Stock Code: 2351

2021
ANNUAL REPORT

SDI CORPORATION

Printed on: March 31, 2022
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

❖ Contact Information of Headquarters

Address: No. 260, Sec. 2, Changnan Rd., Dazhu Vil., Changhua City. Changhua County, Taiwan

Tel: (04) 738-3991

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

Nantou plant: No. 323, Chenggong 3rd Rd., Xinxing Vil., Nangang Industrial Zone, Nantou City, Nantou County, Taiwan

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 2021 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

Table of Contents Page

Chapter 1 Letter to Shareholders

I. Report on 2021 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 2021 with the Company's prevention and control of pandemic, and all colleagues' joint efforts. SDI Group continues to increase production capacity, reduce wearing down and speed up the mass production of new products to develop electronic and stationary business. We also provide for the customer's requirements on increased orders, the quality, and the delivery date to the satisfaction of customers through more frequent contacts with the supplier and customers through carefully-planned video sessions during the pandemic period.

In 2021, the global economy continued to be affected by geopolitical disputes and variant viruses and faced with the impact of industrial disruptions and freight delays. Also, due to the increasing amount of money circulating in the economy caused by QE and low interest rates undertaken by the governments of many countries in recent years, as well as the global efforts to promote energy conservation and carbon emission reduction, inflation has risen at a substantially faster pace, and the CPI in numerous countries has reached a record high in decades. The relatively slow growth of the general economy has dealt yet another severe blow to not only people's consumption patterns but also the information and communication industry. On the other hand, as investments in and demands for emerging energy management technologies and xEVs started growing at an exponential rate, the semiconductor industry have been thriving and investors flourishing. SDI's electronic business group mainly supplies for IDM clients worldwide. The sales performance benefited from the above growing demands for mid-end and high-end energy management and xEVs products, so it has generated substantial revenues and profits continuously. SDI's electronic business group continues to collaborate with major clients to develop and mass-produce new power management and power application products to create more added value. During the period that demands were reduced in 2020, the electronic business group implemented smart manufacturing, efficiency optimization, diverse procurement, and application of information technologies in order to fulfill the requirements for high-level quality and demands for high-end automotive and industrial products. Moreover, the electronic business group has secured supplies of materials and reduced costs in order to mitigate the impact of adverse circumstances on business operations, such as material shortages, high copper prices, and high exchange rates. For the stationery business, to ease the impact of increased costs resulting from inflation and drops in demands because of the pandemic, it has utilized creative marketing strategies including marketing campaigns and development of new products to create consumer demand. Last but not least, SDI's affiliated companies have also generated considerable revenues and profits; TEC Brite Technology has cultivated niche clients, increased market share, and improved production capacity; Chao Shin Metal has benefited from rising steel prices and business relationships with new clients; the re-invested Jiangsu Plant has continued to improve production capacity and efficiency and to satisfy surging demands for developing the third-generation semiconductors in China.

In total, SDI's revenue in 2021 is NT$ 8.247 billion, with a increase of 32%. The group's consolidated revenue is NT$ 11.152 billion, with a increase of nearly 32%. Net profit of this period is NT$852 million, and earning per share is NT$4.68, a record high.

The applications of and demands for automobiles, xEVs, servers, and 5G increased significantly in 2021, and the total global semiconductor sales reached US$553 billion, representing growth of 26%. The World Semiconductor Trade Statistics (WSTS) has released a forecast that the global semiconductor market would grow by 8.8% to more than US$600 billion in 2022, where the output value of discrete devices, analog ICs, and memories would grow by 6.2% to 8.8%, and sensors and logic ICs would also have double-digit growth. SDI's electronic business group has not only diversified to supply the above industrial needs but also combined R&D and manufacturing to collaborate with clients in developing GaN and SiC product applications. By speeding up mass production and improving production processes, the electronic business group has worked diligently to increase added value and remained a leader in the industry for its development and innovation efforts. With respect to the hardware and stationery business, we have continued to expand production capacity in Taiwan and develop more OBM products to elevate competitiveness and rates of profit.

With the roll out of vaccines and access to oral antiviral treatments for COVID-19, borders are reopening and bottlenecks in global supply chains are being addressed and resolved in 2022, which fuels optimism about the recovery of the global economy and eases the stress in manufacturing. At the same time, as the demand for new energy sources started surging after the economy began recovering, inflation will linger at high levels for longer. The advances in power semiconductor technology driven by the developments of and demands for automobiles, industrial controls, and green energy have provided customers with a wide array of benefits. With smart factories and efficient production lines in place, SDI Group is striving to expand manufacturing capacity and process efficiency in order to enhance business value and fulfill customer needs. 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 stable and continuously innovative development 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 2021

Unit: NT$ 1,000

Item	2020	2021	Change rate
Operating revenue	8,450,611	11,152,550	31.97%
Gross profit	1,332,379	2,109,990	58.36%
Operating expense	730,792	884,571	21.04%
Net operating profit	601,587	1,225,419	103.70%
Profit after tax	401,381	910,339	126.80%
Net profit per share ($)	1.92	4.68	143.75%
Return on shareholders' equity	6.70%	14.51%	116.57%
Net profit ratio	4.75%	8.16%	71.79%
Return on asset	4.27%	8.10%	89.70%
R&D appropriation	207,140	247,850	19.65%

Note: No financial forecast has been prepared for 2021

II. 2021 Operating Plan Overview

(I) In Electronic Production and Marketing:

1. COVID-19 vaccination accelerated in 2020, which could alleviate the psychological influence of the pandemic and stimulated consumption demands. Bulk orders were placed, but we were faced with the production and cost challenges posed by material shortage, supply chain disruptions, port congestion, container shortage and rising prices of raw materials. SDI was not subject to the issue of material shortage considering our long-term partnership with suppliers, but maintained production capacity for continuous profits due to cost pass-through since our product prices were linked to metal prices.
2. As EVs and self-driving cars are on the rise, the demand for semiconductors has grown exponentially. In 2021, the sales volume of EV cars increased to 6.75 million, with a YoY growth rate of 108%. SDI's various types of third-generation power semiconductors and lead frames for self-driving car sensors became continually popular. After the Nantou Plant was completed and put into production in the second half of 2022, it will generate high revenue for the Company.

(II) Production and Marketing of Hardware Stationery:

1. Markets in the US and Japan are relatively stable. The US market has an increasing demand for consumption products and blades as a hardware tool. SDI added blade grinding machines to improve the quality of blades and increase the productivity of blades.
2. The pandemic is expected to be cured as the third vaccines are injected. The market demand is also expected to grow. The roller correction tape newly developed by us will be launched to market this year. It is estimated to increase the sales volume by more than one million.

(III) Estimated Sales Volume and Its Evidence:

As for the estimate of sales volume in 2022, the growth of consumption electronics will be affected by geopolitical disputes and the surge of new virus variants, but the demands for car and industrial control purposes will continuously increase. 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 2 Company Profile

I. Date of Incorporation: October 17, 1967

II. Company Overview

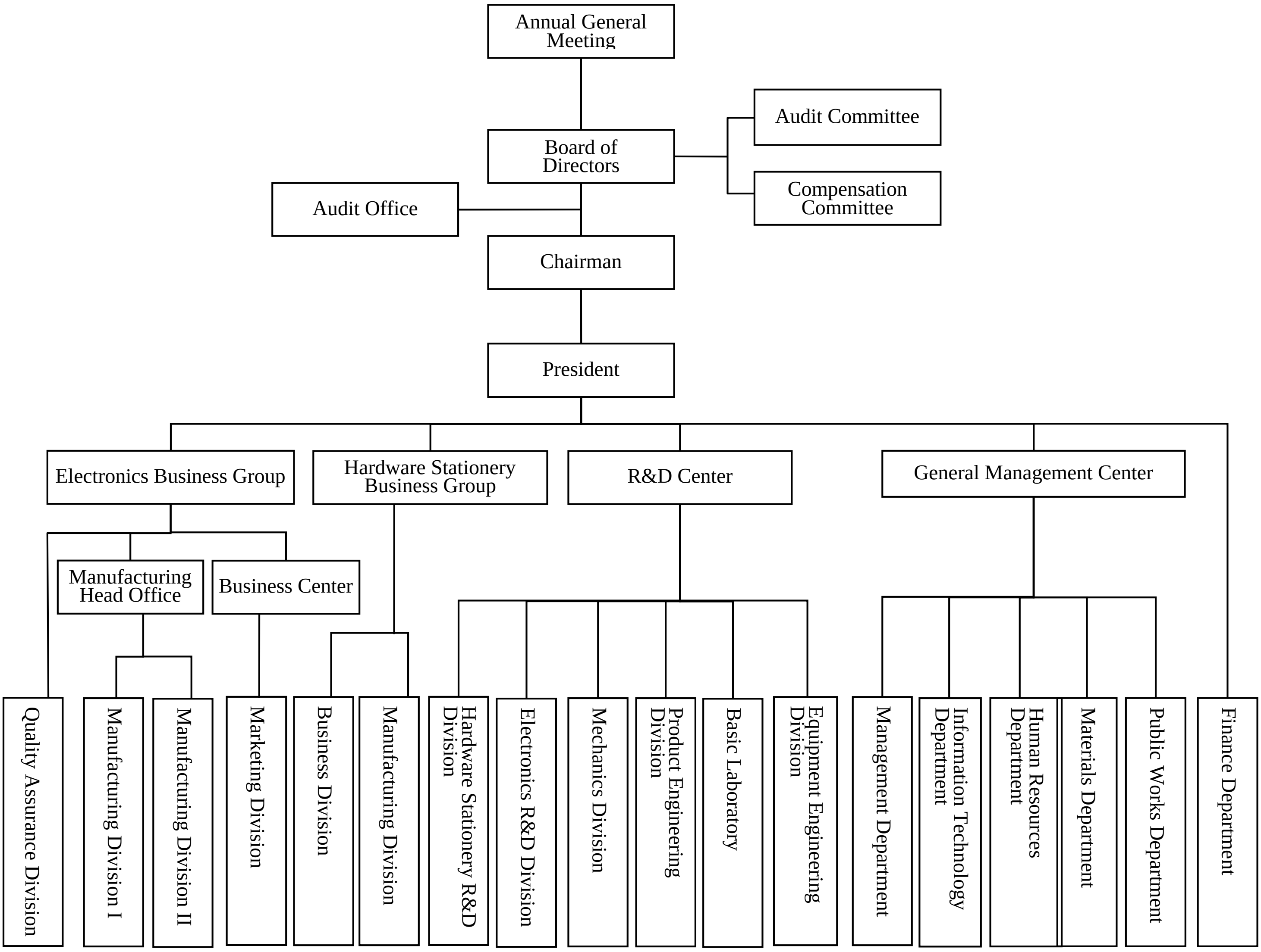
1953	Mr. Shuei-jin Chen founded Shuen Der Manufacturing Plant, producing pencil sharpeners with a factory building of 20 square meters, six employees, and a capital of NT$ 3,000.
February 1961	Relocated the plant to Nanxiao street, Changhua City, expanded the factory building to 80 square meters, with 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 38,000 sq. meter of land in Nangang industrial zone
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 2019 Corporate Responsibility Report.
April 2021 June 2021 August 2021	Passed the attestation of IATF 16949: 2016 & ISO 9001: 2015. Passed the attestation of IECQ QC080000:2017. Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2020 Corporate Responsibility Report.

Chapter 3 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. President, Vice Presidents, Associate Managers, and the Chief Officers of All Divisions and Branch Organizations

(I) Information on Directors

March 29, 2022

Title	Nationality	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse/minor shareholding		Shareholding by nominees	
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Chairman	R.O.C.	J.S. Chen	Male Over 70	2021.08.26	3 years	1967.10.17	6,944,794	3.81%	6,944,794	3.81%	4,235,376	2.33%	—	—
Director		Jerome Chen	Male 61~70	2021.08.26	3 years	2003.06.25	3,129,707	1.72%	3,129,707	1.72%	420,816	0.23%	2,950,000	1.62%
Director		Weite Chen	Male 51~60	2021.08.26	3 years	2015.06.24	10,327,690	5.67%	6,196,614	3.40%	21,781	0.01%	4,131,076	2.27%
Corporate Director		Wilson Investment Co., Ltd	—	2021.08.26	3 years	2021.08.26	1,805,000	0.99%	1,805,000	0.99%	—	—	—	—
Representative of Corporate Director		Wei-Shun Chen	Male 51~60	2021.08.26	3 years	2021.08.26	400,000	0.22%	400,000	0.22%	442,000	0.24%	—	—
Director		Chieh-hsuan Chen	Male 61~70	2021.08.26	3 years	2003.06.25	0	0.00%	0	0.00%	1,000	0.00%	—	—
Independent Director		Wen-i Chiang	Male 61~70	2021.08.26	3 years	2015.06.24	0	0.00%	0	0.00%	0	0.00%	—	—
Independent Director		Tsung-ting Chung	Male 61~70	2021.08.26	3 years	2020.06.23	0	0.00%	0	0.00%	0	0.00%	—	—
Independent Director		Kuo-tsao Tseng	Male 61~70	2021.08.26	3 years	2021.08.26	0	0.00%	0	0.00%	0	0.00%	—	—
Independent Director		Wen-Cheng Cheng	Male 61~70	2021.08.26	3 years	2021.08.26	0	0.00%	0	0.00%	0	0.00%	—	—

Title	Name	Major 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	
Chairman	J.S.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 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.	Chairman	J.S.Chen	Second degree of kinship	
Director	Weite Chen	MBA, Rotterdam School of Management	President of SDI Corporation Supervisor of TEC Brite Technology Co., Ltd.	Chairman	J.S.Chen	First degree of kinship	

Corporate Director	Wilson Investment Co., Ltd	—	—	—	—	—	
Representative of Corporate Director	Wei-Shun Chen	Master of Business Administration, Tunghai University	President of Chao Shin Metal Industrial 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	PhD in International Relations from Denver University, USA Professor in Business Management Department, National Yunlin Technology University	Nil	—	—	—	
Independent Director	Kuo-tsao Tseng	Master of Management Sciences, Baker University CPA of Kuo-tsao Tseng Co., CPAs	Nil	—	—	—	
Independent Director	Wen-Cheng Cheng	Master of Business Administration, Feng Chia University Senior Vice President of E.SUN Bank	Nil	—	—	—	

Note: Due to the first degree of kinship between the Chairman and the President, the number of Independent Directors has been increased, and more than half of the Directors do not concurrently serve as employees or managers.

Director as the Major Shareholder of the Corporate Director

Name of the Corporate Director	Major Shareholder of the Corporate Director
Wilson Investment Co., Ltd	Wei-Shun Chen (50%)
	Li-Hua Lin (50%)

(II) Information on Professional Qualification of Directors and Independence of Independent Directors:

1. Information on Professional Qualification of Directors and Independence of Independent Directors:

Qualification / Name	Professional qualification and experience (Note)	Independence criteria				Number of other public companies where the individual concurrently serves as an Independent Director
		Whether a Director, a spouse or relative within the second degree of kinship is a Director, Supervisor or employee of the Company or any of its affiliates	Number and proportion of shares in the Company held by a Director, a spouse or relative within the second degree of kinship (or in the name of others)	Whether a Director is also a Director, Supervisor or employee of any company in a specific relationship with the Company	Amount of compensation from providing commercial, legal, financial, accounting and other services to the Company or any of its affiliates in the past two years	
J.S.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	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Nil	—
Jerome Chen	Master of Accounting, National Changhua University of Education Vice President, Taiwan Association of Stationery Industries	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Nil	—
Weite Chen	MBA, Rotterdam School of Management	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Yes Please refer to P6 of this annual report	Nil	—
Director of Wilson Investment Co., Ltd Representative Wei-Shun Chen	Master of Business Administration, Tunghai University	Yes Please refer to P7 of this annual report	Yes Please refer to P7 of this annual report	Yes Please refer to P7 of this annual report	Nil	—
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	Nil	Nil	Nil	—
Wen-i Chiang	Master of Accounting, National Changhua University of Education CPA of Wen-i Chiang Co., CPAs	Nil	Nil	Nil	Nil	2
Tsung-ting Chung	PhD in International Relations from Denver University, USA Professor in Business Management Department, National Yunlin Technology University	Nil	Nil	Nil	Nil	—
Kuo-tsao Tseng	Master of Management Sciences, Baker University CPA of Kuo-tsao Tseng Co., CPAs	Nil	Nil	Nil	Nil	—
Wen-Cheng Cheng	Master of Business Administration, Feng Chia University Senior Vice President of E.SUN Bank	Nil	Nil	Nil	Nil	1

Note: None of the circumstances in the subparagraphs of Article 30 of the Company Act apply to all the Directors.

2. Diversification and Independence of the Board of Directors:

2-1 According to Article 20 of the Principles of Corporate Governance Practices of SDI specifies that the Board of Directors should diversify the composition of its members; except that the number of Directors concurrently serving as Managers shall not exceed one third, the Company should implement a proper diversified policy on its operation, business model and development needs, including but not limited to the following two criteria:

(1) Basic conditions and values: Gender, age, nationality and culture, etc.

(2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

2-2 Members of the Board of Directors shall have the knowledge, skills and quality required for performing their duties. For achieving the ideal target of corporate governance, the Board of Directors as a whole shall have the following capabilities:

Operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market perspective, leadership and decision making.

2-3 Diversification policy and specific management target:

(1) The Company specifies that over 90% of Directors must have the above professional capabilities required for performing their duties.

(2) 43% of Directors in the 18th Board of Directors of the Company also serve as Managers, and this proportion should not exceed one third in the next Board of Directors.

2-4 Implementation of diversification policy

(1) Over 90% of Directors of the Company achieve the professional capabilities required for performing their duties. In August 2021, two Independent Directors were added to the 19th Board of Directors, thus increasing the number of Independent Directors to four, which accounted for 44% of the nine Directors. This could enhance the professional background and industrial experience of the Board of Directors.

(2) After the re-election of the 19th Board of Directors in August 2021, the number of Directors concurrently serving as Managers reduced to 33%, so the target of not exceeding one third in the Board of Directors was successfully achieved.

The professional background of Directors cover accounting, industry, finance, marketing and business management, as well as professional skills and industrial experience required for performing their duties. The specific details of implementation are presented in the table below (industrial experience/expertise, term of Independent Director, gender and age of Directors):

Diversified Core Competences / Names of Directors	Major experience (education)	Basic information						Experience/expertise						
		Gender	Term of Independent Director	Concurrent employee	Age: 51 to 60	Age: 60 to 70	Age: Over 70	Operational judgment	Accounting and finance	Business management	Crisis management	Industrial knowledge	International market perspective	Leadership and decision making
J.S.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,	Male		V		V		V	V	V	V	V	V	V

	National Changhua University of Education Vice President, Taiwan Association of Stationery Industries													
Weite Chen	MBA, Rotterdam School of Management	Male		V	V			V	V	V	V	V	V	V
Wei-Shun Chen	Master of Business Administration, Tunghai University President of Chao Shin Metal Industrial Corporation	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	PhD 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
Kuo-tsao Tseng	Master of Management Sciences, Baker University CPA of Kuo-tsao Tseng Co., CPAs	Male	Less than 9 years			V		V	V	V	V	V	V	V
Wen-Cheng Cheng	Master of Business Administration, Feng Chia University Senior Vice President of E.SUN Bank	Male	Less than 9 years			V		V	V	V	V	V	V	V

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

March 29, 2022

Title	Nationality	Name	Gender	Commencement (appointment) date	Shareholding		Spouse/minor shareholding		Shareholding by nominees	
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
President	R.O.C.	Weite Chen	Male	2019.07	6,196,614	3.40%	21,781	0.01%	4,131,076	2.27%
Vice President		Jerome Chen	Male	2000.03	3,129,707	1.72%	420,816	0.23%	2,950,000	1.62%
Vice President		Jeffrey Chen	Male	2000.03	1,792,224	0.98%	1,276,920	0.70%	2,950,000	1.62%
Associate Manager		Ray Huang	Male	2008.02	0	0.00%	0	0.00%	—	—
Associate Manager		James Cheng	Male	2010.10	210,049	0.12%	0	0.00%	—	—
Acting Associate Manager		Yen-hung Chen	Male	2021.08	0	0.00%	0	0.00%	—	—

Title	Name	Major 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	Master of 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 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	Ray Huang	Master of Accounting, National Changhua University of Education	—				
Associate Manager	James Cheng	Master of Business Management National Changhua University of Education	Director and President of Shuen Der Industry (Jiangsu) Co., Ltd.				
Acting Associate Manager	Yen-hung Chen	PhD of Materials Engineering, Tatung University	—	—	—	—	

Note: Due to the first degree of kinship between the Chairman and the President, the number of Independent Directors has been increased, and more than half of the Directors do 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			
		Base remuneration (A)		Severance pay and pension (B)		Bonus to Directors (C) (Note 1)		Allowances (D)		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	Total	ratio	Total	ratio
Chairman	J.S.Chen	6,536	6,536	-	-	12,925	14,201	770	770	20,230	2.37%	21,507	2.52%
Director	Jerome Chen												
Director	Weite Chen												
Director	Wilson Investment Co., Ltd (Note 5)												
	Representative Wei-Shun Chen												
Director	Chieh-hsuan Chen												
Independent Director	Wen-i Chiang	1,060	1,060	-	-	-	-	85	85	1,145	0.13%	1,145	0.13%
Independent Director	Tsung-ting Chung												
Independent Director	Kuo-tsao Tseng (Note 5)												
Independent Director	Wen-Cheng Cheng (Note 5)												

Title	Name	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
		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						
						Cash Amount	Stock	Cash Amount	Stock	Total	ratio	Total	ratio	
Chairman	J.S.Chen	24,419	26,967	326	326	3,633	-	3,662	-	48,608	5.7%	52,462	6.16%	-
Director	Jerome Chen													
Director	Weite Chen													
Director	Wilson Investment Co., Ltd (Note 5)													
	Representative Wei-Shun Chen													
Director	Chieh-hsuan Chen													
Independent Director	Wen-i Chiang	-	-	-	-	-	-	-	-	1,145	0.13%	1,145	0.13%	-
Independent Director	Tsung-ting Chung													
Independent Director	Kuo-tsao Tseng (Note 5)													
Independent Director	Wen-Cheng Cheng (Note 5)													

Note 1: The shareholders' meeting has not approved SDI's earnings distribution in 2021, and this is the estimated number to be distributed.
Note 2: It includes the total cost of the company car of NT$ 1,954,000, excluding the relevant remuneration paid to the driver NT$ 645,000.
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 the articles of incorporation to determine the remuneration of directors of SDI based on the extent of participation and contribution in the operation of SDI, and taking into account the industry standard, and determine and distribute the remuneration of independent directors based on its operation status.
Note 5: The Corporate Director Wilson Investment Co., Ltd and Independent Directors Kuo-chao Tseng and Wen-Cheng Cheng were appointed on August 26, 2021.

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	Chieh-hsuan Chen, Wilson	Chieh-hsuan Chen, Wilson	Chieh-hsuan Chen, Wilson	Chieh-hsuan Chen, Wilson
	Independent Director	Wen-i Chiang, Tsung-ting Chung, Kuo-chao Tseng and Wen-Cheng Cheng	Wen-i Chiang, Tsung-ting Chung, Kuo-chao Tseng and Wen-Cheng Cheng	Wen-i Chiang, Tsung-ting Chung, Kuo-chao Tseng and Wen-Cheng Cheng	Wen-i Chiang, Tsung-ting Chung, Kuo-chao Tseng and Wen-Cheng Cheng
$ 1,000,000 (inclusive) to $ 2,000,000 (exclusive)	Director	—	—	—	—
$ 2,000,000 (inclusive) to $ 3,500,000 (exclusive)	Director	Jerome Chen, Weite Chen	Jerome Chen, Weite Chen	—	—
$ 3,500,000 (inclusive) to $ 5,000,000 (exclusive)	Director	—	—	—	—
$5,000,000 (inclusive) to $ 10,000,000 (exclusive)	Director	—	—	—	—
$ 10,000,000 (inclusive) to $ 15,000,000 (exclusive)	Director	J.S.Chen	J.S.Chen	Jerome Chen	Jerome Chen
$ 15,000,000 (inclusive) to $ 30,000,000 (exclusive)	Director	—	—	Weite Chen, J.S.Chen	Weite Chen, J.S.Chen
Total		9 Directors	9 Directors	9 Directors	9 Directors

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

Unit: NT$1,000

Title (Note)	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)		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	—	—	—	—	40	40	0.005%	0.005%	—
Supervisors	Chiung-ying Chung									

Note: An Audit Committee was established on August 26, 2021 to replace Supervisors.

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

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2" rowspan="2">Salary (A)</th><th colspan="2" rowspan="2">Severance pay and pension (B) (Note 1)</th><th colspan="2" rowspan="2">Bonuses and allowances (C) (Note 2)</th><th colspan="4">Employee bonus (D) (Note 3)</th><th colspan="4" rowspan="2">Ratio of total remuneration (A+B+C+D) to net income after tax (%)</th><th rowspan="3">Remuneration received from an invested company other than the Company's subsidiaries or parent company</th></tr>
<tr><th colspan="2">SDI</th><th colspan="2">All companies in the consolidated financial statements</th></tr>
<tr><th>SDI</th><th>All companies in the consolidated financial statements</th><th>SDI</th><th>All companies in the consolidated financial statements</th><th>SDI</th><th>All companies in the consolidated financial statements</th><th>Cash Amount</th><th>Stock</th><th>Cash Amount</th><th>Stock</th><th colspan="2">SDI</th><th colspan="2">All companies in the consolidated financial statements</th></tr>
<tr><td>President</td><td>Weite Chen</td><td rowspan="3">9,389</td><td rowspan="3">10,568</td><td rowspan="3">474</td><td rowspan="3">474</td><td rowspan="3">17,014</td><td rowspan="3">17,480</td><td rowspan="3">5,240</td><td rowspan="3">—</td><td rowspan="3">5,240</td><td rowspan="3">—</td><td rowspan="3">32,117</td><td rowspan="3">3.77%</td><td rowspan="3">33,762</td><td rowspan="3">3.96%</td><td rowspan="3">—</td></tr>
<tr><td>Vice President</td><td>Jerome Chen</td></tr>
<tr><td>Vice President</td><td>Jeffrey Chen</td></tr>
</table>

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$ 1,988 thousand.
Note 3: The shareholders' meeting has not approved SDI's earnings distribution in 2021, 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	Name of President and Vice Presidents: All companies in the consolidated financial statements
$ 5,000,000 (inclusive) to $ 10,000,000 (exclusive)	Jerome Chen, Jeffrey Chen	Jeffrey Chen
$ 10,000,000 (inclusive) to $ 15,000,000 (exclusive)	Weite Chen	Jerome Chen, Weite Chen
Total	3 people	3 people

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

December 31, 2021/Unit: NT$1,000

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock</th><th>Cash</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="6">Managers</td><td>President</td><td>Weite Chen</td><td rowspan="6">—</td><td rowspan="6">7,000</td><td rowspan="6">7,000</td><td rowspan="6">0.82%</td></tr>
<tr><td>Vice President</td><td>Jerome Chen</td></tr>
<tr><td>Vice President</td><td>Jeffrey Chen</td></tr>
<tr><td>Associate Manager</td><td>Ray Huang</td></tr>
<tr><td>Associate Manager</td><td>James Cheng</td></tr>
<tr><td>Acting Associate Manager</td><td>Yen-hung Chen</td></tr>
</table>

Note: The shareholders' meeting has not approved SDI's earnings distribution in 2021, 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 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
2020	31,158	33,818	8.92%	9.69%
2021	58,519	62,876	6.87%	7.38%

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 2021 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
Chairman	J.S.Chen	6	0	100%	Re-appointment (on 2021-08-26 re-election)
Director	Jerome Chen	6	0	100%	Re-appointment (on 2021-08-26 re-election)
Director	Weite Chen	6	0	100%	Re-appointment (on 2021-08-26 re-election)
Director	Chao-hung Chen	3	0	100%	Renewal (on 2021-08-26 re-election)
Director	Chieh-hsuan Chen	6	0	100%	Re-appointment (on 2021-08-26 re-election)
Director	Wilson Investment Co., Ltd Representative: Wei-Shun Chen	3	0	100%	New appointment (on 2021-08-26 re-election)
Independent Director	Wen-i Chiang	5	1	83%	Re-election (on 2021-08-26)
Independent Director	Tsung-ting Chung	6	0	100%	Re-election (on 2021-08-26)
Independent Director	Kuo-tsao Tseng	3	0	100%	New appointment (on 2021-08-26 re-election)
Independent Director	Wen-Cheng Cheng	3	0	100%	New appointment (on 2021-08-26 re-election)

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 listed in Article 14-3 of the Securities and Exchange Act: Please refer to the major resolutions of the Board meeting on #page45-46# 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. Information on the Board of Directors' self (or peer) assessment interval and period, scope, method and content:

Execution process of the Board of Directors' assessment

Assessment interval	Once every year		
Assessment period	January 1 ~ December 31, 2021		
Scope of assessment	Board of Directors	Individual Director	Compensation Committee Audit Committee
Method of assessment	Self-assessment of the Board of Directors	Director's self-assessment	Peer assessment
Content of assessment	1. Extent of participation in the operation of SDI 2. Decision-making quality of the Board of Directors 3. Composition and structure of the Board of Directors 4. Election and continuity of Director 5. Internal control	1. Mastery of company goals and tasks 2. Awareness of Director's duties 3. Extent of participation in the operation of SDI 4. Internal relationship and communication, professionalism and continuity of Director 5. .Internal control	1. Extent of participation in the operation of SDI 2. Awareness of duties of functional committees 3. Decision-making quality of functional committees 4. Composition and member selection of functional committees 5. Internal control

IV. 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 by the Board of Directors, the Rules for Director Election have been formulated, and an Audit Committee was established, 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's Participation in the Board Meeting:

1. Operational Status of the Audit Committee

The Audit Committee has held one meetings (A) in the most recent year. Attendance of Independent Directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	Wen-Cheng Cheng	1	0	100%	Appointed on August 26, 2021
Independent Director	Wen-i Chiang	1	0	100%	Appointed on August 26, 2021
Independent Director	Tsung-ting Chung	1	0	100%	Appointed on August 26, 2021
Independent Director	Kuo-tsao Tseng	1	0	100%	Appointed on August 26, 2021

Other matters:

I. With regard to the operation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, Independent Directors' objection or reservation opinions, contents of major recommended projects, results of Audit Committee's resolutions and SDI's handling of such opinions shall be specified:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date/term	Proposal content	Result of Audit Committee's resolution	SDI's actions in response to the opinions of Audit Committee
2021.11.5 The 1st meeting of the 1st Audit Committee	1. 2022 Audit plan 2. 2021 Q3 consolidated financial statements. 3. The accounts receivable beyond normal credit period of three months through the third quarter of 2021.	All members present Consent	Submit to the Board of Directors All Directors present approved

(II) Except for the matters above, other resolutions not approved by the Audit Committee, but consented by two thirds of all Directors: None.

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, state the name of Independent Directors, contents of the resolutions, reasons for recusals and participation in the voting: None.

III. Communications between Independent Directors and the chief internal auditor and CPAs (including substantial matters, methods and results of communication on SDI's financial and business situations):

(I) Communications between Independent Directors and the chief internal auditor:

1. The Internal Audit Department submits the audit report and traceability report completed according to the execution plan to each Independent Director for review.
2. The internal auditors submits reports on significant findings of internal control management and notifies Independent Directors .
3. The chief internal auditor shall report and communicate about the audit business with Independent Directors at least once every quarter.

(II) Communications between Independent Directors and CPAs:

CPAs shall present reports on the review (audit) of the quarterly or annual financial reports and the results, as well as various matters required by laws.

(III) Communications between Independent Directors and the chief internal auditor and CPAs for 2021:

Date and nature of meeting	With whom	Theme and content of communication	Suggestion and execution

				result	
	2021.03.09 Before the meeting of Board of Directors	Chief Auditor	Annual report on the internal audit. Statement of Internal Control System.	No objection	
		CPA	Audit results of consolidated and individual annual financial statements. New laws, etc.	No objection	
	2021.05.07 Before the meeting of Board of Directors	Chief Auditor	Report on the internal audit for the first quarter.	No objection	
		CPA	The audit results of the financial statements of the first quarter. New laws, etc.	No objection	
	2021.08.06 Before the meeting of Board of Directors	Chief Auditor	Report on the internal audit for the second quarter.	No objection	
		CPA	The audit results of the financial statements of the second quarter. New laws, etc.	No objection	
	2021.11.05 Audit Committee	Chief Auditor	Report on the internal audit for the third quarter. Approved 2022 Audit plan.	No objection	
		CPA	The audit results of the financial statements of the third quarter. Annual audit of key matters and plan. Roles and Responsibilities of Those Charged with Governance and CPAs. Relevant matters of corporate governance.	No objection	

2. Information on Supervisors' participation in the operation of the Board of Directors.

The Board of Directors has held three meetings (A) in the most recent year. 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	3	100%	An Audit Committee was established on August 26, 2021 to replace Supervisors
Supervisors	Chiung-ying Chung	3	100%	

Other matters:
I. Composition and responsibilities of Supervisors:
(I) Communications between Supervisors and shareholders of SDI: Smooth communication channels.
(II) Communications between Supervisors, the chief internal auditor and CPAs: Good communication.
II. If the Supervisors are present at the Board of Directors and make a statement: The supervisors have no objection to the board resolutions.

(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 executive 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 drafts any diversification policy and specific management target, and implement them?	✓		The composition of the Board of Directors of SDI considers diversification, formulates appropriate diversified policies and specific management targets on its operation, business style, and development needs, with diverisified background and appropriateness (gender, age, nationality, culture, professional background, skills and industrial experience, etc.). For details, please refer to P9-10 of this annual report.	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 and the Audit 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

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
				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 of 2021 were submitted to the Board of Directors on February 24, 2022.	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 1. 2. Obtain the independence declaration issued by the CPA and submit it to the Board of Directors for deliberation and approval on February 24, 2022.	No variance
IV. Does the company establish the competent and appropriate number of corporate governance personnel, and designate 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 63-64# for advanced study in 2021.	No variance
V. Does the company establish	✓		SDI has set up a "dedicated section for	No variance

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
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?			stakeholders" on its website to properly respond to major corporate social responsibility issues of concern to stakeholders.	
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. 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. 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 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	✓		1. Employees' interests: Protect employees' legal interests according to the Labor Standards Act. 2. Employee care: Establish employee benefits committee to provide various wedding and funeral subsidies, employee children scholarships, and employee travel subsidies. 3. Investor's relations: Set up IR specialists to deal with shareholder's suggestions. 4. Supplier partnership: Regularly	No variance

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>implementation of customer relations policies, and purchase of liability insurance for directors and supervisors)?</td><td></td><td></td><td>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: All Directors of SDI have the professional industrial background and practical experience in business management, and shall keep the Directors informed of the update of relevant laws and regulations on corporate governance. 2021 advanced study was shown in Table 2.
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: Directors and managers are covered by liability insurance every year.</td><td></td></tr>
<tr><td colspan="5">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 2021 is as follows:
1. Implemented the performance evaluation of the Board of Directors.
2. Synchronously published important information in English.
3. Increased the number of Independent Directors, established an Audit Committee, and revealed the key points of work and operations in the year.
4. Formulated the ethical corporate management policies and supervised its implementation.
5. All Directors completed the further study according to the requirements.
Priority enhancements and measures:
Continuously further corporate governance projects and implementation, strengthened information disclosure, and boosted sustainable development.</td></tr>
</table>

Table 1: 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 2: 2021 advanced study of Directors:

Title	Name	Date	Organizer	Course title	Hours of study
Chairman	J.S.Chen	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
Chairman	J.S.Chen	2021/11/05	Taiwan Corporate Governance Association	Earnings management and detection of financial statement frauds	3
Director	Jerome Chen	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
Director	Jerome Chen	2021/11/05	Taiwan Corporate Governance Association	Earnings management and detection of financial statement frauds	3
Director	Weite Chen	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
Director	Weite Chen	2021/11/05	Taiwan Corporate Governance Association	Earnings management and detection of financial statement frauds	3
Director	Chieh-hsuan Chen	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
Director	Chieh-hsuan Chen	2021/11/05	Taiwan Corporate Governance Association	Earnings management and detection of financial statement frauds	3
Director	Wei-Shun Chen	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3

		2021/11/05		Earnings management and detection of financial statement frauds	3
		2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021/10/22	Securities & Futures Institute	2021 Meeting on Compliance with Insider Trading and Equity Transfer Laws	3
Independent Director	Wen-i Chiang	2021/01/26	CPA Associations R.O.C.	Case studies on forensic accounting and appraisal practice	3
		2021/03/26		Corporate frauds and CPA's liabilities	3
		2021/11/08		Prosecutors teach you to read criminal verdicts (1)	3
Independent Director	Tsung-ting Chung	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
		2021/11/05		Earnings management and detection of financial statement frauds	3
Independent Director	Kuo-tsao Tseng	2021/03/18	CPA Associations R.O.C.	The Statement on Auditing Standards No. 72	3
		2021/03/19		Practical analysis of closely held corporation	3
		2021/03/29		Common deficiencies of capital audit and attestation	3
		2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
		2021/11/05		Earnings management and detection of financial statement frauds	3
Independent Director	Wen-Cheng Cheng	2021/08/26	Taiwan Corporate Governance Association	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3
		2021/11/05		Earnings management and detection of financial statement frauds	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 December 15, 2011.

1. Information of Remuneration Committee Members

March 31, 2022

Capacity / Name / Qualification		Professional qualification and experience	Independence criteria	Number of other public companies where the individual concurrently serves as a Remuneration Committee member
Independent Director (convener)	Wen-i Chiang	Please refer to #page 8## for the information on Directors.		
Independent Director	Tsung-ting Chung			
Independent Director	Kuo-tsao Tseng			

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: August 26, 2021 to August 25, 2024. The Remuneration Committee has held two meetings (A) in 2021 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)	Note
Convener	Wen-i Chiang	2	—	100%	Re-election (on 2021-08-26)
Committee Member	Tsung-ting Chung	2	—	100%	Re-election (on 2021-08-26)
Committee Member	Kuo-tsao Tseng	2	—	100%	Re-election (on 2021-08-26)

I. Discussion and resolution of Remuneration Committee in 2021:

Remuneration Committee	Proposal content and subsequent treatment	Resolution	SDI's actions in response to the opinions of Remuneration Committee
2021.3.9 The 6th meeting of the 4th Remuneration Committee	1. Review the remuneration distribution plan of SDI's employees, Directors, and Supervisors in 2021. 2. Propose the Remuneration Rules for Independent Directors and Functional Committees 3. The manager's performance salary adjustment plan of SDI in 2021 is intended to be in accordance with all employees.	Unanimous consent of all members present	Submit to the Board of Directors for resolution
2021.11.5 The 1st meeting of the 5th Board of Directors	1. Elect the convener an chairman of the 5th Remuneration Committee. 2. Make plans for the year-end bonus and the current salary standard and structure of SDI's managers.	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) Implementation of sustainable development, deviations from the Sustainable Development 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. Has the company established exclusively (or concurrently) dedicated units to implement sustainable development, and has the Board of Directors appointed executive-level positions with responsibility for sustainable development, and to report the status of the handling to the Board of Directors?	✓		1. In pursuance of SDI's corporate vision and mission of ESG policies, the CSR Committee was established in 2013 and renamed as the Sustainable Development Committee in 2022, which is the highest-level decision center for sustainable development within SDI, with the Board Chairman as the supervisory member for supervising the implementation of sustainable development policies, and with the person in charge of the Management Department as the executive secretary, who is responsible for convening meetings and deciding on sustainable development initiatives, reviewing SDI's core operating capabilities together with senior executives from different areas, and formulating the medium- and long-term sustainable development plans. 2. The Sustainable Development Committee serves as a platform for cross-departmental communication through vertical and horizontal connections. It identifies the sustainability issues of concern to SDI's operations and stakeholders, proposes strategies and work guidelines, prepares budgets for each organization related to the sustainable development, plans and implements the annual plan, and tracks the result of implementation to ensure that sustainable development strategies are sufficiently implemented in SDI's routine operations. 3. The Sustainable Development Committee reports to the Board of Directors at least once a year on the implementation results of sustainable development and our future work plan. In 2021, the CSR Committee held several video conferences and completed the preparation, certification and submission of the CSR report 2020 in September 2021. 4. The Board of Directors shall listen	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	
			to the reports from the management team (including the ESG report) at least once a year. The management team must propose corporate strategies to the Board of Directors, which must determine their likelihood of success, review the progress of the strategies frequently, and urge the management team to make adjustments whenever necessary.	
II. 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?	✓		1. This information disclosure comprises SDI's sustainable development performance on major premises from January 2020 to December 2020. The risk assessment shall be bounded to SDI, and covers employees, suppliers of raw materials in the upstream, and customers in the downstream. 2. 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 Risk Management Policy and Procedure to specify the risk assessment standards and processes and assess risks based on the operations related environment, community and corporate governance issues. 3. The relevant risk management policies or strategies are determined according to the risk assessment results and presented in the attached table.	No variance
III. Environmental issues				
(I) Does the company establish a proper environmental management system according to its industrial characteristics?	✓		With respect to environmental protection, in addition to domestic regulations (Air Pollution Prevention Act, Water Pollution Prevention Act, Waste Disposal Act, etc.), SDI also implements the environmental management system in compliance with the international standard ISO 14001:2015. 2015	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	
			environmental management system (scope of certification: Changhua Plant and Nantou Plant; the validity period of the certificate until September 27, 2023), SDI have obtained the certifications of ISO 45001 Occupational Safety and Health Management System, IATF 16949 Quality Management System, and ISO 50001 Energy Management System.	
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment?	✓		With respect to energy efficiency improvement, energy saving plans are proposed. According to the energy saving plans submitted annually to the Bureau of Energy, Ministry of Economic Affairs, the approved energy saving rate (%) for 2020 is 0.84%. Energy saving measures are selected under the action strategy: 1. For regulation of the air conditioning system: First of all, the air conditioning system accounts for 25.52% of electricity consumption. If this can be reduced without affecting room temperature and humidity, comfort and device service life, the environmental pollution and SDI's expenses can be decreased for energy saving and carbon reduction. 2. In order to save energy, SDI took a high efficiency value as the benchmark for machinery purchase, and for stable product quality, highly performing air compressors and variable frequency are purchased to stabilize the air supply and save energy. 3. The purchase of lighting apparatuses gives priority to energy-efficient LED lamps, and the original metal mercury lamps and traditional daylight T8 lamps on premises are replaced. 70% of the lighting apparatuses have been replaced until now, and this work is still in progress. The future replacement will continuously follow the principle of energy efficiency. SDI has continuously passed the international attestation of ISO14001 and	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	
			HSPM QC80000 hazardous substance process management system and has a sound operating mechanism for industrial environmental impact assessment, business waste classification, management, and reuse. To achieve green design of products, SDI is developing products with replaceable consumables, which comply with a number of international certifications, such as restriction of harmful substances (RoHS, REACH), and use of electric stationery (CE) and recycling (WEEE, batteries, packaging). In the future, SDI's industrial policy will adhere to the same philosophy of increasing the use of recyclable materials to 90% without affecting the product quality, so as to jointly achieve the vision of environmental protection and energy conservation.	
(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's Board of Directors is the highest authority of risk management and the Sustainable Development Committee is the highest-level unit that reviews SDI's strategy and objectives on climate change, manages relevant risks and opportunities, reviews the implementation, discusses future plans, and reports to the Board of Directors annually. Please refer to the statement in the attached table for details on the results of climate change risk assessment and response measures.	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. Emissions of greenhouse gas and other gases in the last two years 1. Carbon dioxide (mt)	No variance

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Year</th><th>Category 1</th><th>Category 2</th></tr>
<tr><td>2019</td><td>1,093.83</td><td>28,016.09</td></tr>
<tr><td>2020</td><td>1,127.82</td><td>28,775.98</td></tr>
</table>
2. Other gases (kg)
<table>
<tr><th>Year</th><th>Category 1</th><th>Category 2</th></tr>
<tr><td>2019</td><td>20.96</td><td>-</td></tr>
<tr><td>2020</td><td>21.61</td><td>-</td></tr>
</table>
Note: Other gases include methane, nitrous oxide
SDI's reduces improper energy consumption by process improvements and efficiency increase under the effective management system, through the efforts of each unit, in order to reduce the impact on the environment.
A. Direct energy source: Natural gas consumption in 2020 was 600,224,000 cubic meters, with an increase of 3.01% from 582,135,000 cubic meters in 2019.
B. Indirect energy source: SDI's consumption of indirect energy source (electricity) in 2020 was 56,534,348 kWh, with an increase of 2.64% compared to 55,041,440 kWh in 2019.
The greenhouse gas is audited by the operational control rights to directly convert gas and electricity consumption into carbon dioxide equivalents, exclusive of other greenhouse gases.
Data source: Website of Bureau of Energy, Ministry of Economic Affairs (http: // www.moeaboe.gov.tw/)
Water use in the last two years (T/year)
<table>
<tr><th>Year</th><th>Total water use</th></tr>
<tr><td>2019</td><td>Approx. 1,080,400</td></tr>
<tr><td>2020</td><td>Approx. 1,229,600</td></tr>
</table>
SDI currently uses water from two sources. (I) tap water: 89%; (II) groundwater: 11%, with the groundwater resources being granted with a license by the Nantou County Government.
Relevant measures are actively planned and taken under the water conservation policy:
1. Modification of the pure water system with RO concentrated water for toilet flushing and irrigation of trees on the ground.
2. Water savers are installed at the
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>faucets of the tap water system, and water switches are inspected for leaks each day.
3. Measures such as manufacturing improvement and water recycling (for example: RO concentrated water for washing towers used in the electroplating process) are expected to reduce water consumption by 3% per unit each year. The use of water is increased in 2020 by rework because some products cannot meet the quality standards, but the reasonable use and purpose of water conservation have been achieved after the Production Technology Department, the Production Unit and the Public Works Department make an optimal scheme.
4. Water recycling is implemented during manufacturing to improve the effective water use and reasonably save water.
Total weight of waste in the last two years (mt)
<table><tr><th>Year</th><th>Hazardous waste</th><th>Non-hazardous waste</th></tr><tr><td>2019</td><td>820.22</td><td>524.23</td></tr><tr><td>2020</td><td>1,159.99</td><td>534.49</td></tr></table>SDI disposes of waste in a centralized and segregated manner for effective control from the source.</td><td></td></tr>
<tr><td>IV. Social issues</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(I) Has the company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>✓</td><td></td><td>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</td><td>No variance</td></tr>
</table>

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, prohibition of improper discrimination and sexual harassment, equal pay, etc., and evaluates and reduce human right risks. 3. Specific management plans: (1) Education and training: During training, clarification of complaints and the channels to protect employees' rights and interests, prevention of workplace bullying and sexual harassment, as well as occupational safety training. In 2021, SDI trained 3,308 person-times for 4,077 hours. (2) Prohibition of child labor: SDI strictly prohibits the employment of persons under the age of 16. (3) Equality and care: In order to create a friendly atmosphere at the workplace, SDI provides a breastfeeding room for new mothers to take care of both family and work, friendly parking spaces for pregnant employees and those in need, and a number of barrier-free facilities. (4) Rights and communications: 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. There are actual and online suggestion boxes in the custody and with the reply of the dedicated personnel, so that our employees' opinions can be adequately expressed and effectively responded. There is also a forum for employees to exchange ideas. (5) Whistleblowing mailbox: A corporate governance whistleblowing mailbox (Grievance@email.sdi.com.tw) has been set up for internal and external personnel.	
(II) Does the company establish and implement reasonable employee benefit measures	✓		Other than the provisions stipulated of the Articles of Incorporation, if there is any profit in the annual final accounts,	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	
(including salary, compensated absences, and other benefits), and appropriately reflect the operating performance or results in the employee's salary?			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 (please refer to P61~63 for details). SDI complies with legal requirements and strives to implement policies such as freedom of employment, humane treatment, prohibition of inappropriate discrimination, sexual harassment, and equal pay. In 2021, 32% of employees and 14% of executives were women. SDI participates in the salary surveys of the industry every year and adjusts salaries according to market benchmark, economic trends and individual performance in order to maintain the overall salary competitiveness. In 2020, the average salary of full-time employees not holding executive positions was NT$600,000. Employee benefits (including salaries, directors' remuneration, health insurance, pension, and other employment expenses) totaled NT$1,297,712,000 in 2021.	
(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 passed ISO 45001: 2018 certification of the occupational health and safety management system (scope of certification: Changhua Plant and Nantou Plant; certificate valid until 2023/9/27), planning to implement 5S and TPM equipment preservation activities at workplaces to keep them clean and protect equipment safety, and provide regular health examinations and related education and training to employees each year, with a total of 2,854 person-times and 3,923 hours in 2021. In 2021, there were no major occupational accidents, but only 3 minor injuries (0.225%), mainly caused by unsafe behaviors, and we have	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	
			strengthened hazard identification and risk assessment to identify high-risk operations and the environment for continuous improvement to establish a safe and comfortable working environment.	
(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. The training plan comprises new employee training, further professional development, supervisor training, and succession planning, incorporating all employees and supervisors. For more details on the implementation of year 2021, please refer to P61-62	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 provides a smooth channel for grievance or whistleblowing, 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	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	
			(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.	
(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. Supplier policy: SDI establishes the spirit of supply chain management, joint economic development and social responsibility, and formulates various related policies: 1. Supplier management procedures 2. Environmental and material management practices 3. Business partner evaluation standards of safe supply chain 4. Guidelines for corporate social responsibility of suppliers Main supplier evaluation: 1. Passed the attestation of ISO9001 quality management system 2. Provided the hazardous substance analysis report 3. Provided the SDS or material composition table 4. Survey Form of Suppliers’ P rohibited Substances Management 5. Self-declaration or [Supplier’s	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	
			Letter of Commitment on Prohibited Substances] 6. Comply with the requirements of SDI’s HSPM Hazardous Substance Process Management System Main supplier assessment: 1. The assessment items, including environmental management, occupational safety and health, and human rights regulations, are formulated in accordance with the Corporate Social Responsibility Guideline, Supplier Sustainable Development Management System, and ISO14001 Environmental Management System. 2. The assessment results are used as an important reference for making purchasing decision based on the rules of the supplier audit control system. We have also added the assessment of "HSPM/GP" products and processes, which requires suppliers to have the “Test Report of Six RoHs Hazardous Substances” and provide a “letter of commitment” to ensure that their products supplied to SDI do not contain the relevant hazardous substances. Supplier’s recognition: SDI’s supplier award system gives public recognition and encouragement to best suppliers, and adheres to the principle of mutual trust and strong partnership with suppliers, so as to ensure that the supplier’s quality, cost, lead time, service and management can meet the requirements of the purchase strategy and achieve a win-win situation. Obtained the AEO certification: In order to establish the supply chain management, SDI participated in the AEO “Authorized Economic Operator Certification and Administration Regulations” issued by the Customs Administration, Ministry of Finance in 2013 and passed the certification renewal examination and certification process on	

Evaluation item	Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			December 13, 2019 to enjoy the preferential measures. By virtue of the international mutual recognition, operators that have passed the certification in all countries can become part of the secure logistics supply chain, accelerate customs clearance and enhance their competitiveness.	
V. Does the company prepare corporate social responsibility reports and other reports that 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?	✓		SDI's 2020 corporate social responsibility report has been verified by the British Standards Institute (BSI), a third- party impartial unit, and meets GRI G4 Core Option and AA1000 AS 2008 Type 1, Moderate level assurance.	No variance
VI. If the company has established corporate social responsibility principles based on the Sustainable Development 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 Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.				
VII. Other important information to facilitate better understanding of the operation of sustainable development: 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 obtained the certification of ISO 45001 occupational safety and health system, 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.				

Table:

Type	Item explanation	Policy explanation
Environment	Impact of environmental change	(I) SDI has introduced and attested the ISO 50001 energy management system in 2016 to continuously improve energy performance, reduce energy costs and mitigate greenhouse gas emissions and other environmental impacts. (II) Continued to carry out energy integration and energy-saving program, purchase energy-saving equipment to reduce energy use and carbon emissions. (III) Established the disaster emergency response procedures to strengthen the plant's prevention and control of natural disasters, including equipment repair and replacement, and disaster awareness enhancement of personnel. (IV) Set up a greenhouse gas emission inspection team to conduct energy declaration and voluntary greenhouse gas inspection, regularly track carbon emissions and review reduction measures. (V) Promoted water conservation measures and evaluated and added water recycling equipment.
	Impact of increasingly stringent environmental regulations on operations	(I) Implemented the energy-saving programs and obtained incentives to reduce greenhouse gas emissions through substantial reduction. (II) Actively invested the company's resources in pollution prevention, waste treatment, water management and industrial safety management to prevent the occurrence of environmental pollution.
Society	Consumers raise higher requirements for product safety	(I) Develop safer and healthier products with our core competence in product development. (II) Continuously improve production management and manufacturing processes to enhance product quality and safety. (III) Conduct quality inspection at OEMs and control the supply and safety of raw materials. (IV) Obtain third-party certifications to increase consumer trust.
	Higher environmental awareness of local residents	(I) Proactively communicate with local residents, listen to their opinions and respond promptly to resolve disputes, build mutual trust, and seek recognition of local residents. (II) Open and transparent disclosure provides residents with timely and accurate information, reducing misunderstandings caused by information asymmetry and reducing the chance of disputes.
	Technological inheritance and human resource gap	(I) Continuously promote knowledge management (KM) to systematically record and pass on important technologies and experiences. (II) Launch a talent development policy and do this work in a systematic, planned and long-term manner to reduce the impact of manpower disruptions on the company. (III) Lay stress on employee education and training, and actively train professionals of various functions.
Corporate governance	Socio-economic and legal compliance	(I) Through the establishment of a governance organization and the implementation of an internal control system, all the employees and operations may comply with the relevant laws and regulations. (II) 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.
	Enhancement of Directors' functions	(I) Plan the further study for Directors, and provide them with the latest regulations, institutional developments and policies each year. (II) Take out the directors' liability insurance to protect Directors from lawsuits or claims.
	Communications with stakeholders	SDI has set up a "dedicated section for stakeholders" and legal personnel on its website to properly respond to major corporate social responsibility issues of concern to stakeholders.

(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				
(I) 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 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	No variance

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>both parties' loss to ensure the customer trust.</td><td></td></tr>
<tr><td>(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?</td><td>✓</td><td></td><td>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</td><td>No variance</td></tr>
</table>

Evaluation item	Operations			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			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 February 24, 2022.	
(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 voting.	No variance
(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 the Audit Committee.	No variance
(V) Does the company regularly hold an 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	✓		SDI formulated Management Measures for Business Conduct and Professional Ethics and Guidelines of Ethical Management and Procedure to	No variance

Evaluation item		Operations			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
		Yes	No	Description	
	whistleblowing?			protect the whistleblowers.	
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. 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 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: February 24, 2022

SDI hereby states the results of the self-evaluation of the internal control system for 2021 as follows:

I. 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.

II. 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.

III. 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."

IV. SDI has adopted the aforesaid assessment items for the internal control system to evaluate whether the design and implementation of the internal control system are effective.

V. Based on the results of the evaluation in the preceding paragraph, SDI is of the opinion that, as of December 31, 2021, 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.

VI. 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.

VII. This statement was approved by the Board of Directors of SDI on February 24, 2022, and out of the nine Directors in attendance, none objected to it and all consented to the content expressed in this statement.

SDI Corporation

Chairman: Signature and seal of J.S.Chen

President: Signature and seal of 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
2021.08.26	1. Approved the 2020 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 2020 earnings distribution plan.	September 24, 2021 is set as the ex-dividend record date, and October 18, 2021 is the issuance date (cash distribution of NT$ 1.8 per share).
	3. Approved the amendments to the 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, and formulated the Procedures for Director's Election.	It has been published on SDI's website and will be processed in accordance with the revised content.
	4. The re-election of Director.	Candidate elected: J.S.Chen, Weite Chen, Jerome Chen, Wilson Investment Co., Ltd, Chieh-hsuan Chen Elected Independent Directors: Wen-i Chiang, Tsung-ting Chung, Kuo-chao Tseng and Wen-Cheng Cheng. Approved by the Ministry of Economic Affairs and registered on September 10, 2021.

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
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 2021 general shareholders meeting and the acceptance period set for shareholders' proposals and the Director's nomination.	✓	
	14. Approved the re-election of Director.	✓	
2021.05.07 The 15th meeting of the 18th Board of Directors	1. Approved the Articles of Audit Committee.	✓	All Independent Directors approved
	2. Approved the accounts receivable beyond normal credit period of three months through the first quarter of 2021 are of no financing nature.	✓	
	3. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2021.08.06 The 16th meeting of the 18th Board of Directors	1. Approved the reschedule of the date and venue of the General Meeting of Shareholders for 2021.	✓	All Independent Directors approved
	2. Approved the agreement signed for the acquisition of property designated to the Chairman	✓	
	3. Approved the accounts receivable beyond normal credit period of three months through the second quarter of 2021 are of no financing nature.	✓	
	4. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2021.08.26 The 1st meeting of the 19th Board of Directors	1. Approved the election of the 19th Board Chairman.	✓	All Independent Directors approved
	2. Approved the appointment of the 5th Remuneration Committee.	✓	
2021.11.05 The 2nd meeting of the 19th Board of Directors	1. Approved the plans for the year-end bonus and the salary standard and structure of managers reviewed by the Remuneration Committee.	✓	All Independent Directors approved
	2. Approved the 2022 Audit plan.		
	3. Approved the accounts receivable beyond normal credit period of three months through the third quarter of 2021 are of no financing nature.	✓	
	4. Approved the change of the Chief Research and Development Officer.		
	5. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.	✓	
2022.02.24 The 3rd meeting of the 19th Board of Directors	1. Approved the deliberation of 2021 parent company-only financial statements and consolidated financial statements.		All Independent Directors approved
	2. Approved the 2021 earnings distribution plan.		
	3. Approved the 2021 statement on internal control		
	4. Approved the internal job rotation of CPA firm and change the CPA.	✓	
	5. Approved the evaluation review of the independence and competence of the CPA.	✓	
	6. Approved the donation to Shuen Der Charity Foundation.		
	7. Approved the partial amendments to the Principles of Corporate Governance Practices, Articles of Incorporation and Procedures for Acquisition or Disposal of Assets.	✓	

	8. Approved the amendment of the company's Implementation Rules of Internal Audit.	✓	
	9. Approved the accounts receivable beyond normal credit period of three months through the fourth quarter of 2021 are of no financing nature.	✓	
	10. Approved the release of non-compete clause to directors and representative of corporate director.	✓	
	11. Approved the renewal of bank financing lines of the company upon maturity and providing joint guarantees for subsidiaries.	✓	
	12. Approved the company's appointment of a new representative as the director of Chao Shin Metal Industrial Corporation.	✓	
	13. Approved the bonus distribution plan of employees, directors, and supervisors in 2021.	✓	
	14. Approved the 2022 salary adjustment proposal for managers' performance.	✓	
	15. Approved the 2022 business plan.		
	16. Approved the convening of 2022 general meeting and the acceptance period set for shareholders' proposals.	✓	

(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:

Title	Name	Date of appointment	Date of removal	Reason for resignation or removal
Associate Manager	Chao-hung Chen	2008/02/01	2021/08/31	Retirement

V. Information on CPA Professional Fees

(I) Professional fees of CPAs

Unit of currency: NT$1,000

CPA firm	Name of CPAs	CPA auditing period	Audit fees	Non-audit fees (Note)	Total	Remarks
Crowe Horwath (TW) CPAs	Chen-yu Yang	2021/01/01~ 2021/12/31	2,710	196	2,906	–
	Ming-shou Lin					

Note: Content of audit fees: Transfer pricing, income tax audit on concurrent business operators, inventory counting of bonded plant, business registration 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) therefor 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:

<table>
<tr><td>Date of replacement</td><td colspan="3">February 24, 2022</td></tr>
<tr><td>Reason of the replacement and explanation</td><td colspan="3">The original CPAs of SDI were Chen-yu Yang and Ming-shou Lin. Due to the internal work adjustment of the accounting firm, the CPAs were replaced by Chao-pin Shao and Ming-shou Lin since the first quarter of 2022.</td></tr>
<tr><td rowspan="3">Specify whether it was the authorizing party or CPA that ended or declined the engagement</td><td>Parties
Condition</td><td>CPA</td><td>The authorizing party</td></tr>
<tr><td>Voluntarily terminated the authorization</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td>Declined (further) engagement</td></tr>
<tr><td>Opinions and reasons for issuing an audit report expressing other than an unqualified opinion during the two most recent years</td><td colspan="3">Nil</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial report</td></tr>
<tr><td></td><td>Scope or procedure of auditing</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>Nil</td><td colspan="2">✓</td></tr>
<tr><td>Explanation</td><td colspan="2">N/A</td></tr>
<tr><td>Other disclosures (shall disclose the information set forth in Article 10, subparagraph 6, item 1-4 to item 1-7 of this Regulations)</td><td colspan="3">Nil</td></tr>
</table>

(II) Regarding the successor CPA

Accounting Firm	Crowe Horwath (TW) CPAs
Name of CPAs	Chao-pin Shao, Ming-shou Lin
Date of engagement	February 24, 2022
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, Managers and Substantial Shareholders

Title	Name	2021		The current year up to March 31	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman	J.S.Chen	0	0	0	0
Director	Jerome Chen	0	0	0	0
Director	Weite Chen	(4,131,076)	0	0	0
Director	Wilson Investment Co., Ltd	0	0	0	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
Independent Director	Kuo-tsao Tseng	0	0	0	0
Independent Director	Wen-Cheng Cheng	0	0	0	0
Vice President	Jeffrey Chen	(100,000)	0	0	0
Associate Manager	Ray Huang	0	0	0	0
Associate Manager	James Cheng	(8,000)	0	0	0
Acting Associate Manager	Yen-hung Chen	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	Number of shares	Transaction price
Weite Chen	Transfer	2021.12.07	CHOICE GLOBAL INVESTMENTS LIMITED	Shareholding by nominees	4,131,076	—
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, March 29, 2022

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
	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Wei-chao Chen	7,882,417	4.33%	—	—	—	—	J.S. 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%	—	—	—	—	J.S. 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	—
J.S.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	—
Weite Chen	6,196,614	3.40%	21,781	0.01%	4,131,076	2.27%	J.S. 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	—
Retirement fund in the new system	4,732,000	2.60%	—	—	—	—	—	—	—
Mega International Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of	4,667,000	2.56%	—	—	—	—	—	—	—

Mitsubishi Materials Corporation.									
Fudong Landscape Co., Ltd.	4,500,000	2.47%	—	—	—	—	—	—	—
Representative Willian Chen	527,000	0.29%	—	—	—	—	—	—	—
Li-hua Chen Wu	4,235,376	2.33%	6,944,794	3.81%	—	—	J.S. Chen Weite Chen Wei-chao Chen Wei-yung Chen	Spouse First degree of kinshipp First degree of kinship First degree of kinship	—
CHOICE GLOBAL INVESTMENTS LIMITED	4,131,076	2.27%	—	—	—	—	—	—	—
Representative Weite Chen	6,196,614	3.40%	21,781	0.01%	—	—	J.S. 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	—
Mega International Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Nippon Filcon Co., Ltd.	3,329,000	1.83%	—	—	—	—	—	—	—

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	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of 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 4 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
2022.03	$ 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			Note
	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

March 29, 2022

Item \ Shareholder structure	Government agency	Financial institution	Other institutional shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	4	40	57	14,646	125	14,872
Number of shares held	9,685,000	17,396,416	24,723,052	97,118,519	33,217,262	182,140,249
Shareholding ratio	5.32%	9.55%	13.57%	53.32%	18.24%	100%

(III) Shareholding Distribution Status

March 29, 2022

Range of Shares	Number of shareholders	Number of shares held	Shareholding ratio
1~999	5,069	698,686	0.38%
1,000~5,000	8,643	14,922,503	8.19%
5,001~10,000	603	4,722,099	2.59%
10,001~15,000	165	2,091,408	1.15%
15,001~20,000	104	1,934,369	1.06%
20,001~30,000	66	1,699,252	0.93%
30,001~40,000	26	928,295	0.51%
40,001~50,000	17	810,645	0.45%
50,001~100,000	48	3,658,578	2.01%
100,001~200,000	38	5,383,058	2.96%
200,001~400,000	24	6,565,234	3.60%
400,001~600,000	13	6,482,816	3.56%
600,001~800,000	10	6,679,678	3.67%
800,001~1,000,000	3	2,831,000	1.56%
1,000,001 or more	43	122,732,628	67.38%
Total	14,872	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 49-50# 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			2020	2021	For the year ended March 31, 2022
Market Price Per Share	Highest		98.2	200	181
	Lowest		33.7	72.2	127
	Average		55.67	120.47	150.83
Net worth per share	Before distribution		31.18	33.97	N/A
	After distribution		29.38	Undistributed	N/A
Earnings per share	Weighted average shares		182,140	182,140	N/A
	Earnings per share		1.92	4.68	N/A
Dividends Per Share	Cash dividends		1.80	(Note 2)3.00	－
	Stock dividends	－	－	－	－
		－	－	－	－
	Accumulated undistributed dividends		－	－	－
Return on investment	Price/earnings ratio (Note 3)		28.99	25.74	－
	Price/dividend ratio (Note 4)		30.93	40.16	－
	Cash dividend yield rate (Note 5)		3.23	2.49	－

Note 1: Information reviewed by the CPA as of the first quarter of the current year.

Note 2: The earnings distribution in 2021 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' 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 is 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 2021, SDI's earnings distribution plan has been proposed by the Board of Directors to issue NT$ 3 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 and Directors

1. The percentages or ranges of compensation of employees and directors compensation as set forth in the Articles of Incorporation:
   For SDI's annual profit before tax, before deducting compensation of employees and directors, 1.5% should be set aside for employee bonus, and no more than 1.5% for remuneration of directors. However, if SDI has accumulated deficits in previous years, it shall make up for the deficiency before setting aside employee and directors bonus 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. The Directors will be evaluated according to the measures for performance evaluation of Directors once every year, with the results as reference for determining their individual salaries, while managers will be evaluated the same as all employees based on the assessment management method twice a year. The evaluation items include: the contribution of departmental objectives, talent development, job competence, organizational development and other items, with reference to the salary standards recommended by the Remuneration Committee.
3. The basis for estimating the amount of remuneration of employees and Directors 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 and Directors, and sets aside 1.5% and 1.2% for employees' compensation and remuneration of Directors respectively; estimated employees' compensation is NT$ 16,155,895 and remuneration of Directors is NT$12,924,716 in 2021, which are distributed in cash by resolution of the Board of Directors on February 24, 2022.
   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 and Directors in cash: Information on remuneration distributed to employees and Directors for 2021 is passed by the Board of Directors on February 24, 2022.

Item	Amount	Ratio
Compensation of employees in cash	NT$16,155,895	1.5%
Compensation of Directors in cash	NT$12,924,716	1.2%

There is no difference between the annual estimated amount of the remuneration distributed to employees and Directors 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 and Directors 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$6,536,742 and the remuneration of Director of NT$5,229,394 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$6,536,742 and the remuneration of Director of NT$5,229,394 recognized in the financial statements of 2020.

(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 5 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, 2020	Operating proportion December 31, 2021
Lead frame and electronic stamping parts	82%	84%
Hardware stationery supplies	17%	15%
Others	1%	1%

3. New products planned to be developed
   (1) A new type of power management lead frame for the inverter of xEV electric vehicles.
   (2) Embedded power semiconductor lead frame.
   (3) New roller correction tape.
   (4) 20M roller correction tape.

(II) Industry Overview

1. Overall economic environment and industry trend overview of the Company
   In 2021, the global economy was not only vulnerable to geopolitical disputes and new COVID-19 variants, but also impacted by industry disruptions and shipping delays. Governments pushed up inflations through QE and interest rate cuts in recent years, which were aggravated due to the energy demand driven by energy conservation and carbon reduction, thus CPIs hit a new high in decades. The weak economic growth produced adverse effects on consumption and information sectors; but the semiconductor sector is booming with increasing investment because the emerging energy management and xEV-driven investment and demand are still surging at an exponential rate. SDI's electronics business mainly serves global IDM customers, benefiting from the increasing demand for middle and high-end products in the aforementioned industrial applications and automotive electronics, which have led to a strong performance in revenue and profitability. The electronics business continues to develop and mass-produce more power management and power application products with major customers to enhance added value, and to leverage the smart manufacturing, yield improvement, multi-sourcing, and information application projects deployed in advance in the previous year's decline for meeting the stringent quality standards and increased demand for automotive and industrial high-end products. It can satisfy the material supply and reduce the loss cost in response to the serious impact on operations due to supply chain disruptions, high cooper price, high exchange rate and other adverse

external factors. As for the stationery business, we respond to the impact of high inflationary costs and lower demand due to the epidemic by creating demand through marketing activities and developing new products, thus effectively reducing the impact on our stationery operations.

2. Overview of individual industries

(1) Industry status and development

① Semiconductor lead frame

According to WSTS, the global scale of the semiconductor industry in 2021 increases by 26% compared with the previous year, and it is expected to maintain a growth of 8.8% in 2022. Although the world is still under the influence of COVID-19 in 2021, with the growing vaccination rate in Europe and the U.S., governments began to remove control measures and coexist with the virus. The global economy resurged and consumption demand rebounded , hence leading to an explosive growth of the overall demand for semiconductors. However, after more than one year of COVID-19, the supply chain has been disrupted, there is a shortage of containers in Europe and the U.S., and the shipping costs have risen dramatically. The demand for lead frames has risen sharply as the supply of semiconductor wafers cannot meet the demand, and customers seek materials and request long-term orders to guarantee the supply.

Looking forward to 2022, under the global trend of energy saving and carbon reduction, given the fact that the world's major automakers are launching new EV models one after another with sales volumes exceeding expectations, the future trend of high growth has been established for EVs, and since 6.75 million EVs were sold last year with a 10% market share, it is expected to reach 30% by 2025. The company has been working for a long time in the automotive lead frames, representing 40% of our product mix. Thus, in recent years, the company has cooperated with several international manufacturers to develop the third-generation semiconductor lead frames for EVs, which have been certified and put in mass production. Considering the future trend of high growth of EVs, these products could contribute sustainable growth of revenue in the future.

② Hardware stationery supplies

The hardware stationery market becomes increasingly mature and stable. The company is actively developing consumer products protected with patent rights, and launching new functions and designs that cater for the needs of the younger generation. Newly developed products need to meet modern consumer trends including enhanced environmental awareness and requirements for energy saving and carbon reduction, and the product development must give priority to reuse and replacement. In recent years, the correction tape gradually becomes a top player on the market.

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

① Semiconductor lead frame

Upstream industry: IC design, epitaxial, wafer fabrication, photomask, wafer probe, etc.; midstream industry: semiconductor packaging, packaging materials (gold wire, aluminum wire, copper wire, and epoxy resin), and IC testing; downstream industry: 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

As for all the applications in electronic products, according to the forecast of WSTS, it will grow by 8.8% to a scale of US$ 600 billion in 2022. Moreover, after the pandemic subsided, countries accelerates the construction of 5G infrastructure, and 5G commercialization will have a broader prospect in terms of application scenario. This will stimulate another wave of growth of semiconductor demand.

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

Hardware stationery products, whether traditional durable goods or expendable products, are gradually becoming fashionable with a feel of design and young, and winning consumers' favor since they can make consumers healing, time-saving and labor-saving.

(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

The existing mature products are under the pressure of price competitions from the same type of products from mainland manufacturers, but in recent years the company has been committed to the promotion of its own brand, invested resources in research and development of new products, and thus achieved great results in product innovation and patents.

(III) Technology and R&D Overview

1. R&D expenses invested in 2021 and up to up to the date of publication of the annual report

   2021: NT$247,850,000; 2022 as at March 31: NT$69,276,000.

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

   22 single lead frames, 125 integrated lead frames, roller correction tape and S-shaped business scissors.

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

1. Short-term plans:

   As the new products for vehicles are introduced, SDI will continue to expand productivity by advancing the new factories construction in Nantou and mass production in the last half of the year.

2. Long-term plans:

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

   Integrate various resource management and optimize carbon footprint and reduction to meet ESG management trends.

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 5%, export sales are mainly 38% of the mainland, 24% 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 Europe, Southeast Asia, and Central and South America.

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

(1) Electronic products: In 2021, the demand on the global semiconductor market rebounded after the easement of COVID-19, leading to the shortage of raw materials such as lead frames. Finally, the international market of semiconductors increased by 26% to US$553 billion. As countries opened their borders to stimulate economic recovery, the research firm IC Insights forecasts that the semiconductor market will still grow by more than 10% in 2022, so the demand for lead frames will grow either.

(2) Stationery products: The market for hardware stationery products is always stable. The U.S. market has achieved good results in the development of high-end blades, and correction tapes are expected to grow with the newly developed roller-type products that are deeply favored by customers. The mainland market will continue to grow.

3. Advantages and disadvantages of 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.

② SDI 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 SDI has a powerful R&D team in stationery, and most of its main products are protected by patents with advantages in sales.

④ Stationeries of its own brand accounts for nearly 60% of the total sales volume, so it has the advantages of channels and pricing, which are favorable to competition.

(2) Unfavorable factors

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

② Some products are manufactured in mainland China, which is highly risky due to the increase in wages and the trade war launched by the United States.

(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 Rank: NT$1,000

Item	2020				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
1	Company A	449,708	9.38	—	Company A	1,992,990	26.71	—
2	Company B	549,926	11.47	—	Company B	652,849	8.75	—
	Others	3,793,512	79.15	—	Others	4,816,153	64.54	—
	Net purchase	4,793,146	100.00	—	Net purchase	7,461,992	100.00	—
Reason for increase/decrease: Benefited from the increase in demand of automotive and industrial control and the price rise in raw materials, the amount of material shipments increases.								

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

Unit: NT$1,000

Item	2020				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
1	Customer A	1,101,755	13.04	—	Customer A	1,674,135	15.01	—
2	Customer B	722,119	8.54	—	Customer B	1,116,490	10.01	—
	Others	6,626,737	78.42	—	Others	8,361,925	74.98	—
	Net sales	8,450,611	100.00	—	Net sales	11,152,550	100.00	—
Reason for increase/decrease: Benefited from the increase in demand of automotive and industrial control, the sales amount increases.								

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

Unit: 1,000; NT$1,000

Year / Production Volume and Value / Primary commodity	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Electronics	75,000,000	61,680,795	6,727,110	80,000,000	71,224,791	8,614,682
Stationery	700,000	522,880	871,226	700,000	555,020	1,143,459
Others	–	–	175,616	–	–	198,534
Total	75,700,000	62,203,675	7,773,952	80,700,000	71,779,811	9,956,675

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				2021			
	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	30,322,089	2,534,935	34,503,522	6,829,177
Stationery	271,077	665,554	342,900	741,391	317,457	799,240	362,464	889,796
Others	0	6,226	0	79,797	0	99,380	0	22
Total	25,959,337	2,084,562	26,749,138	6,366,049	30,639,546	3,433,555	34,865,986	7,718,995

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		2020	2021	The current fiscal year up to March 31, 2022
Number of Employees	Production	2,145	2,182	2,205
	Administration	413	415	426
	Total	2,558	2,597	2,631
Average age		36.42	37.27	38.79
Average Service Year		8.47	8.77	9.55
Education distribution ratio	Master degree or above	6.63%	7.19%	6.67%
	College/University	54.01%	52.60%	53.63%
	Senior high school	29.16%	29.12%	28.60%
	Under senior high school	10.20%	11.09%	11.10%

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	2021	March 31, 2022
Item	Nil	Nantou plant violates the Waste Clearance and Treatment Act
Date		February 24, 2022
Official Letter Number		Nantou Environmental Protection Waste No. 1110004021
Regulation		Articles 31-1-1 and 36-1 of the Waste Clearance and Treatment Act
Contents of penalties		A fine of NT$66,000 and environmental training 3H

(II) Future Countermeasures and Improvement Measures:

1. Increase the frequency of electroplating sludge cleaning by the waste clearance and treatment company.
2. Cover electroplating sludge temporary piled at roadside with canvas to avoid open storage.
3. After the building H of Nantou Plant is completed, apply to the Environmental Protection Bureau for the change of waste clearance plan.

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

Year	The proposed acquisition of pollution prevention equipment or expenditure content	Amount
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	About $24,000,000

	equipment of wastewater treatment plant 6. Overall inspection on environment by the technicians	
2023	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 on 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.

(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 2021

Item	Total	Annual average per person
Training hour	16,999 hours	15.86 hours
Training person-times	7,803	7.28
Training expenditure	NT$8,548,000	NT$7,970

Statistics of course categories in 2021

Categories	Class hours	Percentage
Personnel and general affairs	2,505	14.74%

Marketing management	613	3.61%
Information management	482	2.84%
Finance and accounting	213	1.25%
Quality assurance	8,269	48.64%
Production management	933	5.49%
Research and development:	2,099	12.35%
Business management	1,625	9.56%
Other categories (including language)	260	1.52%
Total	16,999	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:
   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 2021, SDI has a total of 14 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 occupational health and safety management system (OHSAS 18001, ISO 45001) in 1996, 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 environmental, occupational health and safety management system, 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

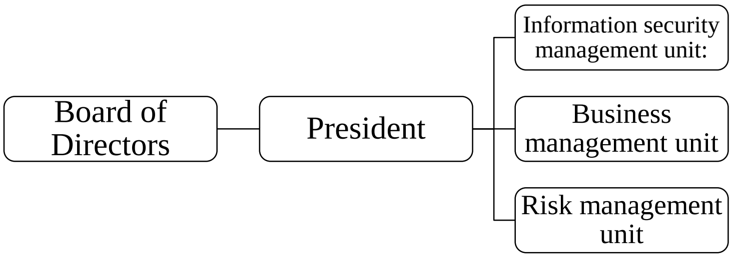
Title	Name	Date of study	Course title	Hours of study	Training unit
President	Weite Chen	August 26, 2021	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3H	Taiwan Corporate Governance Association
		November 5, 2021	Earnings management and detection of financial statement frauds	3H	
Vice President	Jerome Chen	August 26, 2021	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3H	Taiwan Corporate Governance Association
		November 5, 2021	Earnings management and detection of financial statement frauds	3H	
Financial Associate Manager Concurrently Serves as the Chief Officer of Corporate Governance	Ray Huang	January 21, 2021	Legal liabilities for corporate “securities fraud” and analysis of practical cases	3H	Accounting Research and Development Foundation
		January 21, 2021	Latest IFRS Q&A and explanation of common deficiencies in financial statements	3H	
		September 30, 2021	The latest policy developments and internal control management practices related to “self-prepared financial statements”	6H	
		August 26, 2021	Overview of securities exchange regulations and fraud risk management and supervision (preventing insider trading and assuming financial reporting liability)	3H	Taiwan Corporate Governance Association
		November 5, 2021	Earnings management and detection of financial statement frauds	3H	
		September 1, 2021	The 13th Taipei Corporate Governance Forum	3H	Financial Supervisory Commission

Chief Auditor	Daniel Chen	March 17, 2021	Practices of internal audit and internal control of personal information protection	6H	The Institute of Internal Auditors
		July 13, 2021	Business activities with the risk of dishonest conducts and case analysis	6H	

VI. Information security management:

(I) Information security management structure

1. Corporate information security governance organization
The Information Technology Department coordinates the formulation, maintenance, implementation and risk management of information security and protection-related policies, and the Audit Office conducts audits and reports annually to the Board of Directors on information security management.
2. Information security organization structure



(II) Information security policy

1. Corporate information security management policy and structure
In order to effectively implement the information security management, the corporate information security organization reviews the applicability of information security policies and protection measures according to the management cycle of Plan, Do, Check and Act (PDCA), and reports the results of implementation to the Board of Directors regularly.
In the Plan phase, we focus on the information security risk management to reduce threats to the corporate information security. In the Do phase, we construct a multi-layer information security protection, continuously introduce information security defense technologies, and integrate information security control mechanisms into regular work flows such as software and hardware maintenance and operation, so as to systematically monitor information security and maintain the confidentiality, integrity and availability of important corporate assets. In the Check phase, 2e actively monitor the information security management and regularly simulate information security attack drills. In the Act phase, we lay stress on review and continual improvement, and conduct monitor and audits to ensure the long-lasting effects of the information security regulations; any employees violating relevant rules and procedures will be disposed of according to the procedures for business behaviors and professional ethics management, and subject to penalty as the case may be; moreover, we also regularly review and implement information security measures, education, training and other improvements to ensure that our important confidential information will be not leaked.
2. Corporate information security risk management and continuous improvement framework
Plan: Information security risk assessment and management planning
Do: Personnel and physical security, network security, device security, account and privilege management, information security monitoring, data security
Check: Continuous information security monitoring, information security emergency response drills, information security audits
Act: Information security measures review and improvement, information security education and training, information security violation and disposal

(III) Specific management plans

1. Multi-level information security protection:
   Network security: Strengthen the firewall and network control to prohibit unauthorized use of the company's network and use of the company's network for illegal invasion or download and installation of illegal software.
   Device security: Build the endpoint anti-virus software, maintain the updates of latest virus codes, and control the external device interface.
   Supply chain information security: Implement the visitor management, visitor behavior rules and confidentiality obligations to be observed.
   Data security protection: Account and privilege control of the information system, control of email attachments and link URLs, spam filtering, and clarification of business confidentiality responsibilities.
2. Review and continuous improvement:
   Education, training and publicity: Organize regular security education and training as well as irregular publicity to enhance employees' alertness to social engineering attacks through emails and raise their awareness of information security.
3. Results of information security measures: SDI has neither key deficiencies in information security-related audits, nor major information security incidents such as information security breaches, customer information leaks and fines, resulting in zero complaints by judicial actions.

(IV) Resources input for information security management

1. Firmware maintenance and update of firewall and anti-virus software, 2. information security management personnel, 3. information security training and publicity, 4. confidentiality responsibilities and obligations, 5. guest and access control, 6. system account and privilege control

(V) During the most recent year and up to the publication date of the annual report, the losses suffered, possible consequences and response measures due to major information security incidents: Nil

VII. 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 6 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		2017	2018	2019	2020	2021
Current assets		5,852,726	6,226,621	5,350,040	5,705,749	7,575,066
Property, plant and equipment		4,480,429	4,762,760	4,566,765	4,416,029	4,951,418
Intangible assets		67,380	64,431	60,131	53,494	42,705
Other assets		284,459	327,803	419,634	400,446	475,401
Total assets		10,684,994	11,381,615	10,396,570	10,575,718	13,044,590
Current liability	Before distribution	2,977,212	3,582,590	2,142,924	2,567,398	3,549,492
	After distribution	3,432,563	4,092,583	2,470,776	2,895,250	Undistributed
Non-current liability		2,050,344	1,775,030	2,281,980	1,996,966	2,961,904
Total liabilities	Before distribution	5,027,556	5,357,620	4,424,904	4,564,364	6,511,396
	After distribution	5,482,907	5,867,613	4,752,756	4,892,216	Undistributed
Equity attributable to owners of the parent company		5,346,592	5,702,960	5,641,213	5,679,786	6,186,808
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,125	485,155	485,257	485,403	485,598
Retained earnings	Before distribution	3,125,018	3,497,585	3,490,123	3,507,622	4,019,570
	After distribution	2,669,667	2,987,592	3,162,271	3,179,770	Undistributed
Other equity interest		(84,954)	(101,183)	(155,570)	(134,642)	(139,763)
Non-controlling interests		310,846	321,035	330,453	331,568	346,386
Total equity	Before distribution	5,657,438	6,023,995	5,971,666	6,011,354	6,533,194
	After distribution	5,202,087	5,514,002	5,643,814	5,683,502	Undistributed

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

2. Condensed statements of comprehensive income - consolidated

Unit: NT$1,000

Item \ Year	2017	2018	2019	2020	2021
Operating revenue	9,581,050	10,416,495	8,839,367	8,450,611	11,152,550
Gross profit	1,853,270	1,931,458	1,534,930	1,332,379	2,109,990
Operating profit (loss)	1,061,855	1,099,094	751,084	601,587	1,225,419
Non-operating income and expenses	(82,943)	41,126	(56,486)	(87,014)	(57,878)
Profit before tax	978,912	1,140,220	694,598	514,573	1,167,541

Net income (loss)	779,701	888,569	550,465	401,381	910,339
Other comprehensive income (net, after tax)	(15,472)	(29,660)	(43,492)	17,323	(18,443)
Total comprehensive income	764,229	858,909	506,973	418,704	891,896
Net income attributable to owners of the parent company	715,993	828,880	491,566	349,147	852,244
Net income attributable to non-controlling interests	63,708	59,689	58,899	52,234	58,095
Total comprehensive income attributable to owners of the parent company	699,713	799,309	448,144	366,279	834,679
Total comprehensive income attributable to non-controlling interests	64,516	59,600	58,829	52,425	57,217
Earnings per share	3.93	4.55	2.70	1.92	4.68

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

3. Condensed balance sheet - parent company-only

Unit: NT$1,000

Item \ Year		2017	2018	2019	2020	2021
Current assets		3,983,590	4,456,580	3,605,936	3,640,357	5,136,734
Property, plant and equipment		2,552,343	2,699,487	2,655,087	2,563,326	3,091,157
Intangible assets		62,572	61,655	58,741	50,843	41,405
Other assets		2,542,984	2,583,430	2,599,142	2,648,011	2,775,295
Total assets		9,141,489	9,801,152	8,918,906	8,902,537	11,044,591
Current liability	Before distribution	1,785,381	2,370,999	1,045,732	1,310,479	2,127,652
	After distribution	2,240,732	2,880,992	1,373,584	1,638,331	Undistributed
Non-current liability		2,009,516	1,727,193	2,231,961	1,912,272	2,730,131
Total liabilities	Before distribution	3,794,897	4,098,192	3,277,693	3,222,751	4,857,783
	After distribution	4,250,248	4,608,185	3,605,545	3,550,603	Undistributed
Equity attributable to owners of the parent company		5,346,592	5,702,960	5,641,213	5,679,786	6,186,808
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,125	485,155	485,257	485,403	485,598
Retained earnings	Before distribution	3,125,018	3,497,585	3,490,123	3,507,622	4,019,570

	After distribution	2,669,667	2,987,592	3,162,271	3,179,770	Undistributed
Other equity interest		(84,954)	(101,183)	(155,570)	(134,642)	(139,763)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	5,346,592	5,702,960	5,641,213	5,679,786	6,186,808
	After distribution	4,891,241	5,192,967	5,313,361	5,351,934	Undistributed

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

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

Unit: NT$1,000

Year / Item	2017	2018	2019	2020	2021
Operating revenue	7,407,496	8,105,455	6,719,302	6,227,222	8,247,659
Gross profit	1,315,506	1,414,243	1,099,442	876,347	1,503,701
Operating profit (loss)	748,236	805,892	537,068	352,010	865,810
Non-operating income and expenses	122,330	237,161	69,240	72,007	182,169
Profit before tax	870,566	1,043,053	606,308	424,017	1,047,979
Net income (loss)	715,993	828,880	491,566	349,147	852,244
Other comprehensive income (net, after tax)	(16,280)	(29,571)	(43,422)	17,132	(17,565)
Total comprehensive income	699,713	799,309	448,144	366,279	834,679
Net income attributable to owners of the parent company	715,993	828,880	491,566	349,147	852,244
Total comprehensive income attributable to owners of the parent company	699,713	799,309	448,144	366,279	834,679
Earnings per share	3.93	4.55	2.70	1.92	4.68

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
2017	Chen-yu Yang, Chao-pin Shao	Unqualified opinion
2018	Chen-yu Yang, Chao-pin Shao	Unqualified opinion
2019	Chen-yu Yang, Chao-pin Shao	Unqualified opinion
2020	Chen-yu Yang, Ming-shou Lin	Unqualified opinion
2021	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		2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets	47.05	47.07	42.56	43.16	49.92
	Ratio of long-term capital to property, plant and equipment Equipment ratio	172.03	163.75	180.73	181.35	191.77
Debt-paying ability (%)	Current ratio	196.58	173.80	249.66	222.24	213.41
	Quick ratio	101.91	91.48	124.84	109.40	95.17
	Interest coverage ratio	21.99	18.96	12.17	9.59	19.83
Operating performance	Accounts receivable turnover rate (times)	4.55	4.75	4.54	4.65	4.99
	Average collection days	80.22	76.84	80.40	78.49	73.15
	Inventory turnover rate (times)	3.09	3.02	2.67	2.63	2.62
	Payables turnover rate (times)	6.92	7.12	7.80	9.27	7.49
	Average days for sale	118.12	120.86	136.70	138.78	139.31
	Turnover rate for property, plant and equipment (times)	2.16	2.25	1.89	1.88	2.38
	Total asset turnover rate (times)	0.92	0.94	0.81	0.81	0.94
Profitability	Return on asset (%)	7.84	8.45	5.48	4.27	8.10
	Return on equity (%)	14.10	15.21	9.18	6.70	14.51
	Income before tax to paid-in capital ratio (%)	53.74	62.60	38.14	28.25	64.10
	Net profit ratio (%)	8.14	8.53	6.23	4.75	8.16
	Earnings per share	3.93	4.55	2.70	1.92	4.68
Cash flow	Cash flow ratio (%)	25.89	45.64	47.96	41.56	14.67
	Cash flow adequacy ratio (%)	109.11	104.27	97.08	91.14	60.22
	Cash reinvestment ratio (%)	2.23	8.12	3.39	4.77	1.11
Leverage	Operating leverage	3.24	3.29	4.28	4.95	3.09
	Financial leverage	1.04	1.05	1.08	1.11	1.05

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

1. The increase of interest coverage ratio as well as property, plant and equipment turnover ratio are due to the increase of revenue and profitability for the period.
2. The increase of profitability-related ratio is due to the increase of revenue and profitability for the period.
3. The decrease of cash flow related ratio is mainly due to the increase of borrowings, capital expenditures and inventories.
4. The decrease of operating leverage is due to the increase of operating profit in the current period compared with the previous period.

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

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

Analysis Item	Year	2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets	41.51	41.81	36.75	36.20	43.98
	Ratio of long-term capital to property, plant and equipment Equipment ratio	288.21	275.24	296.53	296.18	288.47
Debt-paying ability (%)	Current ratio	223.12	187.96	344.82	277.79	241.43
	Quick ratio	119.39	106.75	168.32	135.47	104.74
	Interest coverage ratio	43.26	49.11	27.56	26.00	68.62
Operating performance	Accounts receivable turnover rate (times)	5.08	5.08	4.83	5.32	5.51
	Average collection days	71.85	71.85	75.57	68.61	66.24
	Inventory turnover rate (times)	3.82	3.63	3.06	2.96	2.91
	Payables turnover rate (times)	6.07	6.21	6.96	8.56	6.86
	Average days for sale	95.55	100.55	119.28	123.31	125.43
	Turnover rate for property, plant and equipment (times)	2.91	3.09	2.51	2.39	2.92
	Total asset turnover rate (times)	0.82	0.86	0.72	0.70	0.83
Profitability	Return on asset (%)	8.14	8.90	5.43	4.05	8.65
	Return on equity (%)	13.70	15.00	8.67	6.17	14.36
	Income before tax to paid-in capital ratio (%)	47.80	57.27	33.29	23.28	57.54
	Net profit ratio (%)	9.67	10.23	7.32	5.61	10.33
	Earnings per share	3.93	4.55	2.70	1.92	4.68
Cash flow	Cash flow ratio (%)	31.27	48.50	78.87	76.49	13.74
	Cash flow adequacy ratio (%)	112.24	106.09	98.06	96.78	60.78
	Cash reinvestment ratio (%)	0.88	5.84	2.53	5.41	(0.25)
Leverage	Operating leverage	3.19	3.17	4.01	5.46	2.92
	Financial leverage	1.03	1.02	1.04	1.04	1.01

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

1. The increase of the ratio of liabilities to assets is due to the increase of accounts payable and borrowings; the decrease of quick ratio is due to the increase of inventories and the increase in materials.
2. The interest coverage ratio as well as property, plant and equipment turnover ratio were increased due to the increase in revenue and profitability for the period.
3. The profitability-related ratio was increased due to the increase in revenue and profitability for the period.
4. The cash flow related ratio was decreased mainly due to the increase in borrowings, capital expenditures and inventories.
5. The decrease of operating leverage is due to the increase 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. 2021 Inspection Report of Audit Committee

SDI Corporation

Audit Report of Audit Committee

The Board of Directors will prepare and submit SDI's 2021 financial statements (including consolidated financial statements), operating reports, and earnings distribution statement. 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 Audit Committee, 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 14 of the Securities Transaction Act and Article 219 of the Company Act for your review.

To

2022 Annual Shareholders' Meeting of SDI

Convener of Audit Committee’s meeting:
Wen-Cheng Cheng
February 24, 2022

IV. 2021 Consolidated Financial Statements

(See #page80-154#)

V. 2021 Parent Company-Only Financial Report Audited by the CPA

(See #page155-227#)

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 7 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, 2021	Difference	
			Amount	%
Current assets	5,705,749	7,575,066	1,869,317	32.76%
Property, plant and equipment	4,416,029	4,951,418	535,389	12.12%
Intangible assets	53,494	42,705	(10,789)	(20.17%)
Other assets	400,446	475,401	74,955	18.72%
Total assets	10,575,718	13,044,590	2,468,872	23.34%
Current liability	2,567,398	3,549,492	982,094	38.25%
Non-current liability	1,996,966	2,961,904	964,938	48.32%
Total liabilities	4,564,364	6,511,396	1,947,032	42.66%
Equity attributable to owners of the parent company	5,679,786	6,186,808	507,022	8.93%
Share capital	1,821,403	1,821,403	0	0.00%
Capital surplus	485,403	485,598	195	0.04%
Retained earnings	3,507,622	4,019,570	511,948	14.60%
Other equity interest	(134,642)	(139,763)	(5,121)	(3.80%)
Non-controlling interests	331,568	346,386	14,818	4.47%
Total equity	6,011,354	6,533,194	521,840	8.68%

Analysis and clarification of the change in increase and decrease ratio

1. The increase of total assets is mainly due to the increase of the accounts receivable and inventories as a result of revenue growth.
2. The increase of total liabilities is mainly due to the increase of accounts payable and bank borrowings caused by rising material prices and increased material purchase.

II. Review and Analysis of Financial Performance:

Unit: NT$1,000

Item \ Year	2020	2021	Increase (decrease)	Change ratio
Net operating revenue	8,450,611	11,152,550	2,701,939	31.97%
Operating costs	7,118,232	9,042,560	1,924,328	27.03%
Gross profit	1,332,379	2,109,990	777,611	58.36%
Operating expense	730,792	884,571	153,779	21.04%
Net operating profit	601,587	1,225,419	623,832	103.70%
Non-operating income and expenses	(87,014)	(57,878)	29,136	(33.48%)
Profit before tax	514,573	1,167,541	652,968	126.90%
Income tax expenses	113,192	257,202	144,010	127.23%
Net income (loss)	401,381	910,339	508,958	126.80%
Other comprehensive income in the current period	17,323	(18,443)	(35,766)	(206.47%)

Total comprehensive income	418,704	891,896	473,192	113.01%
Analysis and clarification of the change in increase and decrease ratio 1. The increase of operating income, gross profit, net income and net profit for the period is mainly due to the increase of revenue growth and profitability as a result of increased demand for automotive and industrial control products. 2. The decrease of non-operating income and expenditure is mainly due to the exchange rate appreciation recognized in exchange rate loss. 3. The decrease of 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 increase of the total comprehensive income is mainly due to the increase 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

Year / Item	2020	2021	Increase (decrease) ratio
Cash flow ratio	41.56%	14.67%	(64.70%)
Cash flow adequacy ratio	91.14%	60.22%	(33.93%)
Cash reinvestment ratio	4.77%	1.11%	(76.73%)
Analysis and clarification of the change in increase and decrease ratio The decrease of related liquidity analysis ratio compared to the previous period is mainly due to the increase of borrowings, capital expenditures and inventories.			

(II) 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
702,314	1,050,000	900,000	852,314	—	—

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

The latest year’s increase in the construction of a new factory in Nantou and the purchase of land and production equipment are financed by the surplus, depreciation and funds from the investment projects of Taiwanese businessmen returning to Taiwan, which have no significant impact on our 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 79 of this annual report for the details of the investment profit and loss recognized by the reinvestment business.
2. Subsidiaries such as Shuen Der (Jiangsu), Chao Shin Metal and TEC Brite made profits in 2021.

(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)
New mould development (design, processing, assembly, repair)	10,000
Copper processing and heat sink	8,000
Marker pen	10,000
Roller correction tape	2,600

(IV) 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.

(V) 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 R12.1 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. Please refer to ##Pages64~65## of this annual report for details of information security risks.

(VI) 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.

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

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Our new plant in Nantou is expected to mass produce in the second half of the year.

(IX) 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.

(X) 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 69 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.

(XI) 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.

(XII) 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 a 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.

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

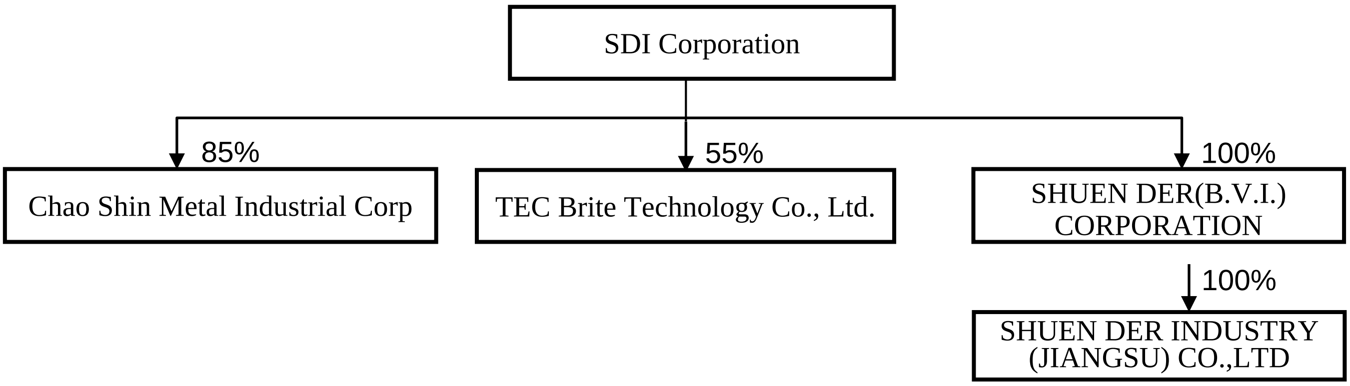
VII. Other Important Matters: None.

Chapter 8 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, 2021 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, Changnan 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.	246,816	Holding company
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD	1997.11.14	No. 6, Shanghai Road, Zhangjiagang Bonded Area, Jiangsu Province, China	968,450	Manufacturing and sales of stationery and integrated circuit frames.

Note: The exchange rate is converted according to the ending exchange rate US$ 1 = NT$ 27.67.

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 tor 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, 2021

Name of company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Chao Shin Metal Industrial Corp.	Chairman	J.S. Chen, representative of SDI Corp.	14,809,864	84.62%
	Director	Willian Chen, representative of SDI Corp.		
	Director	Jeffrey Chen, representative of SDI Corp.		
	Supervisors	Jerome Chen	370,552	2.12%
TEC Brite Technology Co., Ltd.	Chairman	J.S.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)	Chairman	J.S. Chen, representative of SDI Corp.	US$ 8.92 million	100%
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD	Chairman	Jerome Chen, representative of SHUEN DER(B.V.I.)	US$ 35 million	100%
	Director	Jeffrey Chen, representative of SHUEN DER(B.V.I.)		
	Director	James Cheng, representative of SHUEN DER(B.V.I.)		
	Supervisors	SHUEN DER(B.V.I.) Representative Willian Chen		

(II) Operation Overview of Affiliates

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

December 31, 2021

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)
Chao Shin Metal Industrial Corp.	175,007	361,050	56,769	304,281	342,069	34,767	29,098	1.66
TEC Brite Technology Co., Ltd.	180,000	943,041	267,596	675,445	799,412	159,118	123,892	6.88
SHUEN DER(B.V.I.) CORPORATION	246,816	1,778,567	0	1,778,567	0	-92	67,533	—
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD	968,450	3,599,638	1,823,257	1,776,381	3,116,219	134,829	67,624	—

Note: The exchange rate is converted according to the ending exchange rate US$ 1= NT$ 27.67, and the average exchange rate US$ 1= NT$ 28.

(III) Declaration of Consolidated Financial Report, Audit Report and Consolidated Financial Statements of Affiliated Companies (please refer to #page80-90#).

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

Very truly yours,

SDI Corporation

By

____

Chen Jau Shyong
Chairman

February 24, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

We have audited the accompanying consolidated financial statements of SDI Corporation and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

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

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

1. Valuation of Inventory Impairment

Description

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

How our audit addressed the matter

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

2. Revenue Recognition

Description

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

How our audit addressed the matter

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

February 24, 2022

Notice to Readers

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

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

SDI Corporation and Subsidiaries

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

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

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

SDI Corporation and Subsidiaries

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

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

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

SDI Corporation and Subsidiaries

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

	Equity Attributable to Shareholders of the Parent										
	Capital Stocks		Retained Earnings			Others					
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Attributable to Shareholders of the Parent	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2020	$ 1,821,403	485,257	815,192	101,183	2,573,748	(168,987)	13,417	(155,570)	5,641,213	330,453	5,971,666
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-	-	-
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	-	(327,852)
Deemed donation from shareholders - dividends give up	-	146	-	-	-	-	-	-	146	-	146
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(51,310)	(51,310)
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147	52,234	401,381
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132	191	17,323
BALANCE, DECEMBER 31, 2020	1,821,403	485,403	865,445	155,570	2,486,607	(147,809)	13,167	(134,642)	5,679,786	331,568	6,011,354
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	(20,928)	20,928	-	-	-	-	-	-
Legal capital reserve	-	-	34,535	-	(34,535)	-	-	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	-	(327,852)
Deemed donation from shareholders - dividends give up	-	195	-	-	-	-	-	-	195	-	195
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(42,399)	(42,399)
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244	58,095	910,339
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)	(878)	(18,443)
BALANCE, DECEMBER 31, 2021	$ 1,821,403	$ 485,598	$ 899,980	$ 134,642	$ 2,984,948	$ (155,689)	$ 15,926	$ (139,763)	$ 6,186,808	$ 346,386	$ 6,533,194

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

SDI Corporation and Subsidiaries

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

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

(Continued)

SDI Corporation and Subsidiaries

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATIONS

SDI Corporation (the" Company") was incorporated on October 17, 1967. The Company manufactures mainly in stationery related products before the Company repetitively expanded to produce and manufacture lead frames and molds.
Since April 25, 1996, the Company's stocks have been listed on the Taiwan Stock Exchange ("TWSE"). The main operating activities of the Company and its subsidiaries (the "Group") are as well as aforementioned (refer to note 4.3 B for further information).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on February 24, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts ─ Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

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

(2) Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"
The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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

(4) Annual Improvement to IFRS Standards 2018-2020
The annual improvements amend several Standards. Among which, the amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from the original one, only fees paid or received between the Group (the borrower) and the lender, including fees paid or received by either the Group or the lender on the other's behalf, shall be included in the '10 per cent' test of discounting present value of the cash flows under the new terms.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IRFS 17	January 1, 2023
Amendments to IRFS 17 "Initial Application of IFRS 17 and IFRS 9─Comparative Information	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Statement of Compliance

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

4.2 Basis of Preparation

A. Except for the following significant items, the accompanying consolidated financial statements have been prepared on the historical cost basis:
   (a) Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments).
   (b) Financial assets and liabilities at fair value through other comprehensive income.
   (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

4.3 Basis of consolidation

A. Basis for preparation of consolidated financial statements:

   (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the

Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership	
			2021. 12. 31	2020. 12. 31
The Company	SHUEN DER (B.V.I.) (B.V.I.) CO. (SHUEN DER(B.V.I.))	Investing activities	100%	100%
SHUEN DER （B. V. I. ）	SDI China (SDI(JIANGSU))	Office supplies (Blades, stationery, etc.) and manufacturing and	100%	100%

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership 2021. 12. 31	Percentage of Ownership 2020. 12. 31
		processing of electronic components		
The Company	CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Smelting and Rolling of metal strips	84. 62%	84. 62%
The Company	TEC BRITE TECHNOLOGY CO.,LTD. (TEC Brite Technology)	Manufacturing of electronic components and international trade	54. 98%	54. 98%

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

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

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

Name of subsidiary	Percentage of Ownership of Non-controlling Interest December 31, 2021	Percentage of Ownership of Non-controlling Interest December 31, 2020
TEC Brite Technology	45. 02%	45. 02%

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

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

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

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

Balance sheets

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

Statements of comprehensive incomes

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

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

Statements of cash flows

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

4.4 Foreign Currencies

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

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

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

4.5 Classification of Current and Noncurrent Assets and Liabilities

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

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

4.6 Cash and cash equivalents

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

4.7 Financial Instruments

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

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

A. Financial assets

(a) Measurement categories

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

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investment in equity instruments at FVTOCI

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

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

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

(b) Impairment of financial assets

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

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

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

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

(c) Derecognition of financial assets

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

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

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

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

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

B. Equity instruments

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

C. Financial liabilities

(a) Subsequent measurement

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

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

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

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

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

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

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

(b) Derecognition of financial liabilities

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

4.8 Inventories

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

4.9 Property, Plant and Equipment

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

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

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

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

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

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

4.10 Leases

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

A.The Group as lessee

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

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

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

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

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

Lease liabilities

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

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

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

4.11 Intangible Assets

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

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

4.12 Impairment of non-financial assets

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the 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.

4.13 Employee Benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

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

D. Termination benefits

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

4.14 Capital Stock and Treasury Stock

A. Capital stock

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

B. Treasury Stock

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

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

4.15 Income Tax

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

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

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

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

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

4.16 Revenue Recognition

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

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;
(d) Allocate the transaction price to the performance obligations in the contracts; and
(e) Recognize revenue when the entity satisfies a performance obligation.

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

A. Revenue from sale of goods

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

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

B. Revenue from rendering of services

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

4.17 Borrowing Costs

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

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

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

4.18 Government Grants

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

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

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

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

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

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

B. Lease terms

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

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

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

B. Impairment of tangible and intangible assets

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

C. Realizability of deferred tax assets

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

D. Evaluation of inventories

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

E. Calculation of accrued pension obligations

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

F. The lessee's incremental borrowing rate

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

(1) The Group recognized net profit or loss of FVTPL for the years ended December 31, 2021 and 2020 are $132 thousand and ($2,639) thousand.

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

6.3 NOTES RECEIVABLE, NET

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

(1) As of December 31, 2021 and 2020 the banker's acceptance bill of the Group was $109,918 thousand and $122,214 thousand, respectively. Short-term bank loans with bankers' acceptance bill as collaterals and pledges for writing bankers' acceptance bill as payments, please refer to Note 8.

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

6.4 ACCOUNTS RECEIVABLE, NET

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

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

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

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

December 31, 2021

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

December 31, 2020

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

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

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

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

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

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

6.5 INVENTORIES AND COST OF SALES

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

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

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

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

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

6.6 PREPAYMENTS

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

6.7 OTHER FINANCAIL ASSETS - CURRENT

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

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

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

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

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

6.9 PROPERTY, PLANT AND EQUIPMENT

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

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

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Accumulated depreciation and impairment							
Balance, January 1, 2021	$ -	$ (927,659)	$ (4,443,855)	$ (1,632,248)	$ (890,615)	$ -	$ (7,894,377)
Depreciation expense	-	(69,224)	(310,696)	(170,933)	(88,841)	-	(639,694)
Impairment loss	-	-	(13,935)	-	-	-	(13,935)
Disposals	-	9,944	151,192	64,409	18,697	-	244,242
Reversal of impairment	-	-	(2,612)	-	2,612	-	-
Effect of exchange rate difference	-	1,510	5,753	3,076	1,165	-	11,504
Balance, December 31, 2021	$ -	$ (985,429)	$ (4,614,153)	$ (1,735,696)	$ (956,982)	$ -	$ (8,292,260)
Cost							
Balance, January 1, 2020	$ 254,419	$ 2,338,428	$ 5,947,531	$ 1,847,451	$ 1,216,019	$ 411,547	$ 12,015,395
Additions	-	9,789	26,881	2,765	18,169	445,421	503,025
Disposals	-	(7,181)	(183,099)	(51,388)	(20,744)	-	(262,412)
Reclassification	-	922	108,655	154,310	50,139	(314,026)	-
Effect of exchange rate difference	-	13,388	23,425	11,713	4,427	1,445	54,398
Balance, December 31, 2020	$ 254,419	$ 2,355,346	$ 5,923,393	$ 1,964,851	$ 1,268,010	$ 544,387	$ 12,310,406
Accumulated depreciation and impairment							
Balance, January 1, 2020	$ -	$ (859,443)	$ (4,285,117)	$ (1,480,403)	$ (823,667)	$ -	$ (7,448,630)
Depreciation expense	-	(71,230)	(308,610)	(194,558)	(84,350)	-	(658,748)
Reversal of Impairment loss	-	-	4,000	-	-	-	4,000
Disposals	-	7,181	161,763	51,120	20,574	-	240,638
Effect of exchange rate difference	-	(4,167)	(15,891)	(8,407)	(3,172)	-	(31,637)
Balance, December 31, 2020	$ -	$ (927,659)	$ (4,443,855)	$ (1,632,248)	$ (890,615)	$ -	$ (7,894,377)

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

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

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

6.10 LEASE ARRANGEMENT

(1) Right-of-use assets

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

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

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

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

(2) Lease liabilities

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

Range of discounts rate for lease liabilities is as follow：

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

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

(3) Material lease-in activities and terms

A. Land and Buildings

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

B. Use right of land

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

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

(4) Other lease information

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

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

6.11 INTANGIBLE ASSETS

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

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

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

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

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

6.12 OTHER NON-CURRENT ASSETS

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

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

6.13 SHORT-TERM LOANS

The nature of loans	December 31, 2021	December 31, 2020
Secured loans	$ 20,743	$ 9,690
Unsecured loans	846,618	778,872
Total	$ 867,361	$ 788,562
Interest rate range	1.20%~4.15%	1.80%~4.84%

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

6.14 SHORT-TERM NOTES AND BILLS PAYABLES

Items	December 31, 2021	December 31, 2020
China Bills Finance Corporation	$ -	$ 10,000
Less: Unamortized discounts	-	(15)
Total	$ -	$ 9,985
Interest rate range	-	1.06%

6.15 NOTES PAYABLE

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

6.16 OTHER PAYABLES

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

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

6.17 LONG-TERM LOANS AND ITS CURRENT PORTION

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

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

(2) Under the Group's loan agreement with certain banks, the Group should meet several financial ratios and criteria. The Group had no violation of the aforementioned financial ratio regulations as of December 31, 2021 and 2020.

6.18 GOVERNMENT GRANTS

(1) The Company has obtained a $1,088,747 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The difference between transaction price and fair value is regarded as the government grants. As of December 31, 2021, the fair value of loan is estimated to be $1,080,090 thousand. The difference $8,657 between transaction price and fair value is recognized as deferred income (under other non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $2,825 thousand in other income, $7,547 thousand in interest expense for the loan, and paid $4,722 thousand interests to the bank.

(2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not using for the construction of plants and relevant facilities, purchasing equipment or using as mid-term working capital. Therefore, the loan interests of the Company will adopt the original agreed interest rate.

6.19 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

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

C. The Group's recognized expenses in the consolidated statement of comprehensive income were 70,889 thousand and $40,192 thousand under the contributions rates specified in the plans for the years ended December 31, 2021 and 2020, respectively.

(2) Defined benefit plans

A. The Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD. have defined benefit plans in accordance with Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and average monthly salaries and wages of the last 6 months prior to retirement. The Company, Chao Shin Metal Industrial Corporation and TEC Brite Technology CO., LTD make monthly contributions of 6%, 6% and 2% respectively of each individual employee's salary to employees' pension accounts, which submit to the Labor Retirement Reserve Supervisory Committee to the retirement fund deposited in Bank of Taiwan under the name of the committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

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

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

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

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

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

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

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

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

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

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

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

(a) Investment risk

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

(b) Interest risk

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

(c) Salary risk

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

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

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

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

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

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

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

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

6.20 COMMON STOCKS

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

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

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

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

6.21 CAPITAL SURPLUS

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

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

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

6.22 RETAINED EARNINGS

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

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

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

(3) Special reserve

Items	December 31, 2021	December 31, 2020
Special reserve	$ 134,642	$ 155,570

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

B. On initial application of IFRSs, the unrealized revaluation increments and cumulative translation adjustment should be reclassified into retained earnings, and was set aside as special reserve $53,205. When the relevant assets are used, disposal of or reclassified subsequently, the special reserve set aside previously shall be reversed to distributable earnings proportionately.

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

Items	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2020	For Year 2019	For Year 2020	For Year 2019
Legal reserve	$ 34,535	$ 50,253		
Special reserve	(20,928)	54,387		
Cash dividends	327,852	327,852	$ 1. 80	$ 1. 80

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

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

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

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

6.23 OTHER EQUITY

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2021	$ (147,809)	$ 13,167	$ (134,642)
Exchange differences on translation of foreign financial statements	(7,880)	-	(7,880)

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

Items	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2020	$ (168,987)	$ 13,417	$ (155,570)
Exchange differences on translation of foreign financial statements	21,178	–	21,178
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	–	(250)	(250)
Balance, December 31, 2020	$ (147,809)	$ 13,167	$ (134,642)

6.24 NON-CONTROLLING INTEREST

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

6.25 OPERATING REVENUE

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

(1) Description of customer contract

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

(2) Disaggregation of revenue from contracts with customers

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

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

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

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

6.26 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

(1) In accordance with the Company's Article of incorporation, the Company is stipulated to distribute compensation of employees at the rate of 1.5% of profit before tax, and directors' and supervisors' remuneration at the rate not higher than 1.5% of profit before tax. If there is a change in the proposed amount after the annual financial statement are authorized for issue, the difference is recorded as a change in accounting estimate and adjusted in the next fiscal year.

(2) The appropriations of employees' compensation and directors' and supervisors' remuneration for 2021 and 2020 have been approved by the board of directors held on February 24, 2022, and March 9, 2021, respectively. The amount of approved and recognized in financial statement is shown as follows:

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

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

The employee compensation of 2021 and 2020 are paid in cash.

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

6.27 OTHER INCOME

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

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

6.28 OTHER GAINS AND LOSSES

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

6.29 FINANCIAL COSTS

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

6.30 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

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

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

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

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

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

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

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

C. Income tax liabilities

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

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

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

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

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

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

6.31 OTHER COMPREHENSIVE INCOME

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

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

6.32 EARNINGS PER SHARE

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

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

Items	2021	2020
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,246	182,235
Diluted earnings per share (after tax) (in dollars)	$ 4.68	$ 1.92

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

7. RELATED PARTY TRANSACTIONS

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

(1) Related party name and categories

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

(2) Significant transactions between related parties

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

A. Revenue

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

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

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

B. Purchases

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

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

C. Receivables due from related parties

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

D. Payables due to related parties

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

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

E. Property transaction

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

F. Other transactions

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

(3) Compensation of key management personnel

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENCIY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

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

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

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

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

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

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

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

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

Significant financial risks and degrees of financial risks

A. Market risk

(a) Foreign exchange risk

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

ii. Sensitivity analysis of foreign currency risk

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

Items	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 57,224	28.48	$ 1,629,746
JPY	169,021	0.28	46,759
Financial Liabilities			
Monetary Items			
USD	27,074	28.48	771,063
JPY	129,306	0.28	35,772

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

(b) Price risk

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

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

If the prices of these equity securities had increased/decreased by 1%, the profit before tax and other comprehensive income before tax would have increased/decreased by $574 thousand, $202 thousand, $573 thousand and $169 thousand, respectively, due from increase/decrease in fair value.

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

(c) Interest rate risk

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

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

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

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

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

The effective interest rates for the Group's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease $26,420 thousand and $15,570 thousand for the years ended December 31, 2021 and 2020, respectively.

B. Credit risk

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

(a) Business - related credit risk

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

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

(b) Financial credit risk

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

i. Credit concentration risk

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

ii. Measurement of expected credit losses

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

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

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

iv. Credit risk of financial assets measured at amortized cost

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

C. Liquidity risk

(a) Liquidity risk management

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

(b) Maturity analysis for financial liabilities

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

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

Further information on maturity analysis for lease liabilities

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

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

Further information on maturity analysis for lease liabilities

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

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

12.3 Capital risk management

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

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

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

12.4 Fair value information of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Changes in level 3 instruments:

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

13. SUPPLEMENTARY DISCLOSURES

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

(1) Financings provided to others: None;

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

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

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

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

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

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

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: Please see Table 5 attached;

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

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

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

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

(1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached;

(2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.

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

14. SEGMENT INFORMATION

14.1 General information

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

14.2 Measurement basis

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

14.3 Segment information

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

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

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

14.4 Reconciliation for segment income (loss)

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

14.5 Information on geographic area

(1) Sales from external customers

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

(2) Non-current assets

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

14.6 Major customer information

Major customers representing at least 10% of net revenue:

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

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

[Appendix II] 2021 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, 2021 and 2020, 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 accompanying 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, 2021 and 2020, 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, 2021. 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, 2021 are stated as follows:

1. Valuation of Inventory Impairment

   <u>Description</u>

   As of December 31, 2021, inventory accounted for 26% 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.

   <u>How our audit addressed the matter</u>

   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

   <u>Description</u>

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 transfer 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 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

February 24, 2022

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

The accompanying parent company only financial statements are intended only to present the 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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 414,502	4	$ 485,608	5
Notes receivable, net	6(2)	24,050	-	14,629	-
Accounts receivable, net	6(3)	1,606,606	15	1,149,234	13
Accounts receivable - related parties	7	143,633	1	54,001	1
Other receivables		23,601	-	46,933	1
Other receivables - related parties	7	9,481	-	17,496	-
Inventories, net	6(4)	2,834,928	26	1,808,085	20
Prepayments	5、6(5)	73,333	1	56,955	1
Other financial assets - current	6(6)	6,600	-	6,800	-
Other current assets		-	-	616	-
Total current assets		5,136,734	47	3,640,357	41
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(7)	20,222	-	16,898	-
Investments accounted for using equity method	6(8)	2,361,882	21	2,280,015	26
Property, plant and equipment	6(9)	3,091,157	28	2,563,326	29
Right-of-use assets	6(10)、7	180,460	2	193,070	2
Investment properties	6(11)	39,931	-	42,725	-
Intangible assets	5、6(12)	41,405	-	50,843	1
Deferred income tax assets	6(28)	90,192	1	80,100	1
Other noncurrent assets	6(13)	82,608	1	35,203	-
Total noncurrent assets		5,907,857	53	5,262,180	59
TOTAL		$ 11,044,591	100	$ 8,902,537	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities	6(23)	93,512	1	76,746	1
Notes payable	6(14)	6,288	-	4,686	-
Accounts payable		1,025,809	9	653,529	8
Accounts payable - related parties	7	161,606	1	113,434	1
Other payables	6(15)	553,297	5	341,976	4
Other payables - related parties	7	2,663	-	12,537	-
Current income tax liabilities	6(28)	171,759	2	59,888	1
Lease liabilities - current	5、6(10)、7	11,994	-	12,751	-
Long-term liabilities - current portion	6(16)	80,833	1	23,333	-
Other current liabilities		19,891	-	11,599	-
Total current liabilities		2,127,652	19	1,310,479	15
NONCURRENT LIABILITIES					
Long term loans	6(16)	2,159,256	20	1,344,537	15
Deferred income tax liabilities	5、6(28)	287,065	3	274,568	3
Lease liabilities - noncurrent	5、6(10)、7	127,231	1	135,073	2
Net defined benefit liability - noncurrent	5、6(18)	132,736	1	128,340	1
Other noncurrent liabilities	6(17)	23,843	-	29,754	-
Total noncurrent liabilities		2,730,131	25	1,912,272	21
Total liabilities		4,857,783	44	3,222,751	36
EQUITIES					
Common stocks	6(19)	1,821,403	16	1,821,403	20
Capital surplus	6(20)	485,598	4	485,403	5
Retained earnings	6(21)				
Legal capital reserve		899,980	8	865,445	10
Special capital reserve		134,642	1	155,570	2
Unappropriated earnings		2,984,948	28	2,486,607	29
Others	6(22)	(139,763)	(1)	(134,642)	(2)
Total equity		6,186,808	56	5,679,786	64
TOTAL		$ 11,044,591	100	$ 8,902,537	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, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

		2021			2020		
	NOTES		Amount	%		Amount	%
NET REVENUE	6(23)、7	$	8,247,659	100	$	6,227,222	100
COST OF REVENUE	5、6(24)、7		(6,743,958)	(82)		(5,350,875)	(86)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT			1,503,701	18		876,347	14
Unrealized gross profit on sales			(34,044)	-		(33,145)	(1)
Realized gross profit on sales			33,145	-		36,370	1
GROSS PROFIT			1,502,802	18		879,572	14
OPERATING EXPENSES	6(24)、7						
Marketing			(211,496)	(3)		(188,388)	(2)
General and administrative			(221,062)	(3)		(163,357)	(3)
Research and development			(204,434)	(2)		(175,817)	(3)
Total operating expenses			(636,992)	(8)		(527,562)	(8)
OPERATING PROFIT			865,810	10		352,010	6
NONOPERATING INCOME AND EXPENSES							
Interest income			166	-		390	-
Other income	6(25)、7		65,992	1		54,328	1
Other gains and losses	6(26)		(23,504)	-		(64,377)	(1)
Finance costs	6(27)、7		(12,643)	-		(15,120)	-
Share of profits of subsidiaries and associates			152,158	1		96,786	1
Total nonoperating income and expenses			182,169	2		72,007	1
INCOME BEFORE INCOME TAX			1,047,979	12		424,017	7
INCOME TAX EXPENSE	5、6(28)		(195,735)	(2)		(74,870)	(1)
NET INCOME			852,244	10		349,147	6
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss:	6(29)						
Remeasurement of defined benefit obligation			(14,453)	-		(4,524)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income			3,324	-		(320)	-
Share of other comprehensive income (loss) of subsidiaries and associates			(882)	-		(177)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(28)		2,326	-		975	-
Items that may be reclassified subsequently to profit or loss:	6(29)						
Exchange differences arising on translation of foreign operations			(9,850)	-		26,472	
Income tax benefit (expense) related to items that may be reclassified subsequently	6(28)		1,970	-		(5,294)	-
Other comprehensive income (loss) for the year, net of income tax			(17,565)	-		17,132	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$	834,679	10	$	366,279	6
EARNINGS PER SHARE(IN DOLLARS)							
Basic earnings per share	6(30)	$	4.68		$	1.92	
Diluted earnings per share		$	4.68		$	1.92	

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, 2021 AND 2020
(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, 2020	$ 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)
Deemed donation from shareholders-dividends give up	-	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
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	(20,928)	20,928	-	-	-	-
Legal capital reserve	-	-	34,535	-	(34,535)	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)
Deemed donation from shareholders-dividends give up	-	195	-	-	-	-	-	-	195
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)
BALANCE, DECEMBER 31, 2021	$ 1,821,403	$ 485,598	$ 899,980	$ 134,642	$ 2,984,948	$ (155,689)	$ 15,926	$ (139,763)	$ 6,186,808

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 1,047,979	$ 424,017
Adjustments to reconcile profit (loss)		
Depreciation	410,935	426,010
Amortization	15,195	18,221
Gain on financial assets at fair value through profit or loss	-	(190)
Unrealized gross profit on subsidiaries	(291)	(4,667)
Interest expense	12,643	15,120
Interest income	(166)	(390)
Dividend income	(392)	(475)
Share of profits of subsidiaries accounted for under equity method	(152,158)	(96,786)
Gain on disposal of property, plant and equipment	(1,504)	(7,661)
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	(9,421)	4,528
Accounts receivable	(457,372)	(131,736)
Accounts receivable - related parties	(89,632)	33,045
Other receivables	28,249	15,104
Other receivables - related parties	8,015	7,191
Inventories	(1,026,843)	(4,839)
Prepayments	(16,378)	(16,424)
Other current assets	(4,304)	1,888
Contract liabilities	16,766	10,393
Notes payable	1,602	(1,404)
Accounts payable	372,280	265,221
Accounts payable - related parties	48,172	29,726
Other payables	135,413	(7,956)
Other payables - related parties	(9,874)	(14,866)
Other current liabilities	8,168	(1,433)
Net defined benefit liability	(10,057)	(14,492)
Other operating liabilities	(7,314)	2,792
Cash provided from operations	319,711	948,943
Interest received	168	402
Dividends received	60,243	74,666
Interest paid	(10,617)	(15,367)
Income taxes paid	(77,164)	(6,313)
Net cash provided by operating activities	292,341	1,002,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(876,774)	(317,720)
Proceeds from disposal of Property, plant and equipment	2,755	14,902
Decrease (increase) in refundable deposits	450	(3,228)
Acquisition of intangible assets	(5,757)	(8,383)
Decrease in other financial assets	200	3,538
Increase in other noncurrent assets	(15,909)	(15,591)
Net cash used in investing activities	(895,035)	(326,482)

(Continued)

SDI Corporation

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	$ 1,617,080	$ 330,000
Repayment of long-term loans	(743,333)	(710,000)
Repayments of the principal portion of lease liabilities	(14,307)	(11,251)
Cash dividends paid	(327,852)	(327,852)
Net cash provided by (used in) financing activities	531,588	(719,103)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71,106)	(43,254)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	485,608	528,862
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 414,502	$ 485,608

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 February 24, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts ─ Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

The 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.

(2) Amendments to IAS 37 "Onerous Contracts ─ Cost of Fulfilling a Contract"

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

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

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

(4) Annual Improvement to IFRS Standards 2018-2020

The annual improvements amend several Standards. Among which, the amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from the original one, only fees paid or received between the 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.

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, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IRFS 17	January 1, 2023
Amendments to IRFS 17 "Initial Application of IFRS 17 and IFRS 9─Comparative Information	January 1, 2023

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosures of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

As of the date the accompanying 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 earned recognized as other income, and interest earned and gains or losses arising from remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 12.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investment in equity instruments at FVTOCI

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

4.7 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	2~25 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 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 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, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the 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 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 employee 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. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the 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 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 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 Covid-19 pandemic impact into consideration in critical accounting estimates and reviewing basic assumptions and estimates continually. The impacts of the change in accounting estimate shall be recognized currently when the impacts are related to the current period only. However, the impact shall be recognized currently and prospectively when the impacts not only effect current period but also the future periods.

The preparation of these 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

As 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, 2021	December 31, 2020
Cash on hand and petty cash	$ 556	$ 501
Checking accounts and demand deposits	413,946	485,107
Total	$ 414,502	$ 485,608

(1) Time deposits with original maturities over three months are classified as other financial assets-current as of December 31, 2021 and 2020.
(2) The cash and cash equivalents of the Company are not pledged to others.

6.2 NOTES RECEIVABLE

Items	December 31, 2021	December 31, 2020
Amortized at cost		
Gross carrying amount	$ 24,050	$ 14,629
Less: loss allowance	–	–
Notes receivable, net	$ 24,050	$ 14,629

The notes receivable of the Company is not pledged to others.

6.3 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31, 2021	December 31, 2020
Amortized at cost		
Gross carrying amount	$ 1,614,559	$ 1,157,187
Less: loss allowance	(7,953)	(7,953)
Accounts receivable, net	$ 1,606,606	$ 1,149,234

(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, 2021

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,696,838	$ (3,077)	$ 1,693,761
Past due but not impaired			
Past due within 30 days	76,536	(3,406)	73,130
Past due 31-90 days	8,531	(1,275)	7,256
Past due 91-180 days	337	(195)	142
Past due 181-365 days	–	–	–
Past due over 365 days	5,847	(5,847)	–
Total	$ 1,788,089	$ (13,800)	$ 1,744,289

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

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

Items	2021	2020
Balance, January 1	$ 13,800	$ 13,800
Add：Provision for (Reversal of) 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) Accounts receivable of the Company are not pledged to others.

6.4 INVENTORIES AND COST OF GOOD SOLD

Items	December 31, 2021	December 31, 2020
Work-in-process	$ 977,917	$ 598,069
Finished goods	746,090	566,414
Raw materials	964,384	533,064
Merchandise	92,644	37,571
Inventory in transit	53,893	72,967
Total	$ 2,834,928	$ 1,808,085

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

Items	2021	2020
Loss on decline (gain on reversal) in market value of inventories	$ (6,000)	$ 5,000
Unallocated fixed FOH	810	7,207
Loss on inventory given up	43,990	39,289
Total	$ 38,800	$ 51,496

(2) The inventories of the Company are not pledged to others.

6.5 PREPAYMENTS

Items	December 31, 2021	December 31, 2020
Prepaid expenses	$ 20,960	$ 20,333
Prepayment for purchases	36,134	28,182
Input tax	16,039	6,222
Others	200	2,218
Total	$ 73,333	$ 56,955

6.6 OTHER FINANCAIL ASSETS – CURRENT

Items	December 31, 2021		December 31, 2020	
Pledged time deposits	$	6,600	$	6,800
Total	$	6,600	$	6,800

Please refer to Note 8 for information on the amounts pledged.

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

Items	December 31, 2021		December 31, 2020	
Equity instruments				
Unlisted stocks	$	2,203	$	2,203
Valuation adjustment		18,019		14,695
Total	$	20,222	$	16,898

(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.

6.8 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

Items	December 31, 2021		December 31, 2020	
Subsidiaries	$	2,361,882	$	2,280,015

	Carrying Amount			
Subsidiaries	December 31, 2021		December 31, 2020	
CHAO SHIN METAL INDUSTRIAL CORPORATION	$	250,215	$	237,029
TEC BRITE TECHNOLOGY CO., LTD		370,307		354,428

Subsidiaries	Carrying Amount December 31, 2021	Carrying Amount December 31, 2020
SHUEN DER(B. V. I)CO.	$ 1,741,360	$ 1,688,558
	$ 2,361,882	$ 2,280,015

Subsidiaries	% of Ownership and Voting Rights Held by the Company December 31, 2021	% of Ownership and Voting Rights Held by the Company December 31, 2020
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 2021 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 ended 2021 and 2020 are recognized according to the audited financial statements for the same periods.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2021	December 31, 2020
Land	$ 173,412	$ 173,412
Buildings	1,327,446	1,316,931
Machinery	3,865,408	3,734,729
Molds	1,367,242	1,353,294
Other equipment	872,391	809,376
Equipment to be inspected and construction in progress	973,422	415,610
Total cost	8,579,321	7,803,352
Less: accumulated depreciation and impairment	(5,488,164)	(5,240,026)
Total	$ 3,091,157	$ 2,563,326

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2021	$ 173,412	$ 1,316,931	$ 3,734,729	$ 1,353,294	$ 809,376	$ 415,610	$ 7,803,352
Additions	–	3,735	49,334	5,523	50,178	811,825	920,595
Disposals	–	–	(91,128)	(42,167)	(11,331)	–	(144,626)
Reclassification	–	6,780	172,473	50,592	24,168	(254,013)	–
Balance, December 31, 2021	$ 173,412	$ 1,327,446	$ 3,865,408	$ 1,367,242	$ 872,391	$ 973,422	$ 8,579,321
Accumulated depreciation and impairment							
Balance, January 1, 2021	$ –	$ (549,928)	$ (2,923,916)	$ (1,205,976)	$ (560,206)	$ –	$ (5,240,026)
Depreciation expense	–	(39,432)	(176,346)	(114,097)	(61,638)	–	(391,513)
Disposals	–	–	90,832	42,066	10,477	–	143,375
Balance, December 31, 2021	$ –	$ (589,360)	$ (3,009,430)	$ (1,278,007)	$ (611,367)	$ –	$ (5,488,164)

	Land	Buildings	Machinery	Molds	Other equipment	Equipment under installation 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)

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

(2) Please refer to Note 6(27) for information on interest capitalization.

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

6.10 LEASE AGREEMENT

(1) Right-of-use assets

Items	December 31, 2021	December 31, 2020
Land	$ 141,816	$ 137,798
Buildings	80,460	80,460
Total cost	222,276	218,258
Less: Accumulated depreciation and impairment	(41,816)	(25,188)
Total	$ 180,460	$ 193,070

	Land	Buildings	Total
Cost			
Balance, January 1, 2021	$ 137,798	$ 80,460	$ 218,258
Additions	4,018	-	4,018
Balance, December 31, 2021	$ 141,816	$ 80,460	$ 222,276
Accumulated depreciation and impairment			
Balance, January 1, 2021	$ (17,792)	$ (7,396)	$ (25,188)
Depreciation expense	(10,785)	(5,843)	(16,628)
Balance, December 31, 2021	$ (28,577)	$ (13,239)	$ (41,816)

	Land	Buildings	Total
Cost			
Balance, January 1, 2020	$ 131,199	$ 74,824	$ 206,023
Additions	10,174	7,760	17,934
Derecognition	(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)
Derecognition	3,575	2,124	5,699

	Land	Buildings	Total
Balance, December 31, 2020	$ (17,792)	$ (7,396)	$ (25,188)

(2) Lease liabilities

Items	December 31, 2021	December 31, 2020
Current	$ 11,994	$ 12,751
Non-current	$ 127,231	$ 135,073

Range of discounts rate for lease liabilities was as follow:

	December 31, 2021	December 31, 2020
Land	0.90%~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 guaranteed 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.

(4) Other lease information

A. Please refer to Note 6.11 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	2021	2020
Expenses relating to short-term leases	$ 3,414	$ 3,192
Total cash outflow for leases	$ 19,411	$ 16,204

The Company 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 INVESTMENT PROPERTIES

Items	December 31, 2021	December 31, 2020
Buildings	$ 99,629	$ 99,629
Less: Accumulated depreciation	(59,698)	(56,904)
Total	$ 39,931	$ 42,725

Items	2021	2020
Cost		
Balance, January 1	$ 99,629	$ 99,629
Balance, December 31	$ 99,629	$ 99,629
Accumulated depreciation and impairment		
Balance, January 1	$ 56,904	$ 54,109
Additions	2,794	2,795
Balance, December 31	$ 59,698	$ 56,904

A. Rent revenue and direct operation expenses from investment property:

Items	2021	2020
Rent revenue from investment property	$ 18,144	$ 18,144
Direct operating expenses from the investment of property that generated rental income during the period	$ 3,216	$ 3,240

B. The lease term for buildings under operating leases is 3 years. The lessees do not have an option to acquire the assets at the expiry of the lease periods. Rental income for 2021 was the same as 2020 and amounted to 18,144 thousand. As of December 31, 2021 and 2020, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31, 2021	December 31, 2020
Not later than 1 year	$ 18,144	$ 18,144
Later than 1 year and not later than 5 years	36,288	-
Total	$ 54,432	$ 18,144

C. The fair value of investment property was both $72,000 thousand dollars on December 31, 2021 and 2020, 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.

6.12 INTANGIBLE ASSETS

Items	December 31, 2021	December 31, 2020
Patents	$ 55,416	$ 62,226
Trademarks	2,432	2,674
Computer software	21,843	31,965
Total	79,691	96,865
Less: Accumulated amortization	(38,286)	(46,022)
Intangible assets, net	$ 41,405	$ 50,843

	2021			
Items	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 62,226	$ 2,674	$ 31,965	$ 96,865
Additions	2,950	208	2,599	5,757
Disposals	(9,760)	(450)	(12,721)	(22,931)
Balance, December 31	$ 55,416	$ 2,432	$ 21,843	$ 79,691
Accumulated amortization				
Balance, January 1	$ (24,394)	$ (1,700)	$ (19,928)	$ (46,022)
Amortization expense	(8,874)	(317)	(6,004)	(15,195)
Disposals	9,760	450	12,721	22,931
Balance, December 31	$ (23,508)	$ (1,567)	$ (13,211)	$ (38,286)

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)
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)

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

6.13 OTHER NON-CURRENT ASSETS

Items	December 31, 2021	December 31, 2020
Prepayments for equipment	$ 40,727	$ 8,781
Refundable deposits	10,381	10,831
Overdue receivables	5,847	5,847
Less: allowance for bad debts	(5,847)	(5,847)
Prepayments for software	31,500	15,591
Total	$ 82,608	$ 35,203

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

6.14 NOTES PAYABLE

Items	December 31, 2021	December 31, 2020
Notes payable - operating activities	$ 6,288	$ 4,686
Total	$ 6,288	$ 4,686

6.15 OTHER PAYABLES

Items	December 31, 2021	December 31, 2020
Salaries and bonuses payable	$ 276,594	$ 170,947
Payable for equipment and construction	98,198	22,431
Accrued supplies expense	39,048	30,668
Compensation payable to employees, directors, and supervisors	29,081	11,766
Payable for repairs and maintenance expense	21,015	18,866
Payable for insurance	15,189	12,933
Payable for utilities expense	13,523	14,336
Others	60,649	60,029
Total	$ 553,297	$ 341,976

6.16 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31, 2021	December 31, 2020
Unsecured loans	$ 2,248,746	$ 1,375,000
Less: current portion	(80,833)	(23,333)
Discount of government grants (Note 6.17)	(8,657)	(7,130)
Total	$ 2,159,256	$ 1,344,537
Interest rates range	0. 45%~0. 98%	0. 45%~0. 98%
Year to maturity	2022~2027	2021~2027

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

6.17 GOVERNMENT GRANTS

(1) The Company has obtained a $1,088,747 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The

difference between transaction price and fair value is regarded as the government grants. As of December 31, 2021, the fair value of loan is estimated to be $1,080,090 thousand. The difference $8,657 between transaction price and fair value is recognized as deferred income (under other non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $2,825 thousand in other income, $7,547 thousand in interest expense for the loan, and paid $4,722 thousand interests to the bank.

(2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not using for the construction of plants and relevant facilities, purchasing equipment or using as mid-term working capital. Therefore, the loan interests of the Company will adopt the original agreed interest rate.

6.18 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 $40,113 thousand and $31,344 thousand under the contributions rates specified in the plans for years ended December 31, 2021 and 2020, 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:

Items	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 257,918	$ 265,117
Fair value of plan assets	(125,182)	(136,777)
Net defined benefit liability	$ 132,736	$ 128,340

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

	2021		
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 265,117	$ (136,777)	$ 128,340
Service costs			
Current service cost	1,390	–	1,390
Interest expense(revenue)	928	(509)	419
Amounts recognized in profit and loss	2,318	(509)	1,809
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(1,839)	(1,839)
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	13,561	–	13,561
Effect of changes in financial assumptions	11,895	–	11,895
Experience adjustments	(9,164)	–	(9,164)
Amounts recognized in other comprehensive income (losses)	16,292	(1,839)	14,453
Pension fund contributions	–	(11,866)	(11,866)
Paid pension	(25,809)	25,809	–
Balance, December 31	$ 257,918	$ (125,182)	$ 132,736

Items	2020 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
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

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

Items	2021	2020
Cost of revenue	$ 1,192	$ 1,648
Marketing expenses	98	128
General and administrative expenses	304	474
Research and development expenses	215	303
Total	$ 1,809	$ 2,553

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

Item	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 125,182	$ 136,777

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	
Items	December 31, 2021	December 31, 2020
Discount rate	0. 75%	0. 35%
Expected salary increase rate	2. 00%	2. 00%

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Items	December 31, 2021	December 31, 2020
Discount rate		
0.25% increase	$ (5,820)	$ (6,193)
0.25% decrease	6,029	6,422

Items	December 31, 2021	December 31, 2020
Expected salary increase rate		
0.25% increase	$ 5,792	$ 6,145
0.25% decrease	(5,621)	(5,958)

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 $11,866 thousand. The weighted average maturity period of the defined benefit obligation is 11 years.

6.19 COMMON STOCKS

(1) The movements in the number of the Company's ordinary shares outstanding are as follows:

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

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

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

6.20 CAPITAL SURPLUS

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

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

(2) The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

6.21 RETAINED EARNINGS AND DIVIDEND POLICY

(1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset 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

Items	December 31, 2021	December 31, 2020
Special reserve	$ 134,642	$ 155,570

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

B. On initial application of IFRSs, the unrealized revaluation increments and cumulative translation adjustment should be reclassified into retained earnings, and was set aside as special reserve $53,205. When the relevant assets are used, disposal of or reclassified subsequently, the special reserve set aside previously shall be reversed to distributable earnings proportionately.

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

Items	Appropriation of Earnings For Year 2020	Appropriation of Earnings For Year 2019	Dividends Per Share (NT$) For Year 2020	Dividends Per Share (NT$) For Year 2019
Legal reserve	$ 34,535	$ 50,253		
Special reserve	(20,928)	54,387		
Cash dividends	327,852	327,852	$ 1. 80	$ 1. 80

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

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 83,980	
Special reserve	5,212	
Cash dividends	546,421	$ 3. 00

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

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

6.22 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, 2021	$ (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
Exchange differences on translation of foreign financial statements	$ (7,880)	$ -	$ (7,880)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	-	2,759	2,759
Balance, December 31, 2021	$ (155,689)	$ 15,926	$ (139,763)

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
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	-	(250)	(250)
Balance, December 31, 2020	$ (147,809)	$ 13,167	$ (134,642)

6.23 OPERATING REVENUE

Items	2021	2020
Revenue from contracts with customers		
Sale of goods	$ 8,225,981	$ 6,206,643
Other operating revenues	21,678	20,579

Items	2021	2020
Total	$ 8,247,659	$ 6,227,222

(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

Major products /Service line	2021					
	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 2,767,316	$ 891,837	$ 1,086,036	$ 722,645	$ 1,475,019	$ 6,942,853
Stationery	35,999	518,104	69,128	2,853	533,995	1,160,079
Others	65,033	4,308	5,716	25,801	22,191	123,049
Total	$ 2,868,348	$ 1,414,249	$ 1,160,880	$ 751,299	$ 2,031,205	$ 8,225,981

Major products /Service line	2020					
	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

(3) The Company recognizes contract liabilities related to the revenue from contracts with customers as follows:

Items	December 31, 2021	December 31, 2020
Contract liabilities - current	$ 93,512	$ 76,746

6.24 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The information of employee benefits, depreciation, depletion, and amortization are as follows:

By nature	2021 Cost of sales	2021 Operating expense (include not operating)	2021 Total	2020 Cost of sales	2020 Operating expense (include not operating)	2020 Total
Personnel						
Salary	$ 751,128	$ 320,533	$ 1,071,661	$ 598,244	$ 229,949	$ 828,193
Remuneration to directors	-	13,630	13,630	-	4,829	4,829
Labor insurance	68,925	21,192	90,117	58,091	19,434	77,525
Pension	27,076	14,846	41,922	24,328	9,569	33,897
Other	63,992	16,390	80,382	61,295	17,895	79,190
Depreciation	376,305	34,630	410,935	389,444	36,566	426,010
Amortization	849	14,346	15,195	918	17,303	18,221
Total	$ 1,288,275	$ 435,567	$ 1,723,842	$ 1,132,320	$ 335,545	$ 1,467,865

(1) The average numbers of employees of the Company of 2021 and 2020 were 1,490 and 1,419, respectively. The numbers of non-employee Directors were 6 and 3 for 2021 and 2020, respectively.

(2) The average employee benefits expenses were $865 thousand and $719 thousand for 2021 and 2020, respectively.

(3) The average salaries were $722 thousand and $585 thousand for 2021 and 2020, respectively. The average salaries of 2021 and 2020 increased by 23%.

(4) The supervisors' remuneration for 2021 and 2020 are $40 thousand and $450 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 2021 and 2020 have been approved by the board of directors held on February 24, 2022, and March 9, 2021, respectively. The amount of approved and recognized in financial statement is shown as follows.

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

	For Year 2021		For Year 2020	
	Employees' compensation	Directors' and supervisors' remuneration	Employees' compensation	Directors' and supervisors' remuneration
Amounts recognized in financial reports	$ 16,156	$ 12,925	$ 6,537	$ 5,229
Difference	$ -	$ -	$ -	$ -

The employees' compensation of 2021 and 2020 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.

6.25 OTHER INCOME

Items	2021	2020
Rental income	$ 19,480	$ 19,366
Commission income	11,914	10,805
Government subsidies	11,046	3,487
Dividend income	392	475
Others	23,160	20,195
Total	$ 65,992	$ 54,328

6.26 OTHER GAINS AND LOSSES

Items	2021	2020
Foreign exchange gains (losses), net	$ (22,357)	$ (74,738)
Gain on disposal of property, plant and equipment	2,694	9,104
Gain on reversal of impairment loss of property, plant and equipment	-	4,000
Net gains on financial assets and liabilities at FVTPL	-	190
Others	(3,841)	(2,933)
Total	$ (23,504)	$ (64,377)

6.27 FINANCIAL COSTS

Items	2021	2020
Interest expense		
Bank loans	$ 13,767	$ 15,129
Interest on lease liabilities	1,690	1,761
Less: capitalized amount for qualified assets	(2,814)	(1,770)
Financial costs	$ 12,643	$ 15,120
Interest capitalization rates	0.66%~0.71%	1.44%

6.28 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2021	2020
Current income tax expense		
Current tax expense (benefit) recognized in the current year	$ 185,729	$ 46,424
Tax on unappropriated earnings	195	3,502
Adjustments for prior years	3,110	(2,579)
Current tax	189,034	47,347
Deferred income tax expense		
The origination and reversal of temporary differences	6,701	27,523
Deferred tax	6,701	27,523
Income tax expense recognized in profit or loss	$ 195,735	$ 74,870

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

Items	2021	2020
Exchange differences on translation of foreign operations	$ (1,970)	$ 5,294

Items	2021	2020
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	$ 565	$ (70)
Remeasurement of defined benefit obligation	(2,891)	(905)
Total	$ (4,296)	$ 4,319

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

Items	2021	2020
Income before tax	$ 1,047,979	$ 424,017
Income tax expense at the statutory rate	$ 209,596	$ 84,803
Tax effect of adjusting items:		
Deductible items in determining taxable income	(23,867)	(38,379)
Income tax on unappropriated earnings	195	3,502
Income tax adjustments on prior years	3,110	(2,579)
Net changes on deferred income tax	6,701	27,523
Income tax expense recognized in profit or loss	$ 195,735	$ 74,870

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

Items	December 31, 2021	December 31, 2020
Income tax liabilities	$ 171,759	$ 59,888

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

Items	2021			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 22,900	$ (1,200)	$ −	$ 21,700
Net defined benefit liability	24,621	(1,821)	2,891	25,691
Cutoff	23,635	9,234	−	32,869
Others	8,944	988	−	9,932
Subtotal	80,100	7,201	2,891	90,192
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(184,401)	(13,507)	−	(197,908)
Exchange differences arising on translation of foreign operations	(8,478)	−	1,970	(6,508)
Reserve for land revaluation increment tax	(78,957)	−	−	(78,957)
Others	(2,732)	(395)	(565)	(3,692)
Subtotal	(274,568)	(13,902)	1,405	(287,065)
Total	$ (194,468)	$ (6,701)	$ 4,296	$ (196,873)

Items	2020			
	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

Items	2020 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
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 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	(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)

E. The income tax returns of the Company have examined through 2019 by tax authority.

6.29 OTHER COMPREHENSIVE INCOME

Items	2021 Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (14,453)	$ 2,891	$ (11,562)
Share of other comprehensive income of investments accounted for using the equity method	(882)	-	(882)

Items	2021 Before tax	2021 Income tax (expense) benefit	2021 After tax
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	$ 3,324	$ (565)	$ 2,759
Subtotal	(12,011)	2,326	(9,685)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(9,850)	1,970	(7,880)
Subtotal	(9,850)	1,970	(7,880)
Total	$ (21,861)	$ 4,296	$ (17,565)

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

6.30 EARNINGS PER SHARE

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

Items	2021	2020
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 852,244	$ 349,147
Net income for calculating basic earnings per share	$ 852,244	$ 349,147
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 4.68	$ 1.92
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 852,244	$ 349,147
Net income for calculating diluted earnings per share	$ 852,244	$ 349,147
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (share in thousands)	106	95
Weighted average shares outstanding for diluted earnings per share (thousand shares)	182,246	182,235
Diluted earnings per share (after tax) (in dollars)	$ 4.68	$ 1.92

If the Company 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, 2021 and 2020 are as follow:

(a) Revenue

Related Party	2021	2020
Subsidiaries	$ 224,657	$ 153,461
Other related parties	35,548	31,551
Total	$ 260,205	$ 185,012

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	2021	2020
Subsidiaries	$ 233,465	$ 187,656
SDI (JIANGSU)	769,208	643,572
Other related parties	4,643	5,431
Total	$ 1,007,316	$ 836,659

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

Items	Related Party	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiaries	$ 126,323	$ 35,322
	Other related parties	17,310	18,679
	Total	$ 143,633	$ 54,001
Other receivables	Subsidiaries	$ 792	$ 4,843
	TEC Brite Technology	8,571	8,079
	Other related parties	118	4,574
	Total	$ 9,481	$ 17,496

(d) Payables due to related parties

Items	Related Party	December 31, 2021	December 31, 2020
Accounts payable	Subsidiaries	$ 160,486	$ 113,434
	Other related parties	1,120	-
	Total	$ 161,606	$ 113,434
Other payables	Subsidiaries	$ 1,803	$ 12,097
	Other related parties	860	440
	Total	$ 2,663	$ 12,537

(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

	2021		2020	
Related Party	Price	Profit (Loss)	Price	Profit (Loss)

Related Party	2021 Price	2021 Profit (Loss)	2020 Price	2020 Profit (Loss)
Subsidiaries	$ 117	$ 16	$ 639	$ 152
Total	$ 117	$ 16	$ 639	$ 152

The unrealized gains from selling equipment as mentioned above have been deferred.

(f)Selling parts

Related Party	2021 Price	2021 Profit (Loss)	2020 Price	2020 Profit (Loss)
Subsidiaries	$ 2,333	$ 243	$ 7,089	$ 722

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, 2021	December 31, 2020
SDI(JIANGSU)	Banking facilities	$ 1,436,168	$ 1,172,785
	Total	$ 1,436,168	$ 1,172,785

(h) Other transactions

Items	Related Party	2021	2020
Processing fee	Chao Shin Metal	$ 6,747	$ 3,775
Other expenses	Subsidiaries	$ 8,312	$ 5,411
	Other related parties	-	93
	Total	$ 8,312	$ 5,504
Rental income	Subsidiaries	$ 144	$ 144
	TEC Brite Technology	18,744	18,744
	Total	$ 18,888	$ 18,888
Other income	Subsidiaries	$ 20,681	$ 20,437
	Other related parties	317	344

Items	Related Party	2021	2020
	Total	$ 20,998	$ 20,781
Deduction of expenses	Subsidiaries	$ 7,281	$ 3,621
	Other related parties	153	88
	Total	$ 7,434	$ 3,709

(i) Lease agreement

Item	Related Party	December 31, 2021	December 31, 2020
Lease liabilities－current	Chao Shin Metal	$ 2,571	$ 2,540
Lease liabilities－non-current	Chao Shin Metal	$ 34,876	$ 37,447

Item	Related Party	2021	2020
Depreciation	Subsidiaries	$ 2,726	$ 2,726
Interests expense	Subsidiaries	$ 460	$ 490

C. Compensation of key management personnel

Item	2021	2020
Short-term employee benefits	$ 58,045	$ 30,839
Post- employment benefits	474	319
Total	$ 58,519	$ 31,158

8. PLEDGED ASSETS

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

Item	December 31, 2021	December 31, 2020
Pledge time deposit (recognized as other financial assets - current)	$ 6,600	$ 6,800
Refundable deposits (recognized as other non-current assets)	494	644

Item	December 31, 2021	December 31, 2020
Total	$ 7,094	$ 7,444

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

(1) Capital expenditures contracted at the balance sheet date but not yet incurred are as follows:

Item	December 31, 2021	December 31, 2020
Property, plant, and equipment	$ 190,286	$ 292,772

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1Capital 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, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 65,921	27.67	$ 1,824,041
JPY	140,957	0.24	33,907
Non-monetary Items			
Investments accounted for using equity method			
USD	64,278	27.67	1,778,567
Financial Liabilities			
Monetary Items			
USD	28,829	27.67	797,706
JPY	219,633	0.24	52,833

	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			

	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
USD	14,496	28. 48	412,853
JPY	121,489	0. 28	33,610

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 $10,074 thousand and $8,641 thousand for the years ended December 31, 2021 and 2020, 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 equity instrument of unlisted stocks. The prices of 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 $202 thousand and $169 thousand, respectively, due from increase/decrease in fair value.

The realized and unrealized foreign currency exchange losses for the years ended December 31, 2021 and 2020 are $22,357 thousand and $74,738 thousand, respectively. Due to the wide variety of currencies in the foreign currency transactions of Group, the exchange gains and losses is not disclosed in each foreign currencies.

c. Interest rate risk

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

Items	Carrying Amounts			
	December 31, 2021		December 31, 2020	
Fair value interest rate risk				
Financial assets	$	1,094	$	1,444
Net	$	1,094	$	1,444
Cash flow interest rate risk				
Financial assets	$	412,486	$	488,942
Financial liabilities	$	(2,240,089)	$	(1,367,870)
Net	$	(1,827,603)	$	(878,928)

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) $18,276 thousand and $8,789 thousand for the years ended December 31, 2021 and 2020, respectively.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in 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, 2021 and 2020, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 37% and 42%, 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(3) 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(3) 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, 2021				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 6,288	$ -	$ -	$ 6,288	$ 6,288
Accounts payable	1,187,415	-	-	1,187,415	1,187,415
Other payables	532,217	-	-	532,217	532,217
Lease liabilities	13,300	44,597	92,784	150,681	139,225
Long-term loan (include current	99,998	2,140,733	50,769	2,291,500	2,240,089

Non-derivative Financial Liabilities	December 31, 2021 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
portion)					
Guarantee deposits	–	–	87	87	87
Total	$ 1,839,218	$ 2,185,330	$ 143,640	$ 4,168,188	$ 4,105,321

Further information of the maturity analysis for lease liabilities are as follows：

	December 31, 2021 Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 13,300	$ 44,597	$ 47,460	$ 42,589	$ 2,735	$ 150,681

Non-derivative Financial Liabilities	December 31, 2020 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

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, 2021	December 31, 2020
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 2,225,504	$ 1,776,652
Financial assets at fair value through other comprehensive income	20,222	16,898
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	$ 3,966,096	$ 2,473,378

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 notes 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 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, 2021			
Items	Level 1	Level 2	Level 3	Total

Items	December 31, 2021 Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent				
Equity instruments				
Unlisted stocks	$ -	$ -	$ 20,222	$ 20,222
Total	$ -	$ -	$ 20,222	$ 20,222

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

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

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: Please see Table 5 attached;

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

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

13.2 Information on investees : Please see Table 7 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 8 attached;

(2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.

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

14. SEGMENT INFORMATION

The company has provided the segment information disclosure in the consolidated financial statements for the year ended December 31, 2021.

SDI CORPORATION

Chairman: J.S. Chen