837	-	12,804	-
Total current liabilities		<u>3,903,953</u>	<u>31</u>	<u>3,385,663</u>	<u>26</u>	<u>4,100,922</u>	<u>30</u>
NONCURRENT LIABILITIES							
Long term loans	6(16)	1,463,940	11	1,997,776	16	2,399,895	18
Deferred income tax liabilities		324,989	3	319,072	2	332,739	2
Lease liabilities - noncurrent	6(10)	81,150	1	82,860	1	88,079	1
Net defined benefit liability-noncurrent	6(18)	95,586	1	100,030	1	133,783	1
Other noncurrent liabilities		59,683	-	54,535	-	28,336	-
Total noncurrent liabilities		<u>2,025,348</u>	<u>16</u>	<u>2,554,273</u>	<u>20</u>	<u>2,982,832</u>	<u>22</u>
Total liabilities		<u>5,929,301</u>	<u>47</u>	<u>5,939,936</u>	<u>46</u>	<u>7,083,754</u>	<u>52</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Common stocks	6(19)	1,821,403	14	1,821,403	14	1,821,403	13
Capital surplus	6(20)	485,976	4	485,797	4	485,808	4
Retained earnings	6(21)						
Legal capital reserve		1,080,316	9	983,960	8	983,960	7
Special capital reserve		116,256	1	139,763	1	139,763	1
Unappropriated earnings		3,080,840	23	3,312,978	25	2,881,133	22
Others	6(22)	(147,489)	(1)	(116,256)	(1)	(111,525)	(1)
Equity attributable to shareholders of the parent		<u>6,437,302</u>	<u>50</u>	<u>6,627,645</u>	<u>51</u>	<u>6,200,542</u>	<u>46</u>
NON-CONTROLLING INTERESTS	6(23)	<u>328,568</u>	<u>3</u>	<u>358,418</u>	<u>3</u>	<u>328,407</u>	<u>2</u>
Total equity		<u>6,765,870</u>	<u>53</u>	<u>6,986,063</u>	<u>54</u>	<u>6,528,949</u>	<u>48</u>
TOTAL		<u>\$ 12,695,171</u>	<u>100</u>	<u>\$ 12,925,999</u>	<u>100</u>	<u>\$ 13,612,703</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)

	NOTES	For the three Months Ended June 30				For the Six Months Ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE	6(24) · 7	\$ 2,824,088	100	\$ 3,086,298	100	\$ 5,509,325	100	\$ 5,878,422	100
COST OF REVENUE	6(25)	(2,385,454)	(84)	(2,488,782)	(81)	(4,521,709)	(82)	(4,747,712)	(81)
GROSS PROFIT		438,634	16	597,516	19	987,616	18	1,130,710	19
OPERATING EXPENSES	6(25)								
Marketing		(68,572)	(3)	(80,060)	(2)	(146,787)	(3)	(160,117)	(3)
General and administrative		(83,138)	(3)	(93,232)	(3)	(177,339)	(3)	(181,270)	(3)
Research and development		(59,485)	(2)	(65,984)	(2)	(125,616)	(2)	(135,310)	(2)
Expected credit (loss) gain	6(4)	2,293	-	(434)	-	812	-	(451)	-
Total operating expenses		(208,902)	(8)	(239,710)	(7)	(448,930)	(8)	(477,148)	(8)
OPERATING INCOME		229,732	8	357,806	12	538,686	10	653,562	11
NONOPERATING INCOME AND EXPENSES									
Interest income		4,746	-	435	-	7,412	-	857	-
Other income	6(26)	10,177	-	6,131	-	15,630	-	9,779	-
Other gains and losses, net	6(27)	54,805	3	44,565	2	49,379	2	95,866	2
Finance costs	6(28)	(16,214)	(1)	(19,050)	(1)	(32,628)	(1)	(37,194)	(1)
Total nonoperating income and expenses		53,514	2	32,081	1	39,793	1	69,308	1
INCOME BEFORE INCOME TAX		283,246	10	389,887	13	578,479	11	722,870	12
INCOME TAX EXPENSE	6(29)	(74,136)	(3)	(94,259)	(3)	(138,319)	(3)	(161,077)	(3)
NET INCOME		209,110	7	295,628	10	440,160	8	561,793	9
OTHER COMPREHENSIVE INCOME (LOSS)	6(30)								
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		(54)	-	(1,290)	-	1,810	-	(497)	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently	6(29)	10	-	268	-	(387)	-	184	-
Items that may be reclassified subsequently to profit or loss :									
Exchange differences arising on translation of foreign operations		(49,574)	(2)	(33,346)	(1)	(40,820)	(1)	35,689	-
Income tax benefit (expenses) related to items that may be reclassified subsequently	6(29)	9,915	1	6,669	-	8,164	-	(7,138)	-
Other comprehensive income (loss), net of income tax		(39,703)	(1)	(27,699)	(1)	(31,233)	(1)	28,238	-
TOTAL COMPREHENSIVE INCOME		\$ 169,407	6	\$ 267,929	9	\$ 408,927	7	\$ 590,031	9
NET INCOME ATTRIBUTABLE TO :									
Shareholders of the parent		\$ 202,607	7	\$ 280,169	9	\$ 423,559	8	\$ 531,707	8
Non-controlling interests		6,503	-	15,459	1	16,601	-	30,086	1
		\$ 209,110	7	\$ 295,628	10	\$ 440,160	8	\$ 561,793	9
TOTAL COMPREHENSIVE INCOME :									
Shareholders of the parent		\$ 162,904	6	\$ 252,470	8	\$ 392,326	7	\$ 559,945	8
Non-controlling interests		6,503	-	15,459	1	16,601	-	30,086	1
		\$ 169,407	6	\$ 267,929	9	\$ 408,927	7	\$ 590,031	9
EARNINGS PER SHARE (IN DOLLARS)	6(31)								
Basic earnings per share		\$ 1.11		\$ 1.54		\$ 2.33		\$ 2.92	
Diluted earnings per share		\$ 1.11		\$ 1.54		\$ 2.32		\$ 2.92	

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)

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, 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
BALANCE, JANUARY 1, 2023	\$ 1,821,403	\$ 485,797	\$ 983,960	\$ 139,763	\$ 3,312,978	\$ (133,085)	\$ 16,829	\$ (116,256)	\$ 6,627,645	\$ 358,418	\$ 6,986,063
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	(23,507)	23,507	-	-	-	-	-	-
Legal capital reserve	-	-	96,356	-	(96,356)	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.2 per share	-	-	-	-	(582,848)	-	-	-	(582,848)	-	(582,848)
Donation from shareholders	-	179	-	-	-	-	-	-	179	-	179
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(46,451)	(46,451)
Net income for the six months ended June 30, 2023	-	-	-	-	423,559	-	-	-	423,559	16,601	440,160
Other comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	(32,656)	1,423	(31,233)	(31,233)	-	(31,233)
BALANCE, JUNE 30, 2023	\$ 1,821,403	\$ 485,976	\$ 1,080,316	\$ 116,256	\$ 3,080,840	\$ (165,741)	\$ 18,252	\$ (147,489)	\$ 6,437,302	\$ 328,568	\$ 6,765,870

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)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 578,479	\$ 722,870
Depreciation	320,686	323,177
Amortization	7,708	9,513
Expected credit loss (or reversal)	(812)	451
Loss (gain) on financial assets and liability at fair value through profit or loss	(339)	(90)
Interest expense	32,628	37,194
Interest income	(7,412)	(857)
Dividend income	(1,239)	(1,298)
Loss (gain) on disposal of property, plant and equipment	(8,447)	302
Reversal of impairment loss on non-financial assets	(7,000)	-
Net changes in operating assets and liabilities		
Notes receivable	10,616	7,225
Accounts receivable	(14,573)	53,314
Inventories	219,481	(562,749)
Prepayments	(9,184)	30,158
Other financial assets	(107)	2,626
Other current assets	(333)	(198)
Contract liabilities	21,624	5,304
Notes payable	(77,268)	26,549
Accounts payable	219,923	(68,862)
Other payables	(80,113)	(21,351)
Other current liabilities	(11,133)	(9,487)
Net defined benefit liability	(4,444)	(10,614)
Other operating liabilities	6,118	(3,639)
Cash provided from operations	1,194,859	539,538
Interest received	7,391	877
Dividends received	1,239	1,298
Interest paid	(33,487)	(36,911)
Income taxes paid	(253,890)	(177,276)
Net cash provided by operating activities	916,112	327,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(449,925)	(460,582)
Proceeds from disposal of property, plant and equipment	22,642	1,143
Decrease (increases) in refundable deposits	206	(200)
Acquisition of intangible assets	(5,210)	(10,614)
Decrease increase in other financial assets	26,620	(1,986)
Net cash used in investing activities	(405,667)	(472,239)

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	\$ 14,666	\$ (54,305)
Proceeds from long-term debt	916,900	1,265,607
Repayment of long-term debt	(1,387,120)	(1,085,399)
Repayment of the principal portion of lease liabilities	(4,909)	(5,980)
Increase (decrease) in other noncurrent liabilities	(485)	162
Decrease in non-controlling interests	(44,567)	(44,567)
Net cash provided by financing activities	(505,515)	75,518
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,741)	3,880
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,189	(65,315)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,058,687	702,314
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 1,060,876	\$ 636,999

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, 2023 AND 2022

(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 started as a manufacturer of stationery products, then the Company repetitively expanded and diversified into producing lead frames and molds.

Since April 25, 1996, the Company's stocks have been listing and trading on the Taiwan Stock Exchange ("TWSE"). The main business activities of the Company and its subsidiaries (the "Group") include the ones aforementioned, as well as others that are detailed in note 4.3(2).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on August 3, 2023.

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 2023 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

- Note 1 : The Group shall apply the amendments for annual reporting periods beginning on or after January 1, 2023.
- Note 2 : The amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting period beginning on or after January 1, 2023.
- Note 3 : Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

(1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclose the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

(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 and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is changes in accounting estimates unless the change is due to an error from prior periods.

(3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize 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. An entity shall also apply the amendments transactions that occur on or after the

beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

Based on the Group's assessment, the application of the New IFRSs above will not have any significance impact on the Group's financial position and financial performance.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group: None.

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

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

New, 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 IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules."	Note
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

NOTE : The Group shall apply the temporary exceptions in paragraphs 4A and 88A retrospectively in accordance with IAS 8 immediately after the issuance of the amendment (that is, the Group shall not recognize deferred income tax assets and liabilities related to Pillar 2 income tax, and relevant information shall not be disclosed, but the Group shall disclose in this financial report that it has applied this exception); the remaining disclosure requirements shall apply to the annual reporting period starting after Jan. 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2022. 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, 2022.

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, 2023	December 31, 2022	June 30, 2022
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, 2023 and 2022 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, 2023	December 31, 2022	June 30, 2022
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 30		Six Months Ended June 30	
	2023	2022	2023	2022
TEC Brite Technology	\$ 6,362	\$ 14,497	\$ 16,217	\$ 28,316
Others	141	962	384	1,770
Total	\$ 6,503	\$ 15,459	\$ 16,601	\$ 30,086

Name of subsidiary	Non-controlling Interest		
	June 30, 2023	December 31, 2022	June 30, 2022
TEC Brite Technology	\$ 285,364	\$ 313,714	\$ 284,757
Others	43,204	44,704	43,650
Total	\$ 328,568	\$ 358,418	\$ 328,407

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

Balance sheets	TEC Brite Technology		
	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 553,887	\$ 629,462	\$ 560,444
Non-current assets	271,143	300,972	315,725
Current liabilities	(96,377)	(130,381)	(129,688)
Non-current liabilities	(87,969)	(96,393)	(107,141)
Equity	\$ 640,684	\$ 703,660	\$ 639,340
Equity attributable to:			
Shareholder of the parent	\$ 352,248	\$ 386,872	\$ 351,509
Non-controlling Interests of TEC Brite Technology	288,436	316,788	287,831

Balance sheets

	TEC Brite Technology		
	June 30, 2023	December 31, 2022	June 30, 2022
Total	\$ 640,684	\$ 703,660	\$ 639,340

Statements of comprehensive incomes

	TEC Brite Technology			
	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue	\$ 141,571	\$ 198,014	\$ 293,348	\$ 393,777
Net profit for the period	\$ 14,131	\$ 32,200	\$ 36,022	\$ 62,895
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	\$ 14,131	\$ 32,200	\$ 36,022	\$ 62,895
Net profit attributable to:				
Shareholder of the parent	\$ 7,769	\$ 17,704	\$ 19,805	\$ 34,580
Non-controlling interests of TEC Brite Technology	6,362	14,496	16,217	28,315
Total	\$ 14,131	\$ 32,200	\$ 36,022	\$ 62,895
Net profit attributable to:				
Shareholder of the parent	\$ 7,769	\$ 17,704	\$ 19,805	\$ 34,580
Non-controlling interests of TEC Brite Technology	6,362	14,496	16,217	28,315
Total	\$ 14,131	\$ 32,200	\$ 36,022	\$ 62,895

	TEC Brite Technology	
	Six Months Ended June 30	
	2023	2022
Dividends paid to non-controlling interests	\$ 44,567	\$ 44,567

Statement of cash flow

	TEC Brite Technology	
	Six Months Ended June 30	
	2023	2022
Net cash generated from operating activities	\$ 173,348	\$ 137,046
Net cash used in investing activities	(8,730)	(15,988)

<u>Statement of cash flow</u>	TEC Brite Technology	
	Six Months Ended June 30	
	2023	2022
Net cash used in financing activities	\$ (107,270)	\$ (107,138)
Increase (decrease) in cash and cash equivalents	57,348	13,920
Cash and cash equivalents, beginning of the period	99,729	100,585
Cash and cash equivalents, end of the period	<u>\$ 157,077</u>	<u>\$ 114,505</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 MAJOR SOURCES OF ESTIMATION AND ASSUMPTION UNCERTAINTY

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, 2022, which were stated in Note 5.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 1,487	\$ 897	\$ 1,338
Checking accounts and demand deposits	952,545	998,725	595,582

Items	June 30, 2023	December 31, 2022	June 30, 2022
Cash equivalent			
Redeemable bond	\$ 106,844	\$ 59,065	\$ 40,079
Total	<u>\$ 1,060,876</u>	<u>\$ 1,058,687</u>	<u>\$ 636,999</u>

(1) Time deposits with original maturities over three months was classified as other current financial assets as of June 30, 2023, December 31, 2022 and June 30, 2022.

(2) The cash and cash equivalents of the Group are not pledged to others.

(3) Please refer to Note 12 for related credit risk management and assessment.

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

Items	June 30, 2023	December 31, 2022	June 30, 2022
Mandatorily measured at FVTPL			
Non-derivative financial assets			
Funds	\$ 58,090	\$ 57,751	\$ 57,525
Total	<u>\$ 58,090</u>	<u>\$ 57,751</u>	<u>\$ 57,525</u>

(1) The Group recognized net profit or loss of FVTPL for the three months and six months ended June 30, 2023 and 2022 is \$176 thousand, \$54 thousand, \$339 thousand and \$90 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, 2023	December 31, 2022	June 30, 2022
Amortized at cost			
Gross carrying amount	\$ 110,688	\$ 123,191	\$ 136,991
Less: Loss allowance	(50)	(50)	(100)
Notes receivable, net	<u>\$ 110,638</u>	<u>\$ 123,141</u>	<u>\$ 136,891</u>

(1) As of June 30, 2023, December 31, 2022 and June 30, 2022, the banker's acceptance bill of the Group was \$81,286 thousand, \$93,039 thousand and \$112,737 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, 2023	December 31, 2022	June 30, 2022
Amortized at cost			
Gross carrying amount	\$ 2,001,464	\$ 1,992,627	\$ 2,351,249
Less: Loss allowance	(12,295)	(13,201)	(11,896)
Accounts receivable, net	<u>\$ 1,989,169</u>	<u>\$ 1,979,426</u>	<u>\$ 2,339,353</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).

<u>June 30, 2023</u>			
Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 2,079,711	\$ (8,178)	\$ 2,071,533
Past due but not impaired			
Past due within 30 days	38,403	(523)	37,880
Past due 31-90 days	11,340	(3,124)	8,216
Past due 91-180 days	370	(370)	-
Past due over 365 days	2,445	(2,445)	-
Total	<u>\$ 2,132,269</u>	<u>\$ (14,640)</u>	<u>\$ 2,117,629</u>

December 31, 2022

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 2,082,495	\$ (8,869)	\$ 2,073,626
Past due but not impaired			
Past due within 30 days	31,696	(271)	31,425
Past due 31-90 days	17,493	(2,167)	15,326
Past due 91-180 days	5,400	(1,065)	4,335
Past due 181-365 days	724	(724)	-
Past due over 365 days	2,503	(2,503)	-
Total	\$ 2,140,311	\$ (15,599)	\$ 2,124,712

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

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

Items	Six Months Ended June 30	
	2023	2022
Beginning Balance	\$ 15,599	\$ 19,644
Add: Provision for (reversal of) impairment	(812)	451
Less: Reversal of impairment	-	(5,847)
Effect of exchange rate changes	(147)	106
Ending Balance	\$ 14,640	\$ 14,354

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

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

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

6.5 INVENTORIES AND COST OF SALES

Items	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 1,345,144	\$ 1,322,393	\$ 1,649,802
Work-in-process	1,203,605	1,321,662	1,661,800
Finished goods	924,291	1,101,203	1,224,052
Goods	89,225	96,782	107,724
Inventory in transit	64,993	23,781	26,667
Total	<u>\$ 3,627,258</u>	<u>\$ 3,865,821</u>	<u>\$ 4,670,045</u>

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

Items	Three Months Ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Provision for (recovery of) loss (gain) on inventories	\$ (18,672)	\$ 70,588	\$ 7,753	\$ 90,774
Unallocated production overheads	6,413	81	25,568	1,023
Loss on inventory disposed	16,670	13,827	22,930	22,039
Total	<u>\$ 4,411</u>	<u>\$ 84,496</u>	<u>\$ 56,251</u>	<u>\$ 113,836</u>

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

6.6 PREPAYMENTS

Items	June 30, 2023	December 31, 2022	June 30, 2022
Input tax	\$ 28,948	\$ 22,087	\$ 20,836
Prepaid expenses	28,628	30,502	27,739

Items	June 30, 2023	December 31, 2022	June 30, 2022
Prepayment for purchases	\$ 5,863	\$ 3,058	\$ 11,793
Overpaid VAT	4,683	4,346	10,216
Others	8,044	7,346	10,252
Total	<u>\$ 76,166</u>	<u>\$ 67,339</u>	<u>\$ 80,836</u>

6.7 OTHER FINANCIAL ASSETS – CURRENT

Items	June 30, 2023	December 31, 2022	June 30, 2022
Pledged time deposits	\$ 9,930	\$ 31,212	\$ 36,838
Restricted deposits	32,340	38,455	21,194
Total	<u>\$ 42,270</u>	<u>\$ 69,667</u>	<u>\$ 58,032</u>

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, 2023	December 31, 2022	June 30, 2022
Equity instrument			
Unlisted stock	\$ 2,191	\$ 2,191	\$ 2,203
Valuation Adjustments	20,642	18,832	17,522
Total	<u>\$ 22,833</u>	<u>\$ 21,023</u>	<u>\$ 19,725</u>

(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, 2023	December 31, 2022	June 30, 2022
Land	\$ 571,471	\$ 571,471	\$ 571,471
Buildings	2,762,776	2,387,472	2,383,482
Machinery	6,156,335	6,164,036	6,096,422
Molds	2,001,837	2,039,327	2,077,940
Other equipment	1,472,497	1,409,366	1,369,337
Equipment to be inspected and construction in progress	735,497	1,049,282	826,292
Total cost	13,700,413	13,620,954	13,324,944
Less: Accumulated depreciation and impairment	(8,439,333)	(8,429,955)	(8,262,353)
Total	\$ 5,261,080	\$ 5,190,999	\$ 5,062,591

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2023	\$ 571,471	\$ 2,387,472	\$ 6,164,036	\$ 2,039,327	\$ 1,409,366	\$ 1,049,282	\$ 13,620,954
Additions	-	3,383	230	702	54,060	366,583	424,958
Disposals	-	(2,740)	(143,397)	(103,781)	(8,540)	-	(258,458)
Reclassification	-	394,379	171,798	87,063	24,275	(677,515)	-
Effect of foreign currency exchange difference	-	(19,718)	(36,332)	(21,474)	(6,664)	(2,853)	(87,041)
Balance, June 30, 2023	\$ 571,471	\$ 2,762,776	\$ 6,156,335	\$ 2,001,837	\$ 1,472,497	\$ 735,497	\$ 13,700,413
Accumulated depreciation and impairment							
Balance, January 1, 2023	\$ -	\$ (1,043,088)	\$ (4,673,251)	\$ (1,724,806)	\$ (988,810)	\$ -	\$ (8,429,955)
Depreciation expense	-	(37,841)	(154,014)	(67,312)	(53,270)	-	(312,437)
Reversal of impairment	-	-	7,000	-	-	-	7,000
Disposals	-	2,740	129,724	103,770	8,029	-	244,263
Effect of foreign currency exchange difference	-	6,780	25,232	14,797	4,987	-	51,796
Balance, June 30, 2023	\$ -	\$ (1,071,409)	\$ (4,665,309)	\$ (1,673,551)	\$ (1,029,064)	\$ -	\$ (8,439,333)
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 foreign currency exchange difference	-	17,227	30,730	16,824	5,806	2,290	72,877

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Balance, June 30, 2022	\$ 571,471	\$ 2,383,482	\$ 6,096,422	\$ 2,077,940	\$ 1,369,337	\$ 826,292	\$ 13,324,944
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 foreign currency exchange 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)

(1) Please refer to Note 6.28 for information on the Group's capitalized interest.

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

6.10 LEASE ARRANGEMENT

(1) Right-of-use assets

Items	June 30, 2023	December 31, 2022	June 30, 2022	
Land	\$ 96,845	\$ 96,848	\$ 96,848	
Land use right	76,826	78,606	78,941	
Buildings	80,561	80,578	80,802	
Total cost	\$ 254,232	\$ 256,032	\$ 256,591	
Less: Accumulated depreciation and impairment	(59,484)	(54,886)	(46,771)	
Total	\$ 194,748	\$ 201,146	\$ 209,820	
	Land	Land use right	Buildings	Total
Cost				
Balance, January 1, 2023	\$ 96,848	\$ 78,606	\$ 80,578	\$ 256,032
Additions	3,157	-	212	3,369
Derecognition	(3,160)	-	(210)	(3,370)
Effect of foreign currency exchange difference	-	(1,780)	(19)	(1,799)
Balance, June 30, 2023	\$ 96,845	\$ 76,826	\$ 80,561	\$ 254,232

	Land	Land use right	Buildings	Total
<u>Accumulated depreciation and impairment</u>				
Balance, January 1, 2023	\$ (25,670)	\$ (10,363)	\$ (18,853)	\$ (54,886)
Depreciation expense	(3,998)	(1,294)	(2,957)	(8,249)
Derecognition	3,160	-	210	3,370
Effect of foreign currency exchange difference	-	263	18	281
Balance, June 30, 2023	<u>\$ (26,508)</u>	<u>\$ (11,394)</u>	<u>\$ (21,582)</u>	<u>\$ (59,484)</u>

	Land	Land use right	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 foreign currency exchange difference	-	1,549	16	1,565
Balance, June 30, 2022	<u>\$ 96,848</u>	<u>\$ 78,941</u>	<u>\$ 80,802</u>	<u>\$ 256,591</u>

<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 foreign currency exchange difference	-	(151)	(7)	(158)
Balance, June 30, 2022	<u>\$ (21,706)</u>	<u>\$ (9,105)</u>	<u>\$ (15,960)</u>	<u>\$ (46,771)</u>

(2) Lease liabilities

Items	June 30, 2023	December 31, 2022	June 30, 2022
Current	<u>\$ 9,986</u>	<u>\$ 10,078</u>	<u>\$ 10,127</u>
Non-current	<u>\$ 81,150</u>	<u>\$ 82,860</u>	<u>\$ 88,079</u>

Range of discounts rate for lease liabilities is as follow :

	June 30, 2023	December 31, 2022	June 30, 2022
Land	0.89%~1.20%	0.89%~1.20%	0.89%~1.20%
Buildings	1.20%~4.13%	1.20%~4.13%	0.88%~4.13%

Please refer to Note 12 for the maturity analysis of the 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 \$4,086 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. Land use right

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

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

(4) Other lease information

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	\$ 908	\$ 843	\$ 1,812	\$ 1,720
Total cash outflow for leases	\$ 3,309	\$ 2,687	\$ 7,258	\$ 8,280

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, 2023	December 31, 2022	June 30, 2022
Trademarks	\$ 1,437	\$ 1,531	\$ 2,263
Patent	49,596	51,891	52,626
Computer software	48,887	48,764	51,408
Total	99,920	102,186	106,297
Less: Accumulated amortization	(45,579)	(45,330)	(44,477)
Intangible assets, net	\$ 54,341	\$ 56,856	\$ 61,820

Six Months Ended June 30, 2023

Items	Trademarks	Patent	Computer software	Total
<u>Cost</u>				
Balance, January 1	\$ 1,531	\$ 51,891	\$ 48,764	\$ 102,186
Additions	-	217	4,993	5,210
Disposals	(94)	(2,512)	(4,736)	(7,342)
Effect of foreign currency exchange difference	-	-	(134)	(134)
Balance, June 30	\$ 1,437	\$ 49,596	\$ 48,887	\$ 99,920
<u>Accumulated amortization</u>				
Balance, January 1	\$ (857)	\$ (24,712)	\$ (19,761)	\$ (45,330)
Amortization expense	(96)	(2,882)	(4,730)	(7,708)
Disposals	94	2,512	4,736	7,342
Effect of foreign currency exchange difference	-	-	117	117
Balance, June 30	\$ (859)	\$ (25,082)	\$ (19,638)	\$ (45,579)

Six Months Ended June 30, 2022

Items	Trademarks	Patent	Computer software	Total
<u>Cost</u>				
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 foreign currency exchange difference	-	-	129	129

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

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

6.12 OTHER NON-CURRENT ASSETS

Items	June 30, 2023	December 31, 2022	June 30, 2022
Prepayments for equipment	\$ 46,128	\$ 50,122	\$ 80,052
Refundable deposits	11,538	11,787	12,412
Overdue receivables	2,295	2,348	2,358
Less: loss allowance	(2,295)	(2,348)	(2,358)
Others	1,953	1,825	918
Total	\$ 59,619	\$ 63,734	\$ 93,382

6.13 SHORT-TERM LOANS

The nature of loans	June 30, 2023	December 31, 2022	June 30, 2022
Secured loans	\$ 6,462	\$ 12,078	\$ 7,198
Unsecured loans	729,628	726,048	823,282
Total	\$ 736,090	\$ 738,126	\$ 830,480
Interest rate range	1.88%~3.80%	1.60%~4.15%	1.60%~4.15%

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

6.14 NOTES PAYABLE

Items	June 30, 2023	December 31, 2022	June 30, 2022
Notes payable-operating activities	\$ 74,921	\$ 153,769	\$ 189,372
Notes payable- non-operating activities	2,367	-	-
Total	\$ 77,288	\$ 153,769	\$ 189,372

6.15 OTHER PAYABLES

Items	June 30, 2023	December 31, 2022	June 30, 2022
Salaries and bonuses payable	\$ 259,543	\$ 371,542	\$ 306,149
Payable for equipment and construction	75,549	106,877	42,631
Compensation payable of employees, directors and supervisors	47,624	32,529	47,601
Payable for supplies expense	45,722	46,110	54,985
Payable for utilities expense	30,966	22,684	28,740
Payable for repairs and maintenance	25,963	27,707	30,732
Payable for insurance	18,002	18,011	17,735
Others	127,010	119,499	102,925
Total	\$ 630,379	\$ 744,959	\$ 631,498

6.16 LONG-TERM LOANS AND ITS CURRENT PORTION

Items	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured loans	\$ 1,993,295	\$ 2,469,085	\$ 2,713,255
Less: Current portion	(520,848)	(463,363)	(303,793)
Discounted government grants (Note 6.17)	(8,507)	(7,946)	(9,567)
Total	\$ 1,463,940	\$ 1,997,776	\$ 2,399,895
Interest rate range	1.10%~4.05%	1.45%~4.56%	0.70%~4.72%
Year to maturity	2023~2030	2023~2027	2023~2027

- (1)The loans from Bank of Taiwan, Mega Bank, E.SUN Bank, Chang Hwa Bank, The Shanghai Commercial & Savings 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, 2023, December 31, 2022, and June 30, 2022.

6.17 GOVERNMENT GRANTS

- (1)The Company has obtained a \$1,194,012 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, 2023, the fair value of loan is estimated to be \$1,185,505 thousand. The difference \$8,507 thousand between transaction price and fair value is recognized as deferred income (under other current and non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized \$1,300 thousand, \$1,152 thousand, \$2,518 thousand, and \$2,118 thousand in other income, \$3,913 thousand, \$3,571 thousand, \$8,509 thousand and \$6,201 thousand in interest expense for the loan, and has paid \$2,613 thousand, \$2,419 thousand, \$5,991 thousand and \$4,083 thousand interests to the bank for the three months and six months ended June 30, 2023.
- (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.

6.18 RETIREMENT BENEFIT PLANS

- (1)Defined contribution plans
 - A.The employee pension plan under Labor Pension Act of the R.O.C. (the “Act”) is a defined contribution plan. Pursuant to the Plan, the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have made monthly contributions equal to 6% of each individual employee’s salary or wage 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 \$18,144 thousand, \$18,649 thousand, \$36,482 thousand and \$37,656 thousand under the contributions rates specified in the plans for the three months and six months ended June 30, 2023, and 2022, 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 2022 and 2021 and disclosed the midterm cost.
- C. The Group's recognized expenses in the consolidated statement of comprehensive income were \$410 thousand, \$979 thousand, \$1,201 thousand and \$1,575 thousand under the defined benefit plans for the three months and six months ended June 30, 2023 and 2022, respectively.

6.19 COMMON STOCKS

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

	Six Months Ended June 30			
	2023		2022	
	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, 2023.

6.20 CAPITAL SURPLUS

Items	June 30, 2023	December 31, 2022	June 30, 2022
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	851	672	683
Total	<u>\$ 485,976</u>	<u>\$ 485,797</u>	<u>\$ 485,808</u>

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

6.21 RETAINED EARNINGS AND DIVIDEND POLICY

- (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, 2023	December 31, 2022	June 30, 2022
Special reserve	\$ 116,256	\$ 139,763	\$ 139,763

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 2022 and 2021 earnings have been approved by shareholders' meetings held on May 30, 2023 and May 27, 2022, respectively. The appropriations of earnings and dividends per share were as follows:

Items	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2022	For Year 2021	For Year 2022	For Year 2021
Legal reserve	\$ 96,356	\$ 83,980		
Special reserve	(23,507)	5,121		
Cash dividends to shareholders	582,848	546,421	\$ 3.20	\$ 3.0

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

6.22 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, 2023	\$ (133,085)	\$ 16,829	\$ (116,256)
Exchange differences on translation of foreign financial statements	(32,656)	-	(32,656)

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	\$ -	\$ 1,423	\$ 1,423
Balance, June 30, 2023	\$ (165,741)	\$ 18,252	\$ (147,489)

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)

6.23 NON-CONTROLLING INTEREST

Items	Six Months Ended June 30	
	2023	2022
Beginning Balance	\$ 358,418	\$ 346,386
Attributable to non-controlling interests:		
Distribution of cash dividends by subsidiaries	(46,451)	(48,065)
Net income	16,601	30,086
Ending Balance	\$ 328,568	\$ 328,407

6.24 OPERATING REVENUE

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sale of goods	\$ 2,819,770	\$ 3,076,812	\$ 5,499,847	\$ 5,860,289

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Service revenue	\$ 2,607	\$ 5,260	\$ 4,958	\$ 9,127
Subtotal	2,822,377	3,082,072	5,504,805	5,869,416
Other operating revenues	1,711	4,226	4,520	9,006
Total	\$ 2,824,088	\$ 3,086,298	\$ 5,509,325	\$ 5,878,422

(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 30, 2023					Total
	China	Taiwan	Japan	Malaysia	Others	
Electronic	\$ 1,188,171	\$ 234,905	\$ 342,482	\$ 256,598	\$ 415,312	\$ 2,437,468
Stationery	63,036	55,070	32,155	823	202,878	353,962
Others	6,638	5,285	3,540	11,871	3,613	30,947
Total	\$ 1,257,845	\$ 295,260	\$ 378,177	\$ 269,292	\$ 621,803	\$ 2,822,377

Timing of revenue recognition						
Performance obligation satisfied at a point in time	\$ 1,257,845	\$ 295,260	\$ 378,177	\$ 269,292	\$ 621,803	\$ 2,822,377

Major products /Service line	Three Months Ended June 30, 2022					Total
	China	Taiwan	Japan	Malaysia	Others	
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

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

Six Months Ended June 30, 2023						
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	\$ 2,332,425	\$ 460,513	\$ 623,386	\$ 478,047	\$ 838,454	\$ 4,732,825
Stationery	111,111	147,839	76,242	2,101	379,630	716,923
Others	15,632	9,386	3,540	20,849	5,650	55,057
Total	\$ 2,459,168	\$ 617,738	\$ 703,168	\$ 500,997	\$ 1,223,734	\$ 5,504,805

Timing of revenue recognition						
Performance obligation satisfied at a point in time	\$ 2,459,168	\$ 617,738	\$ 703,168	\$ 500,997	\$ 1,223,734	\$ 5,504,805

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

(3)The Group recognized contract liabilities related to the revenue from contracts with customers are as follows:

Items	June 30, 2023	December 31, 2022	June 30, 2022
Contract liabilities-current	\$ 117,993	\$ 96,448	\$ 110,012

6.25 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

By nature	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	Cost of sales	Operating expense (include non-operating)	Total	Cost of sales	Operating expense (include non-operating)	Total
Employee benefit expense						
Salary	\$ 273,323	\$ 89,868	\$ 363,191	\$ 309,977	\$ 125,925	\$ 435,902
Labor insurance	24,577	6,442	31,019	24,816	6,931	31,747
Pension	14,779	3,775	18,554	15,953	3,675	19,628
Other	27,378	8,248	35,626	29,048	6,566	35,614
Depreciation	150,669	10,713	161,382	150,844	10,423	161,267
Amortization	1,180	2,691	3,871	1,004	3,608	4,612
Total	<u>\$ 491,906</u>	<u>\$ 121,737</u>	<u>\$ 613,643</u>	<u>\$ 531,642</u>	<u>\$ 157,128</u>	<u>\$ 688,770</u>

By nature	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Cost of sales	Operating expense (include non-operating)	Total	Cost of sales	Operating expense (include non-operating)	Total
Employee benefit expense						
Salary	\$ 553,809	\$ 203,914	\$ 757,723	\$ 620,278	\$ 247,882	\$ 868,160
Labor insurance	53,150	13,990	67,140	53,250	15,142	68,392
Pension	30,096	7,587	37,683	31,848	7,383	39,231
Other	53,897	14,996	68,893	57,119	13,238	70,357
Depreciation	299,277	21,409	320,686	300,380	22,797	323,177
Amortization	2,277	5,431	7,708	2,080	7,433	9,513
Total	<u>\$ 992,506</u>	<u>\$ 267,327</u>	<u>\$ 1,259,833</u>	<u>\$ 1,064,955</u>	<u>\$ 313,875</u>	<u>\$ 1,378,830</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' remuneration at the rate not higher than 1.5% of profit before tax. For the three months and six months ended June 30, 2023, the employees' compensation were accrued at \$4,175 thousand and \$8,386 thousand, directors' remuneration were accrued at \$3,341 thousand and \$6,709 thousand. For the three months and six months ended June 30, 2022, the employees' compensation was accrued at \$5,518 thousand and \$10,289 thousand, directors' remuneration were accrued at \$4,415 thousand and \$8,231 thousand. The Company accrued employees' compensation and remuneration of directors at the rates 1.5% and 1.2%, respectively, of net profit before income tax. If there is a change in the proposed amount after the annual financial statement are

authorized for issue, the difference is recorded as a change in accounting estimate and adjusted in the next fiscal year.

(2)The appropriations of employees' compensation and directors' remuneration for 2022 and 2021 have been approved by the board of directors held on February 23, 2023, and February 24, 2022, respectively. The amount of approved and recognized in financial statement is shown as follows:

	For Year 2022		For Year 2021	
	Employees' compensation	Directors' remuneration	Employees' compensation	Directors' remuneration
Amounts approved	\$ 18,072	\$ 14,457	\$ 16,156	\$ 12,925
Amounts recognized in financial statement	18,072	14,457	16,156	12,925
Difference	\$ -	\$ -	\$ -	\$ -

The aforementioned employees' compensation of 2022 and 2021 are distributed in cash.

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

6.26 OTHER INCOME

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Rental income	\$ 240	\$ 177	\$ 401	\$ 336
Government subsidies	6,150	2,255	8,470	2,580
Dividend income	-	-	1,239	1,298
Others	3,787	3,699	5,520	5,565
Total	\$ 10,177	\$ 6,131	\$ 15,630	\$ 9,779

6.27 OTHER GAINS AND LOSSES

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net gains (losses) on financial assets at FVTPL	\$ 176	\$ 54	\$ 339	\$ 90

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Gain (losses) on disposal of property, plant and equipment	\$ 7,718	\$ (582)	\$ 8,447	\$ (302)
Gain on reversal of Impairment loss of Property, Plant and Equipment	7,000	-	7,000	-
Foreign exchange gain (losses), net	40,792	45,124	34,698	97,741
Others	(881)	(31)	(1,105)	(1,663)
Total	\$ 54,805	\$ 44,565	\$ 49,379	\$ 95,866

6.28 FINANCIAL COSTS

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest expense				
Bank loans	\$ 17,154	\$ 19,813	\$ 35,936	\$ 38,879
Interest on lease liabilities	271	290	536	581
Less: capitalized amount for qualified assets	(1,211)	(1,053)	(3,844)	(2,266)
Financial costs	\$ 16,214	\$ 19,050	\$ 32,628	\$ 37,194
Interest capitalization rates	1.34%-4.32%	0.89%-4.32%	1.34%-4.32%	0.89%-4.32%

6.29 INCOME TAX

(1) Components of income tax expense:

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
<u>Current income tax expense</u>				
Current tax expense (benefit) recognized in the current period	\$ 31,098	\$ 93,784	\$ 80,969	\$ 166,082

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Tax on undistributed surplus earnings	\$ 16,499	\$ 10,747	\$ 16,499	\$ 10,747
Income tax adjustments on prior years	(1,329)	(1,340)	(1,329)	(1,340)
Current tax	46,268	103,191	96,139	175,489
<u>Deferred income tax expense</u>				
The origination and reversal of temporary differences	27,868	(8,932)	42,180	(14,412)
Deferred tax	27,868	(8,932)	42,180	(14,412)
Income tax expense recognized in profit or loss	<u>\$ 74,136</u>	<u>\$ 94,259</u>	<u>\$ 138,319</u>	<u>\$ 161,077</u>

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	
	2023	2022	2023	2022
Exchange differences arising on translation of foreign operations	\$ (9,915)	\$ (6,669)	\$ (8,164)	\$ 7,138
Financial assets at fair value through other comprehensive income	(10)	(268)	387	(184)
Total	<u>\$ (9,925)</u>	<u>\$ (6,937)</u>	<u>\$ (7,777)</u>	<u>\$ 6,954</u>

(3) The income tax returns of the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. through 2021 have examined by tax authority.

6.30 OTHER COMPREHENSIVE INCOME

Three Months Ended June 30, 2023

Items	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss			
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	\$ (54)	\$ 10	\$ (44)
Subtotal	(54)	10	(44)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	(49,574)	9,915	(39,659)
Subtotal	(49,574)	9,915	(39,659)
Total	\$ (49,628)	\$ 9,925	\$ (39,703)

Three Months Ended June 30, 2022

Items	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss			
Unrealized gains (losses) on valuation of equity 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)

Six Months Ended June 30, 2023

Items	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss			
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	\$ 1,810	\$ (387)	\$ 1,423
Subtotal	1,810	(387)	1,423
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	(40,820)	8,164	(32,656)
Subtotal	(40,820)	8,164	(32,656)
Total	\$ (39,010)	\$ 7,777	\$ (31,233)

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 valuation of equity 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

6.31 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	
	2023	2022	2023	2022
Basic earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ 202,607	\$ 280,169	\$ 423,559	\$ 531,707
Net income for calculating basic earnings per share	\$ 202,607	\$ 280,169	\$ 423,559	\$ 531,707
Weighted average shares outstanding (thousand shares)	\$ 182,140	\$ 182,140	\$ 182,140	\$ 182,140
Basic earnings per share (after tax) (in dollars)	\$ 1.11	\$ 1.54	\$ 2.33	\$ 2.92
Diluted earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ 202,607	\$ 280,169	\$ 423,559	\$ 531,707
Net income for calculating diluted earnings per share	\$ 202,607	\$ 280,169	\$ 423,559	\$ 531,707
Weighted average shares outstanding (thousand shares)	182,140	182,140	182,140	182,140
Effect of dilutive potential common shares				
Employees' compensation (thousand shares)	65	79	109	113
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,205	182,219	182,249	182,253
Diluted earnings per share (after tax) (in dollars)	\$ 1.11	\$ 1.54	\$ 2.32	\$ 2.92

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

7. RELATED PARTY TRANSACTIONS

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

(1) Related party name and categories

Names of related parties	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. Operating revenue

Categories/Names of related parties	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Investors with significant influence over the Group	\$ 539	\$ 589	\$ 1,094	\$ 589
Other related parties	6,584	12,098	15,691	20,378
Total	\$ 7,123	\$ 12,687	\$ 16,785	\$ 20,967

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

Categories/Names of related parties	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Investors with significant influence over the Group	\$ -	\$ 1,062	\$ 1,025	\$ 1,062
Other related parties	2,695	3,195	8,026	5,706
Total	\$ 2,695	\$ 4,257	\$ 9,051	\$ 6,768

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

C. Receivables due from related parties

Items	Categories/Names of related parties	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	Investors with significant influence over the Group	\$ 346	\$ 563	\$ 209
	Other related parties	17,476	21,582	18,481
	Total	\$ 17,822	\$ 22,145	\$ 18,690
Other receivables	Other related parties	\$ 284	\$ 36	\$ 150

D. Payables due to related parties

Items	Categories/Names of related parties	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable	Investors with significant influence over the Group	\$ 36	\$ 1,045	\$ -
	Other related parties	1,784	-	1,932
	Total	\$ 1,820	\$ 1,045	\$ 1,932

E. Other transactions

Items	Categories/Names of related parties	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Addition of expenses	Investors with significant influence over the Group	\$ 1,251	\$ -	\$ 1,443	\$ 40
Deduction of expenses	Other related parties	\$ (3)	\$ -	\$ 23	\$ -
Other income	Other related parties	\$ 45	\$ 24	\$ 45	\$ 102

(3) Compensation of key management personnel

Items	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 14,006	\$ 21,780	\$ 32,086	\$ 42,828
Post-employment benefits	117	117	235	235
Total	\$ 14,123	\$ 21,897	\$ 32,321	\$ 43,063

8. PLEDGED ASSETS

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

Items	June 30, 2023	December 31, 2022	June 30, 2022
Pledge time deposits (recognized as other financial assets - current)	\$ 9,930	\$ 31,212	\$ 36,838
Restricted deposits (recognized as other financial assets - current)	32,340	38,455	21,194
Notes receivable (the banker's acceptance notes)	53,771	73,853	70,321
Refundable deposits (recognized as other non - current assets)	135	514	694
Total	\$ 96,176	\$ 144,034	\$ 129,047

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, 2023, is \$2,702 thousand.
- B. Capital expenditures committed but not yet incurred are as follows :

Items	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant, and equipment	\$ 132,843	\$ 241,124	\$ 246,914

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, 2022. Please refer to Note 12.1 of the consolidated financial statements for the year ended December 31, 2022 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, 2022. Please refer to Note 12.2 of the consolidated financial statements for the year ended December 31, 2022 for the related information.

ii. Sensitivity analysis of foreign currency risk

	June 30, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	\$	75,092	31.13 \$ 2,337,601
JPY		179,906	0.22 38,688

				June 30, 2023		
				Foreign	Exchange	New Taiwan
				Currency	Rate	Dollars
<u>Financial Liabilities</u>						
Monetary Items						
USD	\$	30,456		31.13	\$	948,107
JPY		110,094		0.22		23,676

				December 31, 2022		
				Foreign	Exchange	New Taiwan
				Currency	Rate	Dollars
<u>Financial Assets</u>						
Monetary Items						
USD	\$	74,851		30.70	\$	2,297,919
JPY		193,187		0.23		45,060
<u>Financial Liabilities</u>						
Monetary Items						
USD		25,826		30.70		792,867
JPY		265,942		0.23		62,031

				June 30, 2022		
				Foreign	Exchange	New Taiwan
				Currency	Rate	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

The Group is 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 \$14,045 thousand and \$10,759 thousand for the six months ended June 30, 2023 and 2022, 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 \$581 thousand, \$228 thousand, \$575 thousand and \$197 thousand for the six months ended June 30, 2023 and 2022, 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, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
Financial assets	\$ 110,773	\$ 59,665	\$ 71,232
Net	\$ 110,773	\$ 59,665	\$ 71,232
Cash flow interest rate risk			
Financial assets	\$ 982,988	\$ 1,061,532	\$ 656,558
Financial liabilities	(2,720,878)	(3,199,265)	(3,534,168)
Net	\$ (1,737,890)	\$ (2,137,733)	\$ (2,877,610)

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, affecting the Group's future cash flows. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease \$8,689 thousand and \$14,388 thousand for the six months ended June 30, 2023 and 2022, 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, 2023 and December 31, 2022 and June 30, 2022, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 30%, 15% and 22%, 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 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, 2023				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 745,597	\$ -	\$ -	\$ 745,597	\$ 736,090
Notes payable	77,288	-	-	77,288	77,288
Accounts payable	1,070,667	-	-	1,070,667	1,070,667
Dividends payable	584,732	-	-	584,732	584,732
Other payables	296,566	-	-	296,566	296,566
Lease liabilities	10,989	28,887	58,273	98,149	91,136
Long-term loan (include current portion)	552,439	1,451,066	47,891	2,051,396	1,984,788
Guarantee deposits	-	-	12,608	12,608	12,608
Total	\$ 3,338,278	\$ 1,479,953	\$ 118,772	\$ 4,937,003	\$ 4,853,875

Further information on maturity analysis for lease liabilities

Lease liabilities	June 30, 2023					Total undiscounted lease payments
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	
	\$ 10,989	\$ 28,887	\$ 32,931	\$ 25,342	\$ -	\$ 98,149

Non-derivative Financial Liabilities	December 31, 2022				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 746,205	\$ -	\$ -	\$ 746,205	\$ 738,126
Notes payable	153,769	-	-	153,769	153,769
Accounts payable	853,766	-	-	853,766	853,766
Other payables	312,507	-	-	312,507	312,507
Lease liabilities	10,569	28,559	61,276	100,404	92,938
Long-term loan (include current portion)	505,765	2,008,675	32,736	2,547,176	2,461,139
Guarantee deposits	-	-	13,376	13,376	13,376
Total	\$ 2,582,581	\$ 2,037,234	\$ 107,388	\$ 4,727,203	\$ 4,625,621

Further information on maturity analysis for lease liabilities

	December 31, 2022					Total undiscounted lease payments
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	
Lease liabilities	\$ 10,569	\$ 28,559	\$ 32,748	\$ 28,528	\$ -	\$ 100,404

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
Dividends payable	549,919	-	-	549,919	549,919
Other payables	232,750	-	-	232,750	232,750
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	\$ 3,424,120	\$ 2,418,831	\$ 128,664	\$ 5,971,615	\$ 5,865,824

Further information on maturity analysis for lease liabilities

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

The Group does not expect that the cash flows on the maturity analysis to occur significantly earlier or with a considerable different from the actual amounts.

12.4 Category of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at fair value			
through profit or loss- current	\$ 58,090	\$ 57,751	\$ 57,525
Financial assets measured at			
amortized cost (Note 1)	3,234,634	3,267,068	3,204,982
Financial assets at fair value			
through other comprehensive			
income- noncurrent	22,833	21,023	19,725
<u>Financial liability</u>			
Financial liabilities measured at			
amortized cost (Note 2)	4,762,739	4,532,683	5,767,618

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, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at FVTPL				
Funds - current	\$ 58,090	\$ -	\$ -	\$ 58,090
Financial assets at FVTOCI				
- noncurrent				
Equity instruments				
Unlisted stocks	-	-	22,833	22,833
Total	\$ 58,090	\$ -	\$ 22,833	\$ 80,923

Items	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at FVTPL				
Funds - current	\$ 57,751	\$ -	\$ -	\$ 57,751
Financial assets at FVTOCI				
- noncurrent				
Equity instruments				
Unlisted stocks	-	-	21,023	21,023
Total	\$ 57,751	\$ -	\$ 21,023	\$ 78,774

Items	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at FVTPL				
Funds - current	\$ 57,525	\$ -	\$ -	\$ 57,525
Financial assets at FVTOCI				
- noncurrent				
Equity instruments				
Unlisted stocks	-	-	19,725	19,725
Total	\$ 57,525	\$ -	\$ 19,725	\$ 77,250

(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	
	2023	2022
<u>Financial assets at FVTOCI</u>		
Beginning Balance	\$ 21,023	\$ 20,222
Gains or losses recognized in other comprehensive income	1,810	(497)
Effect of foreign currency exchange rate difference	-	-
Ending Balance	\$ 22,833	\$ 19,725

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: None;
- (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 3 attached;
- (8)Receivables from related parties amounting to at least NT\$100 million or 20% of the paid- in capital: Please see Table 4 attached;
- (9)The business relationship between the parent and the subsidiaries and significant transaction between then: Please see Table 5 attached;

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

13.3 Information on investment in Mainland China (before inter-company eliminations):

- (1)The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
- (2)Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 5 attached.

13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): 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, 2023				
	Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	\$ 4,732,825	\$ 716,923	\$ 59,577	\$ -	\$ 5,509,325
Revenue from intersegments	280,183	239,824	17,301	(537,308)	-
Total	\$ 5,013,008	\$ 956,747	\$ 76,878	\$ (537,308)	\$ 5,509,325
Interest expenses	\$ 27,530	\$ 5,098	\$ -	\$ -	\$ 32,628
Depreciation, amortization and Gain on reversal of impairment loss	\$ 273,045	\$ 43,266	\$ 5,083	\$ -	\$ 321,394
Segment income (loss)	\$ 462,348	\$ 97,937	\$ 18,194	\$ -	\$ 578,479
Income (loss) before tax					\$ 578,479
Total assets					\$ 12,695,171

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)	-
Total	\$ 5,339,908	\$ 1,198,964	\$ 84,648	\$ (745,098)	\$ 5,878,422
Interest expenses	\$ 30,904	\$ 6,290	\$ -	\$ -	\$ 37,194
Depreciation, amortization and impairment	\$ 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

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, 2023

TABLE 1

Amounts in Thousands of New Taiwan Dollars

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/Gu arantee 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		NTD	RMB	NTD	RMB								
0	SDI	SDI (JIANGSU)	(3)	\$ 2,896,786	NTD 1,351,392	RMB 200,000	NTD 1,297,455	RMB 14,000	NTD 623,946	NTD -	20.16%	NTD 3,218,651	Y	N	Y	

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

(1) The Company is '0'.

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

(1) Trading parties.

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

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

Note 3 : The total amount of the guarantee provided by SDI to any individual entity shall not exceed 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, 2023

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, 2023				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	\$ 39,211	-	\$ 39,211	
	Capital Money Market Fund	—	Financial Assets at Fair Value through Profit or Loss – Current	1,145	18,879	-	18,879	
SDI	Chang Hwa Golf Club	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	90	9,251	0.24%	9,251	
	SDI ELECTRONICS JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	30	9,992	15.00%	9,992	
	SDI JAPAN CO.,LTD.	—	Financial Assets at Fair Value through Other Comprehensive Income – Noncurrent	200	3,590	19.61%	3,590	

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, 2023

TABLE 3

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 Jiangsu	SDI	The ultimate parent of the Company	Sales	\$ 333,827	24.33%	As prescribed by the agreement	—	—	\$ 56,168	9.79%	Note

Note : 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
JUNE 30, 2023

TABLE 4

Amounts in Thousands of New Taiwan Dollars

Creditor	Counterparty	Relationship	General ledger account (Note)	Balance	Turnover rate	Overdue receivables		Subsequent collections	Allowance for bad doubtful accounts
						Amount	Action taken		
SDI	SDI Jiangsu	Sub-subsidiary	Account Receivable	\$ 109,110	0.56	\$ 45,489	-	\$ 32,200	\$ -
			Other Receivables	11					

Note : 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, 2023

TABLE 5 Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counter Party	Nature of Relationship(Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	SDI	SDI (JIANGSU)	1	Sales revenue	\$ 61,294	Note 3	1.11%
		SDI (JIANGSU)	1	Accounts receivable	109,110	Note 3	0.86%
		SDI (JIANGSU)	1	Other receivables	11	—	-
		Chao Shin Metal	1	Sales revenue	6,608	Note 3	0.12%
		Chao Shin Metal	1	Accounts receivable	3,449	Note 3	0.03%
		Chao Shin Metal	1	Other receivables	10,981	—	0.09%
		TEC Brite Technology	1	Sales revenue	3	Note 3	-
		TEC Brite Technology	1	Accounts receivable	1	Note 3	-
		TEC Brite Technology	1	Other receivables	8,385	—	0.07%
		1	SDI (JIANGSU)	SDI	2	Sales revenue	333,827
SDI	2			Accounts receivable	56,168	Note 3	0.44%
SDI	2			Other receivables	152	—	-
2	Chao Shin Metal	SDI	2	Sales revenue	4,621	Note 3	0.08%
		SDI	2	Processing income	1,612	Note 3	0.03%
		SDI	2	Accounts receivable	2,625	Note 3	0.02%
		SDI (JIANGSU)	3	Sales revenue	30,450	Note 3	0.55%
		SDI (JIANGSU)	3	Accounts receivable	21,307	Note 3	0.17%
3	TEC Brite Technology	SDI	2	Sales revenue	98,893	Note 3	1.80%
		SDI	2	Accounts receivable	62,364	Note 3	0.49%

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, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income(Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				June 30, 2023	December 31, 2022	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%	\$ 238,468	\$ 2,495	\$ 2,177	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%	351,713	36,022	19,914	Note 1, 2
SDI	SHUEN DER (B.V.I.)	BVI	Holding Company	715,990	706,100	8,920	100.00%	1,726,577	25,560	25,558	Note 1, 2, 3

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

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

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

SDI CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2023

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/Losses	Carrying Amount as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023	Remarks
					Outflow	Inflow							
SDI Jiangsu	Manufacture, process and sales of integrated circuit frame, blades, stationary, etc.	NTD 1,089,550	Note 1	NTD 715,990			NTD 715,990	NTD 25,558	100.00%	NTD 25,558	NTD 1,763,505	NTD -	
		USD 35,000		USD 23,000	NTD -	NTD -	USD 23,000	USD 667					

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 715,990	NTD 1,089,550	NTD 4,059,522
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, 2023.

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