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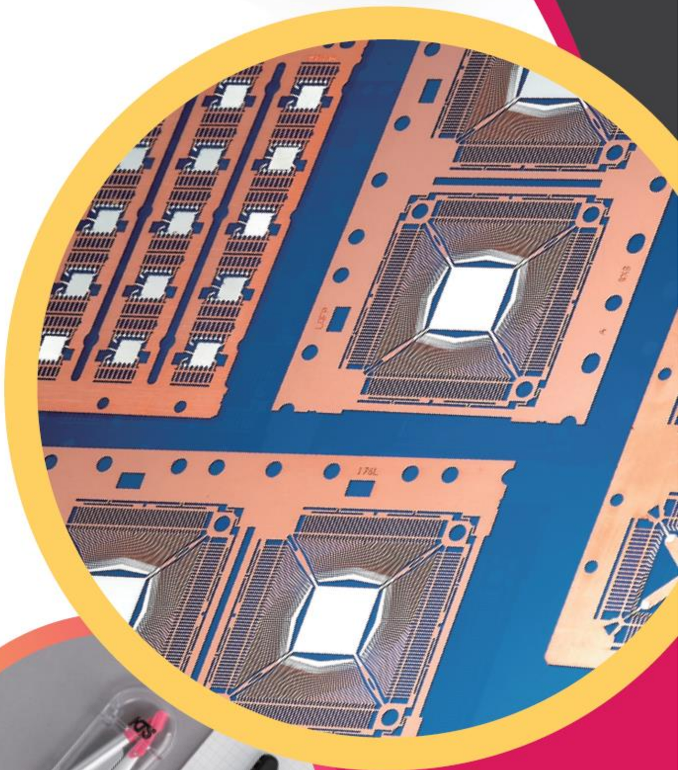

2020

ANNUAL REPORT

SDI CORPORATION

Printed on: April 30,2021
Annual Report is available at:
http://mops.twse.com.tw
http://www.sdi.com.tw

❖ Spokesperson: Jeffrey Chen

Position: Vice President

Deputy Spokesperson: Ray Huang

Title: Associate Manager

Tel: (04) 738-3991

Email: Stock@email.sdi.com.tw

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Website: http://www.sdi.com.tw

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Tel: (049)225-7790

❖ Stock Transfer Handling Agency

Name: Capital Securities Corp.

Address: B2, No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City, Taiwan

Tel: (02)2702-3999

Website: http://agency.capital.com.tw

❖ CPA for 2020 Financial Reports

CPAs: Chen-yu Yang, Ming-shou Lin

Accounting firm: Crowe (TW) CPAs

Address: 15F., No. 285, Sec. 2, Taiwan Blvd., West Dist., Taichung City

Tel: (04) 3600-5588

Website: http://www.crowe.tw

❖ Overseas securities exchange where securities are listed and method of inquiry: None

❖ Website: http://www.sdi.com.tw

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Chapter I.Letter to Shareholders

I. Report on 2020 business result, future business strategies, and impacts from the external competition, legal environment, and overall economy

Dear Sir/Madam:

SDI has successfully completed operation of 2020 with the Company's prevention and control of pandemic, and all colleagues' joint efforts. SDI Group continues developing mass production of new products and improving manufacturing process efficiency to develop electronic and stationary business. We also meet the customer's requirements on quality and delivery date to the satisfaction to the customers through more frequent contact with the supplier and customers through video during the pandemic prevention period.

In 2020, the global economy is experiencing recession due to effect of US-China trade war and spread of COVID-19. Although government of each country introduced a series of economic regulation and control measures such as QE and interest reduction, impact of restricted action factors on supply and demand of automobile and industrial applications remains significant. On the other hand, demands in such fields as consumption, information communication and electronics are relatively recovered thanks to stay-at-home economy-facilitated effects. SDI's electronic business group mainly supplies IDM clients worldwide. The sales performance is affected by recession in the terminal demand of the above automobile and industrial applications. In addition to continuous collaboration with the core clients to develop more Power application products to increase added value, in response to adverse factors of dramatic reduction in external supply and demand, electric business group positively take a number of improvement actions such as intelligent manufacturing, process and efficiency improvement, and information module application to make reform in the context of increasing strict product quality and diversified production patterns. We also continue reducing waste and costs of the electronic materials so as to respond to the risks arising from Taiwanese dollars appreciation on operating revenue and profits. As for stationary business group, it is still impacted by duty increase in the US-China trade war that increased costs, and demand decrease arising from the restriction on economic activities by global pandemic. It is dedicated to introduce such marketing strategies as increase in domestic demand, new customers and new products, effectively mitigating the impact on stationary operating revenue and profits. Additionally, our affiliate, TEC Brite Technology, continues increasing the market share of VCM by improving capacity and quality and developing customers, and its revenue and profits both grew. Chao Hsin Metal and Jiangsu factory, the reinvestment of SDI, are affected by the decrease of traditional steel business and general economy in Mainland, as well as the toll of demand, making revenue and profit both decreased.

In total, SDI's revenue in 2020 is NT$ 6.227 billion, with a decrease of 7%. The group's consolidated revenue is NT$ 8.450 billion, with a deduction of 4%. Net profit of this period is NT$ 349,147,000, and earning per share is NT$ 1.92.

According to World Semiconductor Trade Statistics (WSTS), the impact of the pandemic on the semiconductor industry is not as expected. In 2020, the global semiconductor market achieved USD 433 billion, increased by 5.1 on a year-on-year basis. It is expected that growth rate in the semiconductor market in 2021 is up to 8.4%, of which, growth rate of Discrete component will be up to 7.2%, while memory and photoelectric component will see two-digital growth. More and more semiconductors will be used in vehicles, industry, 5G and IoT to provide various new functions, so as to drive economic development. In addition to a wide application in the foregoing mainstream product demands such as automobile, SDI will work closely with the customers to develop diversified niche product application and meet the customer's demand for application of higher quality through industry and research cooperation and speed-up mass production, so as to consolidate its leading position and innovation development. With respect to hardware and stationary business, in addition to sales increase for private brands, we also invest development of a number of patented innovative products, and continue increasing our production capacity of automation in Taiwan, so as to increase the competitiveness and growth of stationary business.

In 2021, global economy is hard to be fully recovered due to pandemic situation and geopolitical conflicts. However, with increasing demand for high quality brought by continuous advance in automobile, industrial and 5G, SDI Group will continue leading in value creating, process technology and talent application, and will complete building of multi-functional plants and layout of intelligent production lines, so improve the manufacture scale of high-end products and meet customer's demands. We hope our shareholders can continue to support and assist us. We believe we can grow our Group's business and ensure its success with our practical operation and acceptance to challenge and innovation.

Chairman of the Board: J.S. Chen

Analysis of Budget Execution, Financial Revenue and Expenditure, Profitability and Review of R&D in 2020

Unit: NT$ 1,000

Item	2020	2019	Change rate
Operating revenue	8,450,611	8,839,367	(4.40%)
Gross profit	1,332,379	1,534,930	(13.20%)
Operating expense	730,792	783,846	(6.77%)
Net operating profit	601,587	751,084	(19.90%)
Profit after tax	401,381	550,465	(27.08%)
Net profit per share ($)	1.92	2.70	(28.89%)
Return on shareholders' equity	6.70%	9.18%	(27.02%)
Net profit ratio	4.75%	6.23%	(23.76%)
Return on asset	4.27%	5.48%	(22.08%)
R&D appropriation	207,140	226,684	(8.62%)

Note: No financial forecast has been prepared for 2020

II. 2020 Operating Plan Overview

(I) In Electronic Production and Marketing:

1. COVID-19 accelerated the digital transformation around the globe. The anticipation for the ease of the disease sped up the applications of 5G, IoT, smart manufacturing, AI, big data, and smart vehicles, supporting another growing demand for semiconductors.
2. As EVs and self-driving cars are on the rise, the demand for semiconductors has grown exponentially. SDI collaborated with worldwide big companies to leverage new-gen chip technology in developing high-power, energy-saving semiconductors as well as reliable lead frames for self-driving car sensors. It is expected that in the coming five years, the popularity of hybrid cars and EVs will generate high revenue for the Company.

(II) Production and Marketing of Hardware Stationery:

1. Markets in the US and Japan are relatively stable. Because of the trade war between China and the US, as well as the high tariff by the US, staplers will be produced in Taiwan. To support the orders for new blades, SDI added blade grinding machines to improve the quality of blades and increase the productivity of blades made in Taiwan.
2. The pandemic is expected to be cured as the vaccines are available. The market demand is also expected to grow. Markets in the US, Japan, Southeast Asia, and Europe rebounded, and the orders have been accumulating.

(III) Estimated Sales Volume and Its Evidence:

The sales volume in 2021 is estimated to grow as the demand rises with the easing epidemic. Our reinvestment company, Shuen Der Industry (Jiangsu) Co., Ltd., is expected to see sales growth as the semiconductor demand in China surges; TEC Brite Technology will also grow together as new clients being developed and new products being launched.

Chapter II. Company Profile

I. Date of Incorporation: October 17, 1967

II. Company Overview

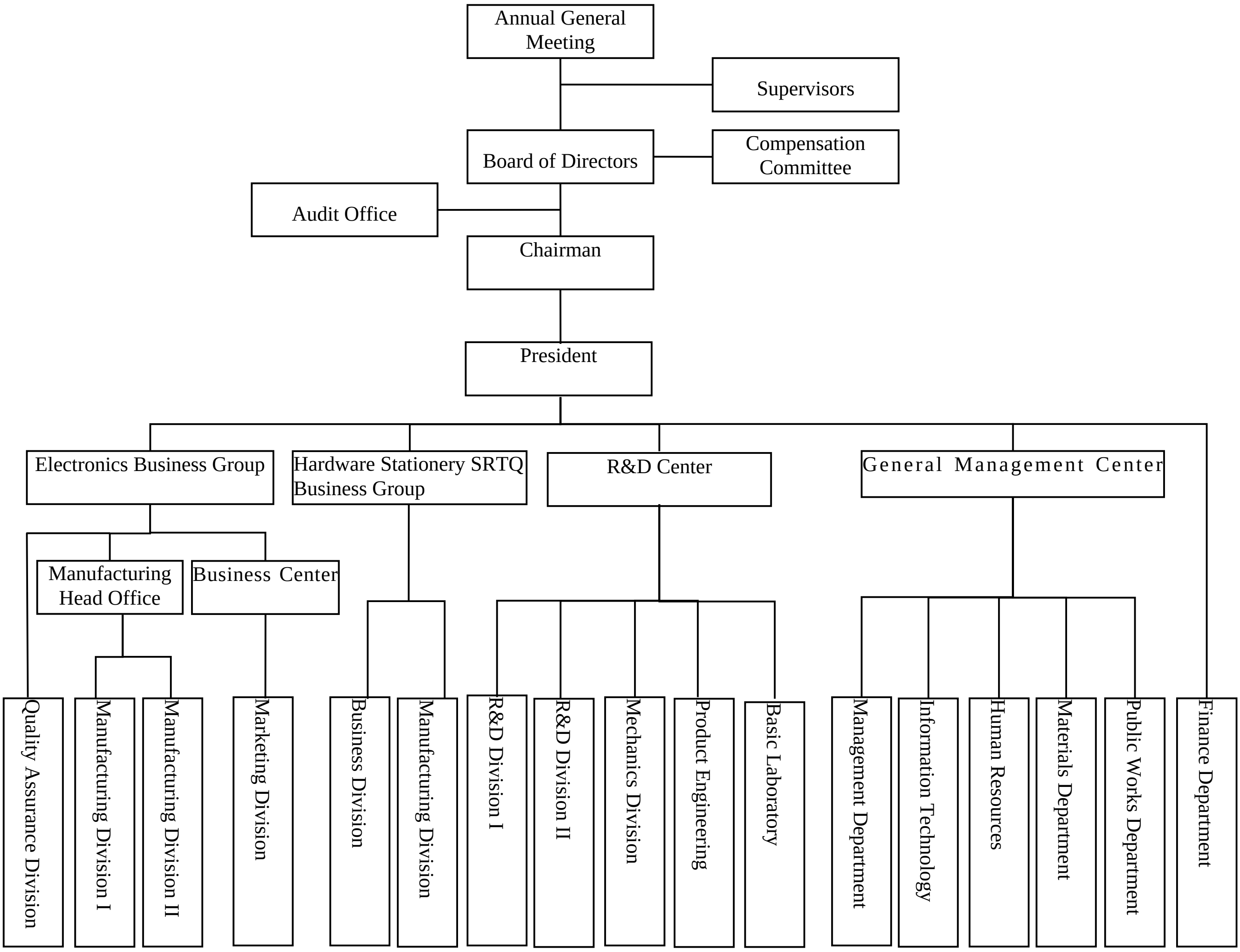
1953	Mr. Shuei-jin Chen founded Shuen Der Manufacturing Plant, producing pencil sharpeners with a factory building of 20 square meters, six employees, and a capital of NT$ 3,000.
February 1961	Relocated the plant to Nanxiao street, Changhua City, expanded the factory building to 80 square meters, with twelve employees and a capital of NT$ 15,000.
October 1967	The Company was reorganized into a joint-stock limited company and established SDI Corporation with Mr. Shuei-jin Chen as the chairman of the Board and a paid-in capital of NT$ 300,000.
January 1968 April 1968	The new plant site on Dapu road is 1,485 square meters and started its operation. The power equipment of the plant is 115KW, a set of heat treatment equipment is installed, and high-carbon steel blades are imported from Japan. Mr. Shuei-jin Chen, chairman of the Board, passed away and Mr. Jhao-liang Chen served as chairman.
January 1969	Mr. J.S. Chen is appointed as president.
August 1973	SDI moved its new plant to Dazhu, with the factory site of 15,800 square meters and the factory building of 3,750 square meters, and increased its capital to NT$ 10 million.
December 1978	Increased capital to NT$ 30 million. Various types of precision manufacturing equipment are introduced to develop precise progressive die.
January 1983	Increased capital to NT$ 60 million. The Ministry of Economic Affairs approved the strategic industrial expansion plan, established the electronic business department, and produced semiconductor lead frames and IC sockets.
April 1984	Installed IBM 38 computers and launched into computerized management.
February 1986	Increased capital to NT$ 100 million. The Ministry of Economic Affairs approved the second phase of the electronic strategic industrial expansion plan.
December 1987	PLCC, a large integrated circuit lead frame, was successfully developed.44L
August 1988	Purchased land for Nangang industrial zone.38,000 平方公尺
March 1989	The reinvestment enterprise Chao Shin Metal Industrial Corporation was established and started to operate in April 1990.
January 1990	Attained the bonded factory license of electronic factory.
July 1993	The amount of capital increased to NT$ 359.87 million for the issuance of new shares and the supplementary public issuance.
July 1994	Passed the accreditation and registration of ISO 9001 (CNS 2681) quality system of Bureau of Commodity Inspection of the Ministry of Economic Affairs.
April 1996	Listed on the Taiwan Stock Exchange (TWSE) as electronic stocks.
August 1997 October 1997	Established TEC Brite Technology Co., Ltd. as a reinvestment business. The Investment Commission of the Ministry of Economic Affairs approved the case of indirect investment in mainland China. It established the Shuen Der (B.V.I.) Corporation to invest in Shuen Der Industry (Jiangsu) Co., Ltd.
December 1998	The total investment in the mainland plant was US$ 11.6 million. The plant construction of 36,000 square meters and production equipment trial run were also completed.
May 1999 September 1999	Passed the UL QS-9000 quality attestation system. The total investment in the mainland plant increased to US$ 17.6 million.
July 2000 September 2000	Mr. Jhao-liang Chen, chairman of the Board, retired, and Mr. J.S. Chen served as chairman and concurrently as president. The Oracle ERP system in Taiwan was officially launched, opening a new era of information application.
July 2001	The Oracle ERP system of the Shuen Der Jiangsu plant was successfully launched.
October 2003	A series of thanksgiving activities for the 50th anniversary of SDI. The total investment in the mainland plant increased to US$ 20 million.
January 2004 August 2004	Passed the attestation of BSI ISO-14001 EMS environmental management system. Passed the attestation of TS16949 quality management system.
January 2005 October 2005	The electronic sign-off collaborative operating system was officially launched. The total investment in the mainland plant increased to US$ 23 million.
July 2006	The three-stage introduction of the Product Lifecycle Management System (PLM) was completed and fully online.

April 2007 October 2007 December 2007	Passed the attestation of the BSI OHSAS18001 occupational health and safety management system. Attained customs strategic alliance certificate. The surplus of the mainland plant was converted to a capital increase of US$ 7 million, and the paid-in capital was increased to US$ 30 million.
March 2008	The e-learning system was officially launched.
July 2009	Business intelligence (BI) system, SDC electronic sign-off system, and CSM attendance system were officially launched. Passed the attestation of IECQ HSPM QC080000 hazardous substance process management system.
July 2010	Conducted a private placement of ordinary shares for NT$ 46.67 million and increased the capital to NT$ 1.782 billion.
January 2011	The Nantou plant and reinvestment business "TEC Brite Technology Co., Ltd." attained the bonded factory license.
March 2012	The surplus of the mainland plant was converted to a capital increase of US$ 5 million, and the paid-in capital was increased to US$ 35 million.
January 2013 December 2013	The issuance of the first restricted employee shares increased the capital to NT$ 1.802 billion. Passed the attestation of Authorized Economic Operator (AEO).
September 2014 November 2014	Won the award of Best Companies to Work For issued by the Department of Labor, Taipei City Government. Won the gold medal of TTQS Talent Quality-Management System issued by the Ministry of Labor, Executive Yuan.
February 2015 October 2015	The issuance of the second restricted employee shares increased the capital to NT$ 1.821 billion. Awarded the 2014 excellent bonded factory by Taichung Customs, Customs Administration, Ministry of Finance.
June 2016 October 2016 November 2016 December 2016	Selected as the Best Supplier in the Lead Frame Category for 2015 by the headquarters of STMicroelectronics N.V. Group. Won the Labor Model Award issued by the Taichung-Changhua-Nantou Regional Branch, Workforce Development Agency, Ministry of Labor. Won the Infineon 2015 Best Supplier Award. Won the 2016 National Talent Development Award issued by the Workforce Development Agency, Ministry of Labor. Passed the attestation of BSI ISO-50001 energy management system. Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2015 Corporate Responsibility Report.
September 2017 November 2017	Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2016 Corporate Responsibility Report. Won the Infineon 2017 Best Supplier Award.
May 2018 September 2018 November 2018 December 2018	Passed the upgrade attestation of IATF 16949: 2016 & ISO 9001: 2015. Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2017 Corporate Responsibility Report. The newly completed headquarters building has been awarded the gold certification of green building evaluation system attested by LEED NC. Won the 2018 Corporate Sustainability Awards of BSI Sustainability Standards. Won the 25th National Quality Award for business excellence.
June 2019 August 2019 September 2019 November 2019	Passed the upgrade attestation of IECQ QC080000:2017. Won the 5th Taiwan Middlestand Award of Ministry of Economic Affairs. Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2018 Corporate Responsibility Report. Passed the attestation of BSI ISO-50001 energy management system.
January 2020 September 2020	Obtained the latest version of Authorized Economic Operator (AEO) Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2018 Corporate Responsibility Report.

Chapter III. Corporate Governance Report

I Company Organization

(I) Organizational Structure



(II) Department Functions

Main Department	Operating business
Audit Office	Responsible for internal audit planning, execution, and tracking, provide suggestions for improvement, and ensure the effective implementation of the internal control system.
Electronics Business Group	Responsible for the manufacturing and sales of electronic products.
Hardware Stationery Business Group	Responsible for the manufacturing and sales of hardware stationery products.
R&D Center	Responsible for the R&D of new products, new technologies and molds, and the production of mold fixtures.
General Management Center	Responsible for business management, rationalization of affairs, project promotion, new business planning, procurement, human resources planning, and information management.
Finance Department	Responsible for financial planning, fund management and dispatch, accounting, stock affairs, and budget management.

II Information on Directors, Supervisors, President, Vice Presidents, Associate Managers, and the Chief Officers of All Divisions and Branch Units

(I) Information on Directors and Supervisors

April 24, 2021

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse/minor shareholding		Shareholding by nominees	
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Chair of the Board	R.O.C.	S.J. Chen	Male	2018.06.22	3 years	1967.10.17	8,248,794	4.53%	6,944,794	3.81%	4,235,376	2.33%	-	-
Director		Jerome Chen	Male	2018.06.22	3 years	2008.06.25	3,129,707	1.72%	3,129,707	1.72%	420,816	0.23%	-	-
Director		Weite Chen	Male	2018.06.22	3 years	2015.06.24	9,327,690	5.12%	10,327,690	5.67%	21,781	0.01%	-	-
Director		Chao-hung Chen	Male	2018.06.22	3 years	2009.06.25	330,406	0.18%	320,406	0.18%	0	0.00%	-	-
Director		Chieh-hsuan Chen	Male	2018.06.22	3 years	2003.06.25	0	0.00%	0	0.00%	0	0.00%	-	-
Independent Director		Wen-i Chiang	Male	2018.06.22	3 years	2015.06.24	0	0.00%	0	0.00%	0	0.00%	-	-
Independent Director		Tsung-ting Chung	Male	2020.06.23	1 year	2020.06.23	0	0.00%	0	0.00%	0	0.00%	-	-
Supervisors		Sheng-yen Hsieh	Male	2018.06.22	3 years	1994.02.19	121,632	0.07%	121,632	0.07%	0	0.00%	-	-
Supervisors		Chiung-ying Chung	Female	2018.06.22	3 years	2015.06.24	1,115,920	0.61%	1,276,920	0.70%	1,792,224	0.98%	-	-

Title	Name	Experience (education)	Other position concurrently held at SDI or other companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Remarks
				Title	Name	Relationship	
Chair of the Board	S.J. Chen	National Chang-Hua Senior School of Commerce Advisor of Science and Technology Advisors Office, Ministry of Economic Affairs Technical Advisory Committee of Metal Industries R&D Centre Executive director of Taiwan Mold and Die Industry Association	Chairman and president of Chao Shin Metal Industrial Corporation Chairman of TEC Brite Technology Co., Ltd. Representative of Shuen Der (B.V.I.) Corporation	Director Director	Jerome Chen Weite Chen	Second degree of kinship First degree of kinship	(Note)
Director	Jerome Chen	Master of Accounting, National Changhua University of Education Vice President, Taiwan Association of Stationery Industries	Vice president of SDI Corporation Chairman of Shuen Der Industry (Jiangsu) Co., Ltd. Supervisor of Chao Shin Metal Industrial Corporation Director of TEC Brite Technology Co., Ltd.	Chair of the Board	S.J. Chen	Second degree of kinship	
Director	Weite Chen	MBA, Rotterdam School of Management	President of SDI Corporation Supervisor of TEC Brite Technology Co., Ltd.	Chair of the Board	S.J. Chen	First degree of kinship	
Director	Chao-hung Chen	Master of Mechanical Engineering, Tatung University	Associate manager of SDI Corporation	-	-	-	
Director	Chieh-hsuan Chen	Ph.D. of Sociology, Tunghai University Professor of the Department of Sociology, Tunghai University Director of the Institute of East Asian Societies and Economies, Tunghai University	Nil	-	-	-	
Independent Director	Wen-i Chiang	Master of Accounting, National Changhua University of Education CPA of Wen-i Chiang Co., CPAs	Nil	-	-	-	
Independent Director	Tsung-ting Chung	Ph.D. in International Relations from Denver University, USA Professor in Business Management Department, National Yunlin Technology University	Nil	-	-	-	
Supervisors	Sheng-yen Hsieh	School of Medicine, China Medical University	Nil	-	-	-	
Supervisors	Chiung-ying Chung	Business Administration, Chung Yu Junior College of Business Administration.	Nil	Chair of the Board Director	S.J. Chen Jerome Chen	In-laws In-laws	

Note: At first, the Chairman concurrently served as the President, but then decided not to do so to strengthen corporate governance and cope with the future operation and development of SDI and the Group. However, due to the first degree of kinship between the two, it is proposed to improve by increasing the number of Independent Directors in the future, and more than half of the Directors should not concurrently serve as employees or managers.

(II) Independence Information on Directors, Supervisors

April 30, 2021

Qualification / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Independence criteria (Note): 1	2	3	4	5	6	7	8	9	10	11	12	Number of other public companies where the individual concurrently serves as an Independent Director
S.J. Chen			✓									✓		✓	✓	-
Jerome Chen			✓					✓				✓		✓	✓	-
Weite Chen			✓									✓		✓	✓	-
Chao-hung Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chieh-hsuan Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Wen-i Chiang		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tsung-ting Chung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Sheng-yen Hsieh		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chiung-ying Chung			✓	✓	✓			✓	✓	✓	✓	✓		✓	✓	-

Note: Please check "✓" the corresponding boxes if the directors and supervisors meet the following conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a manager in the preceding paragraph (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the persons in the preceding paragraph (2) and (3).

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(6) Not a Director, Supervisor or employee of another company controlled by the same person with more than half of the Company's Director seats or voting shares (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(7) Not a Director, Supervisor or employee of another company or institution where the Chairman, President or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with Aurora (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of Aurora and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at Aurora and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual, nor the owner, partner, Director, Supervisor, or manager, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, with a cumulative compensation not exceeding NT$ 500 thousand in the past two years. Provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for M&A, who exercises powers pursuant to Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Does not have a marital relationship with or a relative within the second degree of kinship with any other director of the Company.

(11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

(12) Not a government, juridical person, or its representative as defined in Article 27 of the Company Act is elected.

(III) Information on President, Vice Presidents, Associate Managers, and the Chief Officers of All Divisions and Branch Organizations

April 24, 2021

Title	Nationality	Name	Gender	Commencement (appointment) date	Shareholding: Shares	Shareholding: Shareholding ratio	Spouse/minor shareholding: Shares	Spouse/minor shareholding: Shareholding ratio	Shareholding by nominees: Shares	Shareholding by nominees: Shareholding ratio
President	R.O.C.	Weite Chen	Male	2019.07	10,327,690	5.67%	21,781	0.01%	-	-
Vice President		Jerome Chen	Male	2000.03	3,129,707	1.72%	420,816	0.23%	-	-
Vice President		Jeffrey Chen	Male	2000.03	1,792,224	0.98%	1,276,920	0.70%	-	-
Associate Manager		Chao-hung Chen	Male	2008.02	320,406	0.18%	0	0.00%	-	-
Associate Manager		Ray Huang	Male	2008.02	0	0.00%	0	0.00%	-	-
Associate Manager		James Cheng	Male	2010.10	218,049	0.12%	0	0.00%	-	-

Title	Name	Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
				Title	Name	Relationship	
President	Weite Chen	MBA, Rotterdam School of Management	Supervisor of TEC Brite Technology Co., Ltd.	-	-	-	(Note)
Vice President	Jerome Chen	Master of Accounting, National Changhua University of Education	Chairman of Shuen Der Industry (Jiangsu) Co., Ltd. Supervisor of Chao Shin Metal Industrial Corporation Director of TEC Brite Technology Co., Ltd.	Vice President	Jeffrey Chen	Second degree of kinship	
Vice President	Jeffrey Chen	Bachelor's degree of automated control engineering, Feng Chia University	Director of Chao Shin Metal Industrial Corporation Director and President of TEC Brite Technology Co., Ltd.	Vice President	Jerome Chen	Second degree of kinship	
Associate Manager	Chao-hung Chen	Master of Mechanical Engineering, Tatung University	-	-	-	-	
Associate Manager	Ray Huang	Master of Accounting, National Changhua University of Education	-	-	-	-	
Associate Manager	James Cheng	Master of Business Management, National Changhua University of Education	President of Shuen Der Industry (Jiangsu) Co., Ltd.	-	-	-	

Note: At first, the Chairman concurrently served as the President, but then decided not to do so to strengthen corporate governance and cope with the future operation and development of SDI and the Group. However, due to the first degree of kinship between the two, it is proposed to improve by increasing the number of Independent Directors in the future, and more than half of the Directors should not concurrently serve as employees or managers.

III. Remuneration Paid During the Most Recent Fiscal Year to General Directors, Independent Directors, Supervisors, President, and Vice Presidents

(I) Remuneration to General Directors and Independent Directors (summary by ranges to disclose names)

Unit: NT$ 1,000

Title	Name	Remuneration of Directors (Note 4)								Ratio of total remuneration (A+B+C+D) to net income after tax (%) -		Relevant remuneration received by directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income after tax (%)		Remuneration received from an invested company other than the Company's subsidiaries or parent company
		Base remuneration (A)		Severance pay and pension (B)		Bonus to Directors (C) (Note 1)		Allowances (D)				Salary, bonus and allowances (E) (Note 2)		Severance pay and pension (F) (Note 3)		Employee bonus (G) (Note 1)						
		SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI		All companies in the consolidated financial statements		SDI	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chair of the Board	S.J. Chen	-	-	-	-	4,429	4,754	765	765	1.49	1.58	19,151	20,648	227	227	1,294	-	1,307	-	7.41	7.93	Nil
Director	Jerome Chen																					
Director	Weite Chen																					
Director	Chao-hung Chen																					
Director	Chieh-hsuan Chen																					
Independent Director	Wen-i Chiang	240	240	-	-	400	400	40	40	0.19	0.19	-	-	-	-	-	-	-	-	0.19	0.19	Nil
Independent Director	Tsung-ting Chung (Note 5)																					

Note 1: The shareholders' meeting has not approved SDI's earnings distribution in 2020, and this is the estimated number to be distributed.
Note 2: It includes the total cost of the company car of NT$ 1,789,000, excluding the relevant remuneration paid to the driver NT$ 557,000.
Note 3: It is the contribution of severance pay and pension expenses.
Note 4: In addition to the results of Directors' performance evaluation, the Board of Directors is authorized under the provisions of articles of incorporation to determine the remuneration of directors and independent directors of SDI based on the extent of participation and contribution in the operation of SDI, and taking into account the industry standard.
Note 5: Independent Director Tsung-ting Chung took office on June 23, 2020.

Table of Remuneration Ranges

Range of remuneration paid to Directors		Names of Directors			
		Total of remuneration (A+B+C+D)		Total of remuneration (A+B+C+D+E+F+G)	
		SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements
Less than $ 1,000,000	Director	Chao-hung Chen, Chieh-hsuan Chen, Weite Chen	Chao-hung Chen, Chieh-hsuan Chen, Weite Chen	Chieh-hsuan Chen	Chieh-hsuan Chen
	Independent Director	Wen-i Chiang, Tsung-ting Chung	Wen-i Chiang, Tsung-ting Chung	Wen-i Chiang, Tsung-ting Chung	Wen-i Chiang, Tsung-ting Chung

$ 1,000,000 (inclusive) to $ 2,000,000 (exclusive)	Director	Jerome Chen	Jerome Chen	-	-
$ 2,000,000 (inclusive) to $ 3,500,000 (exclusive)	Director	S.J. Chen	S.J. Chen	Chao-hung Chen	Chao-hung Chen
$ 3,500,000 (inclusive) to $ 5,000,000 (exclusive)	Director	-	-	-	-
$ 5,000,000 (inclusive) to $ 10,000,000 (exclusive)	Director	-	-	Jerome Chen, Weite Chen, J.S.Chen	Jerome Chen, Weite Chen, J.S.Chen
$ 10,000,000 (inclusive) to $ 15,000,000 (exclusive)	Director	-	-	-	-
Total		7 Directors	7 Directors	7 Directors	7 Directors

(II) Remuneration to Supervisors (summary by ranges to disclose names)

Unit: NT$ 1,000

Title	Name	Remuneration of Supervisors						Ratio of total remuneration (A+B+C) to net income after tax (%)		Remuneration received from an invested company other than the Company's subsidiaries or parent company
		Base remuneration (A)		Remuneration (B)(note)		- Allowances (C)				
		SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	
Supervisors	Sheng-yen Hsieh	-	-	400	400	50	50	0.13	0.13	Nil
Supervisors	Chiung-ying Chung									

Note: The shareholders' meeting has not approved SDI's earnings distribution in 2020, and this is the estimated number to be distributed.

Table of Remuneration Ranges

Range of remuneration paid to Supervisors	Name of supervisors	
	Total of remuneration (A+B+C)	
	SDI	All companies in the consolidated financial statements
Less than $ 1,000,000	Sheng-yen Hsieh, Chiung-ying Chung	Sheng-yen Hsieh, Chiung-ying Chung
Total	2 Supervisors	2 Supervisors

(III) Remuneration to President and Vice Presidents (summary by ranges to disclose names)

Unit: NT$ 1,000

Title	Name	Salary (A)		Severance pay and pension (B) (Note 1)		Bonuses and allowances (C) (Note 2)		Employee bonus (D) (Note 3)				Ratio of total remuneration (A+B+C+D) to net income after tax (%)		Remuneration received from an invested company other than the Company's subsidiaries or parent company
								SDI		All companies in the consolidated financial statements				
		SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock	SDI	All companies in the consolidated financial statements	
President	Weite Chen	8,119	9,279	237	237	6,960	7,757	1,329	—	1,329	—	4.77	5.33	Nil
Vice President	Jerome Chen													
Vice President	Jeffrey Chen													

Note 1: It is the contribution of severance pay and pension expenses.
Note 2: It includes the total cost of the company car of NT$ 1,992 thousand.
Note 3: The shareholders' meeting has not approved SDI's earnings distribution in 2020, and this is the estimated number to be distributed.

Table of Remuneration Ranges

Range of remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	SDI	All companies in the consolidated financial statements
$ 3,500,000 (inclusive) to $ 5,000,000 (exclusive)	Jeffrey Chen	-
$ 5,000,000 (inclusive) to $ 10,000,000 (exclusive)	Jerome Chen, Weite Chen	Jerome Chen, Jeffrey Chen, Weite Chen
Total	3 people	3 people

(IV) Name of Managers with Employee Bonus Allocated and the State of Allocation

December 31, 2020/ Unit: NT$1,000

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Weite Chen	—	2,800	2,800	0.80%
	Vice President	Jerome Chen				
	Vice President	Jeffrey Chen				
	Associate Manager	Chao-hung Chen				
	Associate Manager	Ray Huang				
	Associate Manager	James Cheng				

Note: The shareholders' meeting has not approved SDI's earnings distribution in 2020, and this is the estimated number to be distributed.

(V) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income, as Paid by SDI and All Other Companies Included in the Consolidated Financial Statements During the Past Two Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure:

Year	Total Remuneration Paid to Directors, Independent Directors, Supervisors, President, and Vice Presidents		Ratio of total remuneration to net income after tax (%)	
	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements
2019	37,354	40,886	7.60%	8.32%
2020	31,158	33,818	8.92%	9.69%

Total remuneration paid to Directors, Independent Directors, Supervisors, President, and Vice Presidents is determined by the Board of Directors based on the extent of participation and contribution in the operation of SDI and taking into account the industry standard.

IV. Operations of Corporate Governance

(I) Operations of the Board of Directors:

The Board of Directors has held six meetings (A) in the most recent year (from 2020 to the date of publication of the annual report). Attendance of directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Chair of the Board	S.J. Chen	6	0	100%	—
Director	Jerome Chen	6	0	100%	—
Director	Weite Chen	6	0	100%	—
Director	Chao-hung Chen	6	0	100%	—
Director	Chieh-hsuan Chen	5	0	83%	—
Independent Director	Wen-i Chiang	6	0	100%	—
Independent Director	Tsung-ting Chung	4	0	100%	Took office on June 23, 2020

Other matters:

I. With regard to the operation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Independent Directors' opinions and SDI's handling of such opinions shall be specified:
   (I) Matters referred to in Article 14-3 of the Securities and Exchange Act: see material resolutions of the Board of Directors on #page 23# for details.
   (II) In addition to the matters above, the Independent Director has expressed a dissenting or qualified opinion with respect to other proposals resolved by the Board of Directors and has been recorded or prepared as a written declaration: None.

II. Regarding recusals of directors from voting due to conflicts of interests: The Directors recused from discussion and voting on their remuneration.

III. Measures taken to strengthen the functionality of the Board in the current and most recent years (such as establishing an Audit Committee, improving information transparency, etc.) and evaluation of execution process: The Rules of Procedure for the Board of Directors, Measures for Performance Evaluation of the Board of Directors and Functional Committee of SDI have been revised and resolved by the Board of Directors, and the Rules for Director Election have been formulated, which can effectively establish the governance system of the Board of Directors, improve the supervision function and strengthen the management function.

(II) Operations of the Audit Committee or Supervisors' Participation in the Board Meeting:

1. SDI does not have an Audit Committee.
2. Information on Supervisors' participation in the operation of the Board of Directors.

The Board of Directors has held six meetings (A) in the most recent year (from 2020 to the date of publication of the annual report). The attendance of Supervisors is as follows:

Title	Name	Attendance in person as a non-voting participant (B)	Attendance rate as a non-voting participant (%) [B/A]	Remarks
Supervisors	Sheng-yen Hsieh	6	100%	—

Supervisors	Chiung-ying Chung	6	100%	—

Other matters:

I. Composition and responsibilities of Supervisors:

(I) Communication between the Supervisor and employees and shareholders of SDI: Smooth communication channels.

(II) Communications between the Supervisors, the chief internal auditor and CPAs: Good communication.

II. If the Supervisor is present at the Board of Directors and makes a statement: The supervisors have no objection to the board resolution.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		SDI has established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies	No variance
II. Shareholding structure & shareholders' rights				
(I) Does the company establish internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement them in accordance with the procedures?	✓		SDI has a system of spokesperson and deputy spokesperson and has stock affairs personnel and registrar agents, who are in charge of handling shareholder suggestions or disputes.	No variance
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		SDI pays attention to the changes in equity of Directors, Supervisors, managers, and substantial shareholders at any time, and inputs the information every month to the information disclosure website specified by the competent authority for public disclosure.	No variance
(III) Does the company establish and execute the risk management and firewall system within its affiliated companies?	✓		The financial business and accounting of the affiliated companies are operated independently by designated personnel, and the internal control and internal audit system are established following the law and regulations.	No variance
(IV) Does the company establish internal rules against insiders from using undisclosed information in the market to trade securities?	✓		SDI has formulated the Procedures for Handling Material Inside Information.	No variance
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors develop and implement a diversified policy for the composition of its members?	✓		The composition of the Board of Directors of SDI considers diversification, formulates appropriate diversified policies on its operation, business style, and development needs, and regularly conducts performance evaluation to ensure that its members have diverse backgrounds and competencies. The overall abilities of the Board of Directors are as follows: 1. Operational judgment 2. Accounting and financial analysis ability 3. Business management ability 4. Crisis management ability 5. Industrial knowledge 6. International market perspective 7. Leadership 8. Decision making ability. Please refer to table 1 for details of individual Directors' implementation of the diversification policy.	No variance
(II) In addition to the legally required Remuneration Committee and Audit Committee, does the company voluntarily establish other functional committees?		✓	Apart from the Remuneration Committee, there is no other functional committee, which will be added in the future along with SDI's development needs.	In the future, related steps will be taken in accordance with SDI's development needs or legal regulations
(III) Does the company establish the performance evaluation measure and evaluation method of the Board of Directors, conduct a performance evaluation annually and regularly, and submit the results of performance evaluation to the Board of Directors, and apply them as the reference for the salary and remuneration of individual directors and a nomination for renewal?	✓		SDI has formulated the Measures for Performance Evaluation of the Board of Directors, and the performance evaluation shall be conducted annually following the evaluation method. The evaluation results were submitted to the Board of Directors on March 9, 2021.	No variance

(IV) Does the company regularly evaluate the independence of the CPA?	✓		To ensure the reliability of SDI's financial statements and the implementation of corporate governance, SDI regularly evaluates the independence and competence of the CPA every year. The evaluation procedures and standards are as follows: 1. Examine the CPA and members of the audit team are non-stakeholders and meet the independence requirements as shown in table 2. 2. Obtain the independence declaration issued by the CPA and submit it to the Board of Directors for deliberation and approval on March 9, 2021.	No variance
IV. Does the company establish the competent and appropriate number of corporate governance personnel, and designate a chief corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information required by Directors and Supervisors to carry out business, assisting Directors and Supervisors to comply with laws and regulations, handling meeting related matters of the Board of Directors and shareholders' meeting under laws, making minutes of the Board meeting and shareholders' meeting, etc.)?	✓		SDI has appointed a chief corporate governance officer, and the Associate Manager of the financial department is responsible for corporate governance-related matters. The chief corporate governance officer is responsible for providing the data required by Directors and Supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handle meeting related matters of the Board of Directors and shareholders' meeting under laws, and make minutes of the Board meeting and shareholders' meeting. Please refer to #page 36-37# for advanced study in 2020.	No variance
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated section on its website for stakeholders, and properly respond to the major corporate social responsibility issues of concern to stakeholders?	✓		SDI has set up a "dedicated section for stakeholders" on its website to properly respond to major corporate social responsibility issues of concern to stakeholders.	No variance
VI. Does the company appoint a professional shareholder service agency to deal with the affairs of the shareholders' meeting?	✓		SDI has appointed the Stock Affairs Agency of Capital Securities Corp. to handle the affairs of the shareholders' meeting.	No variance
VII. Information disclosure				
(I) Does the company have a corporate website to disclose both the company’s financial standing and corporate governance status?	✓		A website has been set up, and relevant information on financial operations and corporate governance are disclosed regularly or irregularly according to regulations. Company website: www.sdi.com.tw	No variance
(II) Does the company have other information disclosure channels (e.g. setting up an English website, appointing designated people to handle the collection and disclosure of the company's information, implementing the spokesperson system, and webcasting investor conferences on the company's website)?	✓		SDI has designated the personnel to be responsible for declaring the company's regular and irregular financial operation information, set up a spokesperson and a deputy spokesperson in accordance with the regulations to implement the spokesperson system, and placed investor conferences on its website. Reference website: www.sdi.com.tw	No variance
(III) Does the company publish and declare the annual financial report within two months after the end of the fiscal year, and publish and declare the first, second and third quarter financial reports and the monthly operation in advance before the prescribed time limit?		✓	At present, SDI declares its financial report and operation status before the time limit prescribed by the Securities and Exchange Act.	No material difference except annual financial report.

VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchase of liability insurance for directors and supervisors)?	✓		1. Employees' interests: Protect employees' legal interests according to the Labor Standards Act. 2. Employee care: Establish an employee benefits committee to provide various wedding and funeral subsidies, employee children scholarships, and employee travel subsidies. 3. Investor relations: Set up IR specialists to deal with shareholder's suggestions. 4. Supplier partnership: Regularly evaluate and praise suppliers and maintain the relationship between both parties. 5. Stakeholders' rights: SDI has legal personnel. Stakeholders may communicate and make suggestions with SDI to safeguard their legitimate interests. 6. Advanced study of Directors and Supervisors: All Directors and Supervisors of SDI have the professional industrial background and practical experience in business management, and shall keep the Directors and Supervisors informed of the update of relevant laws and regulations on corporate governance. 2020 advanced study was shown in Table 3. 7. Execution process of risk management policies and risk measurement standards: Establish various internal regulations and conduct multiple risk management and assessment under regulations. 8. Execution process of customer policies: SDI maintains a stable and good relationship with customers. 9. The company purchases liability insurance for Directors and Supervisors: Directors, Supervisors, and managers are covered by liability insurance every year.	No material variance
IX. Please explain the improvement made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, in the latest year and provide the priorities and plans for improvement with items yet to be improved. SDI conducts self-evaluation every year based on the corporate governance evaluation project and improves year-by-year based on the index evaluation project to enhance corporate governance. The improvement in 2020 is as follows: 1. Implement the performance evaluation of the Board of Directors. 2. Increase disclosure of the English annual report, financial report, and other information. 3. Increase disclosure of corporate governance items and implementation status. 4. Formulate Ethical Corporate Management Policy, Guidelines of Ethical Management and Procedure, Principles of Corporate Governance Practices, and Policy and Procedure of Risk Management, which were all approved by the Board of Directors. Priority enhancements and measures: Set up Audit Committee, add the seats of independent director, disclose material information in English, strengthen various disclosure.				

Table 1: Implementation of Diversified Policies by Individual Directors

Diversified Core Competences / Names of Directors	Major experience (education)	Basic information						Experience/expertise						
		Gender	Term of Independent Director	Concurrent employee	Age			Operational judgment	Accounting and finance	Business management	Crisis management	Industrial knowledge	International market perspective	Leadership and decision making
					51 to 60	60 to 70	Over 70							
S.J. Chen	National Chang-Hua Senior School of Commerce Advisor of Science and Technology Advisors Office, Ministry of Economic Affairs Technical Advisory Committee of Metal Industries R&D Centre Executive director of Taiwan Mold and Die Industry Association	Male					V	V	V	V	V	V	V	V
Jerome Chen	Master of Accounting, National Changhua University of Education Vice President, Taiwan Association of Stationery Industries	Male		V		V		V	V	V	V	V	V	V
Weite Chen	MBA, Rotterdam School of Management	Male		V	V			V	V	V	V	V	V	V

Chao-hung Chen	Master of Mechanical Engineering, Tatung University	Male		V	V			V		V	V	V	V	V
Chieh-hsuan Chen	Ph.D. of Sociology, Tunghai University Professor of the Department of Sociology, Tunghai University Director of the Institute of East Asian Societies and Economies, Tunghai University	Male				V		V		V	V	V	V	V
Wen-i Chiang	Master of Accounting, National Changhua University of Education CPA of Wen-i Chiang Co., CPAs	Male	Less than 9 years			V		V	V	V	V	V	V	V
Tsung-ting Chung	Ph.D. in International Relations from Denver University, USA Professor in Business Management Department, National Yunlin Technology University	Male	Less than 9 years			V		V		V	V	V	V	V

I. Director/Independent Director concurrently serves as an employee: 42.8%
II. Experience/expertise: shown above.
III. Term of Independent Director: sown above.
IV. Gender and age: shown above.

Table 2: Evaluation Standards for Independence of the CPA

Evaluation item	Evaluation results	Independence
1. Whether the CPA has a direct or material indirect financial interest relationship with SDI	No	Yes
2. Whether the CPA has financing or guarantee activities with SDI or its Directors	No	Yes
3. Whether the CPA has a close business relationship and a potential employment relationship with SDI	No	Yes
4. Whether the CPA and members of the audit team have served as directors, managers or have a significant influence on the audit work in SDI at present or in the last two years	No	Yes
5. Whether the CPA has provided SDI with non-audit services that may directly affect the audit work	No	Yes
6. Whether the CPA holds shares of SDI or affiliated companies	No	Yes
7. Whether the CPA has acted as the defender of SDI or coordinated conflicts with other third parties on behalf of SDI	No	Yes
8. Whether the CPA has a relative relationship with SDI's Directors, managers or personnel who have a significant influence on the audit case	No	Yes

Table 3 Advanced Study of Directors and Supervisors in 2020

Title	Name	Date	Organizer	Course title	Hours of study
Chair of the Board	S.J. Chen	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Director	Jerome Chen	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Director	Weite Chen	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Director	Chao-hung Chen	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Director	Chieh-hsuan Chen	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
		November 12, 2020	Taiwan Stock Exchange	2020 Promotions of Board Supervision on Corporate Governance and Ethical Corporate Management	3
Independent Director	Wen-i Chiang	March 23, 2020	CPA Associations R.O.C.	Anti-money Laundering and Application of Internal Control System to Combat Financing of Terrorism in Accounting Firms	3
		April 10, 2020		CPA Audit Reports and Notes to Financial Statements For Non-profit Organizations	3
		August 24, 2020		Case sharing and Court Case Dealing	1
		September 18, 2020		The Latest Securities Regulation and Practices	3
		October 15, 2020		Risk-oriented Auditing	3
		October 30, 2020		Family trust	6
Independent Director	Tsung-ting Chung	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Supervisors	Sheng-yen Hsieh	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3
Supervisors	Chiung-ying Chung	June 23, 2020	Taiwan Corporate Governance Association	CPA Audit Report, Risk Management, and Responses to Risks	3
		November 04, 2020		Case Study of Corporate Governance Practices	3

(IV) If the Company Has a Compensation Committee in Place, the Composition, Duties, and Operation of the Remuneration Committee Shall be Disclosed:

The Board of Directors of SDI approved the establishment of the Remuneration Committee on Dec. 15, 2011.

1 Information of Remuneration Committee Members

Title	Qualification / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Independence criteria (Note) 1	2	3	4	5	6	7	8	9	10	Number of other public companies where the individual concurrently serves as a Remuneration Committee member	Remarks
Independent Director	Wen-i Chiang		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	—
Independent Director	Tsung-ting Chung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—
Others	Kuo-chao Tseng		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—

Note: Please check "✓" the corresponding boxes if the committee members meet the following conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a manager in the preceding paragraph (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the persons in the preceding paragraph (2) and (3).

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(6) Not a Director, Supervisor or employee of another company controlled by the same person with more than half of the Company's Director seats or voting shares (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(7) Not a Director, Supervisor or employee of another company or institution where the Chairman, President or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiaries, or subsidiaries of the same parent company as concurrently appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (not applicable to independent directors appointed in accordance with the Act or the laws the local regulations, and concurrently served as such at, the company and its parent or subsidiary or a subsidiary of the same parent where the specified company or institution holds more than 20% but less than 50% of the total issued shares of the Company).

(9) Not a professional individual who is an owner, partner, Director, Supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, nor a spouse thereof, with a cumulative compensation not exceeding NT$500 thousand in the past two years. Provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for M&A, who exercises powers pursuant to Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

2. Operational Status of the Remuneration Committee

(1) SDI's Remuneration Committee consists of 3 members.

(2) The term of office of the current member: June 22, 2018 to June 21, 2021. The Remuneration Committee has held two meetings (A) in 2020 and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in person as a non-voting participant (B)	By proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Wen-i Chiang	2	—	100%	—
Committee Member	Tsung-ting Chung	2	—	100%	—
Committee Member	Kuo-chao Tseng	2	—	100%	—

I. Discussion and resolution of Remuneration Committee in 2020:

Remuneration Committee	Proposal content and subsequent treatment	Resolution	SDI's actions in response to the opinions of Remuneration Committee
2020.3.6 The 4th meeting of the 4th Remuneration Committee	1. Review the remuneration distribution plan of SDI's employees, Directors, and Supervisors in 2019. 2. The manager's performance salary adjustment plan of SDI in 2019 is intended to be in accordance with all employees.	Unanimous consent of all members present	Submit to the Board of Directors for resolution
2020.11.4 The 5th meeting of the 4th Remuneration Committee	The current salary standard and structure of SDI's managers are planned to continue to be used.	Unanimous consent of all members present	Submit to the Board of Directors for resolution

II. Other matters:

1. If the Board of Directors does not adopt or amend the recommendation of Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors and SDI's response to the Remuneration Committee's opinion (e.g. if the salary and remuneration passed by the Board of Directors exceed the recommendation of Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
2. If there were resolutions of the Remuneration Committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

(V) The State of the Company's Performance of Social Responsibility, any Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company conduct the risk assessment on environmental, social, and corporate governance issues related to the company's operation based on the principle of materiality, and formulate relevant risk management policies or strategies?	✓		SDI has conducted the risk assessment on environmental, social, and corporate governance issues related to SDI's operation based on the published CSR principles. SDI has formulated internal control management policies related to "Environmental Management and Substance Management Measures," "Management Measures for Business Conduct and Professional Ethics," "Management Measures for Risk and Opportunity Assessment," and so on. On November 4, 2020, the Board of Directors approved the Risk Management Policy and Procedure to fulfill the operation of risk management.	No variance
II. Has the company established exclusively (or concurrently) dedicated units to implement CSR, and has the Board of Directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the Board of Directors?	✓		In 2013, SDI established the CSR Implementation Committee with the Chairman of the Board as the steering committee member to guide CSR policy implementation, and appointed the Director of the management department as the executive secretary, who is responsible for convening meetings and deliberation of CSR implementation matters, review CSR implementing strategy and related specific plans through regular meetings based on the results of stakeholder communication, implement the performance evaluation, report the handling situation to the Board of Directors, and continuously track the improvement through the circular review to achieve SDI's sustainable innovation and growth goals.	No variance
III. Environmental issues				
(I) Does the company establish a proper environmental management system according to its industrial characteristics?	✓		In terms of implementing environmental health and safety activities, other than complying with the relevant domestic regulations, SDI is also in line with the international standards, implementing the environmental safety and health management system, and has obtained the attestation of IATF16949 quality management system, ISO50001 energy management system and OHSAS18001 occupational health and safety management.	No variance
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment?	✓		SDI has continuously passed the international attestation of ISO14001 and HSPM QC80000 hazardous substance process management system and has a sound operating mechanism for industrial environmental impact assessment, business waste classification, management, and reuse.	No variance
(III) Does the company evaluate the potential risks and opportunities of climate change to the enterprise now and in the future, and take measures to deal with climate-related issues?	✓		SDI has established disaster emergency response procedures, strengthened the plant's ability to prevent and control natural disasters, and continued to carry out energy integration and energy-saving program, purchase energy-saving equipment to reduce energy use and carbon emissions, and passed the attestation of ISO 50001 energy management system.	No variance
(IV) Does the company make statistics of greenhouse gas (GHG) emissions, water consumption, and the total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, GHG reduction, water consumption reduction or other waste management?	✓		SDI is committed to establishing a sound risk management system, establishing a GHG emission inventory team, advocating water-saving measures, evaluating the addition of water recycling equipment, and doing a good job in pollution prevention, waste treatment, and water stewardship. In the past two years, SDI has made statistics on GHG emissions, water consumption, and the total weight of waste.	No variance
IV. Social issues				
(I) Has the company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. SDI is a member of the RBA and is based on the RAB Code of Conduct (RAB - Responsible Business Alliance) to formulate relevant policies and management measures in line with international human rights standards 2. SDI's Labor Regulations, Measures of Prevention, Complaint and Treatment of Sexual Harassment at Workplace, Management Measures to Save Child Labor and other internal documents clearly proclaim the protection of the right to work and human rights of employees, including the most basic requirements for compliance with laws and regulations, freedom of	No variance

Evaluation item	Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			employment, humane treatment, equal pay, etc. SDI evaluates and reduce human right risks according to these laws and holds legal compliance lectures and training from time to time, which includes grievance channel explanation during the orientation, preventing workplace bullying and sexual harassment, and occupational safety training. SDI complies with relevant labor regulations, protects the legal interests of employees, and adopts open and two-way communication for the advocacy of company policies and the understanding of employees' opinions.	
(II) Does the company establish and implement reasonable employee benefit measures (including salary, compensated absences, and other benefits), and appropriately reflect the operating performance or results in the employee's salary?	✓		Other than the provisions stipulated of the Articles of Incorporation, if there is any profit in the annual final accounts, SDI shall first allocate 1.5% as the employee compensation. In addition, salary adjustment, quarterly bonuses, and year-end bonuses are paid each year according to performance appraisal through the provision of the special budget approved by the Remuneration Committee, and the Benefit Committee is set up to be responsible for other benefits matters of employees.	No variance
(III) Does the company provide a healthy and safe working environment and organize health and safety training for its employees on a regular basis?	✓		SDI has passed BSI OHSAS18001 safety and health attestation, carried out environment 5S and equipment TPM activities at the workplace, maintained the cleanliness of the workplace and equipment safety protection measures, and conducted regular employee health examination every year.	No variance
(IV) Has the company established effective career development and training plans for its employees?	✓		It is one of SDI's primary corporate social responsibilities to train talents needed by enterprises and society continuously. To confirm the effectiveness of SDI's talent training system, SDI participated in the attestation of Taiwan Training Quality System (TTQS) in 2014, won the gold medal award issued by Workforce Development Agency, Ministry of Labor and earned the National Talent Development Award in 2016.	No variance
(V) Does the company comply with related regulations and international standards in terms of customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and grievance procedures to protect customer rights and benefits.	✓		The Complaints Handling Procedure and Customer Satisfaction Management Procedure are formulated to protect customer rights and benefits, and a customer-oriented quality system is established. The objective method is used to comprehensively evaluate the customer satisfaction with SDI's products or services to understand the gap between customer needs and expectations, as the basis for quality improvement, and achieve the goal of sustainable operation of the enterprise. It is essential for product manufacturers to master the existing and relevant laws and regulations of the environment as it relates to countries and trade organizations where products are sold in the future. At the product design level, SDI measures up several international verifications, such as restriction the generation of hazardous substances (RoHS, REACH, California Proposition 65), and the use of electric stationery (CE) and recycling (WEEE, battery, packaging), let the public trusts SDI's efforts in environmental maintenance and user safety, advances towards the concept of sustainable operation, and establishes a good international corporate image.	No variance
(VI) Does the company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational health and safety, labor rights, and other issues?	✓		SDI has always regarded suppliers as the most important business partners. Through close long-term cooperation relationships with suppliers, SDI seeks to create a win-win niche and takes sustainable operation as the ultimate goal. Based on the CSR Corporate Social Responsibility Code of Conduct and ISO14001 environmental management system, Supplier Management Process, Environmental Management and Substance Management Measures, and other measures are formulated. Through evaluation, assessment (including environmental management, occupational safety, human rights norms, etc.), training, and recognition, sustainable supply chain management will be implemented wholly and concretely.	No variance
V Does the company prepare corporate social responsibility reports and other reports that	✓		SDI's 2019 corporate social responsibility report has been verified by the British Standards Institute (BSI), a third-	No variance

Evaluation item	Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
disclose the company's non-financial information following the international standards or guidelines for preparing reports? Has the aforementioned report obtained the confirmation or assurance opinion of the third-party certification unit?			party impartial unit, and meets GRI G4 Core Option and AA1000 AS 2008 Type 1, Moderate level assurance.	
VI. If the company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: At present, the company has not yet established the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.				
VII. Other important information to facilitate a better understanding of the operation of corporate social responsibility: 1. Environmental protection: SDI has passed ISO14001, QC80000, and ISO50001 and other international attestations, and has a sound operating mechanism for industrial environmental impact assessment, business waste classification, management, and reuse. 2. Community participation, social contribution, social service, and social welfare: SDI has set up the scholarships for underprivileged students through Shuen Der Charity Foundation, a consortium legal entity, and is engaged in social welfare activities such as children's welfare, physical and mental disability welfare, emergency relief, poverty relief, elderly welfare, etc. to fulfill social responsibilities. 3. Consumer rights and benefits: Other than devoting to produce high-quality products, SDI has set up a dedicated consumer line, with dedicated business personnel serving consumers. 4. Safety and health: SDI has passed BSI OHSAS18001 safety and health attestation, implemented 5S environment at the workplace, maintained the cleanliness of the workplace and equipment safety protection measures, and held regular fire drills every year to reduce the risk of contingency.				

(VI) The State of the Company's Performance in the Area of Ethical Corporate Management, any Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Operations			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(一) Does the company formulate its ethical corporate management policies approved by the Board of Directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, and do the board of directors and management work proactively to implement their commitment to those management policies?	✓		SDI has formulated Ethical Corporate Management Policy and Guidelines of Ethical Management and Procedure to clearly specify the ethical management policies and procedures, as well as the commitment of the Board of Directors and management team.	No variance
(II) Does the company establish an evaluation mechanism for the risk of unethical conduct, regularly analyze and evaluate business activities with a high potential unethical conduct within its business scope, and formulate a plan for preventing unethical conduct based on it, which at least covers the preventive measures for conducts in Article 7, paragraph 2, of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		SDI has established the Management Measures for Business Conduct and Professional Ethics. To strengthen the implementation of ethical management, Besides, the Guidelines of Ethical Management and Procedure has been formulated to specify the relevant operating procedure, reporting mechanism, and unethical acts. The operators with substantial control of SDI take the guidelines of not violating the principle of good faith and conduct business activities in a fair and transparent manner following laws and regulations.	No variance
(III) Has the company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and grievance system, and does the company implement them accordingly and regularly review and amend the	✓			

Evaluation item	Operations			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
plans above?				
II. Fulfillment of ethical corporate management				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		Before the transaction, SDI will first evaluate suppliers and check whether they have any records of unethical conduct, maintain the good faith principle with customers, handle customer complaints promptly, and actively take measures to minimize both parties' loss to ensure customer trust.	No variance
(II) Does the company establish an exclusively dedicated unit under the Board of Directors to implement ethical corporate management, and regularly (at least once a year) report to the Board of Directors its ethical management policies, plans for preventing unethical conduct and supervision of implementation?	✓		SDI's Board of Directors approved the Guidelines of Ethical Management and Procedure and assigned General Management Center as the designated unit to carry out and monitor the tasks. The duties are as follows, which will be reported to the Board of Directors at least once a year. 1. Assist in integrating ethics and moral values into the Company's business strategies, and formulate anti-fraud measures to ensure ethical corporate management in compliance with the laws and regulations. 2. Regularly analyze and assess the risks of unethical conduct in the scope of business and adopt accordingly programs to prevent unethical conduct, as well as establish standard operating procedures and guidelines for conduct with respect to the Company's operations and business in each program 3. Plan internal organization, structure, and allocation of responsibilities and establish check-and-balance mechanisms for mutual supervision of business activities within the Company's scope of business which may be at a higher risk of unethical conduct. 4. Promote and coordinate awareness and educational activities with respect to ethical policies. 5. Develop a whistle-blowing system and ensure its implementation effectiveness 6. Assist the Board of Directors and senior management in reviewing and assessing whether the prevention measures taken for the purpose of implementing ethical corporate management are carried out effectively, and prepare reports on the regular assessment of compliance with ethical corporate management in operating procedures 7. Compile and keep documented information related to ethical corporate management policies and statement of compliance, implementation of commitments and status of implementation. The most recent report to the Board of Directors was on March 9, 2021.	No variance
(III) Has the company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		When there is a conflict of interest in any proposal of the Board of Directors, all shall strictly comply with the principle of recusal and shall not participate in discussion and	No material variance

Evaluation item	Operations			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			voting.	
(IV) Has the company established an effective accounting system and internal control system to implement ethical corporate management, and the internal audit unit shall formulate relevant audit plans based on the evaluation results of unethical conduct risks, and check the compliance with the plan for preventing unethical conduct, or entrust a CPA to carry out the audit?	✓		In order to implement ethical management, SDI has established an effective accounting system and internal control system. The internal auditors also check the compliance with the audit plan, prepare an audit report, and submit it to the Board of Directors and Supervisors.	No variance
(V) Does the company regularly hold internal and external educational training on ethical corporate management?	✓		Regularly hold courses such as labor regulations for employees, and send staff to participate in external educational training on ethical management.	No variance
III. Operation of the whistleblowing system				
(I) Does the company have a specific whistleblowing and reward system, establish a convenient whistleblowing channel, and assign appropriate and dedicated personnel to handle the reported object?	✓		SDI formulated Management Measures for Business Conduct and Professional Ethics and Guidelines of Ethical Management and Procedure. Reporting mailbox was provided to employees and the designated personnel is responsible for the reporting matters.	No variance
(II) Does the company establish the standard operating procedures for the reported matters, follow-up measures to be taken after investigation, and relevant confidentiality mechanisms?	✓		SDI formulated Management Measures for Business Conduct and Professional Ethics and Guidelines of Ethical Management and Procedure as the principal guidelines for handling reporting matters and relevant confidentiality. Corresponding measures will be taken according to the level of the case.	No variance
(III) Does the company provide protection to whistleblowers against receiving improper treatment due to whistleblowing?	✓		SDI formulated Management Measures for Business Conduct and Professional Ethics and Guidelines of Ethical Management and Procedure to protect the whistleblowers.	No variance
IV. Enhanced disclosure information				
(I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and the Market Observation Post System?	✓		SDI has disclosed its ethical corporate management policies and the results of its implementation on the company's website. Company website: www.sdi.com.tw	No variance
V. If the company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: The Company has formulated the Ethical Corporate Management Policy and the Guidelines of Ethical Management and Procedure. No deviations were found.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies): None.				

(VII) If the company Has Adopted Corporate Governance Best Practice Principles or Related Bylaws, the Inquiry Method shall be Disclosed:

1. Corporate governance best-practice principles or related bylaws: SDI has formulated Rules of Procedure for the Board of Directors, Rules of Procedure for Shareholders' Meetings, Election Measures for Directors and Supervisors, Procedures for Acquisition or Disposal of Assets, Operational Procedures for Loaning Funds to Others, Operational Procedures for Endorsements/Guarantees, Organizational Rules of Remuneration Committee, and Measures for Performance Evaluation of the Board of Directors and Functional Committees, Ethical Corporate Management Policy, and the Guidelines of Ethical Management and Procedure in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies.
2. For inquiries, please refer to "Corporate Governance" in the "Investor Zone" on our website (http://www.sdi.com.tw).

(VIII) Other Important Information that Would Afford a Better Understanding of the Status of the Company's Implementation of Corporate Governance may also be Disclosed: None.

(IX) The State of Implementation of Internal Control System:

1. Statement on Internal Control

SDI Corporation

Statement of Internal Control System

Date: March 9, 2021

SDI hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

1. SDI acknowledges that the establishment, implementation, and maintenance of an internal control system are the responsibilities of the Board of Directors and managers, and SDI has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
2. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of SDI has self-monitoring mechanisms in place, and SDI will take corrective action against any defects identified.
3. SDI uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "ICS Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in "ICS Regulations" divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment and response; 3. control activities; 4. information and communications; and 5. monitoring. Each constituent element includes a certain number of items. For more information on such items, refer to "ICS Regulations."
4. SDI has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
5. Based on the results of the determination in the preceding paragraph, SDI is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
6. This statement will constitute the main content of SDI's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors of SDI on March 9, 2021, and out of the seven Directors and two Supervisors in attendance, none objected to it and all consented to the content expressed in this statement.

SDI Corporation

Chairman of the Board: Signed by J.S. Chen

President: Signed by Weite Chen

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties Imposed upon the Company and Its Employees in Accordance with the Law, Penalties Imposed by the company upon Its Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report

1. Major resolutions of shareholders' meeting

Date	Resolutions	Execution process
2020.06.23	1. Approved the 2019 annual business report and financial statements and other final accounts.	It has been declared and disclosed on the Company's website in accordance with relevant regulations.
	2. Approved the 2019 earnings distribution plan.	August 5, 2020 is set as the ex-dividend record date, and August 28, 2020 is the issuance date (cash distribution of NT$ 1.8 per share).
	3. Approved the amendments to Operational Procedures for Loaning Funds to Others, Operational Procedures for Endorsements/Guarantees, and Articles of Incorporation	It has been published on SDI's website and will be processed in accordance with the revised content.
	4. By-election of Independent Directors	Candidate elected: Tsung-ting Chung. Approved by the Ministry of Economic Affairs and registered on July 22, 2020.

2. Major resolutions of the Board meeting

Date (terms of meetings)	Resolutions	Matters listed in Article 14-3 of the Securities and Exchange Act	Opinions of Independent Directors and SDI's treatment of opinions
2020.03.06 The 9th meeting of the 18th Board of Directors	1. Approved the bonus distribution plan of employees, directors, and supervisors in 2019.	✓	All Independent Directors approved
	2. Approved the deliberation of 2019 parent company-only financial statements and consolidated financial statements.		
	3. Approved the 2019 earnings distribution plan.		
	4. Approved the 2020 salary adjustment proposal for managers' performance.	✓	
	5. Approved the 2020 business plan.		
	6. Approved the 2019 statement on internal control		
	7. Approved the evaluation review of the independence and competence of the CPA.	✓	
	8. Approved the donation to Shuen Der Charity Foundation.		
	9. Approved the amendments to the Articles of Incorporation."		
	10. Approved the proposal of Management Rules of Financial Statement Consolidation	✓	
	11. Approved the by-election of an Independent Director.	✓	
	12. Approved the convening of the 2020 general shareholders meeting and the acceptance period set for shareholders' proposals and Independent Director's nomination.	✓	
	13. Approved the establishment of a chief corporate governance officer, who will be concurrently held by the chief financial officer.		
	14. Approved the bank financing lines and commitments.		
2020.05.06 The 10th meeting of the 18th Board of Directors	1. Approved the candidate nomination review of independent director proposed by the shareholders	✓	All Independent Directors approved
	2. Approved the renewal and addition of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2020.06.23 The 11th meeting of the 18th Board of Directors	1. Approved the ex-dividend record date of cash dividend and matters related to dividend distribution.		All Independent Directors approved
	2. Approved the contract of academic and industrial collaboration with National Yulin Technology University.	✓	
	3. Approved the joint guarantee provision for subsidiaries.	✓	
2020.08.05 12th Meeting of the 18th Board of Directors	1. Approved the Ethical Corporate Management Policy and the Guidelines of Ethical Management and Procedure	✓	All Independent Directors approved
	2. Approved the abolishment of Election Rules of Directors and Supervisors, and formulated Rules for Director Election.	✓	
	3. Approved the partial amendments to Rules of Procedure for Shareholders' Meetings, Rules of Procedure for the Board of Directors, Organizational Rules of Remuneration Committee, and Measures for Performance Evaluation of the Board of Directors and Functional Committees.	✓	
	4. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2020.11.04 13th Meeting of the 18th Board of Directors	1. Approved the salary standard and structure of managers reviewed by the Remuneration Committee.	✓	All Independent Directors approved
	2. Approved 2021 Audit plan		
	3. Approved the proposal of Principles of Corporate Governance Practices	✓	
	4. Approved the proposal of Risk Management Policy and Procedure.	✓	
	5. Approved the accounts receivable beyond the normal credit period of three months through the third quarter of 2020 are of no financing nature.	✓	
	6. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2021.03.09 14th Meeting of the 18th Board of Directors	1. Approved the bonus distribution plan of employees, directors, and supervisors in 2020.	✓	All Independent Directors approved
	2. Approved the proposal of Remuneration Rules for Independent Directors and Functional Committees	✓	
	3. Approved the 2021 salary adjustment proposal for managers' performance.	✓	
	4. Approved the deliberation of 2020 parent company-only financial statements and consolidated financial statements.		
	5. Approved the 2020 earnings distribution plan.		
	6. Approved the 2021 business plan.		
	7. Approved the 2020 statement on internal control		
	8. Approved the evaluation review of the independence and competence of the CPA.	✓	
	9. Approved the donation to Shuen Der Charity Foundation.		
	10. Approved the partial amendments to Articles of Incorporation, Rules of Procedure for Shareholders' Meetings, Procedures for Acquisition or Disposal of Assets, Operational Procedures for Loaning Funds to Others, and Operational Procedures for Endorsements/Guarantees.	✓	
	11. Approved the accounts receivable beyond normal credit period of three months through the third quarter of 2020 are of no financing nature.	✓	
	12. Approved the acquisition of property designated to the Chairman	✓	
	13. Approved the convening of the 2021 general shareholders meeting and the acceptance period set for shareholders' proposals and the Director's nomination.	✓	
	14. Approved the re-election of Director.	✓	
	15. Approved the release of non-compete clause to newly-elected directors	✓	
	16. Approved the joint guarantee provision for subsidiaries.	✓	

(XII) The Major Content of Any Dissenting Opinion Expressed by a Director or Supervisor with Respect to a Major Resolution Passed by the Board of Directors During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report, where Said Dissenting Opinion Has Been Recorded or Prepared as a Written Declaration: None.

(XIII) A Summary of Resignations and Dismissals of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, and Chief Research and Development Officer During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

V. Information on CPA Professional Fees

(I) Professional fees of CPAs

CPA firm	Name of CPAs		Auditing period	Remarks
Crowe Horwath (TW) CPAs	Chen-yu Yang	Ming-shou Lin	January 1, 2020- December 31, 2020	—

Unit: NT$ 1,000

	Category of fees / Interval of the	Audit fees	Non-audit fees	Total
1	Less than NT$ 2,000 thousand		156	156
2	NT$ 2,000 thousand (inclusive) to NT$ 4,000 thousand	2,650		2,650
3	NT$ 4,000 thousand (inclusive) to NT$ 6,000 thousand			
4	NT$ 6,000 thousand (inclusive) to NT$ 8,000 thousand			
5	NT$ 8,000 thousand (inclusive) to NT$ 10,000 thousand			
6	More than NT$ 10,000 thousand (inclusive)			

CPA firm	Name of CPAs	Audit fees	Non-audit fees					CPA auditing period	Remarks
			System design	Business registration	Human resources	Others (Remarks)	Subtotal		
Crowe Horwath (TW) CPAs	Chen-yu Yang Ming-shou Lin	2,650	0	6	0	150	156	January 1, 2020- December 31, 2020	Mainly the transfer pricing and income tax audit on concurrent business operators, etc.

(II) When non-audit fees paid to the CPA, the accounting firm of the CPA and/or any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees, as well as details of non-audit services, shall be disclosed: None.

(III) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: None.

VI. Information on Replacement of CPAs within the Past Two Fiscal Years or any Subsequent Interim Period:

(I) Regarding the former CPA:

Date of replacement	March 1, 2020		
Reason for the replacement and explanation	The original CPAs of SDI were Zhenyu Yang and Chao-bin Shao. Due to the internal work adjustment of the accounting firm, the CPAs were replaced by Chen-yu Yang and Ming-shou Lin since the first quarter of 2020.		
Specify whether it was the authorizing party or CPA that ended or declined the engagement	Parties / Condition	CPA	The authorizing party
	Voluntarily terminated the authorization	N/A	
	Declined (further) engagement		
Opinions and reasons for issuing an audit report expressing other than an unqualified opinion during the two most recent years	Nil		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of the financial report
			Scope or procedure of auditing
			Others
	Nil	✓	
	Explanation	N/A	
Other disclosures (shall disclose the information set forth in Article 10, subparagraph 6, item 1-4 to item 1-7 of this Regulations)	Nil		

(II) Regarding the successor CPA

Accounting Firm	Crowe Horwath (TW) CPAs
Name of CPA	Chen-yu Yang, Ming-shou Lin
Date of engagement	March 1, 2020
Consultations and the consultation results regarding the accounting treatment or accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the financial report prior to the engagement	Nil
Written views from the successor CPA regarding the matters on which the company did not agree with the former CPA	Nil

(III) The response of the former CPA regarding Article 10, subparagraph 6, item 1 and item 2-3 of this Regulations: Not applicable.

VII. Where the Company's Chairman, President, or any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Company of Such Accounting Firm, the Name and Position of the Person, and the Period During which the Position was Held, Shall be Disclosed: None.

VIII. Changes in Equity of Directors, Supervisors, Managers and Substantial Shareholders

Title	Name	2020		The current fiscal year up to Apr. 30	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chair of the Board	J.S. Chen	(1,304,000)	0	0	0
Director	Jerome Chen	0	0	0	0
Director	Weite Chen	1,000,000	0	0	0
Director	Chao-hung Chen	(8,000)	0	(2,000)	0
Director	Chieh-hsuan Chen	0	0	0	0
Independent Director	Wen-i Chiang	0	0	0	0
Independent Director	Tsung-ting Chung	0	0	0	0
Supervisor	Sheng-yen Hsieh	0	0	0	0
Supervisors	Chiung-ying Chung	(65,000)	0	0	0
Vice President	Jeffrey Chen	(65,000)	0	(100,000)	0
Associate Manager	Ray Huang	0	0	0	0
Associate Manager	James Cheng	0	0	0	0

1. Information on equity transfer

Name	Reasons for equity transfer	Transaction Date	Counterparty	The relationship between the counterparty and the company, directors, supervisors, managers, and shareholders holding more than 10% of the shares	Shares	Transaction price
S.J. Chen	Gift	2020.06.05	Li-hua Chen Wu	Spouse of the Chairman	500,000	-
S.J. Chen	Gift	2020.06.05	Weite Chen	Offspring of the Chairman	804,000	-
Weite Chen	Gift	2020.06.05	Li-hua Chen Wu	Parents of the Chairman	196,000	-
Chiung-ying Chung	Gift	2020.06.05	Tim Chen	Offspring of Supervisor	65,000	-
Jeffrey Chen	Gift	2020.06.10	Tim Chen	Offspring of manager	65,000	-
Jeffrey Chen	Transfer	2021.04.14	CHINE SHUN Investment	Shareholding by Nominees	100,000	-

2. Information on equity pledge: None

3. The shareholding ratio of the top ten shareholders and their relationship

April 24, 2021

Name	Current Shareholding		Spouse/minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remarks
	Shares	Shareholding Ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Weite Chen	10,327,690	5.67%	21,781	0.01%	-	-	S.J. Chen Wei-chao Chen Wei Yung Chen Li-hua Chen Wu	First degree of kinship Second degree of kinship Second degree of kinship First degree of kinship	-
Wei-chao Chen	7,882,417	4.33%	-	-	-	-	S.J. Chen Weite Chen Wei Yung Chen Li-hua Chen Wu	First degree of kinship Second degree of kinship Second degree of kinship First degree of kinship	-
Wei Yung Chen	7,882,185	4.33%	-	-	-	-	S.J. Chen Weite Chen Wei-chao Chen Li-hua Chen Wu	First degree of kinship Second degree of kinship Second degree of kinship First degree of kinship	-
S.J. Chen	6,944,794	3.81%	4,235,376	2.33%	-	-	Weite Chen Wei-chao Chen Wei Yung Chen Li-hua Chen Wu	First degree of kinship First degree of kinship First degree of kinship Spouse	-
Mega International Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Mitsubishi Materials Corporation.	4,667,000	2.56%	-	-	-	-	-	-	-
Fudong Landscape Co., Ltd.	4,500,000	2.47%	-	-	-	-	-	-	-
Representative Willian Chen	746,000	0.41%	-	-	-	-	-	-	-
Li-hua Chen Wu	4,235,376	2.33%	6,944,794	3.81%	-	-	S.J. Chen Weite Chen Wei-chao Chen Wei Yung Chen	Spouse First degree of kinship First degree of kinship First degree of kinship	-
Cathay Life Insurance Co., Ltd.	3,720,000	2.04%	-	-	-	-	-	-	-
Representative Tiao-kuei Huang	-	-	-	-	-	-	-	-	-
Mega International Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Nippon Filcon Co., Ltd.	3,642,000	2.00%	-	-	-	-	-	-	-
Shu-ping Tsai Chen	3,220,000	1.77%	-	-	-	-	S.J. Chen	Relative-in-Law	-

IX. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Affiliated Companies (Note)	Ownership by the Company		Investment by directors, supervisors, managers, and by companies directly or indirectly controlled by the Company		Total Ownership	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
TEC Brite Technology Co., Ltd.	9,896,869	54.98%	3,131	0.02%	9,900,000	55.00%
Chao Shin Metal Industrial Corporation	14,809,864	84.62%	1,949,732	11.14%	16,759,596	95.76%
Shuen Der (B.V.I.) Co.	8,920,000	100.00%	-	-	8,920,000	100.00%

Note: The investment of SDI under equity method.

Chapter IV. Capital Overview

I Capital and Shares

(I) Source of Capital

Year/Month	Issued price	Authorized Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
2021.03	$ 10	270 million shares	$ 2,700 million	182,140,249	1,821,402,490	Cash capital increase, earnings, and capital surplus to capital increase	Nil	Nil

Share Type	Authorized Capital			Remarks
	Issued shares (public listed)	Unissued shares	Total	
Ordinary share	182,140,249	87,859,751	270,000,000	–

Note: Information of self registration: Not applicable

(II) Shareholder Structure

April 24, 2021

Shareholder structure / Item	Government agency	Financial institution	Other institutional shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	3	35	51	16,458	105	16,652
Number of shares held	3,066,000	12,714,000	19,541,873	118,306,562	28,511,814	182,140,249
Shareholding ratio	1.68%	6.98%	10.74%	64.95%	15.65%	100%

(III) Shareholding Distribution Status

April 24, 2021

Range of Shares	Number of shareholders	Shareholding (shares)	Shareholding ratio
1~999	4,501	645,599	0.35%
1,000~5,000	10,640	18,912,710	10.38%
5,001~10,000	807	6,480,669	3.56%
10,001~15,000	172	2,200,158	1.21%
15,001~20,000	113	2,151,136	1.18%
20,001~30,000	133	3,414,505	1.88%
30,001~50,000	80	3,240,051	1.78%
50,001~100,000	73	5,292,171	2.91%
100,001~200,000	32	4,550,178	2.50%
200,001~400,000	37	10,505,950	5.77%
400,001~600,000	14	7,113,494	3.90%
600,001~800,000	10	6,613,000	3.63%
800,001~1,000,000	2	1,807,000	0.99%
1,000,001 or more	38	109,213,628	59.96%
Total	16,652	182,140,249	100%

Note: Unissued preferred share

(IV) List of Substantial Shareholders (shareholding ratio accounts for the top ten shareholders and the number and ratio of shares held)

Please refer to #page 26# of this annual report

(V) Market Price per Share, Net Worth per Share, Earnings per Share, Dividend per Share, and Related Information for the Past Two Years

Unit: 1,000 shares; $

Item		Year	2019	2020	Current fiscal year up to Apr. 30, 2021
Market Price Per Share	Highest		82.90	98.2	104.5
	Lowest		56.10	33.7	76.6
	Average		66.61	55.67	89.47
Net worth per share	Before distribution		30.97	31.18	(Note 1) 31.16
	After distribution		29.17	Undistributed	—
Earnings per share	Weighted average shares		182,140	182,140	(Note 1) 182,140
	Earnings per share		2.7	1.92	(Note 1) 1.02
Dividends Per Share	Cash dividends		1.80	(Note 2) 1.80	—
	Stock dividends	—	—	—	—
		—	—	—	—
	Accumulated undistributed dividends		—	—	—
Return on investment	Price/earnings ratio (Note 3)		24.67	28.99	—
	Price/dividend ratio (Note 4)		37.01	30.93	—
	Cash dividend yield rate (Note 5)		2.70	3.23	—

Note 1: Information reviewed by the CPA as of the first quarter of the current year.
Note 2: The earnings distribution in 2020 has only been approved by the Board of Directors, but not yet approved by the shareholders' meeting.
Note 3: Price/earnings ratio = Average closing price per share for the year/Earnings per share.
Note 4: Price/dividend ratio = Average closing price per share for the year/Cash dividends per share.
Note 5: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

(VI) Company's Dividend Policy and Implementation Thereof

1. Dividend policy set forth in the Articles of Incorporation

In the event the Company's final accounts of the year has earnings, it shall set aside one point five percent as employees' compensation and no more than one point five percent as directors' and supervisors' remuneration. After the Board of Directors resolves for distribution, taxes shall be filed in accordance with laws. Then, ten percent will be set aside as a legal reserve. However, when the legal reserve amounts to the Company's paid-up capital, this may not apply. After setting aside or reversing the special reserve, together with the accumulated undistributed earnings, the Board of Directors shall propose earnings distribution in accordance with the Company's dividends policy under Article 32-1 and submit the same to the Shareholders' Meeting for resolution.

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

2. Status of dividend distributions contemplated in the shareholders' meeting

In 2020, SDI's earnings distribution plan has been proposed by the Board of Directors to issue NT$ 1.8 per share. The Board of Directors is authorized to set the record date for dividend distribution after the resolution of the general shareholders' meeting is passed.

(VII) The Effect upon Business Performance and Earnings per Share of any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting

SDI plans to distribute cash dividends in full this year, so it is not applicable.

(VIII) Compensation of Employees, Directors, and Supervisors

1. The percentages or ranges of compensation of employees, directors, and supervisors compensation as set forth in the Articles of Incorporation:

For SDI's annual profit before tax, before deducting compensation of employees, Directors, and Supervisors, 1.5% should be set aside for employee bonus, and no more than 1.5% for remuneration of Directors and Supervisors. However, if SDI has accumulated deficits in previous years, it shall make up for the deficiency before setting aside employee bonus, Directors, and Supervisors in the current year, and then allocate the balance according to the proportion mentioned in the preceding paragraph. Furthermore, when employee compensation is issued in stock or cash, the distribution object includes the employees of the subordinate company who meet specific requirements.

2. SDI considers corporate operating results and refers to its contribution to SDI's performance, and provides fair return to Directors and managers. From 2020, the Directors will be evaluated based on SDI's measures for performance evaluation of Directors, while managers will be evaluated the same as all employees based on the assessment management method twice a year.
3. The basis for estimating the amount of remuneration of employees, Directors, and Supervisors and calculating the number of shares to be distributed as employee bonus, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
   SDI adopts the profit before tax of the current year before deducting remuneration of employees, Directors, and Supervisors, and sets aside 1.5% and 1.2% for employees' compensation and remuneration of Directors, and Supervisors respectively; estimated employees' compensation is $ 6,536,742 and remuneration of Directors and Supervisors is $ 5,229,394 in 2020, which are distributed in cash by resolution of the Board of Directors on March 9, 2021.
   If there is any difference between the actual distribution amount and the estimated amount, it will be treated according to changes in accounting estimates and adjusted in the following year.
4. Information on any approval by the Board of Directors of distribution of compensation:
   (1) Amount of remuneration distributed to employees, Directors, and Supervisors in cash:
   Information on remuneration distributed to employees, Directors and Supervisors for 2020 is passed by the Board of Directors on March 9, 2021.

Item	Amount	Ratio
Compensation of employees in cash	6,536,742	1.5%
Compensation of directors and supervisors in cash	5,229,394	1.2%

   There is no difference between the annual estimated amount of the remuneration distributed to employees, Directors, and Supervisors proposed by the Board of Directors and the recognized expenses.
   (2) The amount of any employee bonus distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company-only financial statements for the current period and total employee bonus: The employee bonus is planned to be distributed in cash this year, so it is not applicable.
5. The actual distribution of remuneration to employees, Directors and Supervisors for the previous fiscal year, and, if there is any discrepancy between the actual distribution and the recognized amount, the discrepancy, cause, and treatment:
   In the previous year, the employee bonus of NT$ 9,346,985 and the remuneration of Director and Supervisor of NT$ 7,477,588 were distributed. The actual distribution was the same as the original number proposed by the Board of Directors, and there was no difference with the employee bonus of $ NT$ 9,346,985 and the remuneration of Director and Supervisor of NT $ 7,477,588 recognized in the financial statements of 2019.

(IX) Share Repurchases: None.

II. Corporate Bonds: None.
III. Preferred Shares: None.
IV. Global Depository Receipt: None.
V. Employee Stock Options: None.
VI. New Restricted Employee Shares: None.
VII. Issuance of New Shares in Connection with M&A or with Acquisitions of Shares of Other Companies: None.
VIII. Implementation of the Capital Allocation Plans
   (I) Contents of the plan: As of the quarter before the date of publication of the annual report, the previous issuance or private placement of securities has not been completed or has been completed within the last three years, and the planned benefits have not been shown: None.
   (II) Execution process: Regarding the use of each plan mentioned in the preceding paragraph, analyze the implementation status and the comparison with the expected benefits initially as of the quarter the date of publication of the annual report item by item: None.

Chapter V. Operational Highlights

I. Business Activities

(I) Business Scope

1. Business item
   (1) CA02010 Metal structure and building component manufacturing operation.
   (2) CA02030 Screws, nuts, screws and rivets manufacturing operation.
   (3) CA02040 Spring manufacturing operation.
   (4) CA02090 Metal wire products manufacturing operation.
   (5) CA02990 Other metal products manufacturing operation.
   (6) CA03010 Heat treatment industry.
   (7) CC01080 Electronic component manufacturing operation.
   (8) CC01110 Computer and peripheral equipment manufacturing operation.
   (9) CH01030 Stationery manufacturing operation.
   (10) CQ01010 Mold manufacturing operation.
   (11) F401010 International trade.
   (12) I301030 Electronic information supply service.
   (13) J399010 Software publishing.
   (14) In addition to permitted business, businesses that are not prohibited or restricted by law may be operated.
2. Main products and operating proportion

Business item	Operating proportion December 31, 2019	Operating proportion December 31, 2020
Lead frame and electronic stamping parts	81%	82%
Hardware stationery supplies	18%	17%
Others	1%	1%

3. New products planned to be developed
   (1) Lead frame for fast charging high voltage power management of EV electric vehicle charging pile.
   (2) Sensor lead frame for vehicle, power module lead frame for 5G communication.
   (3) New correction tape
   (4) Labor-saving and pen-shape scissors

(II) Industry Overview

1. Overall economic environment and industry trend overview of the Company

In 2020, the global economy is experiencing recession due to effect of US-China trade war and spread of COVID-19. Although government of each country introduced a series of economic regulation and control measures such as QE and interest reduction, impact of restricted action factors on supply and demand of automobile and industrial applications remains significant. On the other hand, demands in such fields as consumption, information communication and electronics are relatively recovered thanks to stay-at-home economy-facilitated effects. SDI’s electronic business group mainly supplies IDM clients worldwide. The sales performance is affected by recession in the terminal demand of the above automobile and industrial applications. In response to the drop in supply and demand, the electronic business group collaborated with the major clients to continue to design more power-related products so as to generate more added value. Internally, SDI implemented numerous smart manufacturing projects and information module application to meet the stricter regulations on quality and follow the trend of production in small volume and large variety. SDI remained low in the cost of electronic materials to cope with the risk brought by the appreciation of the New Taiwan Dollar. In terms of office products, the business was harmed by the US-China Trade War and the COVID-19. We increased the domestic demand, obtained more new clients, and adopted new marketing strategy, which effectively mitigated the impact on the business.

2. Overview of individual industries
   (1) Industry status and development
      ① Semiconductor lead frame

According to WSTS, the global scale of the industry in 2020 is US$ 433 billion, an increase of 5.1% compared to 2019. As the global semiconductor market in 2020 was recovering from 2019, yet it was still affected by the COVID-19. Despite the terrible effect on the automobile industry and the global economy, the semiconductor market grew compared to other markets. This was mainly derived from the emergence of the 5G smartphone that leveled up the market demand. On the other hand, changing lifestyle becomes a potential business opportunity as remote working and online learning are on the rise, increasing the demands of PC, data center and other equipment.

In 2021, semiconductor, EV, 5G, remote demands, and rising prices are becoming the key forces that pushed forward the momentum of chip foundry, IC design, Wi-Fi 6, silicon wafer, material & equipment, in-vehicle electronics, DRAM, passive components, 5G connection facilities, and other raw materials. The semiconductor industry will continue the limited supply in 2020, but can be expected to have a positive growth in 2021. According to WSTS, the growth rate in 2021 will be up to 8.4%. IC Insights, a marketing research institute, also pointed out the 2021 semiconductor market will grow more than 10%.

As the pandemic eases this year, the demand has risen unexpectedly, which caused chip shortage in vehicle and manufacturing suspension; The spread of 5G application also leads to chip delay and shortage. Therefore, it is expected the demand growth will last till the end of 2021 or the beginning of 2022. According to the average of the global semiconductor long-term delivery, the overall semiconductor market rebounds from the recession.

② Hardware stationery supplies

Hardware stationery product line is stable. The functions and design of the consumable products (e.g. pens) are developed to meet the preference of the young generation. As consumer behavior changed and environmental awareness grew, reusable products are favored by the market. SDI has continued to develop new products by focusing on products with changeable concepts and containing patents. The products recently developed received high recognition.

(2) The relevance of upstream, middle and downstream industries

① Semiconductor lead frame

Upstream industry includes IC design, epitaxial, wafer fabrication, photomask, wafer probe, etc.; midstream industry includes semiconductor packaging, packaging materials (gold wire, aluminum wire, copper wire, and epoxy resin), and IC testing; downstream industry includes semiconductor packaging and testing, printed circuit board, 3C products (computer, mobile phone, tablet, audio, TV, home appliances), automotive electronics, industrial electronic equipment, medical electronic equipment, etc.

② Hardware stationery supplies

Hardware stationery supplies are terminal products, without the relevance between the upstream and downstream industries.

(3) Various development trends of products

① Semiconductor lead frame

2020 is a thriving year for EV. Despite the hit of COVID-19, Tesla grew no matter what. As vehicle brands around the world launched pure EVs, the EV annual growth rate reached 43% globally, and the penetration rate came to 4.2%. Based on IDC's Worldwide Autonomous Vehicle Forecast, 2020–2024, the annual compound growth rate of self-driving cars from Level 1 to Level 5 will reach 18.3%. As the vehicles become electronic, the semiconductors needed are two times of a traditional car engine. Thus, in the coming five years, the demand for in-vehicle semiconductors will rise exponentially.

Additionally, the COVID-19 accelerated the digital transformation around the world, prompting the surging demand in PCs, servers, and game consoles, as the home economy becomes mainstream. As the disease outbreak is getting better, 5G connection bases are being deployed, leading to higher demand in 5G phones. There are more applications as 5G is commercialized, which can expect another demand for semiconductors.

As low energy and carbon reduction are in the trend, solar power, wind power, electronic cars, smart electricity network, power management, and power modules have higher demands. This will lead to a more common application and faster development of 3rd-gen semiconductors (SiC, GaN), becoming the main momentum for the semiconductor market in the next decade.

② Hardware stationery supplies

Whether durable goods or expendable products, the products that make consumers simple, easy, time-saving, and labor-saving can win consumers' favor.

(4) Competition

① Semiconductor lead frame

SDI is one of the top five lead frame suppliers in the world, and the largest supplier of power lead frame and discrete lead frame, ranking the leading position in the market, and the main lead frame supplier of various semiconductor integrated device manufacturers (IDM) in the world.

② Hardware stationery supplies

Some of the more mature products will be challenged by the same manufacturers in mainland China in price. However, in recent years, SDI has gradually invested in product innovation. Therefore, the performance was good as we gained more patents and invested in automation. Sales and profit are not affected drastically and are relatively stable.

(III) Technology and R&D Overview

1 R & D expenses invested in 2020 and up to up to the date of publication of the annual report.

In 2020: NT$ 207,140 thousand; as of Apr. 30,2021: NT$ 77,718 thousand.

2. The main technologies or products successfully developed in this year

Non-refillable whiteboard pen, 13 types of transistor lead frames, 16 types of integrated circuit lead frames, 4 rectifier diode lead frames, and 8 types of other electronics.

(IV) Long-term and Short-term Business Development Plans

1. Short-term plans:

As the orders continue to increase, SDI will continue to expand productivity by advancing the new factories construction.

2. Long-term plans:

Adopt existing core technology, discover new energy applications, and provide precision technology solutions.

II. Overview of the Market, Production, and Sales

(I) Market Analysis

1. Sales regions and share of main products

(1) Electronic products: domestic sales account for about 4%, export sales are mainly 38% of the mainland, 30% of Southeast Asia, and the rest are Europe, the United States, Central America, Africa, Northeast Asia, and other regions.

(2) Hardware stationery products: The main sales regions are the United States and Japan, accounting for about 35%, followed by Taiwan, accounting for about 40%, the rest is distributed in Southeast Asia, Central and South America, and Europe.

2. Future supply, demand, and growth of the market

(1) Electronic products: the semiconductor market still grew 5.1% compared to the previous year despite the outbreak of COVID-19. According to WSTS, the growth rate in 2021 will be up to 8.4%. IC Insights, a marketing research institute, also pointed out the 2021 semiconductor market will grow more than 10%. The demand for lead frames will also increase as the semiconductor market grow.

(2) Stationery: The market for hardware stationery is still stable. SDI's advanced knife recently obtained a new order from the United States. The whiteboard pen and markers have entered Japan and Southeast Asia. Sales growth is expected.

3. Advantages and disadvantages of the development prospect

(1) Favorable factors:

① SDI has the largest market share of power products in the world. It is a strategic partnership with the IDM plant, with a solid leading position. At the time of consolidation of the semiconductor industry, SDI has the advantage of getting bigger as the big.

②SDI has a sound constitution and can provide stable supply quality and high-quality services to customers when the external environment and market fluctuate violently.

③ In terms of stationery, SDI has advantages in top R&D team, product development, automation development, and patent edge.

④Good outcomes have been achieved as automation is implemented in production. Production cost can be decreased.

(2) Unfavorable factors

①Automobile products have strict quality requirements and increased quality cost and risk.

②As the New Taiwan Dollar appreciates, the wages in mainland China rise, and counterfeit is rampant, unfair competition became a threat to SDI.

(II)Important Usage and Production Process of Main Products

1. Semiconductor lead frame: for semiconductor packaging.
2. Hardware stationery supplies: for consumer and office use.
3. Production process: raw materials→ stamping and→ electroplating→ finished products.

(III) Supply of Main Raw Materials

Product	Major raw materials	Main supplier
Electronic parts	Copper alloy	Imported from Japan
Stationery	Steel plate strip	Chao Shin Metal Industrial Corp.

(IV) Name and Total Trade Amount of the Customer Who Has Accounted for more than 10% of the Total Amount of Goods Purchased (sold) in any Year of the Last Two Years, the Ratio of Total Sales/Procurement and Reasons for the Increase or Decrease

1. Information on main suppliers in the last two years Unit: $1,000

Item	2019				2020				As of the end of the previous quarter in 2021			
	Name	Amount	Ratio of net purchases in the whole year	Relationship with the issuer	Name	Amount	Ratio of net purchases in the whole year	Relationship with the issuer	Name	Amount	Ratio of net purchases to the previous quarter of the current year	Relationship with the issuer
1	Company A	1,463,391	32.14	-	Company A	449,708	9.38	-	Company A	0	0	-
2	Customer B	266,665	5.86	-	Customer B	549,926	11.47	-	Company B	145,045	9.54	
	Others	2,823,794	62.00		Others	3,793,512	79.15		Others	1,375,818	90.46	
	Net purchase	4,553,850	100.00		Net purchase	4,793,146	100.00		Net purchase	1,520,863	100.00	
Reasons for increase and decrease: Due to the slowdown of semiconductor demand and COVID-19, the purchase amount of materials is reduced.												

2. Information on the main sales customers in the last two years

Unit: NT$ 1,000

Item	2019				2020				As of the end of the previous quarter in 2021			
	Name	Amount	Ratio of net sales in the whole year	Relationship with the issuer	Name	Amount	Ratio of net sales in the whole year	Relationship with the issuer	Name	Amount	Ratio of net sales to the previous quarter of the current year	Relationship with the issuer
1	Customer A	1,443,716	16.33	-	Customer A	1,101,755	13.04	-	Customer A	388,560	15.85	-
2	Customer B	979,531	11.08		Customer B	722,119	8.54		Customer B	271,226	11.06	
	Others	6,416,120	72.59		Others	6,626,737	78.42		Others	1,792,428	73.09	
	Net sales	8,839,367	100.00		Net sales	8,450,611	100.00		Net sales	2,452,214	100.00	
Reasons for increase or decrease: Due to the reduction in customer demand and the decline in the terminal demand of consumer electronics and the automotive products industry, the sales amount is reduced.												

(V) Production Quantity and Value in the Past 2 Years

Unit: 1,000; NT$1,000

Production Volume and Value / Year / Primary commodity	2020			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Electronics	75,000,000	61,680,795	6,727,110	70,000,000	51,225,570	6,350,305
Stationery	700,000	522,880	871,226	700,000	575,792	783,833
Others	-	0	175,616	-	-	169,265
Total	75,700,000	62,203,675	7,773,952	70,700,000	51,801,362	7,303,403

Note: The above products' production volume does not include nails, needles, etc. measured in kilograms.

(VI) Table of Sales Volume & Value for the Most Recent Two Years

Unit: 1,000; NT$1,000

Year / Sales Volume/Value / Primary commodity	2020				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	25,688,260	1,412,782	26,406,238	5,544,861	20,242,745	1,145,638	24,312,983	6,054,965
Stationery	271,077	665,554	342,900	741,391	272,548	635,318	396,980	917,491
Others	0	6.226	0	79,797	-	670	-	85,285
Total	25,959,337	2,164,300	26,749,137	6,286,311	20,515,293	1,781,626	24,709,963	7,057,741

Note: 1. The above products' sales volume does not include nails, needles, etc. measured in kilograms.

2. Total sales value includes the sales allowance.

III. Information on Employees in the Most Recent Two Years and up to the Date of Publication of the Annual Report

Year		2019	2020	Current fiscal year up to April 30, 2021
Number of Employees	Direct labor	1,347	1,458	1,489
	Indirect labor	664	687	698
	Administration	412	413	415
	Total	2,423	2,558	2,602
Average age		35.28	35.28	36.42
Average Service Year		8.72	8.72	8.47
Education distribution ratio	Master degree or above	6.85%	6.63%	6.40%
	College/University	53.57%	54.01%	53.08%
	Senior high school	29.21%	29.16%	29.54%
	Under senior high school	10.36%	10.20%	10.98%

Note: The above number of employees is the number of employees in SDI's consolidated statement.

IV. Environmental Protection Expenditure Information

(I) Losses due to Environmental Pollution in the Most Recent Year as of the Publication of the Annual Report

Item	2020	As of April 30, 2021
Item	Violating Air Pollution Control Act	Nil
Date	2020.09.24	
Official Letter Number	Government-Environment-Air-Pollution Letter No. 109191735	
Regulation	Article 24, Item 2, Air Pollution Control Act	
Contents of penalties	NT$ 100,000	

(II) Future Countermeasures and Improvement Measures:

1. The amount of Dichloromethane used by the units shall comply with the regulations on the certificate.
2. Environment Engineering Department shall monitor the volume of Dichloromethane used.

(III) Expected Environmental Capital Expenditure in the Next Two Years

Year	The proposed acquisition of pollution prevention equipment or expenditure content	Amount
2021	1. Wastewater treatment drug fee (maintenance fee) 2. Waste disposal fee 3. Declare the inspection fee 4. Air pollution fee, soil pollution fee, water pollution fee 5. Improvement of peripheral equipment of wastewater treatment plant 6. Add wastewater chemical treatment system and sludge dehydrator	About $30,000,000.
2022	1. Wastewater treatment drug fee (maintenance fee) 2. Waste disposal fee 3. Declare the inspection fee 4. Air pollution fee, soil pollution fee, water pollution fee 5. Improvement of peripheral equipment of wastewater treatment plant 6. Overall inspection of the environment by the technicians	About $25,000,000

V. Labor Management Relations

(I) Employee Benefits Measures

SDI attaches great importance to employee benefits and set up an Employee Welfare Committee in 1982 to be responsible for all employee benefits matters and has the following benefit measures:

1. Provide employees with an air-conditioned dormitory and equipped with bedding such as quilts and pillows.
2. Establish a staff restaurant to provide a nutritionally balanced lunch and dinner.
3. Provide health insurance, labor insurance, medical/accident insurance, and other benefits for employees, and conduct regular health examinations for employees every year.
4. Subsidize employees' travel and dinner gatherings every year.
5. Provide three festival gifts, birthday gift certificates, various wedding and funeral subsidies, and scholarships for employees and their children.
6. Entertain senior staff for overseas tourism activities.
7. Advise employees to set up associations to provide employees with more fulfilling leisure activities.
8. Arrange physicians to the SDI resident clinic every month.
9. Provide free psychological consultation for employees.
10. Provide nutrition specialist consulting for employees

(II) Advanced Studies and Training of Employees

Employees are the most valuable assets of SDI. To improve the working intelligence, quality, efficiency, and business development of employees, SDI has specially formulated education and training measures for employees and put forward education and training plans every quarter, so that employees can continuously enrich themselves and pursue knowledge in all aspects of work to adapt the development and technological innovation of the enterprise. SDI also introduced the e-learning platform in March 2008. Through the introduction of e-learning, employees' learning and space are more flexible, so their willingness to learn is higher.

Training hours and expenditure in 2020

Item	Total	Annual average per person
Training hour	20,991 hours	19.63 hours
Training person-times	7,120 person-times	6.66 person-times
Training expenditure	NT$ 10,404, 000	NT$ 9,730

Statistics of course categories in 2020

Type	Class hours	Percentage
Personnel and general affairs	2,778	13.23%
Marketing management	649	3.09%
Information management	1,328	6.33%
Finance and accounting	512	2.44%
Quality assurance	3,832	18.26%
Production management	649	3.09%
Research and development:	2,959	14.10%
Business management	6,669	31.77%
Other categories (including language)	1,615	7.69%
Total	20,991	100.00%

(III) Retirement System and Its Implementation

1. To take care of the life of retired employees, SDI formulates employee retirement measures pursuant to the Labor Pension Act and Labor Standards Act:

1-1 The old pension system's management is to establish a labor retirement reserve supervision committee, following the law and allocating the retirement reserve fund to the exclusive account of Bank of Taiwan every month.

Before the end of the year, if the estimated balance of the labor retirement reserve fund account is insufficient to pay the labors expected to meet the retirement conditions in the next year, the difference shall be allocated to the exclusive account at once before the end of March of the following year. The exclusive account is entrusted to the Bureau of Labor Funds of the Ministry of Labor for management. SDI retains no right to influence the investment management strategy.

1-2 For the new pension system, 6% of the employee's monthly salary shall be allocated monthly to the individual retirement account.

Employees who assumed the job before Jun. 30, 2005 may choose either the old system or the new system according to their wishes. In 2020, SDI has a total of 11 people who managed to retire.

2. Founded in March 2012, SDI Retirement Association holds the tenet of “contentment, gratitude, cherishing blessing and cherishing circumstances.” With the full support and financial sponsorship of SDI's senior executives (including substantial shareholders), it not only treats retired colleagues with warm care but also conducts a general meeting every year and holds a tourism event every three months. At the same time, as long as there are weddings and funerals. SDI always mobilizes to participate and gather all SDI people anytime and anywhere to share the fun of retirement life.

(IV) The Agreement between Labor and Management and Protection Measures for Employees' Interests

SDI implements newcomer training on the day each colleague reporting for duty and explains employee interests and complaint channels. In our internal documents such as Labor Regulations, Measures of Prevention, Complaint and Treatment of Sexual Harassment at Workplace, Management Measures to Save Child Labor and other internal documents, which clearly proclaim the protection of the right to work and human rights of employees, including the most basic requirements for compliance with laws and regulations, freedom of employment, humane treatment, equal pay, etc., which are published in internal public documents on the distribution platform, and any colleague can obtain this information at any time.

(V) During the most recent year and up to the publication date of the annual report, SDI has suffered losses due to labor disputes, and has disclosed the estimated amount and corresponding measures that may occur at present and in the future.

As SDI has not experienced labor disputes since its establishment, SDI will continue to strengthen communication and coordination between labor and management and do our best to implement benefits measures to promote more harmonious labor-management relations and eliminate the occurrence of possible labor disputes.

(VI) Code of Conduct or Ethics for Employees

SDI's labor regulations stipulate various codes of conduct or ethics for employees, which are listed as essential items for the year-end assessment. For the implementation of multiple codes, a complete reward and punishment system is also established.

(VII) Environment and Work Safety Achievements

SDI obtained the attestation of the environmental management system (ISO14001) in 2004 and passed the attestation of the BSI OHSAS18001 occupational health and safety management system in 2007, and has set up the 5S audit team at each factory to conduct work environment and health and safety promotion auditing regularly, and carry out the internal audit in combination with occupational health and safety management system (OHSAS-18001 and CNS15506), and entrust British Standards Institute (BSI) to conduct the external audit to supervise SDI's environmental health and safety and improve operations. Zero disasters in the workplace is also an indicator of SDI's operation and management.

(VIII) Manager' Participation in Advanced Study and Training Related to Corporate Governance

Title	Name	Date of study	Course title	Hours of study	Training unit
President	Weite Chen	June 23, 2020	CPA Audit Report, Risk Management, and Responses to Risks	3H	Taiwan Corporate Governance Association
		November 4, 2020	Case Study of Corporate Governance Practices	3H	
Vice President	Jerome Chen	June 23, 2020	CPA Audit Report, Risk Management, and Responses to Risks	3H	Taiwan Corporate Governance Association
		November 4, 2020	Case Study of Corporate Governance Practices	3H	
Vice President	Jeffrey Chen	June 23, 2020	CPA Audit Report, Risk Management, and Responses to Risks	3H	Taiwan Corporate Governance Association
Associate Manager	Chao-hung Chen	June 23, 2020	CPA Audit Report, Risk Management, and Responses to Risks	3H	Taiwan Corporate Governance Association
		November 4, 2020	Case Study of Corporate Governance Practices	3H	

Financial Associate Manager Concurrently Serves as the Chief Officer of Corporate Governance	Ray Huang	April 23, 2020	Analysis of the Competent Authority's Policy of "Assisting Companies in Enhancing the Ability to Prepare Financial Reports" and Internal Control Practices	6H	Accounting Research and Development Foundation
		June 11, 2020	IFRS 16 "Leases"	3H	
		June 11, 2020	Case Analysis for Establishment of Corporate Governance Officer/Personnel Required by the Competent Authority	3H	
		June 23, 2020	CPA Audit Report, Risk Management, and Responses to Risks	3H	Taiwan Corporate Governance Association
		November 4, 2020	Case Study of Corporate Governance Practices	3H	
		September 4, 2020	2020 Prevention of Insider Trading and Equity Transfer by Insiders of Listed Companies	3H	Securities & Futures Institute
Chief Auditor	Daniel Chen	April 16, 2020	Labor Incident Act case analysis	6H	The Institute of Internal Auditors
		June 12, 2020	Analysis of policies that increase the financial report preparation ability and discussion on internal audit and internal control	6H	

VI. Important Contract:

Nature of contract	Parties	The commencement and termination dates of the contracts.	Main contents	Restrictive clauses
Construction contract	Hsing Ya Construction Engineering Co., Ltd.	2019.11.08~2021.03.12	Construction of factory building H in the Nantou plant area.	Nil

Chapter VI. Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Condensed Balance Sheet and Statements of Comprehensive Income

1. Condensed balance sheet – consolidated

Unit: NT$ 1,000

Item \ Year		2016	2017	2018	2019	2020	Financial data for the year ended March 31, 2021
Current assets		5,385,953	5,852,726	6,226,621	5,350,040	5,705,749	6,359,240
Property, plant and equipment		4,370,862	4,480,429	4,762,760	4,566,765	4,416,029	4,384,275
Intangible assets		64,124	67,380	64,431	60,131	53,494	49,461
Other assets		255,539	284,459	327,803	419,634	400,446	447,179
Total assets		10,076,478	10,684,994	11,381,615	10,396,570	10,575,718	11,240,155
Current liability	Before distribution	2,562,782	2,977,212	3,582,590	2,142,924	2,567,398	3,126,926
	After distribution	3,018,133	3,432,563	4,092,583	2,470,776	Undistributed	Undistributed
Non-current liability		2,113,020	2,050,344	1,775,030	2,281,980	1,996,966	1,917,837
Total liabilities	Before distribution	4,675,802	5,027,556	5,357,620	4,424,904	4,564,364	5,044,763
	After distribution	5,131,153	5,482,907	5,867,613	4,752,756	Undistributed	Undistributed
Equity attributable to owners of the parent company		5,102,230	5,346,592	5,702,960	5,641,213	5,679,786	5,857,197
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,125	485,125	485,155	485,257	485,403	485,579
Retained earnings	Before distribution	2,850,034	3,125,018	3,497,585	3,490,123	3,507,622	3,692,653
	After distribution	2,394,683	2,669,667	2,987,592	3,162,271	Undistributed	Undistributed
Other equity interest		(54,332)	(84,954)	(101,183)	(155,570)	(134,642)	(142,438)
Non-controlling interests		298,446	310,846	321,035	330,453	331,568	338,195
Total equity	Before distribution	5,400,676	5,657,438	6,023,995	5,971,666	6,011,354	6,195,392
	After distribution	4,945,325	5,202,087	5,514,002	5,643,814	Undistributed	Undistributed

Note: The financial information above has been audited (reviewed) by CPAs.

2. Condensed statements of comprehensive income - consolidated

Unit: NT$ 1,000

Item \ Year	2016	2017	2018	2019	2020	Financial data for the year ended March 31, 2021
Operating revenue	8,806,341	9,581,050	10,416,495	8,839,367	8,450,611	2,452,214
Gross profit	1,832,369	1,853,270	1,931,458	1,534,930	1,332,379	481,275
Operating profit (loss)	1,049,929	1,061,855	1,099,094	751,084	601,587	267,638
Non-operating income and expenses	(47,034)	(82,943)	41,126	(56,486)	(87,014)	(24,993)
Profit before tax	1,002,895	978,912	1,140,220	694,598	514,573	242,645
Net income (loss)	806,943	779,701	888,569	550,465	401,381	191,658
Other comprehensive income (net, after tax)	(138,335)	(15,472)	(29,660)	(43,492)	17,323	(7,796)
Total comprehensive income	668,608	764,229	858,909	506,973	418,704	183,862
Net income attributable to owners of the parent company	728,035	715,993	828,880	491,566	349,147	185,031
Net income attributable to non-controlling interests	78,908	63,708	59,689	58,899	52,234	6,627
Total comprehensive income attributable to owners of the parent company	591,500	699,713	799,309	448,144	366,279	177,235
Total comprehensive income attributable to non-controlling interests	77,108	64,516	59,600	58,829	52,425	6,627
Earnings per share	4.00	3.93	4.55	2.70	1.92	1.02

Note: The financial information above has been audited (reviewed) by CPAs.

3. Condensed balance sheet - parent company-only

Unit: NT$ 1,000

Item \ Year		2016	2017	2018	2019	2020
Current assets		3,692,456	3,983,590	4,456,580	3,605,936	3,640,357
Property, plant and equipment		2,545,685	2,552,343	2,699,487	2,655,087	2,563,326
Intangible assets		62,196	62,572	61,655	58,741	50,843
Other assets		2,523,472	2,542,984	2,583,430	2,599,142	2,648,011
Total assets		8,823,809	9,141,489	9,801,152	8,918,906	8,902,537
Current liability	Before distribution	1,658,621	1,785,381	2,370,999	1,045,732	1,310,479
	After distribution	2,113,972	2,240,732	2,880,992	1,373,584	Undistributed
Non-current liability		2,062,958	2,009,516	1,727,193	2,231,961	1,912,272
Total liabilities	Before distribution	3,721,579	3,794,897	4,098,192	3,277,693	3,222,751
	After distribution	4,176,930	4,250,248	4,608,185	3,605,545	Undistributed
Equity attributable to owners of the parent company		5,102,230	5,346,592	5,702,960	5,641,213	5,679,786
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,125	485,125	485,155	485,257	485,403
Retained earnings	Before distribution	2,850,034	3,125,018	3,497,585	3,490,123	3,507,622
	After distribution	2,394,683	2,669,667	2,987,592	3,162,271	Undistributed
Other equity interest		(54,332)	(84,954)	(101,183)	(155,570)	(134,642)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	5,102,230	5,346,592	5,702,960	5,641,213	5,679,786
	After distribution	4,646,879	4,891,241	5,192,967	5,313,361	Undistributed

Note: The financial information above has been audited by CPAs.

4. Condensed statements of comprehensive income - parent company-only

Unit: NT$ 1,000

Item \ Year	2016	2017	2018	2019	2020
Operating revenue	6,689,985	7,407,496	8,105,455	6,719,302	6,227,222
Gross profit	1,200,239	1,315,506	1,414,243	1,099,442	876,347
Operating profit (loss)	630,285	748,236	805,892	537,068	352,010
Non-operating income and expenses	238,668	122,330	237,161	69,240	72,007
Profit before tax	868,953	870,566	1,043,053	606,308	424,017
Net income (loss)	728,035	715,993	828,880	491,566	349,147
Other comprehensive income (net, after tax)	(136,535)	(16,280)	(29,571)	(43,422)	17,132
Total comprehensive income	591,500	699,713	799,309	448,144	366,279
Net income attributable to owners of the parent company	728,035	715,993	828,880	491,566	349,147
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	591,500	699,713	799,309	448,144	366,279
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	4.00	3.93	4.55	2.70	1.92

Note: The financial information above has been audited by CPAs.

(II) Name of CPAs and Audit Opinions for the Last Five Years

Year	CPA	Opinion
2016	Ming-shou Lin, Chao-bin Shao	Unqualified opinion
2017	Chen-yu Yang, Chao-bin Shao	Unqualified opinion
2018	Chen-yu Yang, Chao-bin Shao	Unqualified opinion
2019	Chen-yu Yang, Chao-bin Shao	Unqualified opinion
2020	Chen-yu Yang, Ming-shou Lin	Unqualified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) Financial Analyses for the Past Five Fiscal Years - Consolidated

Analysis Item \ Year		2016	2017	2018	2019	2020	Financial data for the year ended March 31, 2021
Financial structure (%)	Ratio of liabilities to assets	46.40	47.05	47.07	42.56	43.16	44.88
	Ratio of long-term capital to property, plant, and equipment	171.90	172.03	163.75	180.73	181.35	185.05
Debt-paying ability (%)	Current ratio	210.16	196.58	173.80	249.66	222.24	203.37
	Quick ratio	120.72	101.91	91.48	124.84	109.40	101.99
	Interest coverage ratio	24.66	21.99	18.96	12.17	9.59	16.43
Operating performance	Accounts receivable turnover rate (times)	4.61	4.55	4.75	4.54	4.65	5.25
	Average collection days	79.18	80.22	76.84	80.40	78.49	69.52
	Inventory turnover rate (times)	3.14	3.09	3.02	2.67	2.63	2.72
	Payables turnover rate (times)	6.91	6.92	7.12	7.80	9.27	7.06
	Average days for sale	116.24	118.12	120.86	136.70	138.78	134.19
	Turnover rate for property, plant and equipment (times)	1.97	2.16	2.25	1.89	1.88	2.22
	Total asset turnover rate (times)	0.88	0.92	0.94	0.81	0.81	0.90
Profitability	Return on asset (%)	8.41	7.84	8.45	5.48	4.27	7.48
	Return on equity (%)	15.36	14.10	15.21	9.18	6.70	12.55
	Income before tax to paid-in capital ratio (%)	55.06	53.74	62.60	38.14	28.25	53.29
	Net profit ratio (%)	9.16	8.14	8.53	6.23	4.75	7.82
	Earnings per share	4.00	3.93	4.55	2.70	1.92	1.02
Cash flow	Cash flow ratio (%)	58.79	25.89	45.64	47.96	41.56	13.17
	Cash flow adequacy ratio (%)	147.11	109.11	104.27	97.08	91.14	68.85
	Cash reinvestment ratio (%)	8.39	2.23	8.12	3.39	4.77	2.62
Leverage	Operating leverage	3.27	3.24	3.29	4.28	4.95	3.33
	Financial leverage	1.04	1.04	1.05	1.08	1.11	1.06

Reasons for the 20% change in financial ratios over the past two fiscal years:

1. The decrease of interest coverage ratio, return on asset, return on equity, income before tax to paid-in capital ratio, net profit ratio, and earnings per share is mainly due to the reduction of profit before tax and net income in the current period compared with the previous period.
2. The increase in cash reinvestment ratio is due to the increase of profit and cash inflows in the current period.

Note: The financial information above has been audited (reviewed) by CPAs.

(II) Financial Analyses for the Past Five Fiscal Years - Parent Company-Only

Analysis Item	Year	2016	2017	2018	2019	2020
Financial structure (%)	Ratio of liabilities to assets	42.18	41.51	41.81	36.75	36.20
	Ratio of long-term capital to property, plant and equipment	281.46	288.21	275.24	296.53	296.18
Debt-paying ability (%)	Current ratio	222.62	223.12	187.96	344.82	277.79
	Quick ratio	137.66	119.39	106.75	168.32	135.47
	Interest coverage ratio	32.78	43.26	49.11	27.56	26.00
Operating performance	Accounts receivable turnover rate (times)	5.33	5.08	5.08	4.83	5.32
	Average collection days	68.48	71.85	71.85	75.57	68.61
	Inventory turnover rate (times)	3.92	3.82	3.63	3.06	2.96
	Payables turnover rate (times)	6.01	6.07	6.21	6.96	8.56
	Average days for sale	93.11	95.55	100.55	119.28	123.31
	Turnover rate for property, plant and equipment (times)	2.54	2.91	3.09	2.51	2.39
	Total asset turnover rate (times)	0.76	0.82	0.86	0.72	0.70
Profitability	Return on asset (%)	8.51	8.14	8.90	5.43	4.05
	Return on equity (%)	14.63	13.70	15.00	8.67	6.17
	Income before tax to paid-in capital ratio (%)	47.71	47.80	57.27	33.29	23.28
	Net profit ratio (%)	10.88	9.67	10.23	7.32	5.61
	Earnings per share	4.00	3.93	4.55	2.70	1.92
Cash flow	Cash flow ratio (%)	64.44	31.27	48.50	78.87	76.49
	Cash flow adequacy ratio (%)	151.82	112.24	106.09	98.06	96.78
	Cash reinvestment ratio (%)	6.23	0.88	5.84	2.53	5.41
Leverage	Operating leverage	3.71	3.19	3.17	4.01	5.46
	Financial leverage	1.04	1.03	1.02	1.04	1.04

Reasons for the 20% change in financial ratios over the past two fiscal years:

1. The increase in the turnover rate of account payable is mainly due to the increase of material price and decrease in payment period.
2. The decrease of interest coverage ratio, return on asset, return on equity, income before tax to paid-in capital ratio, net profit ratio, and earnings per share is mainly due to the reduction of profit before tax and net income in the current period compared with the previous period.
3. The increase in cash reinvestment ratio is due to the increase of profit and cash inflows in the current period.
4. The increase of operating leverage is due to the reduction of operating profit in the current period compared with the previous period.

Note 1: The financial information above has been audited by CPAs.

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities/Total assets.
   (2) The ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net amount of property, plant, and equipment.
2. Debt-paying ability
   (1) Current ratio = Current asset/Current liability
   (2) Quick ratio = (Current asset - Inventory - Prepaid expenses)/Current liability.
   (3) Interest coverage ratio = Income before income tax and interest expense/ Interest expense for this period.
3. Operating performance
   (1) Receivables (including accounts receivable and notes receivable resulting from the operation) turnover rate = Net sales/Balance of average receivables in each period (including accounts receivable and notes receivable resulting from the operation).
   (2) Average collection days = 365/Receivables turnover rate.
   (3) Inventory turnover rate = Cost of sales/Average inventory amount
   (4) Payables (including accounts payable and notes payable from the operation) turnover rate = Cost of sales/Balance of average payables in each period (including accounts payable and notes payable from the operation)
   (5) Average days for sale = 365/Inventory turnover rate.
   (6) The turnover rate for property, plant, and equipment = Net sales/Average net property, plant, and equipment.
   (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
   (1) Return on asset (ROA) = [post-tax profit or loss + Interest expenses × (1 - Tax rate)]/Average total assets.
   (2) Return on equity (ROE) = post-tax profit or loss/Average total equity.
   (3) Net profit ratio = post-tax profit or loss/Net sales.
   (4) Earnings per share (EPS) = (Income attributable to owners of the parent company - Preference dividend)/Weighted average number of shares issued (Note 2)
5. Cash flow
   (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital), (Note 3)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating profit (Note 4)
   (2) Financial leverage = Operating profit/(Operating profit - Interest expenses)

Note 2: When measuring the calculation formula of earnings per share above, the following items shall be paid special attention to:
1. The calculation shall be based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash capital increase or treasury stock transaction, the weighted average number of shares shall be calculated considering the circulation period.
3. Where there are earnings to capital increase or capital surplus to the capital increase, the earnings per share of the previous year and semi-annual shall be adjusted retroactively according to the proportion of capital increase, without considering the issue period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, their dividends (whether issued or not) for the current year shall be deducted from the profit after tax or added to the net loss after tax. If the preferred shares are non-cumulative, in the case of profit after tax, the dividend of the preferred shares shall be deducted from the profit after tax; if there are losses, no adjustment is necessary.

Note 3: Special attention should be paid to the following items during the measurement of cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow of capital investment every year.
3. The increase in inventory is included only when the ending balance is greater than the opening balance. If the ending inventory decreases, it is calculated as zero.
4. Cash dividends include the cash dividends for ordinary shares and preferred shares.
5. The gross property, plant, and equipment refer to total property, plant and equipment before deducting accumulated depreciation.

Note 4: The issuer shall classify all operating costs and operating expenses as fixed and variable according to their nature. If it involves estimation or subjective judgment, the issuer shall pay attention to their rationality and maintain consistency.

Note 5: Relevant ratios of a foreign company to the paid-in capital are now replaced with the ratios to net value.

III. 2020 Supervisors' Review Report

SDI Corporation
Supervisors' Review Report

We hereby approve SDI's 2020 financial statements (including consolidated financial statements), operating reports, and earnings distribution statements prepared and submitted by the Board of Directors. Among these, the financial statements have been audited and completed by Crowe (TW) CPAs and the audit report has been issued. Upon examination by the supervisors, we believe that the above statements and records made and submitted by the Board of Directors contain no discrepancy and have prepared this report in compliance with Article 219 of the Company Act for your review.

To
2021 Annual Shareholders' Meeting of SDI

Supervisors:
Sheng-yen Hsieh

Chiung-ying Chung

March 9, 2021

IV. 2020 Consolidated Financial Statements

(See #page 50-124#)

V. 2019 Parent Company-Only Financial Report Audited by the CPA

(See #page 125-200#)

VI. In Case of Any Difficulties in the Financial Turnover Experienced by SDI and its Affiliated Companies During the Most Recent Years and Up to the Date of Publication of the Annual Report, the Impact on the Financial Position of SDI Shall be Listed as Follows: None.

Chapter VII. Review and Analysis of the Financial Position and Financial Performance, and Risk Issues

I. Review and Analysis of Financial Position

Unit: NT$ 1,000

Item \ Year	December 31, 2020	December 31, 2019	Difference	
			Amount	%
Current assets	5,705,749	5,350,040	355,709	6.65%
Property, plant and equipment	4,416,029	4,566,765	(150,736)	(3.30%)
Intangible assets	53,494	60,131	(6,637)	(11.04%)
Other assets	400,446	419,634	(19,188)	(4.57%)
Total assets	10,575,718	10,396,570	179,148	1.72%
Current liability	2,567,398	2,142,924	424,474	19.81%
Non-current liability	1,996,966	2,281,980	(285,014)	(12.49%)
Total liabilities	4,564,364	4,424,904	139,460	3.15%
Equity attributable to owners of the parent company	5,679,786	5,641,213	38,573	0.68%
Share capital	1,821,403	1,821,403	0	0.00%
Capital surplus	485,403	485,257	146	0.03%
Retained earnings	3,507,622	3,490,123	17,499	0.50%
Other equity interest	(134,642)	(155,570)	20,928	13.45%
Non-controlling interests	331,568	330,453	1,115	0.34%
Total equity	6,011,354	5,971,666	39,688	0.66%

Analysis and clarification of the change in increase and decrease ratio
1. The increase in current liabilities is mainly due to the increase of account payable caused by rising material price.
2. The decrease in non-current liabilities is due to the decrease in long-term loans.

II. Review and Analysis of Financial Performance:

Unit: NT$ 1,000

Item \ Year	**2020**	**2019**	**Increase (decrease)**	**Change ratio**
Net operating revenue	8,450,611	8,839,367	(388,756)	(4.40%)
Operating costs	7,118,232	7,304,437	(186,205)	(2.55%)
Gross profit	1,332,379	1,534,930	(202,551)	(13.20%)
Operating expense	730,792	783,846	(53,054)	(6.77%)
Net operating profit	601,587	751,084	(149,497)	(19.90%)
Non-operating income and expenses	(87,014)	(56,486)	30,528	54.05%
Profit before tax	514,573	694,598	(180,025)	(25.92%)
Income tax expenses	113,192	144,133	(30,941)	(21.47%)
Net income (loss)	401,381	550,465	(149,084)	(27.08%)
Other comprehensive income in the current period	17,323	(43,492)	60,815	139.83%
Total comprehensive income	418,704	506,973	(88,269)	(17.41%)

Analysis and clarification of the change in increase and decrease ratio
1. The decrease in gross profit, net operating income, profit before tax, income tax, and the net income of the current period is caused by the appreciation of exchange rate, COVID-19, and dropping demand in automobile parts with high durability.
2. The increase in non-operating income and expenditure is mainly due to exchange rate appreciation recognized in exchange rate loss.
3. The decrease in other comprehensive income in the current period is due to the reduction of exchange difference in the translation of the financial statements of foreign operations. The decrease in total comprehensive income is mainly due to the reduction of the net income in the current period compared to the previous period.

III. Review and Analysis of Cash Flow

(I) Liquidity Analysis in the Last Two Years

Item \ Year	2020	2019	Increase (decrease) ratio
Cash flow ratio	41.56%	47.96%	(13.34%)
Cash flow adequacy ratio	91.14%	97.08%	(6.12%)
Cash reinvestment ratio	4.77%	3.39%	40.71%
Analysis and clarification of the change in increase and decrease ratio The increase in cash reinvestment ratio is due to the increase of profit and cash inflows in the current period.			

(III) Analysis of Cash Liquidity in the Coming Year

Unit: NT$ 1,000

Initial cash balance	Projected net cash flow from operating activities for the year	Projected cash outflow for the year	Projected cash surplus (shortage)	Measures for managing cash deficit	
				Investment plan	Financial plan
764,179	1,200,000	1,000,000	964,179	–	–

IV. Impact of Material Capital Expenditure on Financial Operations in Recent Years

In recent years, only electronic and stationery production equipment and automatic inspection process are added. The sources of capital are earnings and depreciation, which have no material impact on financial operations.

V. Last Year's Reinvestment Policy, Main Reasons for Profit or Loss, the Improvement Plan and Investment Plan for the Coming Year

(I) Reinvestment Policy

Reinvestment is made based on factors such as operational needs or consideration of SDI's future growth. Besides, a detailed evaluation of the reinvestment business and an investment recommendation proposal are made for the decision-making department as the basis for decision-making. Furthermore, SDI also keeps track of the operating status and analyzes investment results of the invested business at any time as the basis for post-investment management assessment.

(II) Main Reasons for Profit or Loss from the Reinvestment and Improvement Plan

1. Please refer to page 48 of this annual report for the details of the investment profit and loss recognized by the reinvestment business.
2. Subsidiaries such as Chao Shin Metal Industrial Corp. and TEC Brite Technology Co., Ltd. maintained profits in 2020; meanwhile, Suen Der Industry (Jiangsu) Co., Ltd. suffered losses due to the impact of the US-China trade war, and its product structure and customer attributes would be adjusted to improve process efficiency to improve operating performance.

(III) Investment Plan for the Coming Year

Other than SDI's operational needs and capacity expansion, there is no substantial reinvestment plan in the coming year.

VI. Risk Assessment for the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report

(I) The effect upon the company's profits (losses) of interest rate and exchange rate fluctuation, and the inflation, and response measures to be taken in the future:

1. The interest rate has been stable in recent years. In response to the financial expenses, SDI will strengthen its bargaining power with financial institutions and continuously reduce its operating costs.
2. In response to the needs of import and export of exchange, other than adopting natural hedging methods, we should improve the use of the same currency as a revenue and expenditure tool to avoid the impact of fluctuation in exchange.
3. In the face of inflation, we should continue to adjust the proportion of self-made materials, and develop new product plans to increase gross profit and reduce the impact of inflation on SDI.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivative transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

SDI conducts relevant operations under the operating procedures and internal control regulations for loans to others, endorsements, and derivative product transactions. It's mainly for hedging, providing working capital needs of subsidiaries, and not taking high risks and high profits as financial operation objectives.

(III) R&D work to be carried out in the future, and further expenditures expected for R&D work:

Item	Further expenditures expected for R&D work ($ 1,000)
Curved scissor, S-shape scissor	1,400
Marker	1,600
Universal all-sized pencil sharpener	2,000
Heat dissipation lead frames	20,000
High-density molds	10,000

(IV) R&D plan of the latest year, the current progress of unfinished R&D plan, R&D expenses to be reinvested, estimated time to complete mass production, key factors affecting the success of R&D in the future:

1. The R&D plan in the most recent year mainly focuses on the new product development and process automation of electronic and hardware stationery products with the annual R&D appropriation of $ 207,140 thousand, accounting for approximately 3% of the operating revenue.
2. Unfinished R&D progress, R&D expenses to be reinvested, and mass production time:

Item	R&D progress	Expected to be launched (mass production time)	R&D expenses to be reinvested ($ 1,000)
IGBT product development	Under development	2021.06.30	10,000
BMS lead frames for vehicles	Under development	2021.06.30	20,000

3. Key factors affecting the success of R&D in the future
   (1) Participate in the development of new products for customers and establish technical thresholds. (2) Collect big data and establish a feedback system to improve technical capacity. (3) Establish a digital management process to reduce non-technical errors.

(V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None.

(VI) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: SDI introduced the Oracle ERP system in 2000 and upgraded it to version R12 in 2010, which has effectively improved the quality of operating information and decision-making efficiency in response to the application of IFRS and changes in industrial structure.

(VII) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: SDI has always adhered to the business philosophy of integrity, robustness, challenge, and innovation to engage in business activities and to implement various internal controls to meet the challenges of multiple operations.

(VIII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken: None.

(IX) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.

(X) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: SDI adopts decentralized purchases from the supplier and decentralized sales to the customer to avoid centralized risks.

(XI) Effect upon and risk to the company in the event a major quantity of equity belonging to a director, supervisor, or substantial shareholder holding greater than a ten percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: In the past 68 years since the establishment of SDI, directors, supervisors and substantial shareholders have held stable shareholding. There is no risk of the massive transfer of equity except for the gift transfer to relatives each year.

(XII) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: Directors and supervisors of SDI hold stable shareholding, and the industrial environment is relatively mature, and there is no risk of the change in management right.

(XIII) Litigious or non-litigious matters. List any major litigious, non-litigious, or administrative dispute that involves the company or any of its directors, supervisors, president, any person with actual responsibility for the firm, substantial shareholder holding a stake of greater than 10%, or any subordinate companies and that have been concluded by means of a final and unappealable verdict or is still litigation. Where such an outcome could materially affect shareholders' equity or the prices of securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report. None.

(XIV) Other important risks, and mitigation measures being or to be taken: None.

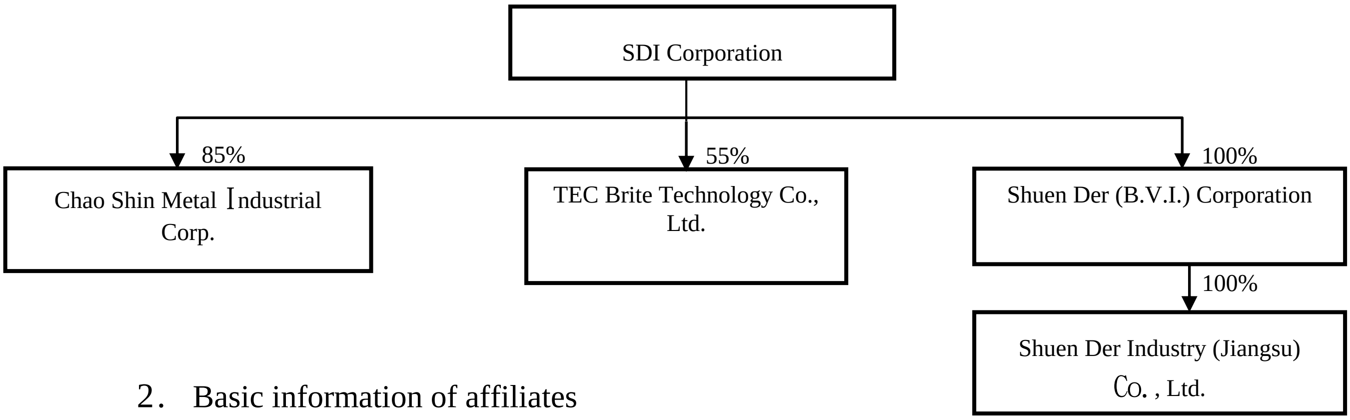
VII. Other Important Matters: None.

Chapter VIII. Special Disclosure

I. Information on the Affiliated Company

(I) Consolidated Business Report of Affiliates

1. Organizational structure of affiliated companies



2. Basic information of affiliates

Date: December 31, 2020

Unit: NT$ 1,000

Name of company	Date of incorporation	Address	Actual paid-in capital	Main Business or Products
SDI Corporation	1967.10.17	No. 260, Sec. 2, Zhangnan Rd., Dazhu Vil., Changhua City. Changhua County, Taiwan	1,821,403	Manufacturing and sales of semiconductor lead frames and hardware stationery products.
Chao Shin Metal Industrial Corp.	1989.03.24	No. 134, Renhe Rd., Xinxing Vil., Nantou City, Nantou County 540, Taiwan	175,007	Production of alloy steel belt, alloy copper belt and special steel belt.
TEC Brite Technology Co., Ltd.	1997.08.01	No. 16, Gongye S. 1st Rd., Xinxing Vil., Nantou City, Nantou County 540, Taiwan	180,000	Electronic components manufacturing and international trade business.
Shuen Der (B.V.I.) Corporation	1997.08.19	Tropic Isle Building P.O.Box 438 Road Town,Tortola B.V.I.	254,042	Holding company
Shuen Der Industry (Jiangsu) Co., Ltd.	1997.11.14	No. 6, Shanghai Road, Zhangjiagang Bonded Area, Jiangsu Province, China	996,800	Manufacturing and sales of stationery and integrated circuit frames. -

Note: The exchange rate is converted according to the ending exchange rate US$ 1 = NT$ 28.48.

3. Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

4. The business and related division of labor between affiliated companies:

Name of company	Operating business	Division of labor in interaction
SDI Corporation	Manufacturing and sales of semiconductor lead frames and hardware stationery products.	1. Purchase etching lead frames and photomask products from TEC Brite Technology Co., Ltd. 2. Purchase hardware stationery and electronic product materials from Chao Shin Metal Industrial Corp. 3. Entrust Shuen Der Industry (Jiangsu) Co., Ltd. as the proxy to process hardware stationery and electronic products. 4. Provide materials or partly-finished gods to Shuen Der Industry (Jiangsu) Co., Ltd.
Chao Shin Metal Industrial Corp.	Production of alloy steel belt, alloy copper belt and special steel belt.	Provide hardware stationery and electronic product materials to SDI Corp.
TEC Brite Technology Co., Ltd.	Electronic components manufacturing and international trade business.	Provide etching lead frames and photomask products to SDI Corp.
Shuen Der (B.V.I.) Corporation	Holding company	Acting for SDI Corp. in the investment business of production and trading.
Shuen Der Industry (Jiangsu) Co., Ltd.	Manufacturing and sales of stationery and integrated circuit frames.	1. Accept the proxy of SDI Corp. to process hardware stationery and electronic products. 2. Purchase materials or partly-finished products from SDI Corp. for manufacturing and sales.

5. Information on directors, supervisors, and presidents of affiliates

December 31, 2020

Name of company	Title	Name or representative	Shareholding: Number of shares	Shareholding: Shareholding ratio
SDI Corporation	Chair of the Board	S.J. Chen	6,944,794	3.81%
	Director	Jerome Chen	3,129,707	1.72%
	Director	Weite Chen	10,327,690	5.67%
	Director	Chao-hung Chen	320,406	0.18%
	Director	Chieh-hsuan Chen	0	0.00%
	Independent Director	Wen-i Chiang	0	0.00%
	Independent Director	Tsung-ting Chung	0	0.00%
	Supervisors	Sheng-yen Hsieh	121,632	0.07%
	Supervisors	Chiung-ying Chung	1,276,920	0.70%
Chao Shin Metal Industrial Corp.	Chairman and President	J.S. Chen, representative of SDI Corp.	14,809,864	84.62%
	Director	Islend Chen, representative of SDI Corp.		
	Director	Jeffrey Chen, representative of SDI Corp.		
	Supervisors	Jerome Chen	370,552	2.12%
TEC Brite Technology Co., Ltd.	Chair of the Board	S.J. Chen	782	0.00%
	Director and President	Jeffrey Chen	783	0.00%
	Director	Jerome Chen	783	0.00%
	Director	Hideyasu Nikaido	783	0.00%
	Director	Hitoshi Saito	0	0.00%
	Supervisors	Weite Chen	783	0.00%
	Supervisors	Makoto Matsumoto	783	0.00%
Shuen Der(B.V.I)	Chair of the Board	J.S. Chen, representative of SDI Corp.	US$ 8.92 million	100%
Shuen Der Industry (Jiangsu) Co., Ltd.	Chair of the Board	Shuen Der (B.V.I) Representative Jerome Chen	US$ 35 million	100%

(II) Operation Overview of Affiliates

Unit: NT$ 1,000; Earnings per share NT$

December 31, 2020

Name of company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Gain (loss) during this period (After tax)	Earnings per share ($) (after tax)
SDI Corporation	1,821,403	8,902,537	3,222,751	5,679,786	6,227,222	352,010	349,147	1.92
Chao Shin Metal Industrial Corp.	175,007	348,641	61,496	287,145	249,245	17,552	14,036	0.80
TEC Brite Technology Co., Ltd.	180,000	899,241	255,639	643,602	732,880	147,909	111,229	6.18
Shuen Der (B.V.I.) Corporation	254,042	1,720,883	0	1,720,883	0	(96)	23,777	-
Shuen Der Industry (Jiangsu) Co., Ltd.	996,800	3,124,968	1,406,427	1,718,542	2,324,966	43,022	23,870	-

Note: The exchange rate is converted according to the ending exchange rate US$ 1= NT$ 28.48, and the average exchange rate US$ 1= NT$ 29.55.

(III) Declaration of Consolidated Financial Report, Audit Report and Consolidated Financial Statements of Affiliated Companies (please refer to #page 49-59#).

II. Private Placement of Securities During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in SDI by the Subsidiaries During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

V. Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

[Appendix I] 2020 Consolidated Financial Statements

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of SDI Corporation as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SDI Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SDI Corporation

By

Chen Jau Shyong
Chairman

March 9, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

We have audited the accompanying consolidated financial statements of SDI Corporation and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are started as follows：

1. Valuation of Inventory Impairment

   Description

   As of December 31, 2020, inventory accounted for 27% of the Group's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

   How our audit addressed the matter

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

2. Revenue Recognition

   Description

   Revenue is used by investors and the Group's management as a key indicator for evaluating the Group's financial or operational performance. As the Group sells its goods to Taiwan, Mainland

China, Malaysia, United States and other areas, overseas warehouses are set up in response to the needs of certain international customers. The Group recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of control of a good transfers to the customer. Therefore, revenue recognition has been identified as a key audit matter.

How our audit addressed the matter

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

Other Matter

We have also audited the parent company only financial statements of SDI Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

March 9, 2021

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

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

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

SDI Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 764,179	7	$ 871,509	8
Financial assets at fair value through profit or loss - current	6(2)	57,302	1	62,947	1
Notes receivable, net	6(3)	146,242	1	108,113	1
Accounts receivable, net	6(4)	1,757,587	17	1,581,447	15
Accounts receivable, net - related parties	7	23,461	-	15,077	-
Other receivables	7	14,117	-	13,779	-
Inventories, net	5、6(5)	2,804,041	27	2,603,477	25
Prepayments	6(6)	92,955	1	71,255	1
Other financial assets - current	6(7)、7	45,249	-	20,493	-
Other current assets		616	-	1,943	-
Total current assets		5,705,749	54	5,350,040	51
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	16,898	-	17,218	-
Property, plant and equipment	5、6(9)	4,416,029	42	4,566,765	44
Right-of-use assets	6(10)	226,979	2	223,701	2
Intangible assets	5、6(11)	53,494	1	60,131	1
Deferred income tax assets	5、6(30)	114,660	1	143,854	2
Other noncurrent assets	6(12)	41,909	-	34,861	-
Total noncurrent assets		4,869,969	46	5,046,530	49
TOTAL		$ 10,575,718	100	$ 10,396,570	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6(13)	$ 788,562	7	$ 772,231	7
Short-term notes and bills payable	6(14)	9,985	-	9,998	-
Contract liabilities - current	6(25)	78,902	1	70,600	1
Notes payable	6(15)	105,124	1	44,509	-
Accounts payable		830,196	8	554,347	5
Accounts payable - related parties	7	-	-	1,513	-
Other payables	6(16)	508,824	5	501,788	5
Other payables - related parties	7	440	-	813	-
Current income tax liabilities	6(30)	76,429	1	35,634	1
Lease liabilities - current	6(10)	10,214	-	5,802	1
Long term liabilities - current portion	6(17)	145,920	1	132,465	1
Other current liabilities		12,802	-	13,224	-
Total current liabilities		2,567,398	24	2,142,924	21
NONCURRENT LIABILITIES					
Long term loans	6(17)	1,424,558	14	1,717,975	17
Deferred income tax liabilities	5、6(30)	299,423	3	289,993	3
Lease liabilities - noncurrent	6(10)	98,046	1	92,720	1
Net defined benefit liability	6(19)	137,552	1	148,350	1
Other noncurrent liabilities		37,387	-	32,942	-
Total noncurrent liabilities		1,996,966	19	2,281,980	22
Total liabilities		4,564,364	43	4,424,904	43
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Common stocks	6(20)	1,821,403	17	1,821,403	17
Capital surplus	6(21)	485,403	5	485,257	4
Retained earnings	6(22)				
Legal capital reserve		865,445	8	815,192	8
Special capital reserve		155,570	1	101,183	1
Unappropriated earnings		2,486,607	24	2,573,748	25
Others	6(23)	(134,642)	(1)	(155,570)	(1)
Equity attributable to shareholders of the parent		5,679,786	54	5,641,213	54
NON-CONTROLLING INTERESTS	6(24)	331,568	3	330,453	3
Total equity		6,011,354	57	5,971,666	57
TOTAL		$ 10,575,718	100	$ 10,396,570	100

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2020		2019	
	NOTES	Amount	%	Amount	%
NET REVENUE	6(25)、7	$ 8,450,611	100	$ 8,839,367	100
COST OF REVENUE	5、6(26)、7	(7,118,232)	(84)	(7,304,437)	(83)
GROSS PROFIT		1,332,379	16	1,534,930	17
OPERATING EXPENSES	6(26)、7				
Marketing		(273,859)	(3)	(266,228)	(3)
General and administrative		(256,243)	(3)	(284,030)	(3)
Research and development		(207,140)	(3)	(226,684)	(2)
Expected credit (loss) gain	6(4)	6,450	-	(6,904)	-
Total operating expenses		(730,792)	(9)	(783,846)	(8)
OPERATING INCOME		601,587	7	751,084	9
NONOPERATING INCOME AND EXPENSES					
Interest income	6(27)	1,439	-	4,055	-
Other income	6(28)	33,664	1	23,976	-
Other gains and losses, net	6(29)	(64,784)	(1)	(26,278)	-
Finance costs		(57,333)	(1)	(58,239)	(1)
Total nonoperating income and expenses		(87,014)	(1)	(56,486)	(1)
INCOME BEFORE INCOME TAX		514,573	6	694,598	8
INCOME TAX EXPENSE	5, 6(30)	(113,192)	(1)	(144,133)	(2)
NET INCOME		401,381	5	550,465	6
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss：					
Remeasurement of defined benefit obligation	6(31)	(4,506)	-	13,618	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6(31)	(320)	-	882	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently	6(30)	971	-	(2,798)	-
Items that may be reclassified subsequently to profit or loss：					
Exchange differences arising on translation of foreign operations	6(31)	26,472	-	(68,992)	(1)
Income tax benefit (expenses) related to items that may be reclassified subsequently	6(30)	(5,294)	-	13,798	-
Other comprehensive income (loss) for the year, net of income tax		17,323	-	(43,492)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 418,704	5	$ 506,973	5
NET INCOME ATTRIBUTABLE TO：					
Shareholders of the parent		$ 349,147	4	$ 491,566	5
Non-controlling interests		52,234	1	58,899	1
		$ 401,381	5	$ 550,465	6
TOTAL COMPREHENSIVE INCOME：					
Shareholders of the parent		$ 366,279	4	$ 448,144	5
Non-controlling interests		52,425	1	58,829	-
		$ 418,704	5	$ 506,973	5
EARNINGS PER SHARE (IN DOLLARS)	6(32)				
Basic earnings per share		$ 1.92		$ 2.70	
Diluted earnings per share		$ 1.92		$ 2.70	

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Capital Stocks		Retained Earnings			Others					
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Attributable to Shareholders of the Parent	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2019	$ 1,821,403	$ 485,155	$ 732,304	$ 84,954	$ 2,680,327	$ (113,793)	$ 12,610	$ (101,183)	$ 5,702,960	321,035	6,023,995
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-	-	-
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-	-	-
Cash dividends to shareholders - NT$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)	-	(509,993)
Donation from shareholders	-	102	-	-	-	-	-	-	102	-	102
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(49,411)	(49,411)
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566	58,899	550,465
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)	(70)	(43,492)
BALANCE, DECEMBER 31, 2019	1,821,403	485,257	815,192	101,183	2,573,748	(168,987)	13,417	(155,570)	5,641,213	330,453	5,971,666
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-	-	-
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	-	(327,852)
Donation from shareholders	-	146	-	-	-	-	-	-	146	-	146
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(51,310)	(51,310)
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147	52,234	401,381
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132	191	17,323
BALANCE, DECEMBER 31, 2020	$ 1,821,403	$ 485,403	$ 865,445	$ 155,570	$ 2,486,607	$ (147,809)	$ 13,167	$ (134,642)	$ 5,679,786	$ 331,568	$ 6,011,354

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

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 514,573	$ 694,598
Depreciation	675,333	716,287
Amortization	20,561	15,820
Expected credit loss (or reversal)	(6,450)	6,904
Loss (gain) on financial assets at fair value through profit or loss	(458)	(509)
Interest expense	57,333	58,239
Interest income	(1,439)	(4,055)
Dividend income	(475)	(1,693)
Gain on disposal of property, plant and equipment	(8,586)	(4,494)
Impairment loss (reversal of impairment loss) on non-financial assets	(4,000)	5,725
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	6,103	(60,013)
Notes receivable	(36,111)	25,392
Accounts receivable	(170,673)	438,461
Inventories	(188,882)	241,177
Prepayments	(23,148)	9,657
Other financial assets	1,023	3,164
Other current assets	(38)	2,160
Contract liabilities	8,277	20,170
Notes payable	59,417	(41,236)
Accounts payable	272,299	(625,831)
Other payables	(1,483)	(113,176)
Other current liabilities	(1,342)	(5,065)
Net defined benefit liability	(14,794)	(8,276)
Other operating liabilities	1,857	(7,230)
Cash provided from operations	1,158,897	1,366,176
Interest received	1,451	4,286
Dividends received	475	1,693
Interest paid	(56,048)	(58,018)
Income taxes paid	(37,806)	(286,344)
Net cash provided by operating activities	1,066,969	1,027,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(489,263)	(576,022)
Proceeds from disposal of Property, plant and equipment	30,360	7,803
Refundable deposits paid	(978)	(1,500)
Acquisition of intangible assets	(27,535)	(10,828)
Acquisition of right-of-use assets	-	(51,773)
Decrease (increase) in other financial assets	(24,258)	43,267
Net cash used in investing activities	(511,674)	(589,053)

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	$ 4,269	$ (58,620)
Increase in short-term notes and bills payable	-	10,000
Proceeds from long-term loans	437,050	777,831
Repayment of long-term loans	(710,000)	(720,000)
Repayment of the principal portion of lease liabilities	(9,012)	(10,378)
Increase (decrease) in other noncurrent liabilities	(3,725)	1,293
Cash dividends paid	(327,852)	(509,993)
Increase (decrease) in non-controlling interests	(51,310)	(49,411)
Net cash used in financing activities	(660,580)	(559,278)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,045)	(3,627)
NET INCRAESE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,330)	(124,165)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	871,509	995,674
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 764,179	$ 871,509

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

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

1. ORGANIZATION AND OPERATIONS

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 9, 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IAS 9 , IAS 39 and IAS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendment to IFRS 16 "Covid-19-related rent concessions"	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by the FSC.

Based on the Group's assessment, except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have significant effect on the Group's accounting policies.

(1) Amendments to IAS 1 and IAS 8 "Definition of Material"

These amendments clarify that Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group applies these amendments starting from January 1, 2020, utilizing the concept of "that could reasonably be expected to influence the primary users" as materiality consideration, adjusting the disclosures of the consolidated financial statements, and removing immaterial information that may obscure material information.

(2) Amendment to IFRS 16 "Covid-19-related rent concessions"

The Group elected to early apply the practical expedient provided in these amendments on January 1, 2020 to account for the rent concessions directly related to Covid-19. Please refer to Note 4 for relevant accounting policies. As the rent concessions started from 2020, there was no effect on the opening balance of retained earnings at January 1, 2020.

Prior to applying these amendments, the Group shall first assess whether the rent concessions would result in a lease modification and then apply the appropriate accounting treatments for lease modifications.

3.2 Effect of new issuances and amendments to IFRSs endorsed by the FSC but not yet adopted by the Group:

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Temporary exemption from IFRS 9"	June 25, 2020, the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"	January 1, 2021 (Note)

Note : The Group shall apply the amendments for annual reporting periods beginning on or after January 1, 2021.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of	To be determined by

New IFRSs	Effective Date Announced by IASB (Note 1)
Assets between An Investor and Its Associate or Joint Venture"	IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IRFS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 5)
Amendments to IAS 1 "Disclosures of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023

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

Note 2 : The Group shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the Group first applies the amendments.

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

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

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

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

These amendments clarify that, when determining whether a liability is current or noncurrent, the Group shall assess if it has a right to defer the settlement of the liability for at least twelve months after the reporting period. If the Group has such a right at the end of the reporting period, the liability is classified as noncurrent no matter whether the Group anticipates to exercise that right or not.

The right to defer settlement exists at the end of the reporting period only if the Group complies with specified conditions at the end of the reporting period. The Group must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. For the purpose of classifying a liability as current or noncurrent, settlement refers to a transfer of cash, other economic resources, or the

Group's own equity instruments to the counterparty that results in the extinguishment of the liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the Group's own equity instruments do not affect its classification as current or non-current if, applying IAS 32 Financial Instruments: Presentation, the Group classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.

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

These amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards.

The Group shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. The cumulative effect of initially applying the amendments shall be recognize as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented with comparative information restated.

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

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others. The Group will recognize the cumulative effects of initially applying these amendments to the opening balance of retained earnings at the date of initial application.

(4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

(5) Annual Improvement to IFRS Standards 2018-2020

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

(6) Amendments to IAS 1 "Disclosures of Accounting Policies"

These amendments improve the disclosures of accounting policies to provide primary users of financial statements with more useful information.

(7) Amendments to IAS 8 "Definition of Accounting Estimates"

These Amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and provide further explanations and examples to help entities distinguish changes in accounting policies from changes in accounting estimates.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Statement of Compliance

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

4.2 Basis of Preparation

A. Except for the following significant items, the accompanying consolidated financial statements have been prepared on the historical cost basis:

(a) Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments).

(b) Financial assets and liabilities at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of consolidated financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

4.3 Basis of consolidation

A. **Basis for preparation of consolidated financial statements:**

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

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

B. **Subsidiaries included in the consolidated financial statements:**

			Percentage of Ownership	
Name of investor	Name of subsidiary	Main business activities	2020. 12. 31	2019. 12. 31
The Company	SHUEN DER (B.V.I.) (B.V.I.) CO.	Investing activities	100%	100%

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership 2020. 12. 31	Percentage of Ownership 2019. 12. 31
SHUEN DER (B. V. I.)	(SHUEN DER(B.V.I.)) SDI China (SDI(JIANGSU))	Office supplies (Blades, stationery, etc.) and manufacturing and processing of electronic components	100%	100%
The Company	CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Smelting and Rolling of metal strips	84. 62%	84. 62%
The Company	TEC BRITE TECHNOLOGY CO.,LTD. (TEC Brite Technology)	Manufacturing of electronic components and international trade	54. 98%	54. 98%

The subsidiaries consolidated in the consolidated financial statements of 2020 and 2019 were audited by the Company's independent auditors.

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

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

Name of subsidiary	Percentage of Ownership of Non-controlling Interest December 31, 2020	Percentage of Ownership of Non-controlling Interest December 31, 2019
TEC Brite Technology	45. 02%	45. 02%

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

Name of subsidiary	Profit or Loss Distribute to Non-controlling Interest 2020	Profit or Loss Distribute to Non-controlling Interest 2019
TEC Brite Technology	$ 50,075	$ 54,639
Others	2,159	4,260
Total	$ 52,234	$ 58,899

Name of subsidiary	Non-controlling Interest December 31, 2020	Non-controlling Interest December 31, 2019
TEC Brite Technology	$ 288,554	$ 286,810

Name of subsidiary	Profit or Loss Distribute to Non-controlling Interest 2020	2019
Others	$ 43,014	$ 43,643
Total	$ 331,568	$ 330,453

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

Balance sheets

	TEC Brite Technology December 31, 2020	December 31, 2019
Current assets	$ 555,295	$ 572,703
Non-current assets	343,946	343,630
Current liabilities	(126,263)	(130,317)
Non-current liabilities	(129,376)	(146,280)
Equity	$ 643,602	$ 639,736
Equity attributable to :		
Shareholder of the parent	$ 353,852	$ 351,727
Non-controlling Interests of TEC Brite Technology	289,750	288,009
Total	$ 643,602	$ 639,736

Statements of comprehensive incomes

	TEC Brite Technology 2020	2019
Revenue	$ 732,880	$ 720,241
Net profit for the period	111,229	119,548
Other comprehensive income	637	(293)
Total comprehensive income for the period	$ 111,866	$ 119,255
Net profit attributable to :		
Shareholder of the parent	$ 61,154	$ 65,727
Non-controlling Interests of TEC Brite Technology	50,075	53,821
Total	$ 111,229	$ 119,548

	TEC Brite Technology	
	2020	2019
Total comprehensive income attributable to :		
Shareholder of the parent	$ 61,504	$ 65,566
Non-controlling interests of TEC Brite Technology	50,362	53,689
Total	$ 111,866	$ 119,255
Dividends paid to non-controlling interests		
TEC Brite Technology	$ (48,619)	$ (44,567)

Statements of cash flows

	TEC Brite Technology	
	2020	2019
Net cash generated from operating activities	$ 129,587	$ 149,578
Net cash used in investing activities	(56,324)	(9,775)
Net cash used in financing activities	(123,828)	(114,577)
Net increase(decrease) in cash and cash equivalents	(50,565)	25,226
Cash and cash equivalents at beginning of year	195,144	169,918
Cash and cash equivalents at the end of year	$ 144,579	$ 195,144

4.4 Foreign Currencies

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

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

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

4.5 Classification of Current and Noncurrent Assets and Liabilities

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

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

4.6 Cash and cash equivalents

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

4.7 Financial Instruments

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

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

A. Financial assets

(a) Measurement categories

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

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investment in equity instruments at FVTOCI

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

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

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

(b) Impairment of financial assets

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

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

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

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

(c) Derecognition of financial assets

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

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

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

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

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

B. Equity instruments

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

C. Financial liabilities

(a) Subsequent measurement

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

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

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

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

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

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

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

(b) Derecognition of financial liabilities

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

4.8 Inventories

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

4.9 Property, Plant and Equipment

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

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

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

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

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

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

4.10 Leases

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

A.The Group as lessee

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

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

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

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

<u>Lease liabilities</u>

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

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

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

4.11 Intangible Assets

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

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

4.12 Impairment of non-financial assets

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

4.13 Employee Benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. However, if the accrued amount for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amount as resolved by board of directors meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

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

4.14 Capital Stock and Treasury Stock

A. Capital stock

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

B. Treasury Stock

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

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

4.15 Income Tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. According to Income Tax Act of ROC, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.
D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred tax assets are reassessed.
E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

4.16 Revenue Recognition

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

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

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

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

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

A. Revenue from sale of goods

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

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

B. Revenue from rendering of services

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

4.17 Borrowing Costs

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

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

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

4.18 Government Grants

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND

UNCERTAINTY

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

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

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

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

B. Lease terms

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

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

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

B. Impairment of tangible and intangible assets

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

C. Realizability of deferred tax assets

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

D. Evaluation of inventories

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

E. Calculation of accrued pension obligations

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

F. The lessee's incremental borrowing rate

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 958	$ 1,173

Items	December 31, 2020	December 31, 2019
Checking accounts and demand deposits	$ 763,221	$ 868,336
Cash equivalents		
Time deposits (original maturities within three months)	–	2,000
Total	$ 764,179	$ 871,509

(1) Time deposits with original maturities over three months was classified as other current financial assets as of December 31, 2020 and 2019.

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

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

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL		
Non-derivative financial assets		
Funds	$ 57,302	$ 62,947
Total	$ 57,302	$ 62,947

(1) The Group recognized net profit or loss of FVTPL for the years ended December 31, 2020 and 2019 are ($2,639) thousand and $509 thousand.

(2) Financial instruments at fair value through profit or loss of the Group are not pledged to others.

6.3 NOTES RECEIVABLE

Items	December 31, 2020	December 31, 2019
Amortized at cost		
Gross carrying amount	$ 146,342	$ 108,213
Less: Loss allowance	(100)	(100)
Notes receivable, net	$ 146,242	$ 108,113

(1) As of December 31, 2020 and 2019 the banker's acceptance bill of the Group was $122,214 thousand and $83,629 thousand, respectively. Short-term bank loans with

bankers' acceptance bill as collaterals and pledges for writing bankers' acceptance bill as payments, please refer to Note 8.

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

6.4 ACCOUNTS RECEIVABLE

Items	December 31, 2020	December 31, 2019
Amortized at cost		
Gross carrying amount	$ 1,771,701	$ 1,603,560
Less: Loss allowance	(14,114)	(22,113)
Accounts receivable, net	$ 1,757,587	$ 1,581,447

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

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

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

December 31, 2020

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,863,311	$ (6,521)	$ 1,856,790
Past due but not impaired			
Past due within 30 days	46,847	(2,256)	44,591
Past due 31-90 days	26,238	(2,851)	23,387
Past due 91-180 days	3,518	(996)	2,522

December 31, 2020

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Past due 181-365 days	$ 278	$ (278)	$ –
Past due over 365 days	9,484	(9,484)	–
Total	$ 1,949,676	$ (22,386)	$ 1,927,290

December 31, 2019

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,612,515	$ (5,355)	$ 1,607,160
Past due but not impaired			
Past due within 30 days	66,158	(2,799)	63,359
Past due within 30 days	35,567	(5,219)	30,348
Past due 31-90 days	6,363	(2,593)	3,770
Past due 91-180 days	1,517	(1,517)	–
Past due 181-365 days	12,866	(12,866)	–
Total	$ 1,734,986	$ (30,349)	$ 1,704,637

(4) the loss allowances of notes receivable and accounts receivable, including those from related parties and overdue receivables, were as follows:

Items	Years Ended December 31 2020	2019
Balance, January 1	$ 30,349	$ 24,015
Add: Provision for (Reversal of) impairment	(6,450)	6,904
Less: Amounts written off	(1,616)	–
Effect of exchange rate changes	103	(570)
Balance, December 31	$ 22,386	$ 30,349

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

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

6.5 INVENTORIES AND COST OF SALES

Items	December 31, 2020	December 31, 2019
Raw materials	$ 977,419	$ 849,191
Work-in-process	918,704	996,345
Finished goods	777,533	678,196
Goods	42,205	31,370
Inventory in transit	88,180	48,375
Total	$ 2,804,041	$ 2,603,477

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

Items	2020	2019
Loss on decline (gain on reversal) in market value of inventories	$ (5,520)	$ (4,806)
Unallocated fixed FOH	10,169	10,226
Loss on inventory given up	69,939	79,166
Total	$ 74,588	$ 84,586

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

6.6 PREPAYMENTS

Items	December 31, 2020	December 31, 2019
Prepaid expenses	$ 28,432	$ 31,272
Prepayment for purchases	32,814	13,863
Input tax	10,280	7,369
Overpaid VAT	9,712	6,434
Others	11,717	12,317
Total	$ 92,955	$ 71,255

6.7 OTHER FINANCAIL ASSETS-CURRENT

Items	December 31, 2020	December 31, 2019
Pledged time deposits	$ 20,917	$ 10,338
Restricted deposits	24,332	10,155
Total	$ 45,249	$ 20,493

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

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

Items	December 31, 2020	December 31, 2019
Equity instrument		
Unlisted stock	$ 2,203	$ 2,203
Valuation Adjustments	14,695	15,015
Total	$ 16,898	$ 17,218

(1) The Group invests in unlisted stocks for medium and long-term strategic purposes and seeks a profit from long-term investments. Management of the Company decided to account the aforementioned investments in FVTOCI, due to recognizing short term gain or loss with FVTPL would against the medium and long-term investment strategies.
(2) Financial assets at fair value through other comprehensive income of the Group are not pledged to others.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2020	December 31, 2019
Land	$ 254,419	$ 254,419
Buildings	2,355,346	2,338,428
Machinery	5,923,393	5,947,531
Molds	1,964,851	1,847,451
Other equipment	1,268,010	1,216,019
Equipment to be inspected and construction in progress	544,387	411,547
Total cost	12,310,406	12,015,395
Less: Accumulated depreciation and impairment	(7,894,377)	(7,448,630)
Total	$ 4,416,029	$ 4,566,765

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2020	$ 254,419	$ 2,338,428	$ 5,947,531	$ 1,847,451	$ 1,216,019	$ 411,547	$ 12,015,395
Additions	–	9,789	26,881	2,765	18,169	445,421	503,025
Disposals	–	(7,181)	(183,099)	(51,388)	(20,744)	–	(262,412)
Reclassification	–	922	108,655	154,310	50,139	(314,026)	–
Effect of exchange rate difference	–	13,388	23,425	11,713	4,427	1,445	54,398
Balance, December 31, 2020	$ 254,419	$ 2,355,346	$ 5,923,393	$ 1,964,851	$ 1,268,010	$ 544,387	$ 12,310,406
Accumulated depreciation and impairment							
Balance, January 1, 2020	$ –	$ (859,443)	$ (4,285,117)	$ (1,480,403)	$ (823,667)	$ –	$ (7,448,630)
Depreciation expense	–	(71,230)	(308,610)	(194,558)	(84,350)	–	(658,748)
Disposals	–	7,181	161,763	51,120	20,574	–	240,638
Reversal of impairment	–	–	4,000	–	–	–	4,000
Effect of exchange rate difference	–	(4,167)	(15,891)	(8,407)	(3,172)	–	(31,637)
Balance, December 31, 2020	$ –	$ (927,659)	$ (4,443,855)	$ (1,632,248)	$ (890,615)	$ –	$ (7,894,377)
Cost							
Balance, January 1, 2019	$ 254,419	$ 2,240,093	$ 5,777,434	$ 1,786,905	$ 1,129,467	$ 608,785	$ 11,797,103
Additions	–	56,617	59,878	3,628	38,381	420,990	579,494
Disposals	–	(471)	(77,990)	(111,942)	(15,703)	–	(206,106)
Reclassification	–	77,827	251,280	198,628	75,758	(616,172)	(12,679)
Effect of exchange rate difference	–	(35,638)	(63,071)	(29,768)	(11,884)	(2,056)	(142,417)
Balance, December 31, 2019	$ 254,419	$ 2,338,428	$ 5,947,531	$ 1,847,451	$ 1,216,019	$ 411,547	$ 12,015,395
Accumulated depreciation and impairment							
Balance, January 1, 2019	$ –	$ (803,026)	$ (4,043,831)	$ (1,421,114)	$ (766,372)	$ –	$ (7,034,343)
Depreciation expense	–	(66,920)	(360,372)	(193,285)	(81,149)	–	(701,726)
Disposals	–	471	74,752	111,942	15,632	–	202,797
Reclassification	–	–	11,996	664	19	–	12,679
Impairment loss	–	–	(5,725)	–	–	–	(5,725)
Effect of exchange rate difference	–	10,032	38,063	21,390	8,203	–	77,688
Balance, December 31, 2019	$ –	$ (859,443)	$ (4,285,117)	$ (1,480,403)	$ (823,667)	$ –	$ (7,448,630)

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

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

6.10 LEASE ARRANGEMENT

(1) Right-of-use assets

Items	December 31, 2020	December 31, 2019
Land	$ 92,822	$ 86,223
Land use right	77,836	76,636
Buildings	81,279	75,283
Total cost	251,937	238,142
Less: Accumulated depreciation and impairment	(24,958)	(14,441)
Total	$ 226,979	$ 223,701

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2020	$ 86,223	$ 76,636	$ 75,283	$ 238,142
Additions	10,174	–	8,566	18,740
Disposals	(3,575)	–	(2,581)	(6,156)
Effect of exchange rate difference	–	1,200	11	1,211
Balance, December 31, 2020	$ 92,822	$ 77,836	$ 81,279	$ 251,937
Accumulated depreciation and impairment				
Balance, January 1, 2020	$ (7,975)	$ (2,526)	$ (3,940)	$ (14,441)
Depreciation expense	(7,940)	(2,517)	(6,128)	(16,585)
Disposals	3,575	–	2,581	6,156
Effect of exchange rate difference	–	(88)	–	(88)
Balance, December 31, 2020	$ (12,340)	$ (5,131)	$ (7,487)	$ (24,958)

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2019	$ –	$ –	$ –	$ –
Adjustment on initial application of IFRS 16	86,223	79,807	23,529	189,559
Additions	–	–	51,773	51,773
Effect of exchange rate difference	–	(3,171)	(19)	(3,190)
Balance, December 31, 2019	$ 86,223	$ 76,636	$ 75,283	$ 238,142
Accumulated depreciation and impairment				
Balance, January 1, 2019	$ –	$ –	$ –	$ –

	Land	Use right of land	Buildings	Total
Adjustment on initial application of IFRS 16	$ －	$ －	$ －	$ －
Depreciation expense	(7,975)	(2,635)	(3,952)	(14,562)
Effect of exchange rate difference	－	109	12	121
Balance, December 31, 2019	$ (7,975)	$ (2,526)	$ (3,940)	$ (14,441)

(2) Lease liabilities

Items	December 31, 2020	December 31, 2019
Current	$ 10,214	$ 5,802
Non-current	$ 98,046	$ 92,720

Range of discounts rate for lease liabilities is as follow：

	December 31, 2020	December 31, 2019
Land	1. 20%	1. 20%
Buildings	1. 20%~4. 13%	1. 20%~4. 26%

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

(3) Material lease-in activities and terms

A. Land and Buildings

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

B. Use right of land

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

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

(4) Other lease information

Items	2020	2019
Expenses relating to short-term leases	$ 3,775	$ 3,823
Total cash outflow for leases	$ 12,787	$ 14,201

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

6.11 INTANGIBLE ASSETS

Items	December 31, 2020	December 31, 2019
Patent	$ 62,226	$ 69,193
Trademarks	2,674	2,501
Computer software	40,119	40,873
Total	105,019	112,567
Less: Accumulated amortization	(51,525)	(52,436)
Intangible assets, net	$ 53,494	$ 60,131

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

Items	2020 Patent	2020 Trademarks	2020 Computer software	2020 Total
Disposals	$ 10,810	$ 145	$ 10,578	$ 21,533
Effect of exchange rate difference	–	–	(61)	(61)
Balance, December 31, 2020	$ (24,394)	$ (1,700)	$ (25,431)	$ (51,525)

Items	2019 Patent	2019 Trademarks	2019 Computer software	2019 Total
Cost				
Balance, January 1, 2019	$ 64,291	$ 2,436	$ 45,970	$ 112,697
Additions	5,956	99	4,773	10,828
Disposals	(1,054)	(34)	(9,662)	(10,750)
Effect of exchange rate difference	–	–	(208)	(208)
Balance, December 31, 2019	$ 69,193	$ 2,501	$ 40,873	$ 112,567
Accumulated amortization				
Balance, January 1, 2019	$ (21,403)	$ (1,259)	$ (25,604)	$ (48,266)
Amortization expense	(4,696)	(293)	(10,096)	(15,085)
Disposals	1,054	34	9,662	10,750
Effect of exchange rate difference	–	–	165	165
Balance, December 31, 2019	$ (25,045)	$ (1,518)	$ (25,873)	$ (52,436)

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

6.12 OTHER NON-CURRENT ASSETS

Items	December 31, 2020	December 31, 2019
Prepayments for equipment	$ 13,210	$ 22,246
Refundable deposits	13,056	12,053
Overdue receivables	8,172	8,136
Less: loss allowance	(8,172)	(8,136)
Prepayments for software	15,591	–

Items	December 31, 2020	December 31, 2019
Others	$ 52	$ 562
Total	$ 41,909	$ 34,861

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

6.13 SHORT-TERM LOANS

The nature of loans	December 31, 2020	December 31, 2019
Secured loans	$ 9,690	$ 4,656
Unsecured loans	778,872	767,575
Total	$ 788,562	$ 772,231
Interest rate range	1.80%~4.84%	1.20%~4.35%

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

6.14 SHORT-TERM NOTES AND BILLS PAYABLES

Items	December 31, 2020	December 31, 2019
China Bills Finance Corporation	$ 10,000	$ 10,000
Less: Unamortized discounts	(15)	(2)
Total	$ 9,985	$ 9,998
Interest rate range	1.06%	1.16%

6.15 NOTES PAYABLE

Items	December 31, 2020	December 31, 2019
Notes payable-operating activities	$ 105,124	$ 44,036
Notes payable-non-operating activities	-	473
Total	$ 105,124	$ 44,509

6.16 OTHER PAYABLES

Items	December 31, 2020	December 31, 2019
Salaries and bonuses payable	$ 236,818	$ 246,006
Payable for supplies expense	47,786	35,199
Payable for equipment and construction	43,958	38,759
Payable for repairs and maintenance	24,136	28,912
Payable for utilities expense	24,026	21,761
Payable for insurance	16,592	16,205
Compensation payable of employees, directors and supervisors	11,766	16,825
Others	103,742	98,121
Total	$ 508,824	$ 501,788

6.17 LONG-TERM LOANS AND ITS CURRENT PORTION

Items	December 31, 2020	December 31, 2019
Unsecured loans	$ 1,577,608	$ 1,850,440
Less: Current portion	(145,920)	(132,465)
Discount of government grants (Note 6.18)	(7,130)	-
Total	$ 1,424,558	$ 1,717,975
Interest rate range	0. 45%~5. 15%	0. 70%~5. 20%
Year to maturity	2021 to 2027	2020 to 2026

(1) The loans from Bank of Taiwan, Mega Bank, E.SUN Bank, Chang Hwa Bank and The Shanghai Commercial & Savings Bank are repaid in installments, the rest of the loans will be repaid in full on the maturity date.

(2) Under the Group's loan agreement with certain banks in the fourth quarter of 2020, the Group should meet several financial ratios and criteria. The Group had no violation of the aforementioned financial ratio regulations as of December 31, 2020 and December 31, 2019.

6.18 GOVERNMENT GRANTS

(1) The Company has obtained a $795,000 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The difference between transaction price and fair value is regarded as the government grants. As of December 31, 2020, the fair value of loan is estimated to be $787,870

thousand. The difference $7,130 between transaction price and fair value is recognized as deferred income (under other non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $1,190 thousand in other income, $5,066 thousand in interest expense for the loan, and paid $3,876 thousand interests to the bank.

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

6.19 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

A. The plan under Labor Pension Act (the "Act") of the R.O.C. is deemed a defined contribution plan. Pursuant to the Act, the Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

B. The foreign subsidiaries also make contribution in accordance with the rate specified in the plans in the local regulations, which is a defined contribution plan.

C. The Group's recognized expenses in the consolidated statement of comprehensive income were 40,192 thousand and $61,742 thousand under the contributions rates specified in the plans for years ended December 31, 2020 and 2019, respectively.

(2) Defined benefit plans

A. The Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have defined benefit plans in accordance with Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and average monthly salaries and wages of the last 6 months

prior to retirement. The Company and Chao Shin Metal Industrial Corporation contribute monthly an amount equal to 6% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

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

Items	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 297,766	$ 293,144
Fair value of plan assets	(160,266)	(145,356)
Net defined benefit liability	$ 137,500	$ 147,788
Net defined benefit liability	$ 137,552	$ 148,350
Other financial assets non current (Note)	$ 52	$ 562

Note: Net defined benefit asset of the subsidiary Chao Shin Metal was $52 thousands and $562 thousands for the years ended December 31, 2020 and 2019, respectively, and recognized in other non-current assets.

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

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

Items	2019 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 327,887	$ (158,184)	$ 169,703
Service costs			
Current service cost	2,421	–	2,421
Interest expense(revenue)	3,623	(1,788)	1,835
Amounts recognized in profit and loss	6,044	(1,788)	4,256
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(5,333)	(5,333)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	1,828	–	1,828
Effect of changes in financial assumptions	9,139	–	9,139
Experience adjustments	(19,251)	–	(19,251)
Amounts recognized in other comprehensive income (losses)	(8,284)	(5,333)	(13,617)
Pension fund contributions	–	(12,554)	(12,554)
Paid pension	(32,503)	32,503	–
Balance at December 31	$ 293,144	$ (145,356)	$ 147,788

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

Items	2020	2019
Cost of revenue	$ 2,002	$ 2,825
Marketing expenses	153	218
General and administrative expenses	555	805
Research and development expenses	303	408
Total	$ 3,013	$ 4,256

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

Items	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 160,266	$ 145,356

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

(a) Investment risk

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

(b) Interest risk

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

(c) Salary risk

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

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

	Measurement date	
Items	December 31, 2020	December 31, 2019
Discount rate	0. 350%	0. 800%
Expected salary increase rate	1. 875%~2. 125%	2. 125%~2. 250%

Reasonably possible changes at December 31, 2020 and 2019 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Items	December 31, 2020	December 31, 2019
Discount rate		
0.25% increase	$ (6,929)	$ (7,130)
0.25% decrease	7,184	7,400

Items	December 31, 2020	December 31, 2019
Expected salary increase rate		
0.25% increase	$ 6,874	$ 7,097
0.25% decrease	(6,666)	(6,876)

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

G. The contribution that the Group expects to make to its defined benefit pension plans in next year is $17,808 thousand. The weighted average maturity period of the defined benefit obligation are 9~12 years.

6.20 COMMON STOCKS

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

	2020		2019	
Items	Shares	Capital	Shares	Capital
Balance, January 1	182,140	$ 1,821,403	182,140	$ 1,821,403
Balance, December 31	182,140	$ 1,821,403	182,140	$ 1,821,403

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

(2) The Company's authorized capital was $2,700,000 thousand, consisting of 270,000 thousand shares as of December 31, 2020.

6.21 CAPITAL SURPLUS

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

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

(2) The capital surplus from long-term investments and stock warrants may not be used for any purpose.

6.22 RETAINED EARNINGS

(1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders' meeting according to the Company's Articles of Incorporation 32 para 1 ad finem.

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

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

(3) Special reserve

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

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

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

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

	Appropriation of Earnings		Dividends Per Share (NT$)	
Items	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve	$ 50,253	$ 82,888		
Special reserve	54,387	16,229		
Cash dividends	327,852	509,993	$ 1. 80	$ 2. 80

(5) The Company's appropriation of earnings for 2020 had been approved in the meeting of the Board of Directors held on March 9, 2021. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 34,535	
Cash dividends	327,852	$ 1. 80

The appropriations of earnings for 2020 are to be presented for approval in the shareholders' meeting to be held on June, 2021.

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

6.23 OTHER EQUITY

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2020	$ (168,987)	$ 13,417	$ (155,570)
Exchange differences on translation of foreign financial statements	21,178	-	21,178

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	$ –	$ (250)	$ (250)
Balance, December 31, 2020	$ (147,809)	$ 13,167	$ (134,642)

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2019	$ (113,793)	$ 12,610	$ (101,183)
Exchange differences on translation of foreign financial statements	(55,194)	–	(55,194)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	–	807	807
Balance, December 31, 2019	$ (168,987)	$ 13,417	$ (155,570)

6.24 NON-CONTROLLING INTEREST

Items	2020	2019
Balance, January 1	$ 330,453	$ 321,035
Share attributable to non-controlling interests:		
Net income	52,234	58,899
Other comprehensive income	191	(70)
Decrease in non-controlling interests	(51,310)	(49,411)
Balance, December 31	$ 331,568	$ 330,453

6.25 OPERATING REVENUE

Items	2020	2019
Revenue from contracts with customers		
Sale of goods	$ 8,411,124	$ 8,796,165
Service revenue	17,975	20,516
Subtotal	8,429,099	8,816,681
Other operating revenues	21,512	22,686
Total	$ 8,450,611	$ 8,839,367

(1) Description of customer contract

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

(2) Disaggregation of revenue from contracts with customers

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

	2019					
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 3,332,603	$ 472,280	$ 967,043	$ 846,286	$ 1,582,391	$ 7,200,603
Stationery	194,686	301,452	219,594	5,254	831,823	1,552,809

Major products /Service line	2019 China	Taiwan	Japan	Malaysia	Others	Total
Others	$ -	$ 62,974	$ -	$ 295	$ -	$ 63,269
Total	$ 3,527,289	$ 836,706	$ 1,186,637	$ 851,835	$ 2,414,214	$ 8,816,681
Timing of revenue recognition						
Performance obligation satisfied at a point in time	$ 3,527,289	$ 836,706	$ 1,186,637	$ 851,835	$ 2,414,214	$ 8,816,681

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

Items	December 31, 2020	December 31, 2019
Contract liabilities -current	$ 78,902	$ 70,600

6.26 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2020			2019		
By nature	Cost of sales	Operating expense (include not operating)	Total	Cost of sales	Operating expense (include not operating)	Total
Personnel						
Salary	$ 949,176	$ 295,559	$ 1,244,735	$ 925,470	$ 324,697	$ 1,250,167
Labor insurance	77,360	25,542	102,902	86,546	26,585	113,131
Pension	31,356	11,849	43,205	52,572	13,426	65,998
Other	90,257	32,235	122,492	88,928	26,826	115,754
Depreciation	626,051	49,282	675,333	665,629	50,658	716,287
Amortization	2,245	18,316	20,561	1,691	14,129	15,820
Total	$ 1,776,445	$ 432,783	$ 2,209,228	$ 1,820,836	$ 456,321	$ 2,277,157

(1) In accordance with the Company's Article of incorporation, the Company is stipulated to distribute compensation of employees at the rate of 1.5% of profit before tax, and directors' and supervisors' remuneration at the rate not higher than 1.5% of profit before tax. If there is a change in the proposed amount after the annual financial

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

(2) The appropriations of employees' compensation and directors' and supervisors' remuneration for 2020 and 2019 have been approved by the board of directors held on March 9, 2021, and March 6, 2020, respectively. The amount of approved and recognized in financial statement is shown as follows:

	For Year 2020		For Year 2019	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Amounts approved in meeting	$ 6,537	$ 5,229	$ 9,347	$ 7,478
Amounts recognized in respective financial statement	6,537	5,229	9,347	7,478
Difference	$ -	$ -	$ -	$ -

The employee compensation of 2020 and 2019 are paid in cash.

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

6.27 OTHER INCOME

Items	2020	2019
Rental income	$ 478	$ 346
Dividend income	475	1,693
Government subsidies	18,648	-
Others	14,063	21,937
Total	$ 33,664	$ 23,976

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

6.28 OTHER GAINS AND LOSSES

Items	2020	2019
Gain on disposal of property, plant and equipment	$ 8,586	$ 4,494
Foreign exchange gain (losses), net	(74,354)	(23,317)
Net gains (losses) on financial assets and liabilities at FVTPL	(2,639)	509
Gain on reversal of impairment loss / impairment loss of property, plant and equipment	4,000	(5,725)
Others	(377)	(2,239)
Total	$ (64,784)	$ (26,278)

6.29 FINANCIAL COSTS

Items	2020	2019
Interest expense		
Bank loans	$ 58,327	$ 60,619
Interest on lease liabilities	1,280	1,252
Less: capitalized amount for qualified assets	(2,274)	(3,632)
Financial costs	$ 57,333	$ 58,239
Interest capitalization rates	1. 44%~4. 32%	1. 44%~4. 32%

6.30 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2020	2019
Current income tax expense		
Current tax expense (benefit)recognized in the current year	$ 77,678	$ 136,762
Tax on undistributed surplus earnings	3,502	11,180
Adjustments on prior years	(2,579)	(1,832)
Current tax	78,601	146,110
Deferred income tax expense		
The origination and reversal of temporary differences	34,591	(1,977)
Deferred tax	34,591	(1,977)

Items	2020	2019
Income tax expense recognized in profit or loss	$ 113,192	$ 144,133

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

Items	2020	2019
Exchange differences on translation of foreign operations	$ 5,294	$ (13,798)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(70)	75
Remeasurement of defined benefit obligation	(901)	2,723
Total	$ 4,323	$ (11,000)

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

Items	2020	2019
Income before tax	$ 514,573	$ 694,598
Income tax expense at the statutory rate	$ 116,255	$ 157,088
Tax effect of adjusting items:		
Deductible items in determining taxable income	(38,577)	(20,326)
Income tax on unappropriated earnings	3,502	11,180
Income tax adjustments on prior years	(2,579)	(1,832)
Net changes on deferred income tax	34,591	(1,977)
Income tax expense recognized in profit or loss	$ 113,192	$ 144,133

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

C. Income tax liabilities

Items	December 31, 2020	December 31, 2019
Income tax liabilities	$ 76,429	$ 35,634

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

	2020				
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 29,911	$ (1,605)	$ -	$ 35	$ 28,341
Net defined benefit liability	28,934	(2,755)	285	-	26,464
Accrued year-end bonus	22,377	(22,377)	-	-	-
Cutoff	14,385	9,269	-	-	23,654
Depreciation expense	8,542	354	-	141	9,037
Others	39,705	(12,655)	-	114	27,164
Subtotal	143,854	(29,769)	285	290	114,660
Deferred tax liabilities					
Temporary differences					
Gain on foreign investments accounted for using the equity method	(179,856)	(4,545)	-	-	(184,401)
Exchange differences arising on translation of foreign operations	(3,184)	-	(5,294)	-	(8,478)
Reserve for land revaluation increment tax	(103,673)	-	-	-	(103,673)
Others	(3,280)	(277)	686	-	(2,871)
Subtotal	(289,993)	(4,822)	(4,608)	-	(299,423)
Total	$ (146,139)	$ (34,591)	$ (4,323)	$ 290	$ (184,763)

Items	2019 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 31,331	$ (1,201)	$ –	$ (219)	$ 29,911
Net defined benefit liability	32,701	(1,660)	(2,107)	–	28,934
Accrued year-end bonus	38,660	(16,283)	–	–	22,377
Cutoff	20,385	(6,000)	–	–	14,385
Depreciation expense	9,930	(1,037)	–	(351)	8,542
Others	24,881	15,301	–	(477)	39,705
Subtotal	157,888	(10,880)	(2,107)	(1,047)	143,854
Deferred tax liabilities					
Temporary differences					
Gain on foreign investments accounted for using the equity method	(191,523)	11,667	–	–	(179,856)
Exchange differences arising on translation of foreign operations	(16,982)	–	13,798	–	(3,184)
Reserve for land revaluation increment tax	(103,673)	–	–	–	(103,673)
Others	(3,779)	1,190	(691)	–	(3,280)
Subtotal	(315,957)	12,857	13,107	–	(289,993)
Total	$ (158,069)	$ 1,977	$ 11,000	$ (1,047)	$ (146,139)

6.31 OTHER COMPREHENSIVE INCOME

Items	2020 Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (4,506)	$ 901	$ (3,605)
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	(320)	70	(250)
Subtotal	(4,826)	971	(3,855)

Items	2020 Before tax	2020 Income tax (expense) benefit	2020 After tax
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	$ 26,472	$ (5,294)	$ 21,178
Subtotal	26,472	(5,294)	21,178
Total	$ 21,646	$ (4,323)	$ 17,323

Items	2019 Before tax	2019 Income tax (expense) benefit	2019 After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 13,618	$ (2,723)	$ 10,895
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	882	(75)	807
Subtotal	14,500	(2,798)	11,702
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(68,992)	13,798	(55,194)
Subtotal	(68,992)	13,798	(55,194)
Total	$ (54,492)	$ 11,000	$ (43,492)

6.32 EARNINGS PER SHARE

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

Items	2020	2019
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 349,147	$ 491,566

Items	2020	2019
Net income for calculating basic earnings per share	$ 349,147	$ 491,566
Weighted average shares outstanding (thousand shares)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 1. 92	$ 2. 70
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 349,147	$ 491,566
Net income for calculating diluted earnings per share	$ 349,147	$ 491,566
Weighted average shares outstanding (thousand shares)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (thousand shares)	95	181
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,235	182,321
Diluted earnings per share (after tax) (in dollars)	$ 1. 92	$ 2. 70

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

7. RELATED PARTY TRANSACTIONS

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

(1) Related party name and categories

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

(2) Significant transactions between related parties

Significant transactions between the Group and other related parties of the years ended December 31, 2020 and 2019 are as follow:

A. Revenue

Related Party	2020	2019
Investors with significant influence over the Group	$ 2,669	$ 2,895
Other related parties	37,407	45,988
Total	$ 40,076	$ 48,883

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

B. Purchases

Related Party	2020	2019
Investors with significant influence over the Group	$ 3,730	$ 3,864
Other related parties	5,431	3,960
Total	$ 9,161	$ 7,824

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

C. Receivables due from related parties

Items	Related Party	December 31, 2020	December 31, 2019
Accounts receivable	Investors with significant influence over the Group	$ 202	$ 403

Items	Related Party	December 31, 2020	December 31, 2019
	Other related parties	$ 23,259	$ 14,674
	Total	$ 23,461	$ 15,077
Other receivables	Other related parties	$ -	$ 1,402

D. Payables due to related parties

Items	Related Party	December 31, 2020	December 31, 2019
Accounts payable	Investors with significant influence over the Group	$ -	$ 209
	Other related parties	-	1,304
	Total	$ -	$ 1,513
Other payables	Other related parties	$ 440	$ 813

E. Property transaction

Related Party	2020	2019
Investors with significant influence over the Group	$ 32,683	$ -

F. Other transactions

Items	Related Party	2020	2019
Supplies expenses	Investors with significant influence over the Subsidiaries	$ 1,130	$ 1,460
Addition of expenses	Other related parties	$ 93	$ -
Deduction of expenses	Other related parties	$ 88	$ 24
Other income	Other related parties	$ 344	$ 1,200

(3) Compensation of key management personnel

Items	2020	2019
Short-term employee benefits	$ 33,499	$ 40,500
Post- employment benefits	319	386
Total	$ 33,818	$ 40,886

8. PLEDGED ASSETS

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

Items	December 31, 2020	December 31, 2019
Pledge time deposits (recognized as other financial assets - current)	$ 20,917	$ 10,338
Restricted deposits (recognized as other financial assets - current)	24,332	10,155
Notes receivable (the banker's acceptance notes)	86,302	54,137
Refundable deposits (recognized as other non - current assets)	1,080	794
Total	$ 132,631	$ 75,424

9. SIGNIFICANT CONTINGENCIY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

A. The unused letters of credit for purchasing raw materials and equipment as of December 31, 2020 is $11,126 thousand.

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

Items	December 31, 2020	December 31, 2019
Property, plant, and equipment	$ 331,818	$ 332,290

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

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

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Group's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

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

Significant financial risks and degrees of financial risks

A. Market risk

(a) Foreign exchange risk

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

ii. Sensitivity analysis of foreign currency risk

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

Items	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 55,224	29. 98	$ 1,655,616
JPY	288,982	0. 28	79,759
Financial Liabilities			
Monetary Items			
USD	22,392	29. 98	671,324
JPY	46,771	0. 28	12,909

The Group is mainly exposed to US dollar and JPY. The sensitivity analysis rate for the Group is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $8,697 thousand and $10,511 thousand for the years ended December 31, 2020 and 2019, respectively.

(b) Price risk

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

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

If the prices of these equity securities had increased/decreased by 1%, the profit before tax and other comprehensive income before tax would have increased/decreased by $573 thousand, $169 thousand, $629 thousand and $172 thousand, 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 December 31, 2020	Carrying Amounts December 31, 2019
Fair value interest rate risk		
Financial assets	$ 1,880	$ 1,294
Financial liabilities	(9,985)	(9,998)
Net	$ (8,105)	$ (8,704)
Cash flow interest rate risk		
Financial assets	$ 802,088	$ 885,716
Financial liabilities	(2,359,040)	(2,618,015)
Net	$ (1,556,952)	$ (1,732,299)

i. Sensitivity analysis for instruments with fair value interest rate risk

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

ii. Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Group's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease $15,570 thousand and $17,323 thousand for the nine months ended December 31, 2020 and 2019, respectively.

B. Credit risk

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

(a) Business - related credit risk

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

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

(b) Financial credit risk

The Group's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Group's treasury function. The Group only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i. Credit concentration risk

As of December 31, 2020 and 2019, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 12% and 14%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant

ii. Measurement of expected credit losses

(i) Accounts receivable: The Group applies simplified approach to accounts receivable. Please refer to Note 6.4 for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Group considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

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

iv. Credit risk of financial assets measured at amortized cost

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

C. Liquidity risk

(a) Liquidity risk management

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

(b) Maturity analysis for financial liabilities

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

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

Further information on maturity analysis for lease liabilities

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

	December 31, 2019				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	$ 782,362	$ -	$ -	$ 782,362	$ 772,231
Short-term notes and bills payable	10,000	-	-	10,000	9,998
Notes payable	44,509	-	-	44,509	44,509

Non-derivative Financial Liabilities	December 31, 2019									
	Within 1 year		1-5 years		Over 5 years		Contract cash flows		Carrying amounts	
Accounts payable	$	555,860	$	–	$	–	$	555,860	$	555,860
Other payables		471,382		–		–		471,382		471,382
Lease liabilities		6,939		24,989		77,088		109,016		98,522
Long-term loan (include current portion)		153,062		1,286,888		471,055		1,911,005		1,850,440
Guarantee deposits		–		–		9,092		9,092		9,092
Total	$	2,024,114	$	1,311,877	$	557,235	$	3,893,226	$	3,812,034

Further information on maturity analysis for lease liabilities

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

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

12.3 Capital risk management

	December 31, 2020		December 31, 2019	
<u>Financial assets</u>				
Financial assets at fair value through profit or loss- current	$	57,302	$	62,947
Financial assets measured at amortized cost (Note 1)		2,751,756		2,611,701
Financial assets at fair value through other comprehensive income- noncurrent		16,898		17,218
<u>Financial liability</u>				
Financial liabilities measured at amortized cost (Note 2)		3,789,580		3,713,512

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

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

12.4 Fair value information of financial instruments

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

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

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

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

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

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

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

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

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

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

(4) The methods and assumptions the Group used to measure fair value are as follows:

A. The Group measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

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

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

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

(6) Changes in level 3 instruments:

Items	2020	2019
Financial assets at FVTOCI		
Beginning Balance	$ 17,218	$ 16,336
Unrealized valuation gains or losses on equity investments at FVTOCI	(320)	882
Effect of exchange rate difference	–	–
Ending Balance	$ 16,898	$ 17,218

13. SUPPLEMENTARY DISCLOSURES

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

(1) Financings provided to others: None;

(2) Endorsement and guarantee provided to others: Please see Table 1 attached;

(3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period): Please see Table 2 attached;

(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 3 attached;

(6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

(7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: None;

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

(10) The business relationship between the parent and the subsidiaries and significant transaction between 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%): Please see Table 8 attached.

14. SEGMENT INFORMATION

14.1 General information

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

14.2 Measurement basis

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

14.3 Segment information

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

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

	2019				
Items	Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	$ 7,200,603	$ 1,552,809	$ 85,955	$ -	$ 8,839,367
Revenue from intersegments	559,188	531,124	30,596	(1,120,908)	-
Total	$ 7,759,791	$ 2,083,933	$ 116,551	$ (1,120,908)	$ 8,839,367
Interest expenses	$ 45,016	$ 13,223	$ -	$ -	$ 58,239
Depreciation and amortization	$ 621,827	$ 90,034	$ 20,246	$ -	$ 732,107
Segment income (loss)	$ 476,271	$ 205,828	$ 12,499	$ -	$ 694,598
Income (loss) before tax					$ 694,598
Total assets					$ 10,396,570

14.4 Reconciliation for segment income (loss)

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

14.5 Information on geographic area

(1) Sales from external customers

Areas	2020	2019
China	$ 3,900,258	$ 3,528,846
Japan	997,941	1,186,637
Taiwan	928,580	857,835
Malaysia	663,731	851,835
Others	1,960,101	2,414,214
Total	$ 8,450,611	$ 8,839,367

(2) Non-current assets

Areas	December 31, 2020	December 31, 2019
Taiwan	$ 3,149,333	$ 3,216,919
China	1,575,970	1,655,924
Total	$ 4,725,303	$ 4,872,843

14.6 Major customer information

Major customers representing at least 10% of net revenue:

	2020		2019	
Client name	Amount	%	Amount	%
Customer A	$ 1,101,755	13%	$ 1,443,716	16%
Customer B	722,199	9%	979,531	11%
Total	$ 1,823,954	22%	$ 2,423,247	27%

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

[Appendix Ⅱ]
2020 Parent Company-Only Financial Statements Audited by CPAs

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

We have audited the accompanying parent company only financial statements of SDI Corporation ("the Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.
In our opinion, the parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2020 are stated as follows:

1. Valuation of Inventory Impairment

   Description

   As of December 31, 2020, inventory accounted for 20% of the Company's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

   How our audit addressed the matter

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

2. Revenue Recognition

   Description

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

How our audit addressed the matter

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 9, 2021

<u>Notice to Readers</u>

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

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

SDI Corporation

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Par Value)

		December 31, 2020		December 31, 2019	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 485,608	5	$ 528,862	6
Financial assets at fair value through profit or loss - current	6(2)	-	-	2,816	-
Notes receivable, net	6(3)	14,629	-	19,157	-
Accounts receivable, net	6(4)	1,149,234	13	1,017,498	12
Accounts receivable, net - related parties	7	54,001	1	87,046	1
Other receivables		46,933	1	61,621	1
Other receivables - related parties	7	17,496	-	29,948	-
Inventories, net	5、6(5)	1,808,085	20	1,803,246	20
Prepayments	6(6)	56,955	1	42,471	-
Other financial assets - current	6(7)	6,800	-	10,338	-
Other current assets		616	-	2,933	-
Total current assets		3,640,357	41	3,605,936	40
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	16,898	-	17,218	-
Investments accounted for using equity method	6(9)	2,280,015	26	2,226,457	25
Property, plant and equipment	6(10)	2,563,326	29	2,655,087	30
Right-of-use assets	6(11)、7	193,070	2	191,658	2
Investment properties	6(12)	42,725	-	45,520	1
Intangible assets	5、6(13)	50,843	1	58,741	1
Deferred income tax assets	6(28)	80,100	1	102,574	1
Other noncurrent assets	6(14)	35,203	-	15,715	-
Total noncurrent assets		5,262,180	59	5,312,970	60
TOTAL		$ 8,902,537	100	$ 8,918,906	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities - current	6(33)	76,746	1	66,353	1
Notes payable	6(15)	4,686	-	6,562	-
Accounts payable		653,529	8	388,308	5
Accounts payable - related parties	7	113,434	1	83,708	1
Other payables	6(16)	341,976	4	353,992	4
Other payables - related parties	7	12,537	-	27,403	-
Current income tax liabilities	6(28)	59,888	1	18,854	-
Lease liabilities - current	5、6(11)、7	12,751	-	8,435	-
Long term liabilities - current portion	6(17)	23,333	-	80,000	1
Other current liabilities		11,599	-	12,117	-
Total current liabilities		1,310,479	15	1,045,732	12
NONCURRENT LIABILITIES					
Long term loans	6(17)	1,344,537	15	1,675,000	19
Deferred income tax liabilities	5、6(28)	274,568	3	265,200	3
Lease liabilities - noncurrent	5、6(11)、7	135,073	2	132,707	1
Net defined benefit liability	5、6(18)	128,340	1	138,308	2
Other noncurrent liabilities		29,754	-	20,746	-
Total noncurrent liabilities		1,912,272	21	2,231,961	25
Total liabilities		3,222,751	36	3,277,693	37
EQUITIES					
Common stocks	6(20)	1,821,403	20	1,821,403	20
Capital surplus	6(21)	485,403	5	485,257	6
Retained earnings	6(22)				
Legal capital reserve		865,445	10	815,192	9
Special capital reserve		155,570	2	101,183	1
Unappropriated earnings		2,486,607	28	2,573,748	29
Others	6(23)	(134,642)	(1)	(155,570)	(2)
Total equity		5,679,786	64	5,641,213	63
TOTAL		$ 8,902,537	100	$ 8,918,906	100

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	NOTES	2020 Amount	2020 %	2019 Amount	2019 %
NET REVENUE	6(24)、7	$ 6,227,222	100	$ 6,719,302	100
COST OF REVENUE	5、6(27)、7	(5,350,875)	(86)	(5,619,860)	(84)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		876,347	14	1,099,442	16
Unrealized gross profit on sales		(33,145)	(1)	(36,370)	(1)
Realized gross profit on sales		36,370	1	37,598	1
GROSS PROFIT		879,572	14	1,100,670	16
OPERATING EXPENSES	6(25)、7				
Marketing		(188,388)	(3)	(176,088)	(3)
General and administrative		(163,357)	(2)	(188,308)	(2)
Research and development		(175,817)	(3)	(199,206)	(3)
Total operating expenses		(527,562)	(8)	(563,602)	(8)
OPERATING INCOME		352,010	6	537,068	8
NONOPERATING INCOME AND EXPENSES					
Interest income		390	-	1,687	-
Other income	6(26)、7	54,328	1	63,303	1
Other gains and losses, net	6(27)	(64,377)	(1)	(5,846)	-
Finance costs	6(28)、7	(15,120)	-	(20,656)	-
Share of profits of subsidiaries and associates		96,786	1	30,752	-
Total nonoperating income and expenses		72,007	1	69,240	1
INCOME BEFORE INCOME TAX		424,017	7	606,308	9
INCOME TAX EXPENSE	5、6(29)	(74,870)	(1)	(114,742)	(2)
NET INCOME		349,147	6	491,566	7
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:	6(30)				
Remeasurement of defined benefit obligation		(4,524)	-	13,488	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(320)	-	882	-
Share of other comprehensive income (loss) of subsidiaries and associates		(177)	-	174	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(29)	975	-	(2,772)	-
Items that may be reclassified subsequently to profit or loss:	6(30)				
Exchange differences arising on translation of foreign operations		26,472	-	(68,992)	(1)
Income tax benefit (expense) related to items that may be reclassified subsequently	6(29)	(5,294)	-	13,798	-
Other comprehensive income (loss) for the year, net of income tax		17,132	-	(43,422)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 366,279	6	$ 448,144	6
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(31)	$ 1.92		$ 2.70	
Diluted earnings per share		$ 1.92		$ 2.70	

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Capital Stocks		Retained Earnings			Others			
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE, JANUARY 1, 2019	$ 1,821,403	$ 485,155	$ 732,304	$ 84,954	$ 2,680,327	$ (113,793)	$ 12,610	$ (101,183)	$ 5,702,960
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-
Cash dividends to shareholders - NT$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)
Donation from shareholders	-	102	-	-	-	-	-	-	102
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)
BALANCE, DECEMBER 31, 2019	1,821,403	485,257	815,192	101,183	2,573,748	(168,987)	13,417	(155,570)	5,641,213
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)
Donation from shareholders	-	146	-	-	-	-	-	-	146
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132
BALANCE, DECEMBER 31, 2020	$ 1,821,403	$ 485,403	$ 865,445	$ 155,570	$ 2,486,607	$ (147,809)	$ 13,167	$ (134,642)	$ 5,679,786

The accompanying notes are an integral part of the parent company only financial statements.

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 424,017	$ 606,308
Depreciation	426,010	457,222
Amortization	18,221	13,513
Loss (gain) on financial assets at fair value through profit or loss	(190)	(391)
Unrealized (realized) gross profit on subsidiaries	(4,667)	(3,602)
Interest expense	15,120	20,656
Interest income	(390)	(1,687)
Dividend income	(475)	(1,693)
Share of profits of subsidiaries accounted for under equity method	(96,786)	(30,752)
Gain on disposal of property, plant and equipment	(7,661)	(4,122)
Impairment loss (reversal of impairment loss) on non-financial assets	(4,000)	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	3,006	-
Notes receivable	4,528	4,967
Accounts receivable	(131,736)	377,967
Accounts receivable - related parties	33,045	152,036
Other receivables	15,104	96,187
Other receivables - related parties	7,191	3,885
Inventories	(4,839)	68,501
Prepayment	(16,424)	10,351
Other current assets	1,888	1,484
Contract liabilities	10,393	19,547
Notes payable	(1,404)	(1,448)
Accounts payable	265,221	(612,309)
Accounts payable - related parties	29,726	(45,231)
Other payables	(7,956)	(102,883)
Other payables - related parties	(14,866)	(5,566)
Other current liabilities	(1,433)	(4,943)
Net defined benefit liability	(14,492)	(7,825)
Other operating liabilities	2,792	(5,673)
Cash provided from operations	948,943	1,004,499
Interest received	402	1,871
Dividends received	74,666	82,784
Interest paid	(15,367)	(20,775)
Income taxes paid	(6,313)	(243,603)
Net cash provided by operating activities	1,002,331	824,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(317,720)	(407,672)
Proceeds from disposal of Property, plant and equipment	14,902	14,478
Refundable deposits paid	(3,228)	(423)
Acquisition of intangible assets	(23,974)	(9,864)
Acquisition of right-of-use assets	-	(51,773)
Decrease in other financial assets	3,538	32,312
Net cash used in investing activities	(326,482)	(422,942)

(Continued)

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	$ 330,000	$ 733,000
Repayment of long-term loans	(710,000)	(720,000)
Repayments of the principal portion of lease liabilities	(11,251)	(12,312)
Increase in other noncurrent liabilities	-	60
Cash dividends paid	(327,852)	(509,993)
Net cash used in financing activities	(719,103)	(509,245)
NET INCRAESE(DECREASE) IN CASH AND CASH EQUIVALENTS	(43,254)	(107,411)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	528,862	636,273
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 485,608	$ 528,862

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

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

1. ORGANIZATION AND OPERATIONS

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

Since April 25, 1996, the Company's shares have been listed on the Taiwan Stock Exchange (TWSE).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 9, 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendment to IFRS 16 "Covid-19-related rent concessions"	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by the FSC.

Based on the Company's assessment, except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have significant effect on the Company's accounting policies.

(1) Amendments to IAS 1 and IAS 8 "Definition of Material"

These amendments clarify that Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company applies these amendments starting from January 1, 2020, utilizing the concept of "that could reasonably be expected to influence the primary users" as materiality consideration, adjusting the disclosures of the consolidated financial statements, and removing immaterial information that may obscure material information.

(2) Amendment to IFRS 16 "Covid-19-related rent concessions"

The Company elected to early apply the practical expedient provided in these amendments on January 1, 2020 to account for the rent concessions directly related to Covid-19. Please refer to Note 4 for relevant accounting policies. As the rent concessions started from 2020, there was no effect on the opening balance of retained earnings at January 1, 2020.

Prior to applying these amendments, the Company shall first assess whether the rent concessions would result in a lease modification and then apply the appropriate accounting treatments for lease modifications.

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Temporary Exemption from IFRS 9"	June 25, 2020, the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021 (Note 1)

Note 1: The Company shall apply the amendments for annual reporting periods beginning on or after January 1, 2021.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts ─ Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 5)
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023

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

Note 2: The Company shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

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

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

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

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

These amendments clarify that, when determining whether a liability is current or noncurrent, the Company shall assess if it has a right to defer the settlement of the liability for at least twelve months after the reporting period. If the Company has such a right at the end of the reporting period, the liability is classified as noncurrent no matter whether the Company anticipates to exercise that right or not.

The right to defer settlement exists at the end of the reporting period only if the Company complies with specified conditions at the end of the reporting period. The Company must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. For the purpose of classifying a liability as current or noncurrent, settlement refers to a transfer of cash, other economic resources, or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the Company's own equity instruments do not affect its classification as current or non-current if, applying IAS 32 Financial Instruments: Presentation, the Company classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.

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

These amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards.

The Company shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The cumulative effect of initially applying the amendments shall be recognize as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented with comparative information restated.

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

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others. The Company will recognize the cumulative effects of initially applying these amendments to the opening balance of retained earnings at the date of initial application.

(4) Amendments to IFRS 3 "'Reference to the Conceptual Framework"

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

(5) Annual Improvements to IFRS Standards 2018-2020

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

(6) Amendments to IAS 1 "Disclosure of Accounting Policies"
These amendments improve the disclosures of accounting policies to provide primary users of financial statements with more useful information.

(7) Amendments to IAS 8 "Definition of Accounting Estimates"
These Amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and provide further explanations and examples to help entities distinguish changes in accounting policies from changes in accounting estimates.

As of the date the accompanying parent company only financial statements are authorized for issue, the Company 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 Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.2 Basis of Preparation

A. Except for the following significant items, the accompanying parent company only financial statements have been prepared on the historical cost basis:
   (a) Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments).
   (b) Financial assets and liabilities at fair value through other comprehensive income.
   (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to align with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

C. The preparation of 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Foreign Currencies

A. Items included in the parent company only financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

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

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

4.4 Classification of Current and Noncurrent Assets and Liabilities

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

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

4.5 Cash and cash equivalents

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

4.6 Financial Instruments

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

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

A. Financial assets

(a) Measurement categories

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

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investment in equity instruments at FVTOCI

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

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

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

(b) Impairment of financial assets

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

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

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

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

(c) Derecognition of financial assets

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

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

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

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

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

B. Equity instruments

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

C. Financial liabilities

(a) Subsequent measurement

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

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

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

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

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

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

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

(b) Derecognition of financial liabilities

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

4.7 Inventories

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

4.8 Investments Accounted for Using the Equity Method

A. Investments accounted for using the equity method include investments in subsidiaries.

B. A subsidiary is an entity that is controlled by the Company (including structured entity). The Company controls an entity when the Company 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.

C. Unrealized gains and losses on transactions between the Company and subsidiaries have been eliminated. Unrealized losses will also be eliminated if evidence demonstrates that there is no any indication of impairment on assets involved in a transaction. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies applied by the Company.

D. The Company’s share of subsidiaries’ profit or loss is recognized in the Company's statement of comprehensive income, and its share of subsidiaries’ other comprehensive income is recognized in the Company's other comprehensive income. When the Company’s share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

E. Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.

F. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition as a financial asset or the cost on initial recognition of an associate or a joint venture. Any difference between the fair value and the carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary will 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.

4.9 Property, Plant and Equipment

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

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

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

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

Buildings	8~50 years
Machinery	2~20 years
Molds	2~10 years
Other equipment	3~15 years

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

4.10 Leases

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

A. The Company as lessee

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

Right-of-use assets

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

Right-of use assets are presented separately in the balance sheets, excluding the right-of-use assets that meet the definition of investment property.

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

Lease liabilities

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

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

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

B. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When a lease includes both land and buildings elements, the Company assesses the classification of each element as a finance lease or an operating lease separately allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as an operating lease.

Under operating leases, lease payments, less any lease incentives payable, are recognized as lease income on a straight-line basis over the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized those costs as an expense over the lease term on the same basis as the lease income.

4.11 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation and include land held for a currently undetermined future use. Investment properties also included right-of-use assets that meet the definition of investment property.

Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The Company depreciates investment property on a straight-line basis over 35 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

4.12 Intangible Assets

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

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

4.13 Impairment of Non-Financial Assets

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

4.14 Employee Benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. However, if the accrued amount for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amount as resolved by board of directors meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

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

4.15 Capital Stock and Treasury Stock

A. Capital stock

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

B. Treasury Stock

The Company's repurchased stocks are recognized as treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury stock should be recognized under "capital reserve -

treasury stock transactions”; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

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

4.16 Income Tax

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

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

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

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

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

4.17 Revenue Recognition

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

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

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

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

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

A. Revenue from sale of goods

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

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

B. Revenue from rendering of services

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

4.18 Borrowing Costs

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

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

Other than the stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.19 Government Grants

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

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

The Company takes into account the economic impact of the covid-19 pandemic on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in an accounting estimate affects both current and future periods, the effects are recognized in both periods.

The preparation of these parent company only financial statements in applying the Company's accounting policies and making critical assumptions and estimates are consisted of the following:

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

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

B. Lease terms

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

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

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

B. Impairment of tangible and intangible assets

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

C. Realizability of deferred income tax assets

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

D. Evaluation of inventories

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

E. Calculation of accrued pension obligations

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

F. The lessee's incremental borrowing rate

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31	
	2020	2019
Cash on hand and petty cash	$ 501	$ 721
Checking accounts and demand deposits	485,107	526,141
Time deposits (with original maturities within three months)	-	2,000
Total	$ 485,608	$ 528,862

(1) Time deposits with original maturities more than three months are classified as other financial assets as of December 31, 2020 and 2019.

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

6.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Items	December 31	
	2020	2019
Mandatorily measured at FVTPL non-derivative financial assets		
Funds	$ -	$ 2,816
Total	$ -	$ 2,816

(1) The Company recognized net profit or loss of FVTPL for the years ended December 31, 2020 and 2019 are $190 thousand and $391 thousand.

(2) Financial instruments at fair value through profit or loss of the Company are not pledged to others.

6.3 NOTES RECEIVABLE

Items	December 31	
	2020	2019
Amortized at cost		
Gross carrying amount	$ 14,629	$ 19,157
Less: loss allowance	–	–
Notes receivable, net	$ 14,629	$ 19,157

The notes receivable of the Company are not pledged to others.

6.4 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31	
	2020	2019
Amortized at cost		
Accounts receivable	$ 1,157,187	$ 1,025,451
Less: loss allowance	(7,953)	(7,953)
Accounts receivable, net	$ 1,149,234	$ 1,017,498

(1) The average credit period of sales of goods ranges from 60 to 150 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.

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

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

December 31, 2020

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,197,569	$ (4,321)	$ 1,193,248
Past due but not impaired			
Past due within 30 days	15,325	(985)	14,340
Past due 31-90 days	9,809	(2,006)	7,803
Past due 91-180 days	3,114	(641)	2,473
Past due 181-365 days	-	-	-
Past due over 365 days	5,847	(5,847)	-
Total	$ 1,231,664	$ (13,800)	$ 1,217,864

December 31, 2019

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,050,651	$ (992)	$ 1,049,659
Past due but not impaired			
Past due within 30 days	46,673	(711)	45,962
Past due 31-90 days	28,170	(3,843)	24,327
Past due 91-180 days	5,403	(1,650)	3,753
Past due 181-365 days	589	(589)	-
Past due over 365 days	6,015	(6,015)	-
Total	$ 1,137,501	$ (13,800)	$ 1,123,701

(4) Movements of the loss allowances of notes receivable and accounts receivable, including those from related parties and overdue receivables, were as follows:

Items	2020	2019
Balance, January 1	$ 13,800	$ 13,800
Add：Provision for impairment	-	-
Balance, December 31	$ 13,800	$ 13,800

(5) The Company has not held any collateral or other credit enhancement for these accounts receivable.

(6) Please refer to Note 12 for information on the Company's management and

measurement policies of credit risk.

(7) The accounts receivable of the Company are not pledged to others.

6.5 INVENTORIES AND COST OF GOOD SOLD

Items	December 31 2020		December 31 2019	
Work-in-process	$	598,069	$	772,992
Finished goods		566,414		523,354
Raw materials		533,064		441,309
Merchandise		37,571		27,453
Inventory in transit		72,967		38,138
Total	$	1,808,085	$	1,803,246

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

Items	2020		2019	
Loss on decline (gain on reversal) in market value of inventories	$	5,000	$	300
Unallocated fixed FOH		7,207		10,226
Loss on inventory given up		39,289		46,410
Total	$	51,496	$	56,936

(2) The inventories of the Company are not pledged to others.

6.6 PREPAYMENTS

Items	December 31 2020		December 31 2019	
Prepaid expenses	$	20,333	$	26,783
Prepayment for purchases		28,182		8,386
Input tax		6,222		1,981
Others		2,218		5,321
Total	$	56,955	$	42,471

6.7 OTHER FINANCAIL ASSETS – CURRENT

Items	December 31	
	2020	2019
Pledged time deposits	$ 6,800	$ 10,338
Total	$ 6,800	$ 10,338

Please refer to Note 8 for information on the amounts pledged.

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

Items	December 31	
	2020	2019
Equity instruments		
Unlisted stocks	$ 2,203	$ 2,203
Valuation adjustment	14,695	15,015
Total	$ 16,898	$ 17,218

(1) The Company invests in unlisted stocks for medium and long-term strategic purposes and seeks profit from long-term investments. Management of the Company decided to account the above-mentioned investments in FVTOCI, due to recognizing short term gain or loss with FVTPL would against the medium and long-term investment strategies.
(2) Financial assets at FVTOCI of the Company are not pledged to others.

6.9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

Items	December 31	
	2020	2019
Subsidiaries	$ 2,280,015	$ 2,226,457

Subsidiaries	Carrying Amount December 31 2020	2019
CHAO SHIN METAL INDUSTRIAL CORPORATION	$ 237,029	$ 240,272
TEC BRITE TECHNOLOGY CO., LTD	354,428	351,377
SHUEN DER(B. V. I)CO.	1,688,558	1,634,808
	$ 2,280,015	$ 2,226,457

Subsidiaries	% of Ownership and Voting Rights Held by the Company 2020	2019
CHAO SHIN METAL INDUSTRIAL CORPORATION	84.62%	84.62%
TEC BRITE TECHNOLOGY CO., LTD	54.98%	54.98%
SHUEN DER(B. V. I)CO.	100.00%	100.00%

(1) For the information of the subsidiaries of the Company, please refer to Note 4 (3) B of 2020 consolidated financial statements.

(2) The shares of profit or loss and other comprehensive profit and loss of the subsidiaries under equity method for the years 2020 and 2019 are recognized according to the audited financial statements for the same periods.

6.10 PROPERTY, PLANT AND EQUIPMENT

Items	December 31 2020	2019
Land	$ 173,412	$ 173,412
Buildings	1,316,931	1,308,990
Machinery	3,734,729	3,755,140
Molds	1,353,294	1,268,911
Other equipment	809,376	781,594
Equipment to be inspected and construction in progress	415,610	357,159
Total cost	7,803,352	7,645,206
Less: accumulated depreciation and impairment	(5,240,026)	(4,990,119)
Total	$ 2,563,326	$ 2,655,087

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2020	$ 173,412	$ 1,308,990	$ 3,755,140	$ 1,268,911	$ 781,594	$ 357,159	$ 7,645,206
Additions	-	7,019	23,644	2,765	16,154	263,330	312,912
Disposals	-	-	(135,938)	(10,972)	(7,856)	-	(154,766)
Reclassification	-	922	91,883	92,590	19,484	(204,879)	-
Balance, December 31, 2020	$ 173,412	$ 1,316,931	$ 3,734,729	$ 1,353,294	$ 809,376	$ 415,610	$ 7,803,352
Accumulated depreciation and impairment							
Balance, January 1, 2020	$ -	$ (511,199)	$ (2,898,665)	$ (1,073,224)	$ (507,031)	$ -	$ (4,990,119)
Depreciation expense	-	(38,729)	(163,695)	(143,237)	(61,032)	-	(406,693)
Reversal of impairment	-	-	4,000	-	-	-	4,000
Disposals	-	-	134,444	10,485	7,857	-	152,786
Balance, December 31, 2020	$ -	$ (549,928)	$ (2,923,916)	$ (1,205,976)	$ (560,206)	$ -	$ (5,240,026)

	Land	Buildings	Machinery	Molds	Other equipment	Equipment under installation and construction in progress	Total
Cost							
Balance, January 1, 2019	$ 173,412	$ 1,205,052	$ 3,605,885	$ 1,243,300	$ 727,670	$ 437,713	$ 7,393,032
Additions	-	26,206	53,242	6,041	28,960	296,829	411,278
Disposals	-	-	(58,595)	(90,788)	(9,721)	-	(159,104)
Reclassification	-	77,732	154,608	110,358	34,685	(377,383)	-
Balance, December 31, 2019	$ 173,412	$ 1,308,990	$ 3,755,140	$ 1,268,911	$ 781,594	$ 357,159	$ 7,645,206
Accumulated depreciation and impairment							
Balance, January 1, 2019	$ -	$ (478,182)	$ (2,735,167)	$ (1,022,129)	$ (458,067)	$ -	$ (4,693,545)
Depreciation expense	-	(33,017)	(206,477)	(141,883)	(58,686)	-	(440,063)
Disposals	-	-	42,979	90,788	9,722	-	143,489
Balance, December 31, 2019	$ -	$ (511,199)	$ (2,898,665)	$ (1,073,224)	$ (507,031)	$ -	$ (4,990,119)

(1) Please refer to Note 6(28) for information on interest capitalization.

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

6.11 LEASE AGREEMENT

(1) Right-of-use assets

Items	December 31 2020	December 31 2019
Land	$ 137,798	$ 131,199
Buildings	80,460	74,824
Total cost	218,258	206,023
Less: Accumulated depreciation and impairment	(25,188)	(14,365)
Total	$ 193,070	$ 191,658

	Land	Buildings	Total
Cost			
Balance, January 1, 2020	$ 131,199	$ 74,824	$ 206,023
Additions	10,174	7,760	17,934
Disposals	(3,575)	(2,124)	(5,699)
Balance, December 31, 2020	$ 137,798	$ 80,460	$ 218,258
Accumulated depreciation and impairment			
Balance, January 1, 2020	$ (10,701)	$ (3,664)	$ (14,365)
Depreciation expense	(10,666)	(5,856)	(16,522)
Disposals	3,575	2,124	5,699
Balance, December 31, 2020	$ (17,792)	$ (7,396)	$ (25,188)

	Land	Buildings	Total
Cost			
Balance, January 1, 2019	$ -	$ -	$ -
Adjustment on initial application of IFRS 16	131,199	23,051	154,250
Additions	-	51,773	51,773
Balance, December 31, 2019	$ 131,199	$ 74,824	$ 206,023
Accumulated depreciation and impairment			
Balance, January 1, 2019	$ -	$ -	$ -
Adjustment on initial application of IFRS 16	-	-	-
Depreciation expense	(10,701)	(3,664)	(14,365)

	Land	Buildings	Total
Balance, December 31, 2019	$ (10,701)	$ (3,664)	$ (14,365)

(2) Lease liabilities

	December 31	
Items	2020	2019
Current	$ 12,751	$ 8,435
Non-current	$ 135,073	$ 132,707

Range of discounts rate for lease liabilities was as follow:

	December 31	
	2020	2019
Land	1.20%	1.20%
Buildings	1.20%	1.20%

Please refer to Note 12 for information regarding maturity analysis for lease liabilities.

(3) Material lease-in activities and terms

A. Land and Buildings

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

(4) Other lease information

A. Please refer to Note 6.12 for information of investment property under operating leases.

B. Cash outflow relating to leases for short-term leases and low-value asset leases is as follows:

Items	2020	2019
Expenses relating to short-term leases	$ 3,192	$ 3,046
Total cash outflow for leases	$ 14,443	$ 15,358

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

6.12 INVESTMENT PROPERTIES

Items	December 31 2020	December 31 2019
Buildings	$ 99,629	$ 99,629
Less: accumulated depreciation	(56,904)	(54,109)
Total	$ 42,725	$ 45,520

Items	2020	2019
Cost		
Balance, January 1	$ 99,629	$ 99,629
Balance, December 31	$ 99,629	$ 99,629
Accumulated depreciation and impairment		
Balance, January 1	$ 54,109	$ 51,315
Additions	2,795	2,794
Balance, December 31	$ 56,904	$ 54,109

A. Rent revenue and direct operation expenses from investment property:

Items	2020	2019
Rent revenue from investment property	$ 18,144	$ 18,144
Direct operating expenses from the investment of property that generated rental income during the period	$ 3,240	$ 3,245

B. The lease term for buildings under operating leases is 2 years. The lessees do not have an options to acquire the assets at the expiry of the lease periods. Rental income for 2020 was the same as 2019 and amounted to 18,144 thousand. As of December 31, 2020 and 2019, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31 2020		December 31 2019	
Not later than 1 year	$	18,144	$	18,144
Later than 1 year and not later than 5 years		-		18,144
Total	$	18,144	$	36,288

C. The fair value of investment property was both 72,000 thousand dollars on December 31, 2020 and 2019, and did not assess by any independent appraiser, only refer to the trading price of similar properties on open market by management of the company.

D. The investment property of the Company is not pledged to others.

6.13 INTANGIBLE ASSETS

Items	December 31 2020		December 31 2019	
Patents	$	62,226	$	69,193
Trademarks		2,674		2,501
Computer software		31,965		33,902
Total		96,865		105,596
Less: Accumulated amortization		(46,022)		(46,855)
Intangible assets, net	$	50,843	$	58,741

Items	2020 Patent		Trademarks		Computer software		Total	
Cost								
Balance, January 1	$	69,193	$	2,501	$	33,902	$	105,596
Additions		3,843		318		4,222		8,383
Disposals		(10,810)		(145)		(8,099)		(19,054)

Items	2020			
	Patent	Trademarks	Computer software	Total
Reclassified	$ –	$ –	$ 1,940	$ 1,940
Balance, December 31	$ 62,226	$ 2,674	$ 31,965	$ 96,865
Accumulated amortization				
Balance, January 1	$ (25,045)	$ (1,518)	$ (20,292)	$ (46,855)
Amortization expense	(10,159)	(327)	(7,735)	(18,221)
Disposals	10,810	145	8,099	19,054
Balance, December 31	$ (24,394)	$ (1,700)	$ (19,928)	$ (46,022)

Items	2019			
	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 64,291	$ 2,436	$ 36,451	$ 103,178
Additions	5,956	99	3,809	9,864
Disposals	(1,054)	(34)	(6,358)	(7,446)
Balance, December 31	$ 69,193	$ 2,501	$ 33,902	$ 105,596
Accumulated amortization				
Balance, January 1	$ (21,403)	$ (1,259)	$ (18,861)	$ (41,523)
Amortization expense	(4,696)	(293)	(7,789)	(12,778)
Disposals	1,054	34	6,358	7,446
Balance, December 31	$ (25,045)	$ (1,518)	$ (20,292)	$ (46,855)

6.14 OTHER NON-CURRENT ASSETS

Items	December 31	
	2020	2019
Prepayments for equipment	$ 8,781	$ 8,112
Refundable deposits	10,831	7,603
Overdue receivables	5,847	5,847
Less: allowance for bad debts	(5,847)	(5,847)
Prepayments for software	15,591	–

Items	December 31	
	2020	2019
Total	$ 35,203	$ 15,715

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

6.15 NOTES PAYABLE

Items	December 31	
	2020	2019
Notes payable - operating activities	$ 4,686	$ 6,089
Notes payable - non-operating activities	–	473
Total	$ 4,686	$ 6,562

6.16 OTHER PAYABLES

Items	December 31	
	2020	2019
Salaries and bonuses payable	$ 170,947	$ 182,498
Accrued supplies expense	30,668	20,285
Payable for equipment and construction	22,431	26,097
Payable for repairs and maintenance expense	18,866	26,040
Payable for utilities expense	14,336	12,124
Accrued insurance expense	12,933	12,689
Compensation payable to employees, directors, and supervisors	11,766	16,825
Others	60,029	57,434
Total	$ 341,976	$ 353,992

6.17 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31 2020		December 31 2019	
Unsecured loans	$	1,375,000	$	1,755,000
Less: current portion		(23,333)		(80,000)
Discount of government grants (Note 6.18)		(7,130)		-
Total	$	1,344,537	$	1,675,000
Interest rates range	0.45%~0.98%		0.70%~1.26%	
Year to maturity	2021~2027		2020~2026	

(1) The loans from Bank of Taiwan, Mega Bank, E.SUN Bank and Chang Hwa Bank are repaid in installments, the rest of the loans will be repaid in full on the maturity date.

(2) Under the Company's loan agreement with certain banks in the fourth quarter of 2019, the Company should meet several financial ratios and criteria. The Company had no violation of the aforementioned financial ratio regulations as of December 31, 2020 and December 31, 2019.

6.18 GOVERNMENT GRANTS

(1) The Company has obtained a $795,000 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The difference between transaction price and fair value is regarded as the government grants. As of December 31, 2020, the fair value of loan is estimated to be $787,870 thousand. The difference $7,130 between transaction price and fair value is recognized as deferred income (under other non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $1,190 thousand in other income, $2,633 thousand in interest expense for the loan, and paid $3,876 thousand interests to the bank.

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

6.19 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts.

B. The Company recognized expenses in the statement of comprehensive income were $31,344 thousand and $31,595 thousand under the contributions rates specified in the plans for years ended December 31, 2020 and 2019, respectively.

(2) Defined benefit plans

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 6% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

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

	December 31	
Items	2020	2019
Present value of defined benefit obligations	$ 265,117	$ 261,834
Fair value of plan assets	(136,777)	(123,526)
Net defined benefit liability	$ 128,340	$ 138,308

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

	2020		
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 261,834	$ (123,526)	$ 138,308
Service costs			
Current service cost	1,494	-	1,494
Interest expense(revenue)	2,094	(1,035)	1,059

Items	2020 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Amounts recognized in profit and loss	$ 3,588	$ (1,035)	$ 2,553
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	-	(4,146)	(4,146)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	1,064	-	1,064
Effect of changes in financial assumptions	5,322	-	5,322
Experience adjustments	2,284	-	2,284
Amounts recognized in other comprehensive income (losses)	8,670	(4,146)	4,524
Pension fund contributions	-	(17,045)	(17,045)
Paid pension	(8,975)	8,975	-
Balance, December 31	$ 265,117	$ (136,777)	$ 128,340

Items	2019 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 296,585	$ (136,964)	$ 159,621
Service costs			
Current service cost	2,050	-	2,050
Interest expense(revenue)	3,337	(1,612)	1,725
Amounts recognized in profit and loss	5,387	(1,612)	3,775
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	-	(4,566)	(4,566)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	1,638	-	1,638

Items	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Effect of changes in financial assumptions	$ 8,189	$ -	$ 8,189
Experience adjustments	(18,749)	-	(18,749)
Amounts recognized in other comprehensive income (losses)	(8,922)	(4,566)	(13,488)
Pension fund contributions	-	(11,600)	(11,600)
Paid pension	(31,216)	31,216	-
Balance, December 31	$ 261,834	$ (123,526)	$ 138,308

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

Items	2020	2019
Cost of revenue	$ 1,648	$ 2,439
Marketing expenses	128	190
General and administrative expenses	474	737
Research and development expenses	303	409
Total	$ 2,553	$ 3,775

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

Item	December 31	
	2020	2019
Cash and cash equivalents	$ 136,777	$ 123,526

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

i. Investment risk

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

ii. Interest risk

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

iii. Salary risk

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

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

	Measurement date	
	December 31	
Items	2020	2019
Discount rate	0.350%	0.800%
Expected salary increase rate	2.000%	2.250%

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31	
Items	2020	2019
Discount rate		
0.25% increase	$ (6,193)	$ (6,388)
0.25% decrease	6,422	6,631
Expected salary increase rate		
0.25% increase	6,145	6,358
0.25% decrease	(5,958)	(6,159)

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

G. The contribution that the Company expects to make to its defined benefit pension plans in next year is $17,046 thousand. The weighted average maturity period of the defined benefit obligation is 12 years.

6.20 COMMON STOCKS

(1) The movements in the number of the Company's ordinary shares outstanding are as follows:

	2020		2019	
Items	Shares	Capital	Shares	Capital
Balance, January 1	182,140	$ 1,821,403	182,140	$ 1,821,403
Balance, December 31	182,140	$ 1,821,403	182,140	$ 1,821,403

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

(2) The Company's authorized capital was $2,700,000 thousand, consisting of 270,000 thousand shares as of December 31, 2020.

6.21 CAPITAL SURPLUS

	December 31	
Item	2020	2019
Additional paid-in capital	$ 451,220	$ 451,220
From long-term equity investments	3,546	3,546
Treasury stock transactions	30,359	30,359
Others	278	132
Total	$ 485,403	$ 485,257

(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 shares of changes in equities and stock options may not be used for any purpose.

6.22 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 prior years' operating 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 or regulations. 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 and the changes in internal and external environment. 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 excess be higher than 50% of the gross amount of total dividends.

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

(3) Special reserve

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

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

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

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

Items	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve	$ 50,253	$ 82,888		
Special reserve	54,387	16,229		
Cash dividends	327,852	509,993	$ 1. 80	$ 2. 80

(5) The Company's appropriation of earnings for 2020 had been approved in the meeting of the Board of Directors held on March 9, 2021. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 34,535	
Cash dividends	327,852	$ 1. 80

The appropriations of earnings for 2020 are to be presented for approval in the shareholders' meeting to be held on June, 2021.

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

6.23 OTHER EQUITY ITEMS

Item	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2020	$ (168,987)	$ 13,417	$ (155,570)
Exchange differences on translation of foreign financial statements	21,178	-	21,178

Item	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	$ –	$ (250)	$ (250)
Balance, December 31, 2020	$ (147,809)	$ 13,167	$ (134,642)

Item	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2019	$ (113,793)	$ 12,610	$ (101,183)
Exchange differences on translation of foreign financial statements	(55,194)	–	(55,194)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	–	807	807
Balance, December 31, 2019	$ (168,987)	$ 13,417	$ (155,570)

6.24 OPERATING REVENUE

Items	2020	2019
Revenue from contracts with customers		
Sale of goods	$ 6,206,643	$ 6,698,173
Other operating revenues	20,579	21,129
Total	$ 6,227,222	$ 6,719,302

(1) Description of customer contract

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

(2) Disaggregation of revenue from contracts with customers

	2020					
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 2,064,564	$ 393,272	$ 789,188	$ 655,398	$ 1,257,973	$ 5,160,395
Stationery	28,485	491,903	78,601	1,345	361,914	962,248
Others	25,056	58,885	–	59	–	84,000
Total	$ 2,118,105	$ 944,060	$ 867,789	$ 656,802	$ 1,619,887	$ 6,206,643
Timing of revenue recognition						
Performance obligation satisfied at a point in time	$ 2,118,105	$ 944,060	$ 867,789	$ 656,802	$ 1,619,887	$ 6,206,643

	2019					
Major products /Service line	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 1,998,156	$ 421,315	$ 875,272	$ 841,617	$ 1,494,781	$ 5,631,141
Stationery	43,593	466,214	97,221	2,442	363,696	973,166
Others	30,597	62,974	–	295	–	93,866
Total	$ 2,072,346	$ 950,503	$ 972,493	$ 844,354	$ 1,858,477	$ 6,698,173
Timing of revenue recognition						
Performance obligation satisfied at a point in time	$ 2,072,346	$ 950,503	$ 972,493	$ 844,354	$ 1,858,477	$ 6,698,173

(3) The Company recognizes contract liabilities related to the revenue from contracts with customers:

Items	December 31 2020	December 31 2019
Contract liabilities -current	$ 76,746	$ 66,353

6.25 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The information of employee benefits, depreciation, depletion, and amortization are as follows:

By nature	2020 Cost of sales	2020 Operating expense (include not operating)	2020 Total	2019 Cost of sales	2019 Operating expense (include not operating)	2019 Total
Personnel						
Salary	$ 598,244	$ 229,949	$ 828,193	$ 596,357	$ 254,395	$ 850,752
Remuneration to directors	-	4,829	4,829	-	7,038	7,038
Labor insurance	58,091	19,434	77,525	62,164	20,513	82,677
Pension	24,328	9,569	33,897	25,459	9,911	35,370
Other	61,295	17,895	79,190	61,973	13,161	75,134
Depreciation	389,444	36,566	426,010	422,458	34,764	457,222
Amortization	918	17,303	18,221	1,480	12,033	13,513
Total	$ 1,132,320	$ 335,545	$ 1,467,865	$ 1,169,891	$ 351,815	$ 1,521,706

(1) The average numbers of employees of the Company of 2020 and 2019 were 1,419 and 1,441, respectively. The numbers of non-employee Directors were 3 for both 2020 and 2019.

(2) The average employee benefits expenses were $719 thousand and $726 thousand for 2020 and 2019, respectively.

(3) The average salaries were $585 thousand and $592 thousand for 2020 and 2019, respectively. The average salaries of 2020 and 2019 decreased by 1.14%.

(4) The supervisors' remuneration for 2020 and 2019 are $450 thousand and $490 thousand.

(5) In accordance with the Company's Article of incorporation, the Company shall allocate 1.5% and not higher than 1.5% of annual profits before tax during the period to employees' compensation and directors' and supervisors' remuneration, respectively. If there is a change in the proposed amount after the annual financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

(6) The appropriations of employees' compensation and directors' and supervisors' remuneration for 2020 and 2019 have been approved by the board of directors held on

March 9, 2021, and March 6, 2020, respectively. The amount of approved and recognized in financial statement is shown as follows.

	For Year 2020		For Year 2019	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Amounts resolved to be distributed	$ 6,537	$ 5,229	$ 9,347	$ 7,478
Amounts recognized in financial reports	6,537	5,229	9,347	7,478
Difference	$ –	$ –	$ –	$ –

The employees' compensation of 2020 and 2019 is distributed in cash.

(7) Information on employees' compensation and directors' and supervisors' remuneration of the Company is available from the "*Market Observation Post System*" at the website of the TWSE.

6.26 OTHER INCOME

Items	2020	2019
Rental income	$ 19,366	$ 19,235
Commission income	10,805	17,884
Dividend income	475	1,693
Government subsidies	3,487	–
Others	20,195	24,491
Total	$ 54,328	$ 63,303

6.27 OTHER GAINS AND LOSSES

Items	2020	2019
Gain on disposal of property, plant and equipment	$ 9,104	$ 6,497
Foreign exchange gains (losses), net	(74,738)	(9,728)
Net gains (losses) on financial assets and liabilities at FVTPL	190	391

Items	2020	2019
Gain on reversal of impairment loss / impairment loss of property, plant and equipment	$ 4,000	$ –
Others	(2,933)	(3,006)
Total	$ (64,377)	$ (5,846)

6.28 FINANCIAL COSTS

Items	2020	2019
Interest expense		
Bank loans	$ 15,129	$ 20,986
Interest on lease liabilities	1,761	1,759
Less: capitalized amount for qualified assets	(1,770)	(2,089)
Financial costs	$ 15,120	$ 20,656
Interest capitalization rates	1. 44%	1. 44%

6.29 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2020	2019
Current income tax expense		
Current tax expense (benefit) recognized in the current year	$ 46,424	$ 100,615
Tax on unappropriated earnings	3,502	10,858
Adjustments for prior years	(2,579)	(1,832)
Current tax	47,347	109,641
Deferred income tax expense		
The origination and reversal of temporary differences	27,523	5,101
Deferred tax	27,523	5,101
Income tax expense recognized in profit or loss	$ 74,870	$ 114,742

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

Items	2020	2019
Exchange differences on translation of foreign operations	$ 5,294	$ (13,798)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(70)	75
Remeasurement of defined benefit obligation	(905)	2,697
Total	$ 4,319	$ (11,026)

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

Items	2020	2019
Income before tax	$ 424,017	$ 606,308
Income tax expense at the statutory rate	$ 84,803	$ 121,262
Tax effect of adjusting items:		
Deductible items in determining taxable income	(38,379)	(20,647)
Income tax on unappropriated earnings	3,502	10,858
Income tax adjustments on prior years	(2,579)	(1,832)
Net changes on deferred income tax	27,523	5,101
Income tax expense recognized in profit or loss	$ 74,870	$ 114,742

The corporate income tax rate for entities subject to the R.O,C, Income Tax Act 20%, and the tax rate for unappropriated earnings 5%.

C. Income tax liabilities

	December 31	
Items	2020	2019
Income tax liabilities	$ 59,888	$ 18,854

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

	2020			
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 21,900	$ 1,000	$ -	$ 22,900
Net defined benefit liability	27,037	(2,705)	289	24,621
Accrued year-end bonus	22,377	(22,377)	-	-
Cutoff	14,385	9,250	-	23,635
Others	16,875	(7,931)	-	8,944
Subtotal	102,574	(22,763)	289	80,100
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equit method	(179,856)	(4,545)	-	(184,401)
Exchange differences arising on translation of foreign operations	(3,184)	-	(5,294)	(8,478)
Reserve for land revaluation increment tax	(78,957)	-	-	(78,957)
Others	(3,203)	(215)	686	(2,732)
Subtotal	(265,200)	(4,760)	(4,608)	(274,568)
Total	$ (162,626)	$ (27,523)	$ (4,319)	$ (194,468)

Items	2019 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 21,840	$ 60	$ –	$ 21,900
Net defined benefit liability	30,684	(1,566)	(2,081)	27,037
Accrued year-end bonus	38,660	(16,283)	–	22,377
Cutoff	20,385	(6,000)	–	14,385
Others	11,094	5,781	–	16,875
Subtotal	122,663	(18,008)	(2,081)	102,574
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(191,523)	11,667	–	(179,856)
Exchange differences arising on translation of foreign operations	(16,982)	–	13,798	(3,184)
Reserve for land revaluation increment tax	(78,957)	–	–	(78,957)
Others	(3,752)	1,240	(691)	(3,203)
Subtotal	(291,214)	12,907	13,107	(265,200)
Total	$ (168,551)	$ (5,101)	$ 11,026	$ (162,626)

E. The income tax returns of the Company have examined through 2018 by tax authority, except for 2017 of SDI.

6.30 OTHER COMPREHENSIVE INCOME

Items	2020 Before tax	2020 Income tax (expense) benefit	2020 After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (4,524)	$ 905	$ (3,619)
Share of other comprehensive income of investments accounted for using the equity method	(177)	-	(177)
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	(320)	70	(250)
Subtotal	(5,021)	975	(4,046)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	26,472	(5,294)	21,178
Subtotal	26,472	(5,294)	21,178
Total	$ 21,451	$ (4,319)	$ 17,132

Items	2019 Before tax	2019 Income tax (expense) benefit	2019 After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 13,488	$ (2,697)	$ 10,791
Share of other comprehensive income of investments accounted for using the equity method	174	-	174
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	882	(75)	807

Items	2019		
	Before tax	Income tax (expense) benefit	After tax
Subtotal	$ 14,544	$ (2,772)	$ 11,772
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(68,992)	13,798	(55,194)
Subtotal	(68,992)	13,798	(55,194)
Total	$ (54,448)	$ 11,026	$ (43,422)

6.31 EARNINGS PER SHARE

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

Items	2020	2019
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 349,147	$ 491,566
Net income for calculating basic earnings per share	$ 349,147	$ 491,566
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 1. 92	$ 2. 70
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 349,147	$ 491,566
Net income for calculating diluted earnings per share	$ 349,147	$ 491,566
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Effect of dilutive potential common shares		
Employees’ compensation (share in thousands)	95	181

Items	2020	2019
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,235	182,321
Diluted earnings per share (after tax) (in dollars)	$ 1.92	$ 2.70

If the Company offered to settle the compensation or bonuses paid to employees in shares or cash at the Company's option, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share if the effect is dilutive. Such dilutive effect of the potential shares is included in the calculation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

7. RELATED PARTY TRANSACTIONS

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

A. Related party name and categories

Related Party Name	Related Party Categories
CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Subsidiaries
TEC BRITE TECHNOLOGY CO., LTD. (TEC Brite Technology)	Subsidiaries
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD (SDI (JIANGSU))	Subsidiaries
SJD Industries（M）Sdn. Bhd	Other related parties
SDI JAPAN CO. ,LTD.	Other related parties

B. Significant transactions between related parties

Significant transactions between the Company and its related parties for the years ended December 31, 2020 and 2019 are as follow:

(a) Revenue

Related Party	2020	2019
Subsidiaries	$ 153,461	$ 177,991
Other related parties	31,551	33,381
Total	$ 185,012	$ 211,372

Sales price with related parties was determined and negotiated referring to related market price. The payment term was T/T 30~240 days.

(b) Purchases

Related Party	2020		2019	
Subsidiaries	$	187,656	$	147,699
SDI (JIANGSU)		643,572		667,086
Other related parties		5,431		3,960
Total	$	836,659	$	818,745

Purchases price with related parties was determined and negotiated referring to related market price. The payment term was T/T 60~90 days.

(c) Receivables due from related parties

		December 31			
Items	Related Party	2020		2019	
Accounts receivable	Subsidiaries	$	35,322	$	65,512
	Other related parties		18,679		21,534
	Total	$	54,001	$	87,046
Other receivables	Subsidiaries	$	1,262	$	52
	TEC Brite Technology		8,079		8,532
	SDI (JIANGSU)		3,581		11,566
	Other related parties		4,574		9,798
	Total	$	17,496	$	29,948

(d) Payables due to related parties

		December 31			
Items	Related Party	2020		2019	
Accounts payable	Subsidiaries	$	54,515	$	34,968
	SDI (JIANGSU)		58,919		47,436
	Other related parties		–		1,304

Items	Related Party	December 31 2020	2019
	Total	$ 113,434	$ 83,708
Other payables	Subsidiaries	$ 12,097	$ 26,590
	Other related parties	440	813
	Total	$ 12,537	$ 27,403

(e) Property transactions

(1) Acquisition of property, plant and equipment

Related party	2020	2019
Subsidiaries	$ 20,485	$ –
Total	$ 20,485	$ –

(2) Disposal of property, plant and equipment

Related Party	2020 Price	2020 Profit (Loss)	2019 Price	2019 Profit (Loss)
Subsidiaries	$ 639	$ 152	$ 15,039	$ 689
Total	$ 639	$ 152	$ 15,039	$ 689

The unrealized gains from selling equipment as mentioned above have been deferred.

(f)Selling parts

Related Party	2020 Price	2020 Profit (Loss)	2019 Price	2019 Profit (Loss)
Subsidiaries	$ 7,089	$ 722	$ 8,850	$ 653

The stationaries and electric parts the subsidiaries needed for production were purchased by the Company. The unrealized gains as mentioned above have been deferred.

(g) Endorsement and Guarantees

Party being guaranteed	Matter being guaranteed	December 31 2020	December 31 2019
SDI(JIANGSU)	Banking facilities	$ 1,172,785	$ 1,338,127
	Total	$ 1,172,785	$ 1,338,127

(h) Other transactions

Items	Related Party	2020	2019
Processing fee	Chao Shin Metal	$ 3,775	$ 5,517
Other expenses	Subsidiaries	$ 5,411	$ 3,461
	Other related parties	93	–
	Total	$ 5,504	$ 3,461
Rental income	Subsidiaries	$ 144	$ 144
	TEC Brite Technology	18,744	18,744
	Total	$ 18,888	$ 18,888
Other income	Subsidiaries	$ 20,437	$ 26,456
	Other related parties	344	387
	Total	$ 20,781	$ 26,843
Deduction of expenses	Subsidiaries	3,621	1,483
	Other related parties	88	24
	Total	$ 3,709	$ 1,507

(i) Lease agreement

Item	Related Party	December 31 2020	December 31 2019
Right-of-use assets	Chao Shin Metal	$ –	$ 42,251
Lease liabilities－current	Chao Shin Metal	$ 2,540	$ 2,510
Lease liabilities－non-current	Chao Shin Metal	$ 37,447	$ 39,987

Item	Related Party	2020	2019
Depreciation	Subsidiaries	$ 2,726	$ 2,726
Interests expense	Subsidiaries	$ 490	$ 520

C. Compensation of key management personnel

Item	2020	2019
Salaries and other short-term employee benefits	$ 30,839	$ 36,968
Post- employment benefits	319	386
Total	$ 31,158	$ 37,354

8. PLEDGED ASSETS

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

	December 31	
Item	2020	2019
Time deposit pledge (recognized as other financial assets - current)	$ 6,800	$ 10,338
Refundable deposits (recognized as other non-current assets)	644	794
Total	$ 7,444	$ 11,132

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

(1) Capital expenditures contracted at the balance sheet date but not yet incurred are as follows:

	December 31	
Item	2020	2019
Property, plant, and equipment	$ 292,772	$ 270,540

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

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

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

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

Significant financial risks and degrees of financial risks

A. Market risk

a. Foreign exchange risk

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

ii. Sensitivity analysis of foreign currency risk

	December 31, 2020				
	Foreign Currency		Exchange Rate		New Taiwan Dollars
Financial Assets					
Monetary Items					
USD	$	44,797	28. 48	$	1,275,804
JPY		125,756	0. 28		34,790
Non-monetary Items					
Investments accounted for using equity method					
USD	$	60,424	$ 28. 48	$	1,720,883
Financial Liabilities					
Monetary Items					
USD		14,496	28. 48		412,853
JPY		121,489	0. 28		33,610

	December 31, 2019				
	Foreign Currency		Exchange Rate		New Taiwan Dollars
Financial Assets					
Monetary Items					
USD	$	41,432	29. 98	$	1,242,142
JPY		192,538	0. 27		53,140
Non-monetary Items					
Investments accounted for using equity method					
USD	$	55,725	29. 98	$	1,670,634
Financial Liabilities					
Monetary Items					
USD		8,413	29. 98		252,207
JPY		24,238	0. 27		6,690

The Company is mainly exposed to US dollar and JPY. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $8,641 thousand and $10,364 thousand for the years ended December 31, 2020 and 2019, respectively.

b. Price risk

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

The Company 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 $0 thousand, $169 thousand, $28 thousand and $172 thousand, respectively, due from increase/decrease in fair value.

c. Interest rate risk

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

	Carrying Amounts	
	December 31	
Items	2020	2019
Fair value interest rate risk		
Financial assets	$ 1,444	$ 1,294
Net	$ 1,444	$ 1,294
Cash flow interest rate risk		
Financial assets	$ 488,942	$ 534,785
Financial liabilities	(1,367,870)	(1,755,000)
Net	$ (878,928)	$ (1,220,215)

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

ii.Sensitivity analysis for instruments with cash flow interest rate risk：The effective interest rates for the Company's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases (decreases) 1%, the profit before tax will increase (decrease) $8,789 thousand and $12,202 thousand for the years ended December 31, 2020 and 2019, respectively.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affects a customer's paying ability, such as the customer's financial condition and historical transaction records, internal and external credit rating and economic conditions.

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

b. Financial credit risk

The Company's exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company's treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i.Credit concentration risk

As of December 31, 2020 and 2019, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 42% and 43%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant.

ii.Measurement of expected credit losses

(i) Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6(4) for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Company 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 Company’s credit exposures associated with accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses; therefore, the loss allowance for those instruments is measured at an amount equal to 12-month expected credit losses. After assessment, the Company determined that no material impairment occurred.

C. Liquidity risk

a. Liquidity risk management

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

b. Maturity analysis for financial liabilities

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

	December 31, 2020				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 4,686	$ –	$ –	$ 4,686	$ 4,686
Accounts payable	766,963	–	–	766,963	766,963
Other payables	333,772	–	–	333,772	333,772
Lease liabilities	14,167	46,863	99,758	160,788	147,824
Long-term loan (include current portion)	35,448	1,285,981	85,545	1,406,974	1,367,870
Guarantee deposits	–	–	87	87	87
Total	$ 1,155,036	$ 1,332,844	$ 185,390	$ 2,673,270	$ 2,621,202

Further information of the maturity analysis for lease liabilities are as follows：

	December 31, 2020					
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 14,167	$ 46,863	$ 45,247	$ 45,212	$ 9,299	$ 160,788

Non-derivative Financial Liabilities	December 31, 2019 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 6,562	$ －	$ －	$ 6,562	$ 6,562
Accounts payable	472,016	－	－	472,016	472,016
Other payables	360,324	－	－	360,324	360,324
Lease liabilities	9,797	36,989	108,590	155,376	141,142
Long-term loan (include current portion)	97,324	1,239,566	471,055	1,807,945	1,755,000
Guarantee deposits	－	－	87	87	87
Total	$ 946,023	$ 1,276,555	$ 579,732	$ 2,802,310	$ 2,735,131

Further information of the maturity analysis for lease liabilities are as follows：

	December 31, 2019 Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 9,797	$ 36,989	$ 44,892	$ 46,415	$ 17,283	$ 155,376

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

12.3 Category of financial instruments

	December 31 2020	2019
Financial assets		
Financial assets at fair value through profit or loss- current	$ －	$ 2,816
Financial assets measured at amortized cost (Note 1)	1,776,652	1,753,621
Financial assets at fair value through other comprehensive income- noncurrent	16,898	17,218
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	2,473,378	2,593,989

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, accounts payable, other payables, long-term loan (include current portion) and guarantee deposits received.

12.4 Fair value information of financial instruments

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

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

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

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

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

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

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

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

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

Items	December 31, 2019 Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 2,816	$ －	$ －	$ 2,816
Financial assets at FVTOCI				
Equity instruments				
Unlisted stocks	－	－	17,218	17,218
Total	$ 2,816	$ －	$ 17,218	$ 20,034

(4) The methods and assumptions the Company used to measure fair value are as follows:

A. The Company measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

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

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

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

(6) Changes in level 3 instruments:

ITEMS	2020	2019
Financial assets at FVTOCI		
Beginning Balance	$ 17,218	$ 16,336
Unrealized valuation gains or losses on equity investments at FVTOCI	(320)	882
Ending Balance	$ 16,898	$ 17,218

13. SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information

(1) Financings provided to others: None;

(2) Endorsement and guarantee provided to others: Please see Table 1 attached;

(3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period) : Please see Table 2 attached;

(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 3 attached;

(6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

(7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: None;

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

13.2 Information on investees : Please see Table 5 attached;

13.3 Information on investment in Mainland China

(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 6 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 4 attached.

14. SEGMENT INFORMATION

The company has provided the segment information disclosure in the consolidated financial statements for the year ended 2020.

SDI CORPORATION

Chairman: J.S. Chen