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2022
ANNUAL REPORT

SDI CORPORATION

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None

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Chapter 1 Letter to Shareholders

I. Report on 2022 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 2022 under the relentless pandemic prevention and control, and joint efforts of all colleagues. SDI Group continues to develop electronics and stationery among other related businesses through value creation, mass production of new products and intelligent manufacturing. On top of that, with an eye toward meeting quality needs of customers and the increasing orders of new energy trends, the Company immediately paid visits to customers and suppliers once borders reopened for various countries so as to have face-to-face interactions.

In 2022, other than the inflation of raw materials caused by the Russia-Ukraine war, the global economy was also affected by geopolitical tensions and China's lockdown. The overall economy experienced a prolonged downward revision and declining consumer spending.the United States brought an end to its QE and low interest rates, and progressively led an interest rate hike last year to tighten liquidity and curb high prices and adverse impact to people's livelihood due to inflation. That said, due to the spike in raw materials and the global trend of Net Zero, the investment and demand driven by the development of energy management,intelligent industrial control and electric vehicles intensified unceasingly, facilitating the innovative development and continuous investment in the semiconductor industry. SDI electronics segment mainly serves IDM customers around the world, and revenue and profits have hit record highs with innovation and increased demand in mid-to-high end product application from industrial and automotive segments. The electronics business mainly dedicates efforts towards collaborating with customers to develop and mass-produce more niche products applied to mid-to-high power products to enhance the value-add for both parties, while introducing intelligent manufacturing, process improvement and accelerating mass production to meet the high-end quality specifications and needs of automotive and industrial products. Over and above that, SDI controls losses and improves efficiency to offset the negative effects of rising materials, labor and manufacturing costs caused by inflation. About SDI stationery segment, SDI will develop new products and our own brand products and enhance marketing activities to boost the value and create demand in the face of the general economic environment of declining consumer demand and rising production costs for the stationery business. Despite being affected by the impact from the decline of mid-to-high-end mobile phones, our subsidiary TEC Brite Technology maintained revenue and increased profits by expanding customers and increasing market share. Our subsidiary Chao Shin Metal experienced a decline in revenue and profit due to diminishing demand and fluctuations in raw material inflation. Meanwhile the revenue and profit of reinvested Jiangsu Plant declined after being impacted by the pandemic situation in Mainland China, lockdown policies, inflation and weak demand for consumer electronics.

In total, SDI's revenue in 2022 was NT$91.43 billion, an increase of nearly 11%. The consolidated revenue of the Group was NT$11.724 billion, up by 5%. The net profit was NT$940 million, while the earnings per share was a record high of NT$5.16.

The World Semiconductor Trade Statistics (WSTS) estimated that the semiconductor market will grow by only single digits in 2022, with a total size of about US$580 billion and an annual growth of 4.4%, which is lower than the original valuation mainly due to higher inflation and weak end-market demand, especially in consumer spending. Looking forward to 2023, WSTS expects that the global semiconductor revenue may fall to US$556.5 billion, a decrease of 4.1%. In particular, the revenue for memory may further decrease but that of discrete components is expected to increase by 2.8%, while revenue of optoelectronics and sensors will both increase by 3.7% and revenue of IC will increase by 1.6%. Besides to catering to the needs of the above industries, SDI also collaborates with customers to develop, and mass produce new products in the application fields of power modules such as SiC Module, MOSFET and IGBT through value creation, and optimizes costs through intelligent manufacturing and process improvement to continue to lead the upgrading and development of the lead frame industry. As for the hardware and stationery business segment , SDI will increase the revenue and profits by increasing Taiwan's automated manufacturing capacity and developing more our own brands and patented products.

Looking ahead to 2023, inflation will remain persistently high amidst interest rate hikes, war and geopolitical risks driving the use of application and needs for new energy even as the borders reopen around the world, and situations of prolonged shortage of materials and supply bottlenecks progressively improve. In response to the trend of improving power semiconductor technologies and increasing demand brought about by customers' investment in the development of new energy, industrial control and automotive fields, SDI will roll out operations in the ESG field, and relentlessly expand the output value, improve efficiency and reduce energy consumption of the new Nantou plant, with a view to enhance business value and meet industrial demand. We hope for the continued support and assistance from our shareholders to enable SDI's business to be more successful and outstanding.

Chairman of the Board: J.S. Chen

Analysis of Budget Execution, Financial Revenue and Expenditure, Profitability and Review of R&D in 2022

Unit: NT$ 1,000

Item	2021	2022	Change rate
Operating revenue	11,152,550	11,724,279	5.13%
Gross profit	2,109,990	2,078,591	(1.49%)
Operating expense	884,571	909,093	2.77%
Net operating profit	1,225,419	1,169,498	(4.56%)
Profit after tax	910,339	999,649	9.81%
Net profit per share ($)	4.68	5.16	10.26%
Return on shareholders' equity	14.51%	14.79%	1.93%
Net profit ratio	8.16%	8.53%	4.53%
Return on asset	8.10%	8.15%	0.62%
R&D appropriation	247,850	254,486	2.68%

Note: No financial forecast has been prepared for 2022

II. 2022 Operating Plan Overview

(I) About the Production and Marketing of Electronic segment:

1. Countries have been lifting lockdown in recent years, which could alleviate the psychological influence of the pandemic and stimulate 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, and rising prices of raw materials. Although order demand was still high in the first half of 2022, problems such as port congestion have been gradually alleviated. In addition, the outbreak of the war between Russia and Ukraine has fueled global inflation; the economy has begun to contract in the second half of the year, and customers have started to adjust inventories, resulting in a decline in consumer product demand.
2. As electrification and self-driving are on the rise, the demand for semiconductors has grown exponentially. In 2022, the sales volume of EV cars increased to 9.78 million, with a YoY growth rate of 48.7%.The penetration rate of SDI’s various types of third-generation power semiconductors and lead frames for self-driving car sensors keep growing. After the Nantou Plant was completed and put into production in the first half of 2023, it will generate more revenue and profit in the future.

(II) About the Production and Marketing of Hardware Stationery segment:

1. In the American market, customers had actively placed orders due to port congestion early this year and slowed down after freight decreased and port congestion was solved, but sales have increased. In the Japanese market, sales have steadily increased thanks to the development of the cutter knife and no. 10 stapler.
2. As the domestic pandemic situation has mitigated, schools’ demand for the resumption of off-line classes has risen. The roller correction tape we recently developed is popular after being launched on the market. Besides, we have developed a new sales channel to enter an American mass-market. All the factors have led to continued sales growth.

(III) Estimated Sales Volume and Its Evidence:

As for the estimate of sales volume in 2023, the growth of consumer electronics will be unfavorably affected by geopolitical disputes, inflation and interest rates raise, but the demands for automotive and industrial electronics will continuously increase. Our reinvestment company, Shuen Der Industry (Jiangsu) Co., Ltd., is expected to see sales growth for automotive and industrial electronics as the semiconductor demand in China surges; TEC Brite Technology has mitigated the effects of the slowdown in phone growth by developing new clients and launching new products.

Chapter 2 Company Profile

I. Date of Incorporation: October 17, 1967

II. Company Overview

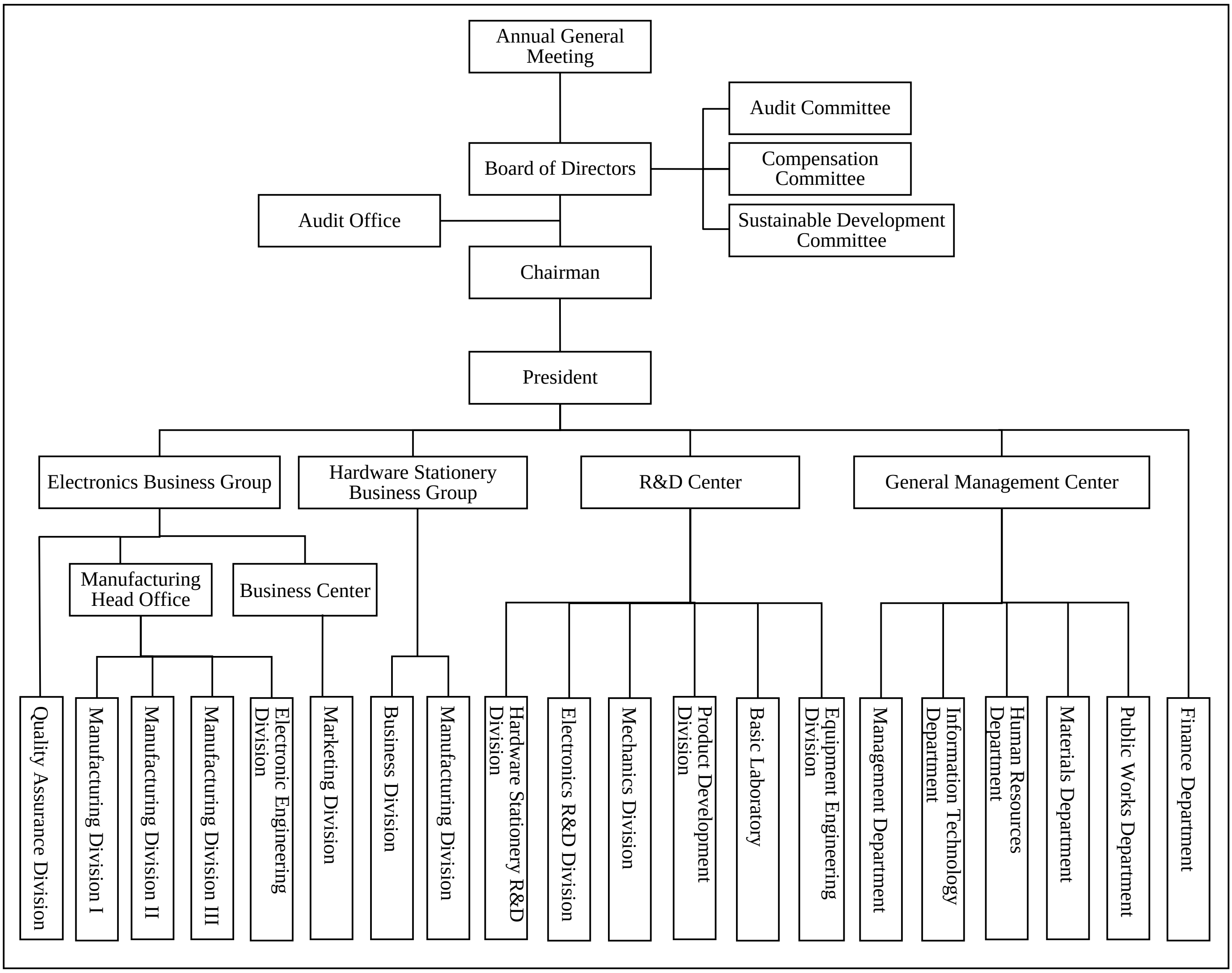
1953	Mr. Shuei-jin Chen founded Shuen Der Manufacturing Plant, producing pencil sharpeners with a factory building of 20 square meters, six employees, and a capital of NT$ 3,000.
February 1961	Relocated the plant to Nanxiao street, Changhua City, expanded the factory building to 80 square meters, with 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.
November 2017	Won the Infineon 2017 Best Supplier Award.
November 2018 December 2018	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.
August 2019	Won the 5th Taiwan Middlestand Award of Ministry of Economic Affairs.
September 2022	Attained an assurance statement of compliance with the AA1000 Assurance Standard (2008) Type 1, Moderate level assurance through the BSI 2021 Sustainability 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

April 1, 2023

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 71	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%	3,058,707	1.68%	449,816	0.25%	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%	152,000	0.08%	—	—
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 the Company or other companies	Executives and Directors 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 Corp.	—	—	—	
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 P6 of this annual report	Yes Please refer to P6 of this annual report	Yes Please refer to P6 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.

The directors of the Company shall consist of experts and scholars in industry, finance, business, investment and information. 50% of directors shall have industrial knowledge; at least one director has professional knowledge in operational judgment, accounting and finance, business management, crisis management, industrial knowledge, international market perspective and leadership and decision making; and should actively find a female director.

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 one third, 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 51~60	Age 61~70	Age 71 or more	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, National Changhua University of Education Vice President, Taiwan Association of Stationery Industries	Male		V		V		V	V	V	V	V	V	V
Weite Chen	MBA, Rotterdam School of Management	Male		V	V			V	V	V	V	V	V	V
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

April 1, 2023

Title	Nationality	Name	Gender	Commencement (appointment) date	shareholding: Number of shares	shareholding: Shareholding ratio	Spouse/minor shareholding: Number of shares	Spouse/minor shareholding: Shareholding ratio	Shareholding by nominees: Number of shares	Shareholding by nominees: 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	3,058,707	1.68%	449,816	0.25%	2,950,000	1.62%
Vice President		Jeffrey Chen	Male	2000/03	1,766,224	0.97%	1,250,920	0.69%	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	213,049	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: Title	Name	Relationship	Remarks
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. Director of Shuen Der Industry (Jiangsu) 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, 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): Base remuneration (A): SDI	Base remuneration (A): All companies in the consolidated financial statements	Severance pay and pension (B): SDI	Severance pay and pension (B): All companies in the consolidated financial statements	Bonus to Directors (C) (Note 1): SDI	Bonus to Directors (C) (Note 1): All companies in the consolidated financial statements	Allowances (D): SDI	Allowances (D): All companies in the consolidated financial statements	Ratio of total remuneration (A+B+C+D) to net income after tax: SDI: Total	SDI: ratio	All companies in the consolidated financial statements: Total	All companies in the consolidated financial statements: ratio
Chairman	J.S.Chen	12,531	12,558	-	-	14,457	15,277	189	189	27,177	2.89%	28,024	2.98%
Director	Jerome Chen												
Director	Weite Chen												
Director	Wilson Investment Co., Ltd												
	Representative Wei-Shun Chen												
Director	Chieh-hsuan Chen												
Independent Director	Wen-i Chiang	2,040	2,040	-	-	-	-	115	115	2,155	0.23%	2,155	0.23%
Independent Director	Tsung-ting Chung												
Independent Director	Kuo-tsao Tseng												
Independent Director	Wen-Cheng Cheng												

Title	Name	Relevant remuneration received by directors who are also employees: Salary, bonus and allowances (E) (Note 2): SDI	Salary, bonus and allowances (E) (Note 2): All companies in the consolidated financial statements	Severance pay and pension (F) (Note 3): SDI	Severance pay and pension (F) (Note 3): All companies in the consolidated financial statements	Employee bonus (G) (Note 1): SDI: Cash Amount	SDI: Stock Amount	All companies in the consolidated financial statements: Cash Amount	All companies in the consolidated financial statements: Stock Amount	Ratio of total remuneration (A+B+C+D+E+F+G) to net income after tax: SDI: Total	SDI: ratio	All companies in the consolidated financial statements: Total	All companies in the consolidated financial statements: ratio	Remuneration received from an invested company other than the Company's subsidiaries or parent company
Chairman	J.S.Chen	21,737	23,141	336	336	3,132	-	3,132	-	52,382	5.57%	54,633	5.81%	-
Director	Jerome Chen													
Director	Weite Chen													
Director	Wilson Investment Co., Ltd													
	Representative Wei-Shun Chen													
Director	Chieh-hsuan Chen													
Independent Director	Wen-i Chiang	-	-	-	-	-	-	-	-	2,155	0.23%	2,155	0.23%	-
Independent Director	Tsung-ting Chung													
Independent Director	Kuo-tsao Tseng													
Independent Director	Wen-Cheng Cheng													

Note 1: The shareholders' meeting has not approved SDI's earnings distribution in 2022, and this is the estimated number to be distributed.

Note 2: It includes the total cost of the company car of NT$ 1,337 thousand, excluding the relevant remuneration paid to the driver NT$ 636 thousand.

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.

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	—	—	Jerome Chen	Jerome Chen
$ 15,000,000 (inclusive) to $ 30,000,000 (exclusive)	Director	J.S.Chen	J.S.Chen	Weite Chen, J.S.Chen	Weite Chen, J.S.Chen
Total		9 Directors	9 Directors	9 Directors	9 Directors

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

Unit: NT$1,000

Title	Name	Salary (A)		Severance pay and pension (B) (Note 1)		Bonuses and allowances (C) (Note 2)		Employee bonus (D) (Note 3)				Ratio of total remuneration (A+B+C+D) to net income after tax(%)				Remuneration received from an invested company other than the Company's subsidiaries or parent company
								SDI		All companies in the consolidated financial statements						
		SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements	Cash Amount	Stock Amount	Cash Amount	Stock Amount	SDI		All companies in the consolidated financial statements		
President	Weite Chen	8,107	9,305	481	481	21,471	21,560	4,474	–	4,474	–	34,534	3.67%	35,821	3.81%	–
Vice President	Jerome Chen															
Vice President	Jeffrey Chen															

Note 1: It is the contribution of severance pay and pension expenses.
Note 2: It includes the total cost of the company car of NT$ 1,850 thousand.
Note 3: The shareholders' meeting has not approved SDI's earnings distribution in 2022, and this is the estimated number to be distributed.

Table of Remuneration Ranges

Range of remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	SDI	All companies in the consolidated financial statements
$ 5,000,000 (inclusive) to $ 10,000,000 (exclusive)	Jerome Chen, Jeffrey Chen	Jeffrey Chen
$ 10,000,000 (inclusive) to $ 15,000,000 (exclusive)	—	Jerome Chen
$ 15,000,000 (inclusive) to $ 30,000,000 (exclusive)	Weite Chen	Weite Chen
Total	3 Directors	3 people

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

December 31, 2022/Unit: NT$1,000

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income(%)
Managers	President	Weite Chen	–	7,500	7,500	0.80%
	Vice President	Jerome Chen				
	Vice President	Jeffrey Chen				
	Associate Manager	Ray Huang				
	Associate Manager	James Cheng				
	Acting Associate Manager	Yen-hung Chen				

Note: The shareholders' meeting has not approved SDI's earnings distribution in 2022, and this is the estimated number to be distributed.

(IV) 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, 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, President and Vice Presidents		Ratio of Total Amount to Net Income(%)	
	SDI	All companies in the consolidated financial statements	SDI	All companies in the consolidated financial statements
2021	58,519	62,876	6.87%	7.38%
2022	63,792	66,152	6.78%	7.03%

Total remuneration paid to Directors, Independent Directors, 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 five meetings (A) in the most recent year. Attendance of directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate(%) 【B/A】	Remarks
Chairman	J.S.Chen	5	0	100%	
Director	Jerome Chen	5	0	100%	
Director	Weite Chen	4	1	80%	
Director	Chieh-hsuan Chen	5	0	100%	
Director	Wilson Investment Co., Ltd Representative: Wei-Shun Chen	5	0	100%	
Independent Director	Wen-i Chiang	5	0	100%	
Independent Director	Tsung-ting Chung	4	0	80%	
Independent Director	Kuo-tsao Tseng	5	0	100%	
Independent Director	Wen-Cheng Cheng	5	0	100%	

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: the Company has set up an Audit Committee, not applicable.

(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

<table>
<tr><td>Assessment interval</td><td colspan="4">Internal performance assessment: Once every year
External performance assessment: assessed by external independent institutions or teams consisting of experts and scholars at least once every three years</td></tr>
<tr><td>Assessment period</td><td colspan="4">Internal performance assessment: January 1 ~ December 31, 2022
External performance assessment: January 1, 2020~ December 31, 2022</td></tr>
<tr><td>Scope of assessment</td><td colspan="2">Board of Directors</td><td>Individual Director</td><td>Compensation Committee
Audit Committee</td></tr>
<tr><td>Method of assessment</td><td>Self-assessment of the Board of Directors</td><td>External assessment institution TABG (Taiwan Association of Board Governance)</td><td>Director's self-assessment</td><td>Peer assessment</td></tr>
<tr><td>Content of assessment</td><td>1. Extent of participation in the operation of SDI
2. Enhancement of 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</td><td>1. Composition and structure of the Board of Directors
2. Election and continuity of Director
3. Extent of participation in the operation of SDI
4. Enhancement of Decision-making quality of the Board of Directors
5. Internal control
6. Environment, Society and Corporate governance
7. Value creation</td><td>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</td><td>1. Extent of participation in the operation of SDI
2. Awareness of duties of functional committees
3. Enhancement of decision-making quality of functional committees
4. Composition and member selection of functional committees
5. Internal control (Audit Committee)</td></tr>
</table>

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) Operational Status of the Audit Committee:

The Audit Committee has held four meetings (A), 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	4	0	100%	
Independent Director	Wen-i Chiang	4	0	100%	
Independent Director	Tsung-ting Chung	3	0	75%	
Independent Director	Kuo-tsao Tseng	4	0	100%	

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
2022/2/24 The 2nd meeting of the 1st Audit Committee	1. The deliberation of 2021 parent company-only financial statements and consolidated financial statements. 2. The 2021 earnings distribution plan. 3. The 2021 statement on internal control. 4. The internal job rotation of CPA firm, plan of changing the CPA. 5. The evaluation of the independence and competence of the CPA of the Company. 6. The donation to Shuen Der Charity Foundation. 7. The partial amendments to the Principles of Corporate Governance Practices, Articles of Incorporation and Procedures for Acquisition or Disposal of Assets. 8. The amendment of the company's Implementation Rules of Internal Audit. 9. The accounts receivable beyond normal credit period of three months through the fourth quarter of 2021 are of no financing nature. 10. The release of non-compete clause to directors and representative of corporate director. 11. The renewal of bank financing lines of the company upon maturity and providing joint guarantees for subsidiaries. 12. The company's appointment of a new representative as the director of Chao Shin Metal Industrial Corporation.	All Directors present approved	Submit to the Board of Directors All Directors present approved
2022/5/5 The 3rd meeting of the 1st Audit Committee	1. The partial amendments to the Supervision Procedures for subsidiaries, the Procedures for Handling Material Inside Information, the Accounting Professional Judgment Procedure , the Rules of Procedure for Accounting Policies and Changes of Evaluation, the Organizational Rules of Remuneration Committee, the Rules of Procedure for the Board of Directors, the Regulations of Management of Service and the Procedure of Application for Suspension and Resumption of Transactions. 2. The accounts receivable beyond normal credit period of three months through the first quarter of 2022 are of no financing nature. 3. The renewal of bank financing lines of the company upon maturity and providing joint guarantees for subsidiaries.	All Directors present approved	Submit to the Board of Directors All Directors present approved
2022/8/4 The 4th meeting of the 1st Audit Committee	1. The accounts receivable beyond normal credit period of three months through the second quarter of 2022 are of no financing nature. 2. The increase and renewal of bank financing lines of the company upon maturity and providing joint guarantees for subsidiaries.	All Directors present approved	Submit to the Board of Directors All Directors present approved
2022/11/3 The 5th meeting of the 1st Audit Committee	1. 2023 Audit plan has been formulated. 2. The accounts receivable beyond normal credit period of three months through the third quarter of 2022 are of no financing nature. 3. The partial amendments to the Rules of Procedure for the Board of Directors and the Procedures for Handling Material Inside Information. 4. The renewal of Risk Management Policy and Procedure for the Company.	All Directors present approved	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 present the Audit Committee, report and communicate about the audit business with Independent Directors at least once every quarter.

(I) 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.

(II) Communications between Independent Directors and the chief internal auditor and CPAs for 2022:

Date and nature of meeting	With whom	Theme and content of communication	Proposals and execution result
2022/02/24 Audit Committee	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. Statement of Key Audit Matters. Internal control. Other Communication Matters: (Independence, legal compliance, related party...etc)	No objection
2022/05/05 Audit Committee	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. Other Communication Matters:	No objection
2022/08/04 Audit Committee	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. Other Communication Matters:	No objection
2022/11/03 Audit Committee	Chief Auditor	Report on the internal audit for the third quarter. 2023 Audit plan.	No objection
	CPA	The audit results of the financial statements of the third quarter. Other Communication Matters:	No objection

(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

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(III) 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 P7-8 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, the Sustainable Development Committee has been founded as well according to the Company's development needs.	No variance
(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 2022 were submitted to the Board of Directors on February 23, 2023.	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 the information of the Audit Quality Indicators (AQIs) (including five areas such as professional, quality control, independence, supervision, capacity for innovation, and 13 indicators), which were submitted to the Board of Directors for deliberation and approval on February 23, 2023.	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	✓		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	No variance

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
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.)?			for providing the data required by Directors to carry out business, assisting directors 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 55# for advanced study in 2022.	
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated section on its website for stakeholders, and properly respond to the major corporate social responsibility issues of concern to stakeholders?	✓		SDI has set up a "dedicated section for stakeholders" on its website to properly respond to major corporate social responsibility issues of concern to stakeholders.	No variance
VI. Does the company appoint a professional shareholder service agency to deal with the affairs of the shareholders' meeting?	✓		SDI has appointed the Stock Affairs Agency of Capital Securities Corp. to handle the affairs of the shareholders' meeting.	No variance
VII. Information disclosure				
(I) Does the company have a corporate website to disclose both the company's financial standing and corporate governance status?	✓		A website has been set up, and relevant information on financial operations and corporate governance are disclosed regularly or irregularly according to regulations. 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 implementation of customer	✓		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 evaluate and praise suppliers and maintain the relationship	No variance

Evaluation item	Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
relations policies, and purchase of liability insurance for directors and supervisors)?			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. 2022 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.	

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 2022 is as follows:

1. Implemented the performance evaluation of the Board of Directors once every three years.
2. Interim Financial Reports were all approved by audit Committee.
3. Declare the English version of the sustainability report by the end of the year.
4. Revised the Risk Management Policy and Procedure; risk management is supervised by the audit Committee.

Priority enhancements and measures in 2023:

1. Set up sustainable development committee.
2. The minutes of the shareholders' meetings have recorded the important content about shareholders' questions and the Company's answers.
3. Upload continuous video and audio files after shareholders' meeting.
4. Disclose the changes in insiders' shareholdings for the previous month on the Market Observation Post System by the 10th of each month.
5. The board of Directors regularly refers to the Audit Quality Indicators (AQIs) to evaluate the independence and competence of the CPA.

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: 2022 advanced study of Directors:

Title	Name	Date	Organizer	Course title	Hours of study
Chairman	J.S.Chen	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	3
Director	Jerome Chen	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	3
Director	Weite Chen	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	3
Director	Chieh-hsuan Chen	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	3
Director	Wei-Shun Chen	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	3
Independent Director	Wen-i Chiang	2022/10/06	Taiwan Stock Exchange, Taipei Exchange	Independent Directors and audit Committee will refer to the guild lines to exercise their power to release publications.	3
		2022/12/26	CPA Associations R.O.C.	Corporate Governance 3.0 Blueprint of Sustainable Development	3
Independent Director	Tsung-ting Chung	2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/07/27	Taiwan Stock Exchange and Taipei Exchange	Sustainable development path map and promotion meeting of industrial theme	2
		2022/10/05	Securities & Futures Institute	2022 Meeting on Compliance with Insider Trading and Equity Transfer Laws	3
Independent Director	Kuo-tsao Tseng	2022/02/11	CPA Associations R.O.C.	Conflict Resolution and Communication	2
		2022/08/30		CFC-related laws and declarations	3
		2022/09/02		Mobile and cloud co-programming collaboration	2
Independent Director	Wen-Cheng Cheng	2022/05/12	Taiwan Stock Exchange, Alliance Advisors and Taiwan Corporate Governance Association (TCGA)	International Twin-Summit Forum.	2
		2022/10/06	Taiwan Stock Exchange, Taipei Exchange	independent Directors and audit Committee will refer to the guild lines to exercise their power to release publications.	3
		2022/05/27	Taiwan Corporate Governance Association	Insider trading liabilities	3
		2022/08/04		ESG-related regulations and practical responses	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, 2023

<table>
<tr><th>Capacity</th><th>Name / Qualification</th><th>Professional qualification and experience</th><th>Independence criteria</th><th>Number of other public companies where the individual concurrently serves as a Remuneration Committee member</th></tr>
<tr><td>Independent Director (convener)</td><td>Wen-i Chiang</td><td colspan="3" rowspan="3">Please refer to #page 7# for the information on Directors.</td></tr>
<tr><td>Independent Director</td><td>Tsung-ting Chung</td></tr>
<tr><td>Independent Director</td><td>Kuo-tsao Tseng</td></tr>
</table>

2. Operational Status of the Remuneration Committee
   (1) SDI's Remuneration Committee consists of 3 members.
   (2) August 26, 2021 to August 25, 2024. The Remuneration Committee has held two meetings (A) in 2022 and the qualifications and attendance of the members are as follows:

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

I. Discussion and resolution of Remuneration Committee in 2022:

<table>
<tr><th>Remuneration Committee</th><th>Proposal content and subsequent treatment</th><th>Resolution</th><th>SDI's actions in response to the opinions of Remuneration Committee</th></tr>
<tr><td rowspan="2">2022/2/24
The 2nd meeting of the 5th Board of Directors</td><td>1. Review the remuneration distribution plan of SDI's employees and Directors in 2021.
2. The manager's performance salary adjustment plan of SDI in 2022 is intended to be in accordance with all employees.
3. The payment of the year-end bonus adjustment plan of SDI in 2022</td><td rowspan="2">All Directors present approved</td><td rowspan="2">Submit to the Board of Directors for resolution</td></tr>
<tr><td>Implement according to the approved content, various assessments, and measures for performance evaluation.</td></tr>
<tr><td rowspan="2">2022/11/3
The 3rd meeting of the 5th Board of Directors</td><td>Continuous adoption of the current salary standard and structure of SDI's managers.</td><td rowspan="2">All Directors present approved</td><td rowspan="2">Submit to the Board of Directors for resolution</td></tr>
<tr><td>Implement according to the approved content.</td></tr>
</table>

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 Sustainable Development 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. The CSR Committee was established in 2013, 2. and renamed as the Sustainable Development Committee in 2022. 3. In 2023, in pursuance of SDI's corporate vision and mission of ESG policies, improving supervision function, and strengthening management capacity, the Sustainable Development Committee will be upgraded to a Functional Committee to show SDI's determination to focus on sustainable development. 4. Three directors (including two independent Directors) have been appointed by the board of Directors as members of the Sustainable Development Committee. The directors have acted as the chairman and convener to supervise the implementation of sustainable development policies, and designate the person in charge of the Management Department as the executive secretary, who is responsible for integrated processing committee business, concluding and reporting the annual plans and implementation results of each promotion team to the committee, coordinating and tracking the implementation of the annual plans agreed upon by the committee by each promotion team, 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 longterm sustainable development plans. 5. 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.	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			6. 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 2022, every promotion team under the Sustainable Development Committee held several meetings and completed the preparation, certification, and submission of the sustainability report 2021 in September 2022. 7. The Board of Directors shall listen 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 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. 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.	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			Environmental management certification (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, and efforts are made to achieve the target 1% energy savings rate. According to the energy saving plans submitted annually to the Bureau of Energy, Ministry of Economic Affairs, the approved energy saving rate (%) for 2022 is 0.88%. 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. Some of the air compressors in the Nantou plant have been equipped with frequency changers since September 2021, which saved more than 230,000 kWh of electricity in a year, the equivalent of reducing 118 tons of carbon emissions. 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. 95% 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 HSPM QC80000 hazardous substance process management system and has a sound operating mechanism for industrial	No variance

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Sustainable Development 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>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.</td><td></td></tr>
<tr><td>(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?</td><td>✓</td><td></td><td>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 Audit Committee and 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.</td><td>No variance</td></tr>
<tr><td>(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?</td><td>✓</td><td></td><td>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)<table><tr><th>Year</th><th>Category 1</th><th>Category 2</th></tr><tr><td>2021</td><td>1,396.767</td><td>28,407.384</td></tr><tr><td>2022</td><td>1,302.022</td><td>28,386.561</td></tr></table>2. Other gases (kg)<table><tr><th>Year</th><th>Category 1</th><th>Category 2</th></tr><tr><td>2021</td><td>690.873</td><td>-</td></tr><tr><td>2022</td><td>637.899</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</td><td>No variance</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operations</th><th rowspan="2">Deviations from the Sustainable Development 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>environment.
A. Direct energy source: Natural gas consumption in 2022 was 620,813,000 cubic meters, with an decrease of 4.94% from 653,030,000 cubic meters in 2021.
B. Indirect energy source: SDI’s consumption of indirect energy source (electricity) in 2022 was 61,156,476 kWh, with an decrease of 0.46% compared to 61,434,915 kWh in 2021.
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>2021</td><td>Approx. 1,392,400</td></tr><tr><td>2022</td><td>Approx. 1,452,100</td></tr></table>SDI currently uses water from two sources. (I) tap water; (II) groundwater. Tap water accounts for 93%, and the groundwater accounts for 7%, with the groundwater resources being granted 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 faucets of the tap water system, and water switches are inspected for leaks each day.
3. Measures such as manufacturing improvement and water recycling are expected to reduce water consumption by 3% per unit each year.
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>2021</td><td>1065.01</td><td>562.32</td></tr><tr><td>2022</td><td>1007.21</td><td>451.18</td></tr></table>SDI manages waste reduction from the source, implements garbage classification and regularly tracks the disposal of business waste generated during the operation of each unit. Since July 2023, SDI has changed part of the dichloromethane cleaning process to the less toxic n-decane to reduce the damage</td><td></td></tr>
</table>

Evaluation item	Operations: Yes	Operations: No	Operations: Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			of toxic waste to the environment, and started recycling nickel-containing water. In addition to reducing wastewater generation and reusing water resources, nickel metal recycling can achieve the effect of circular economy as well.	
IV. Social issues				
(I) Has the company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. SDI is a member of the RBA and is based on the RAB Code of Conduct (RAB - Responsible Business Alliance) to formulate relevant policies and management measures in line with international human rights standards 2. SDI’s Labor Regulations, Measures of Prevention, Complaint and Treatment of Sexual Harassment at Workplace, Management Measures to Save Child Labor and other internal documents clearly proclaim the protection of the right to work and human rights of employees, including the most basic requirements for compliance with laws and regulations, freedom of 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: In 2022, human rights protection-related training courses were provided for employees, with topics including gender equality, respect for human rights, staying away from workplace abuse, corporate social responsibility manuals, and the RBA code of conduct. SDI trained 2,669 person-times for 167.3 hours. As for occupational safety and health courses, SDI trained 1,378 person-times for 5,706.6 hours. SDI has specifically recorded the English courses on occupational safety for foreign employees, arranged translators to assist teaching, and provided a comfortable work environment for foreign employees. (2) Equality and care: Both Taiwanese and foreign employees can enjoy the company’s welfare, including a birthday gift, bonuses for three major festivals, self-improvement activities, free uniforms and safety shoes, lunch or dinner, other subsidies from the company, group insurance, doctor consultations, etc., which do not vary for different races and nationalities. In order to create a friendly atmosphere at	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			the workplace, SDI provides a breastfeeding room for new mothers, friendly parking spaces for pregnant employees and those in need, and a number of barrier-free facilities. (3) 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. (4) Prohibition of child labor: SDI strictly prohibits the employment of persons under the age of 16. (5) Whistle blowing 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 (including salary, compensated absences, and other benefits), and appropriately reflect the operating performance or results in the employee's salary?	✓		Other than the provisions stipulated of the Articles of Incorporation, if there is any profit in the annual final accounts, SDI shall first allocate 1.5% as the employee compensation. In addition, salary adjustment, quarterly bonuses, and year-end bonuses are paid each year according to performance appraisal through the provision of the special budget approved by the Remuneration Committee, and the Benefit Committee is set up to be responsible for other benefits matters of employees (please refer to P53~54 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 2022, 31% of employees and 16% 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. Employee benefits (including salaries, directors' remuneration, health insurance, pension, and other employment expenses) totaled NT$1,351,873,000 in 2022.	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(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 implements 6S and TPM equipment preservation activities at workplaces to keep them clean and protect equipment safety, and provides regular safety and health training and work safety promotion activities every year to enhance employees' safety consciousness, with a total of 1,378 person-times and 5,706 hours in 2022. Besides, SDI has provided health examinations every year and invited doctors to the plant every month to offer services to maintain employees' health. (In 2022, there were 912 staff taking in-service health examinations). SDI has passed ISO 45001: 2018 certification of the occupational health and safety management system and CNS 45001:2018 (TOSHMS) certification of Taiwan occupational safety and health management system (scope of certification: Changhua Plant and Nantou Plant; certificate valid until 2023/9/27) since 2022/9/15. In 2022, there were three occupational accidents with 3 persons injured (0.2%), mainly caused by some old equipments and unsafe behaviors, and we have purchased new equipments and eliminated old ones, strengthened hazard identification and risk assessment to establish a safe and comfortable working environment.	No variance
(VI) 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 2022, please refer to P53~54.	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	✓		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	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
protect customer rights and benefits.			to understand the gap between customer needs and expectations, as the basis for quality improvement, and achieve the goal of sustainable operation of the enterprise. It is essential for product manufacturers to master the existing and relevant laws and regulations of the environment as it relates to countries and trade organizations where products are sold in the future. At the product design level, SDI measures up several international verifications, such as restriction the generation of hazardous substances (RoHS, REACH, California Proposition 65), and the use of electric stationery (CE) and recycling (WEEE, battery, packaging), let the public trusts SDI's efforts in environmental maintenance and user safety, advances towards the concept of sustainable operation, and establishes a good international corporate image.	
(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	No variance

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			composition table 4. Survey Form of Suppliers' P rohibited Substances Management 5. Self-declaration or [Supplier's 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 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	

Evaluation item	Operations			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			logistics supply chain, accelerate customs clearance and enhance their competitiveness.	
V. Does the company prepare sustainability report 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 2021 sustainability report has been verified by the British Standards Institute (BSI), a third- party impartial unit, and meets GRI Core Option and AA1000 AP 2018 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 is engaged in social welfare activities such as children's welfare, emergency relief, elderly welfare,etc.through Shuen Der Charity Foundation. 3. Maintain social welfare and support domestic cultural development: SDI has sponsored Paper windmill Theater performances with money and resources and expected to promote local cultural innovation and domestic cultural development. 4. 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. 5. Safety and health: SDI has obtained the certification of ISO 45001 occupational safety and health system, implemented 6S environment at the workplace, maintained the cleanliness of the workplace and equipment safety protection measures, and held fire and disaster prevention training every year to reduce the risk of contingency.				

Table: Execution process of risk management policies

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.

Type	Item explanation	Policy explanation
	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 handling meeting related matters of the Board of Directors and shareholders' meeting under laws, and making minutes of the Board meeting and shareholders' meeting, providing the data required by Directors to carry out business, assisting directors to comply with laws and regulations, reporting to the board of Directors on the review results of the compliance of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election and during their tenure of office, handling matters related to the change of directors and other matters in accordance with articles of incorporation or contract.
	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. (III) Establishment and implementation of self-evaluation and external evaluation mechanism.
	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	✓		Before the transaction, SDI will first evaluate suppliers and check whether they have any records of unethical	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	
clauses in the business contracts signed with the counterparties?			conduct, maintain the good faith principle with customers, handle customer complaints promptly, and actively take measures to minimize both parties' loss to ensure the customer trust.	
(II) Does the company establish an exclusively dedicated unit under the Board of Directors to implement ethical corporate management, and regularly (at least once a year) report to the Board of Directors its ethical management policies, plans for preventing unethical conduct and supervision of implementation?	✓		SDI's Board of Directors approved the Guidelines of Ethical Management and Procedure and assigned General Management Center as the designated unit to carry out and monitor the tasks. The duties are as follows, which will be reported to the Board of Directors at least once a year. 1. Assist in integrating ethics and moral values into the Company's business strategies, and formulate anti-fraud measures to ensure ethical corporate management in compliance with the laws and regulations. 2. Regularly analyze and assess the risks of unethical conduct in the scope of business and adopt accordingly programs to prevent unethical conduct, as well as establish standard operating procedures and guidelines for conduct with respect to the Company's operations and business in each program 3. Plan internal organization, structure, and allocation of responsibilities and establish check-and-balance mechanisms for mutual supervision of business activities within the Company's scope of business which may be at a higher risk of unethical conduct. 4. Promote and coordinate awareness and educational activities with respect to ethical policies. 5. Develop a whistle-blowing system and ensure its implementation effectiveness 6. Assist the Board of Directors and senior management in reviewing and assessing whether the prevention measures taken for the purpose of implementing ethical corporate management are carried out effectively, and prepare reports on	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	
			the regular assessment of compliance with ethical corporate management in operating procedures 7. Compile and keep documented information related to ethical corporate management policies and statement of compliance, implementation of commitments and status of implementation. The most recent report to the Board of Directors was on February 23, 2023.	
(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	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	
			level of the case.	
(III) Does the company provide protection to whistleblowers against receiving improper treatment due to whistleblowing?	✓		SDI formulated Management Measures for Business Conduct and Professional Ethics and Guidelines of Ethical Management and Procedure to protect the whistleblowers.	No variance
IV. Enhanced disclosure information				
(I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and the Market Observation Post System?	✓		SDI has disclosed its ethical corporate management policies and the results of its implementation on the company's website. 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 Principles of Corporate Governance Practices of SDI, Rules of Procedure for the Board of Directors, Rules of Procedure for Shareholders' Meetings, Election Measures for Directors, 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, the Guidelines of Ethical Management and Procedure, Articles of Audit Committee and Articles of Sustainable Development Committee 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 23, 2023

SDI hereby states the results of the self-evaluation of the internal control system for 2022 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, 2022, 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 23, 2023, 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
2022/05/27	1. Approved the 2021 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 2021 earnings distribution plan.	August 9, 2022 is set as the ex-dividend record date, and August 30, 2022 is the issuance date (cash distribution of NT$ 3 per share).
	3. Approved the amendments to Procedures for the Acquisition or Disposal of Assets and the Articles of Incorporation.	It has been published on SDI's website and will be processed in accordance with the revised content.
	4. Approved the release of non-compete clause to new directors.	Valid upon the approval of the shareholders' meeting.

2. Major resolutions of the Board meeting

Date/(term)	Resolutions
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. 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 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.
2022/05/05 The 4th meeting of the 19th Board of Directors	1. 2022 Q1 consolidated financial statements. 2. The partial amendments to the Supervision Procedures for subsidiaries, the Procedures for Handling Material Inside Information, the Accounting Professional Judgment Procedure , the Rules of Procedure for Accounting Policies and Changes of Evaluation, the Organizational Rules of Remuneration Committee, the Rules of Procedure for the Board of Directors, the Regulations of Management of Service and the Procedure of Application for Suspension and Resumption of Transactions. 3. Approved the accounts receivable beyond normal credit period of three months through the first quarter of 2022 are of no financing nature. 4. Approved the renewal of bank financing lines upon maturity and providing joint guarantees for subsidiaries.
2022/05/27 The 5th meeting of the 19th Board of Directors	1. Approved the ex-dividend date of cash dividends and dividend payment related matters. 2. Approved the audit and verification schedule of green gas.

Date/(term)	Resolutions
2022/08/04 The 6th meeting of the 19th Board of Directors	1. 2022 Q2 consolidated financial statements. 2. Approved the accounts receivable beyond normal credit period of three months through the second quarter of 2022 are of no financing nature. 3. Approved the renewal and increase of bank financing lines upon maturity and providing joint guarantees for subsidiaries.
2022/11/03 The 7th meeting of the 19th Board of Directors	1. Approved the 2023 Audit plan. 2. 2022 Q3 consolidated financial statements. 3. Approved the accounts receivable beyond normal credit period of three months through the third quarter of 2022 are of no financing nature. 4. Approved the partial amendments to the Rules of Procedure for the Board of Directors and the Procedures for Handling Material Inside Information. 5. Approved the renewal of Risk Management Policy and Procedure for the Company. 6. Approved the salary standard and structure of managers reviewed by the Remuneration Committee. 7. Approved the increase and renewal of bank financing lines upon maturity.
2023/02/23 The 8th meeting of the 19th Board of Directors	1. Approved the deliberation of 2022 parent company-only financial statements and consolidated financial statements. 2. Approved the 2022 earnings distribution plan. 3. Approved the 2022 statement on internal control. 4. Approved the evaluation review of the independence and competence of the CPA. 5. Approved the donation to Shuen Der Charity Foundation. 6. Approved the partial amendments to the Principles of Corporate Governance Practices. 7. Approved the accounts receivable beyond normal credit period of three months through the fourth quarter of 2022 are of no financing nature. 8. Approved the provision of joint guarantees for subsidiaries. 9. Approved the audit and verification schedule of green gas. 10. Approved the establishment of the Sustainable Development Committee and Articles of Sustainable Development Committee. 11. Approved the appointment of the Sustainable Development Committee. 12. Approved the bonus distribution plan of employees, directors in 2022. 13. Approved the 2022 salary adjustment proposal for managers' and chief Auditor’s performance. 14. Approved the 2023 business plan. 15. Approved the convening of 2023 general meeting and the acceptance period set for shareholders' proposals.

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

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

V. Information on CPA Professional Fees

(I) Professional fees of CPAs

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	Chao-pin Shao Ming-shou Lin	2022/01/01~2022/12/31	2,710	275	2,985	－

Note: Content of non-audit fees: Transfer pricing, income tax audit on concurrent business operators, inventory counting of bonded plant, business registration, experts audit on internal control of information, and analysis and consultancy of operating performance 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 Zhenyu 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	2022		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	(71,000)	0	0	0
Director	Weite Chen	0	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	(26,000)	0	0	0
Associate Manager	Ray Huang	0	0	0	0
Associate Manager	James Cheng	(3,000)	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, managers, and shareholders holding more than 10% of the shares	Number of shares	Transaction price
Jerome Chen	Donation	2022/12/05	Chiu-ling Su	Spouse of director	50,000	—
Jerome Chen	Donation	2022/12/05	Wei-i Chen	Children of director	21,000	—
Jeffrey Chen	Donation	2022/12/05	Wei-yu Chen	Children of manager	26,000	—

2. Information on equity pledge: None.

3. The shareholding ratio of the top ten shareholders and their relationship, April 1, 2023

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	—
Mega International Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Mitsubishi Materials Corporation.	4,667,000	2.56%	—	—	—	—	—	—	—
Fudong Landscape Co., Ltd.	4,500,000	2.47%	—	—	—	—	—	—	—
Representative Willian Chen	2,460,615	1.35%	—	—	—	—	—	—	—
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 kinship 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	—
Retirement fund in the new system	4,048,700	2.22%	—	—	—	—	—	—	—
Citibank Ltd. in custody for Norges Bank-External Manager BlackRock Investment Management (Taiwan) Co.Ltd	3,746,000	2.06%	—	—	—	—	—	—	—

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

Affiliated Companies (Note)	Ownership by the Company		Investment by directors, 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
2023.03	$ 10	270 million shares	$ 2,700 million	182140249	1821402490	Cash capital increase, earnings, and capital surplus to capital increase	Nil	Nil

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

Note: Information of self registration: Not applicable.

(II) Shareholder structure

April 1, 2023

Shareholder Structure / Item	Government agency	Financial institution	Other institutional shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	5	50	60	14,459	139	14,713
Number of shares held	8,501,000	15,748,619	24,169,561	94,451,135	39,269,934	182,140,249
Shareholding ratio	4.66%	8.65%	13.27%	51.86%	21.56%	100%

(III) Shareholding Distribution Status

April 1, 2023

Range of Shares	Number of shareholders	Number of shares held	Shareholding ratio
1 ~ 999	5,387	727,533	0.40%
1,000 ~ 5,000	8,212	13,713,516	7.53%
5,001 ~ 10,000	561	4,383,702	2.41%
10,001 ~ 15,000	139	1,780,545	0.98%
15,001 ~ 20,000	94	1,759,868	0.97%
20,001 ~ 30,000	73	1,865,793	1.02%
30,001 ~ 40,000	29	1,058,241	0.58%
40,001 ~ 50,000	21	983,307	0.54%
50,001 ~ 100,000	45	3,398,697	1.87%
100,001 ~ 200,000	48	6,967,185	3.83%
200,001 ~ 400,000	33	9,397,349	5.16%
400,001 ~ 600,000	16	8,119,816	4.46%
600,001 ~ 800,000	9	6,151,854	3.37%
800,001 ~ 1,000,000	6	5,718,000	3.13%
1,000,001 or more	40	116,114,843	63.75%
Total	14,713	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 40#.

(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			2021	2022	For the year ended March 31, 2023
Market Price Per Share	Highest		200	181	142
	Lowest		72.2	88.1	95.8
	Average		120.47	123.69	122.77
Net worth per share	Before distribution		33.97	36.39	(Note 1) N/A
	After distribution		30.97	Undistributed	(Note 1) N/A
Earnings per share	Weighted average shares		182,140	182,140	(Note 1) N/A
	Earnings per share		4.68	5.16	(Note 1) N/A
Dividends Per Share	Cash dividends		3.00	(Note 2) 3.20	－
	Stock dividends	－	－	－	－
		－	－	－	－
	Accumulated undistributed dividends		－	－	－
Return on investment	Price/earnings ratio (Note 3)		25.74	23.97	－
	Price/dividend ratio (Note 4)		40.16	38.65	－
	Cash dividend yield rate (Note 5)		2.49	2.59	－

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

Note 2: The earnings distribution in 2022 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. Company's Dividend Policy Thereof

Mainly paid in Cash dividends, the proposed range of payout rate is 50% to 65% of earnings per year.

3. Status of dividend distributions contemplated in the shareholders' meeting
In 2022, SDI's earnings distribution plan has been proposed by the Board of Directors to issue NT$ 3.2 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$18,071,592 and remuneration of Directors is NT$14,457,273 in 2022, which are distributed in cash by resolution of the Board of Directors on February 23, 2023.
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 2022 is passed by the Board of Directors on February 23, 2023.

Item	Amount	Ratio
Compensation of employees in cash	$18,071,592	1.5%
Compensation of Directors in cash	$14,457,273	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$ 16,155,895 and the remuneration of Director of NT$12,924,716 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$16,155,895 and the remuneration of Director of NT$12,924,716 recognized in the financial statements of 2021.

(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, 2021	Operating proportion December 31, 2022
Lead frame and electronic stamping parts	84%	85%
Hardware stationery supplies	15%	14%
Others	1%	1%

3. New products planned to be developed
   (1) A new type of Silicon carbide (SiC) power management lead frame for the inverter of EV electric vehicles.
   (2) gallium nitride GaN power semiconductor lead frame.
   (3) Lead frame and heat sink for automotive fast charging with high voltage IGBT power modules.
   (4) Cutter knife with securely locked blade.
   (5) Blunt/tip adjustable pencil sharpener for small and large pencils.

(II) Industry Overview

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

In 2022, other than the inflation of raw materials caused by the Russia-Ukraine war, the global economy was also affected by geopolitical tensions and China's lockdown. The overall economy experienced a prolonged downward revision and declining consumer spending.the United States brought an end to its QE and low interest rates, and progressively led an interest rate hike last year to tighten liquidity and curb high prices and adverse impact to people's livelihood due to inflation. That said, due to the spike in raw materials and the global trend of Net Zero, the investment and demand driven by the development of energy management,intelligent industrial control and electric vehicles intensified unceasingly, facilitating the innovative development and continuous investment in the semiconductor industry. SDI electronics segment mainly serves IDM customers around the world, and revenue and profits have hit record highs with innovation and increased demand in mid-to-high end product application from industrial and automotive segments. The electronics business mainly dedicates efforts towards collaborating with customers to develop and mass-produce more niche products applied to mid-to-high power products to enhance the value-add for both parties, while introducing intelligent manufacturing, process improvement and accelerating mass production to meet the high-end quality specifications and needs of automotive and industrial products. Over and above that, SDI controls losses and improves efficiency to offset the negative effects of rising materials, labor and manufacturing costs caused by inflation. About SDI stationery segment, SDI will develop new products and our own brand products and enhance marketing activities to boost the value and create demand in the face of the general economic environment of declining consumer demand and rising production costs for the stationery business.

2.Overview of individual industries

(1) Industry status and development

① Semiconductor lead frame

The World Semiconductor Trade Statistics (WSTS) has released a forecast that the global semiconductor market would grow by 10.4% in the beginning of 2022. However, the outbreak of the war between Russia and Ukraine in the first half of the year has fueled global inflation and caused the economy to contract in the second half of the year, leading to a final increase of 4.4% in the global semiconductor market. It is estimated that the market will face a 4.1% decline in 2023. Looking back in 2022, governments have adopted policies of lifting lockdown and coexistence with COVID-19, and the global economy has recovered to normal. Furthermore, mainland China suddenly announced easing lockdown in the end of the last year as well. The global economy is projected to be back on track. However, there was a circumstance where customers placed orders repeatedly after experiencing supply chain disruptions, port congestion, container shortages in Europe and the U.S., and a freight surge in nearly two years under the impact of the pandemic. But as the economy recovered in the last half of 2022, the inventory has increased and customers have reduced their orders and adjusted inventory, especially for consuming products such as mobile phones, personal computers, and house appliances, which has caused the orders to be largely amended and posed a challenge to making profit.

In recent years, SDI has developed new products 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 9.78 million EVs were sold last year with a 12.7% market share, it is expected to reach 33.2% by 2025. The company has deep experiences of car used lead frames production, which make up 47% of all our products, with 26% industrial used. Therefore, compared with the orders of consuming products that decreased in the second half of last year, orders of automotive and industrial products remained high, and revenue in 2022 continued to grow.

② Hardware stationery supplies

The hardware stationery market has already matured and become stable. Over 60% of SDI’s products are sold under its own brand. In recent years, SDI has actively developed consumer products with patent protection and new functions and appearances. New products both satisfy the demand of a new generation and follow new consumption trends that focus on economy protection, energy savings, and carbon reduction. The functions of products can satisfy the demand of consumers and are introduced to foreign ODM customers as well, which makes the benefits of new products contribute greatly to the growth of sales and profit.

(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, and IC testing; downstream industry: semiconductor packaging and testing, printed circuit board, 3C products, 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

According to the expectations of the World Semiconductor Trade Statistics (WSTS), the global semiconductor market will drop 4.1% in 2023, but facing the challenge posed by climate change, countries have constantly set carbon reduction goals and attached great importance to green energy products and EVs for future economic development. Therefore, despite the overall decrease in the semiconductor market, discrete devices and analog ICs for power supplies will grow by 2–3%.

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 future.

② Hardware stationery supplies

Hardware stationery products, whether traditional durable goods or expendable products, are gradually becoming high-quality designed and young and winning consumers' favor since they are 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 for integrated device manufacturers (IDM) in the world.

② Hardware stationery supplies

Among the products under SDI's own brand, it is mostly the sales of mature and old products that face competition. Because most new products have enjoyed patent protection in recent years, the Company does not suffer fierce competition generally.

(III) Technology and R&D Overview

1. R&D expenses invested in 2022 and up to the date of publication of the annual report

2022: NT$254,486,000; 2023 as at March 31: NT$66,209,000.

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

30 new lead frames, 9 power module vapor chamber, 6-meter roller correction tape and pen-shaped stapler.

(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.

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 9%, export sales are mainly 38% of the mainland, 27% 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 2023, the global semiconductor market will meet headwinds, and the Federal Reserve will continue to raise interest rates, starting in the second half of 2022, to curb inflation, which will accelerate the economic downturn, influence consumer desires, and cause the channel inventory of consumer electronics products to remain high. Basically speaking, in the first half of 2023, the inventory of consumer goods will continue to adjust and orders will remain low.

However, with the electrification of mobile vehicles in the past two years, the growth rate of automotive semiconductors remains high, and the amount of semiconductors used in electric vehicles will increase from US$400 per unit in fuel vehicles to US$1,400 per unit. In addition, power semiconductors also continue to increase under the relevant energy-saving trend, especially after the appearance of third-generation semiconductors, and will be applied more extensively in the future. Its growth rate is expected to continue to increase.

(2) Stationery products: The hardware stationery market has already matured and become stable. The circumstances where the repeat orders caused by port congestion in the U.S. market last year will gradually disappear. The newly developed roller correction tape is recognized by customers, and its orders will have a promising growth. In the Japanese market, pen products have been certified by major channels, and orders are expected to start growing.

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.

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

③SDI has continue to develop new products and obtain patent protection, and most of its main products are protected by patents with advantages in sales.

④Stationeries 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

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

②Geopolitical risk increases, and the supply chain should be enhanced.

③Production base is in mainland China, which is highly risky due to 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

Unit: NT$1,000

Item	2021				2022			
	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	1,992,990	26.71	—	Company A	1,650,043	25.45	—
	Others	5,469,002	73.29	—	Others	4,834,481	74.55	—
	Net purchase	7,461,992	100.00	—	Net purchase	6,484,524	100.00	—
Reason for increase/decrease: Because copper prices dropped in the international market, the amount of material shipped decreased.								

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

Unit: NT$1,000

Item	2021				2022			
	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	1,674,135	15.01	–	Customer A	1,887,349	16.10	–
2	Customer B	1,116,490	10.01	–	Customer B	1,417,154	12.09	–
	Others	8,361,925	74.98	–	Others	8,419,776	71.81	–
	Net sales	11,152,550	100.00	–	Net sales	11,724,279	100.00	–
Reason for increase/decrease: Benefited from the increase in demand of automotive and industrial control, the amount of material shipments increases.								

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

Unit: 1,000; NT$1,000

Year / Production Volume and Value / Primary commodity	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Electronics	80,000,000	71,224,791	8,614,682	80,000,000	61,772,499	9,175,120
Stationery	700,000	555,020	1,143,459	700,000	542,325	1,018,541
Others	–	–	198,534	–	–	236,137
Total	80,700,000	71,779,811	9,956,675	80,700,000	62,314,824	10,429,798

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	2021				2022			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics	30,322,089	2,534,935	34,503,522	6,829,177	21,407,589	2,290,052	35,066,293	7,678,989
Stationery	317,457	799,240	362,464	889,796	285,465	757,164	312,489	849,000
Others	0	99,380	0	22	0	148,857	0	217
Total	30,639,546	3,433,555	34,865,986	7,718,995	21,693,054	3,196,073	35,378,782	8,528,206

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		2021	2022	The current fiscal year up to March 31, 2023
Number of Employees	Production	2,182	2,142	2,137
	Administration	415	422	417
	Total	2,597	2,564	2,554
Average age		37.27	39.27	39.70
Average Service Year		8.77	9.77	9.63
Education distribution ratio	Master degree or above	7.19%	7.06%	7.40%
	College/University	52.60%	55.77%	61.00%
	Senior high school	29.12%	27.77%	22.67%
	Under senior high school	11.09%	9.40%	8.93%

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:

Date	Official Letter Number	Regulation	Item	Contents of penalties
2022/2/24	Nantou Environmental Protection Waste No. 1110004021	Articles 31-1-1 and 36-1 of the Waste Clearance and Treatment Act	Nantou Plant: The storage location of electroplating sludge is inconsistent with the configuration of the cleaning plan, and the waste copper is not labeled with a Chinese name.	A fine of NT$66,000 and environmental training 3H
2022/6/30	Government-authorized Environment and Air No.1110153132	Articles 24-2 of Atmospheric Pollution Prevention and Control Law	Nantou plant fixed pollution sources did not operate in accordance with the scope of the approved permit	A fine of NT$100,000 and environmental training 2H

(II) Future Countermeasures and Improvement Measures:

1. Increase the frequency of electroplating sludge cleaning; waste copper labeled with Chinese name.
2. Resume the normal reading of the differential pressure gauge and confirm the check and fill in the record form.
3. Regularly check equipments and forms and implement related regulations.

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

Year	The proposed acquisition of pollution prevention equipment or expenditure content	Amount
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
2024	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. Centralized recycling of Nickel plating equipment electroplating cleaning water 7. Overall inspection on environment by the technicians 8. All pollution control equipments with network access	About $28,000,000

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 dishes.
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 psychological consultation channel 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 2022

Item	Total	Annual average per person
Training hour	10,425 hours	9.78 hours
Training person-times	9,373	8.79
Training expenditure	NT$2,841,000	NT$2,670

Statistics of course categories in 2022

Type	Class hours	Percentage
Personnel and general affairs	5,426	52.05%
Marketing management	198	1.90%
Information management	459	4.40%
Finance and accounting	451	4.33%
Quality assurance	833	7.99%
Production management	494	4.74%
Research and development:	439	4.21%
Business management	1,989	19.08%
Other categories (including language)	136	1.30%
Total	10,425	100.00%

(III) Retirement System and Its Implementation

1. To take care of the life of retired employees, SDI formulates employee retirement measures pursuant to the Labor Pension Act and Labor Standards Act:
   - 1-1. The old pension system's management is to establish a labor retirement reserve supervision committee, following the law and allocating the retirement reserve fund to the exclusive account of Bank of Taiwan every month.
     Before the end of the year, if the estimated balance of the labor retirement reserve fund account is insufficient to pay the labors expected to meet the retirement conditions in the next year, the difference shall be allocated to the exclusive account at once before the end of March of the following year. The exclusive account is entrusted to the Bureau of Labor Funds of the Ministry of Labor for management. SDI retains no right to influence the investment management strategy.
   - 1-2. For the new pension system, 6% of the employee's monthly salary shall be allocated monthly to the individual retirement account.

   Employees who assumed the job before Jun. 30, 2005 may choose either the old system or the new system according to their wishes. In 2022, SDI has a total of 9 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, 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, SDI always participates weddings and funerals and 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.

Company	Date	Official Letter Number	Regulation	Item	Contents of penalties	Response measures
TEC Brite Technology	2023/01/30	Government Social Labor No.1120026238	Article 32-2 of the Labor Standards Act	Extended working hours in excess of regulations	A fine of NT$50,000	The company comprehensively reviews labor law compliance and develops solutions with a systematic approach to achieve the goal of zero violations.
TEC Brite Technology	2023/01/30	Government Social Labor No.1120026227	Article 24 of the Labor Standards Act	Extended working hours without additional payment according to regulations	A fine of NT$50,000	

(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 6S 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	2022/05/27	Insider trading liabilities	3H	Taiwan Corporate Governance Association
		2022/08/04	ESG-related regulations and practical responses	3H	
Vice President	Jerome Chen	2022/05/27	Insider trading liabilities	3H	Taiwan Corporate Governance Association
		2022/08/04	ESG-related regulations and practical responses	3H	
Financial Associate Manager Concurrently Serves as the Chief Officer of Corporate Governance	Ray Huang	2022/03/08	Using ESG to improve corporate strategic capacity	3H	Accounting Research and Development Foundation
		2022/03/09	Regulations and common deficiencies in the preparation of corporate financial statements	3H	
		2022/04/27	Read TCFD report, know the key information	3H	
		2022/05/12	Corporate inheritance and governance	6H	
		2022/05/27	Insider trading liabilities	3H	Taiwan Corporate Governance Association
		2022/08/04	ESG-related regulations and practical responses	3H	
Chief Auditor	Daniel Chen	2022/03/09	Focused auditing of operating systems and integration of cross-cycle and operational	6H	The Institute of Internal Auditors
		2022/04/25	Exploring the impact of ESG risks on the internal control system of enterprises in the face of the ESG wave and the response measures	6H	

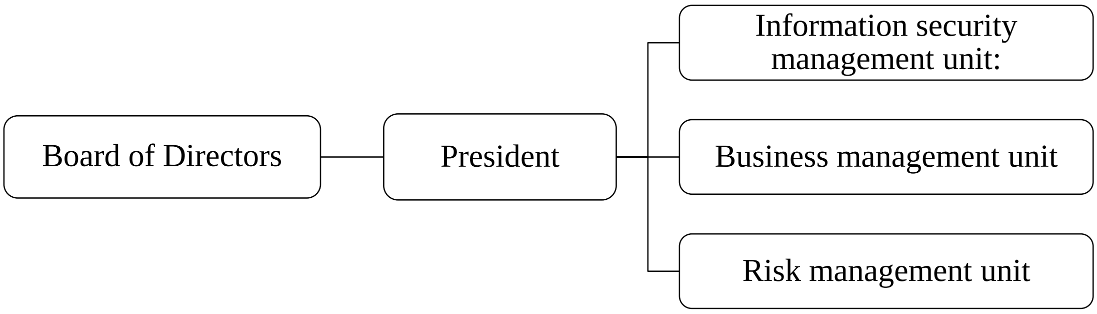
VI. Information security management:

(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, information security supervisor and staff have been appointed, 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, 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: None

VII. Important Contract: None

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	2018	2019	2020	2021	2022
Current assets		6,226,621	5,350,040	5,705,749	7,575,066	7,259,776
Property, plant and equipment		4,762,760	4,566,765	4,416,029	4,951,418	5,190,999
Intangible assets		64,431	60,131	53,494	42,705	56,856
Other assets		327,803	419,634	400,446	475,401	418,368
Total assets		11,381,615	10,396,570	10,575,718	13,044,590	12,925,999
Current liability	Before distribution	3,582,590	2,142,924	2,567,398	3,549,492	3,385,663
	After distribution	4,092,583	2,470,776	2,895,250	4,095,913	Undistributed
Non-current liability		1,775,030	2,281,980	1,996,966	2,961,904	2,554,273
Total liabilities	Before distribution	5,357,620	4,424,904	4,564,364	6,511,396	5,939,936
	After distribution	5,867,613	4,752,756	4,892,216	7,057,817	Undistributed
Equity attributable to owners of the parent company		5,702,960	5,641,213	5,679,786	6,186,808	6,627,645
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,155	485,257	485,403	485,598	485,797
Retained earnings	Before distribution	3,497,585	3,490,123	3,507,622	4,019,570	4,436,701
	After distribution	2,987,592	3,162,271	3,179,770	3,473,149	Undistributed
Other equity interest		(101,183)	(155,570)	(134,642)	(139,763)	(116,256)
Non-controlling interests		321,035	330,453	331,568	346,386	358,418
Total equity	Before distribution	6,023,995	5,971,666	6,011,354	6,533,194	6,986,063
	After distribution	5,514,002	5,643,814	5,683,502	5,986,773	Undistributed

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

2. Condensed statements of comprehensive income - consolidated

Unit: NT$1,000

Item / Year	2018	2019	2020	2021	2022
Operating revenue	10,416,495	8,839,367	8,450,611	11,152,550	11,724,279
Gross profit	1,931,458	1,534,930	1,332,379	2,109,990	2,078,591
Operating profit (loss)	1,099,094	751,084	601,587	1,225,419	1,169,498
Non-operating income and expenses	41,126	(56,486)	(87,014)	(57,878)	100,427
Profit before tax	1,140,220	694,598	514,573	1,167,541	1,269,925
Net income (loss)	888,569	550,465	401,381	910,339	999,649
Other comprehensive income (net, after tax)	(29,660)	(43,492)	17,323	(18,443)	47,507
Total comprehensive income	858,909	506,973	418,704	891,896	1,047,156
Net income attributable to owners of the parent company	828,880	491,566	349,147	852,244	940,519
Net income attributable to non-controlling interests	59,689	58,899	52,234	58,095	59,130
Total comprehensive income attributable to owners of the parent company	799,309	448,144	366,279	834,679	987,059
Total comprehensive income attributable to non-controlling interests	59,600	58,829	52,425	57,217	60,097
Earnings per share	4.55	2.70	1.92	4.68	5.16

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

3. Condensed balance sheet - parent company-only

Unit: NT$1,000

Item \ Year		2018	2019	2020	2021	2022
Current assets		4,456,580	3,605,936	3,640,357	5,136,734	5,012,574
Property, plant and equipment		2,699,487	2,655,087	2,563,326	3,091,157	3,245,892
Intangible assets		61,655	58,741	50,843	41,405	55,007
Other assets		2,583,430	2,599,142	2,648,011	2,775,295	2,756,761
Total assets		9,801,152	8,918,906	8,902,537	11,044,591	11,070,234
Current liability	Before distribution	2,370,999	1,045,732	1,310,479	2,127,652	2,106,296
	After distribution	2,880,992	1,373,584	1,638,331	2,674,073	Undistributed
Non-current liability		1,727,193	2,231,961	1,912,272	2,730,131	2,336,293
Total liabilities	Before distribution	4,098,192	3,277,693	3,222,751	4,857,783	4,442,589
	After distribution	4,608,185	3,605,545	3,550,603	5,404,204	Undistributed
Equity attributable to owners of the parent company		5,702,960	5,641,213	5,679,786	6,186,808	6,627,645
Share capital		1,821,403	1,821,403	1,821,403	1,821,403	1,821,403
Capital surplus		485,155	485,257	485,403	485,598	485,797
Retained earnings	Before distribution	3,497,585	3,490,123	3,507,622	4,019,570	4,436,701
	After distribution	2,987,592	3,162,271	3,179,770	3,473,149	Undistributed
Other equity interest		(101,183)	(155,570)	(134,642)	(139,763)	(116,256)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	5,702,960	5,641,213	5,679,786	6,186,808	6,627,645
	After distribution	5,192,967	5,313,361	5,351,934	5,640,387	Undistributed

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

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

Unit: NT$1,000

Item \ Year	2018	2019	2020	2021	2022
Operating revenue	8,105,455	6,719,302	6,227,222	8,247,659	9,142,725
Gross profit	1,414,243	1,099,442	876,347	1,503,701	1,605,498
Operating profit (loss)	805,892	537,068	352,010	865,810	953,032
Non-operating income and expenses	237,161	69,240	72,007	182,169	219,212
Profit before tax	1,043,053	606,308	424,017	1,047,979	1,172,244
Net income (loss)	828,880	491,566	349,147	852,244	940,519
Other comprehensive income (net, after tax)	(29,571)	(43,422)	17,132	(17,565)	46,540
Total comprehensive income	799,309	448,144	366,279	834,679	987,059
Earnings per share	4.55	2.70	1.92	4.68	5.16

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
2018	Zhen-yu Yang, Chao-pin Shao	Unqualified opinion
2019	Zhen-yu Yang, Chao-pin Shao	Unqualified opinion
2020	Zhen-yu Yang, Ming-shou Lin	Unqualified opinion
2021	Zhen-yu Yang, Ming-shou Lin	Unqualified opinion
2022	Chao-pin Shao, Ming-shou Lin	Unqualified opinion

II. Financial Analyses for the Past Five Fiscal Years

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

Analysis Item \ Year		2018	2019	2020	2021	2022
Financial structure(%)	Ratio of liabilities to assets	47.07	42.56	43.16	49.92	45.95
	Ratio of long-term capital to property, plant and equipment	163.75	180.73	181.35	191.77	183.79
Debt-paying ability(%)	Current ratio	173.80	249.66	222.24	213.41	214.43
	Quick ratio	91.48	124.84	109.40	95.17	98.26
	Interest coverage ratio	18.96	12.17	9.59	19.83	16.54
Operating performance	Accounts receivable turnover rate (times)	4.75	4.54	4.65	4.99	5.02
	Average collection days	76.84	80.40	78.49	73.15	72.71
	Inventory turnover rate (times)	3.02	2.67	2.63	2.62	2.43
	Payables turnover rate (times)	7.12	7.80	9.27	7.49	7.76
	Average days for sale	120.86	136.70	138.78	139.31	150.21
	Turnover rate for property, plant and equipment (times)	2.25	1.89	1.88	2.38	2.31
	Total asset turnover rate (times)	0.94	0.81	0.81	0.94	0.90
Profitability	Return on asset(%)	8.45	5.48	4.27	8.10	8.15
	Return on equity(%)	15.21	9.18	6.70	14.51	14.79
	Income before tax to paid-in capital ratio(%)	62.60	38.14	28.25	64.10	69.72
	Net profit ratio(%)	8.53	6.23	4.75	8.16	8.53
	Earnings per share	4.55	2.70	1.92	4.68	5.16
Cash flow	Cash flow ratio(%)	45.64	47.96	41.56	14.67	58.97
	Cash flow adequacy ratio(%)	104.27	97.08	91.14	60.22	79.57
	Cash reinvestment ratio(%)	8.12	3.39	4.77	1.11	8.25
Leverage	Operating leverage	3.29	4.28	4.95	3.09	3.43
	Financial leverage	1.05	1.08	1.11	1.05	1.07
Reasons for the 20% change in financial ratios over the past two fiscal years: The cash flow related ratio increased mainly due to the decrease in accounts receivable, capital expenditures and inventories.						

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	2018	2019	2020	2021	2022
Financial structure(%)	Ratio of liabilities to assets	41.81	36.75	36.20	43.98	40.13
	Ratio of long-term capital to property, plant and equipment	275.24	296.53	296.18	288.47	276.16
Debt-paying ability(%)	Current ratio	187.96	344.82	277.79	241.43	237.98
	Quick ratio	106.75	168.32	135.47	104.74	108.37
	Interest coverage ratio	49.11	27.56	26.00	68.62	36.16
Operating performance	Accounts receivable turnover rate (times)	5.08	4.83	5.32	5.51	5.52
	Average collection days	71.85	75.57	68.61	66.24	66.12
	Inventory turnover rate (times)	3.63	3.06	2.96	2.91	2.73
	Payables turnover rate (times)	6.21	6.96	8.56	6.86	7.52
	Average days for sale	100.55	119.28	123.31	125.43	133.70
	Turnover rate for property, plant and equipment (times)	3.09	2.51	2.39	2.92	2.89
	Total asset turnover rate (times)	0.86	0.72	0.70	0.83	0.83
Profitability	Return on asset(%)	8.90	5.43	4.05	8.65	8.71
	Return on equity(%)	15.00	8.67	6.17	14.36	14.68
	Income before tax to paid-in capital ratio(%)	57.27	33.29	23.28	57.54	64.36
	Net profit ratio(%)	10.23	7.32	5.61	10.33	10.29
	Earnings per share	4.55	2.70	1.92	4.68	5.16
Cash flow	Cash flow ratio(%)	48.50	78.87	76.49	13.74	70.59
	Cash flow adequacy ratio(%)	106.09	98.06	96.78	60.78	79.33
	Cash reinvestment ratio(%)	5.84	2.53	5.41	(0.25)	6.68
Leverage	Operating leverage	3.17	4.01	5.46	2.92	2.92
	Financial leverage	1.02	1.04	1.04	1.01	1.03

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

1. The interest coverage ratio decreased mainly due to the increase in interest expenses caused by rising lending rates.
2. The cash flow related ratio increased mainly due to the decrease in accounts receivable, capital expenditures and inventories.

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. 2022 Inspection Report of Audit Committee

SDI Corporation

Audit Report of Audit Committee

The Board of Directors will prepare and submit SDI's 2022 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 14-4 of the Securities Transaction Act and Article 219 of the Company Act for your review.

To

2023 Annual Shareholders' Meeting of SDI

Convener of Audit Committee’s meeting:
Wen-Cheng Cheng

February 23, 2023

IV. 2022 Consolidated Financial Statements (See #page71-145#)

V. 2022 Parent Company-Only Financial Report Audited by the CPA (See #page146-219#)

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, 2021	December 31, 2022	Difference	
			Amount	%
Current assets	7,575,066	7,259,776	(315,290)	(4.16%)
Property, plant and equipment	4,951,418	5,190,999	239,581	4.84%
Intangible assets	42,705	56,856	14,151	33.14%
Other assets	475,401	418,368	(57,033)	(12.00%)
Total assets	13,044,590	12,925,999	(118,591)	(0.91%)
Current liability	3,549,492	3,385,663	(163,829)	(4.62%)
Non-current liability	2,961,904	2,554,273	(407,631)	(13.76%)
Total liabilities	6,511,396	5,939,936	(571,460)	(8.78%)
Equity attributable to owners of the parent company	6,186,808	6,627,645	440,837	7.13%
Share capital	1,821,403	1,821,403	0	0.00%
Capital surplus	485,598	485,797	199	0.04%
Retained earnings	4,019,570	4,436,701	417,131	10.38%
Other equity interest	(139,763)	(116,256)	23,507	16.82%
Non-controlling interests	346,386	358,418	12,032	3.47%
Total equity	6,533,194	6,986,063	452,869	6.93%

Analysis and clarification of the change in increase and decrease ratio

1. The decrease in total assets is mainly due to the decrease in the accounts receivable and inventories.
2. The decrease in total liabilities is mainly due to the decrease in bank loans and the accounts payable caused by the decrease in copper prices.

II. Review and Analysis of Financial Performance:

Unit: NT$1,000

Item \ Year	2021	2022	Increase (decrease)	Change ratio
Net operating revenue	11,152,550	11,724,279	571,729	5.13%
Operating costs	9,042,560	9,645,688	603,128	6.67%
Gross profit	2,109,990	2,078,591	(31,399)	(1.49%)
Operating expense	884,571	909,093	24,522	2.77%
Net operating profit	1,225,419	1,169,498	(55,921)	(4.56%)
Non-operating income and expenses	(57,878)	100,427	158,305	273.51%
Profit before tax	1,167,541	1,269,925	102,384	8.77%
Income tax expenses	257,202	270,276	13,074	5.08%
Net income (loss)	910,339	999,649	89,310	9.81%
Other comprehensive income in the current period	(18,443)	47,507	65,950	357.59%
Total comprehensive income	891,896	1,047,156	155,260	17.41%

Analysis and clarification of the change in increase and decrease ratio:

1. The increase of operating 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 increase of non-operating income and expenditure is mainly due to the exchange rate depreciation recognized in exchange rate increase.
3. The increase of other comprehensive income in the current period is due to the increase in remeasurement of defined benefit obligation and exchange difference in the translation of the financial statements of foreign operations.

III. Review and Analysis of Cash Flow

(I) Liquidity Analysis in the Last Two Years

Item \ Year	2021	2022	Increase (decrease) ratio
Cash flow ratio	14.67%	58.97%	301.98%
Cash flow adequacy ratio	60.22%	79.57%	32.13%
Cash reinvestment ratio	1.11%	8.25%	643.24%
Analysis and clarification of the change in increase and decrease ratio The increase in related liquidity analysis ratio compared to the previous period is mainly due to the decrease in accounts receivable, 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)	Remedial measures for projected cash shortage	
				Investment plan	Financial plan
1,058,687	1,100,000	950,000	1,208,687	－	－

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 is expected to increase the output of electronics products.

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 51 of this annual report for the details of the investment profit and loss recognized by the reinvestment business.
2. Subsidiaries such as Chao Shin Metal and TEC Brite made profits in 2022.
3. The deficit of Shuen Der (Jiangsu) in 2022 mainly due to the decrease in copper prices and demand for consumer electronics. The company's product portfolio will be adjusted to make it profitable.

(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 seen a steady increase in recent years. In response to the increase in

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 production efficiency, 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)	19,500
Magnet scissors, new cutter knife and pencil sharpener for small and large pencils.	4,000

(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 regularly upgraded it to new version, 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 #Pages40# 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 quarter 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 70 years since the establishment of SDI, directors 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 management right, and mitigation measures being or to be taken: Directors of SDI hold stable shareholding and commit to sustainable development, 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.

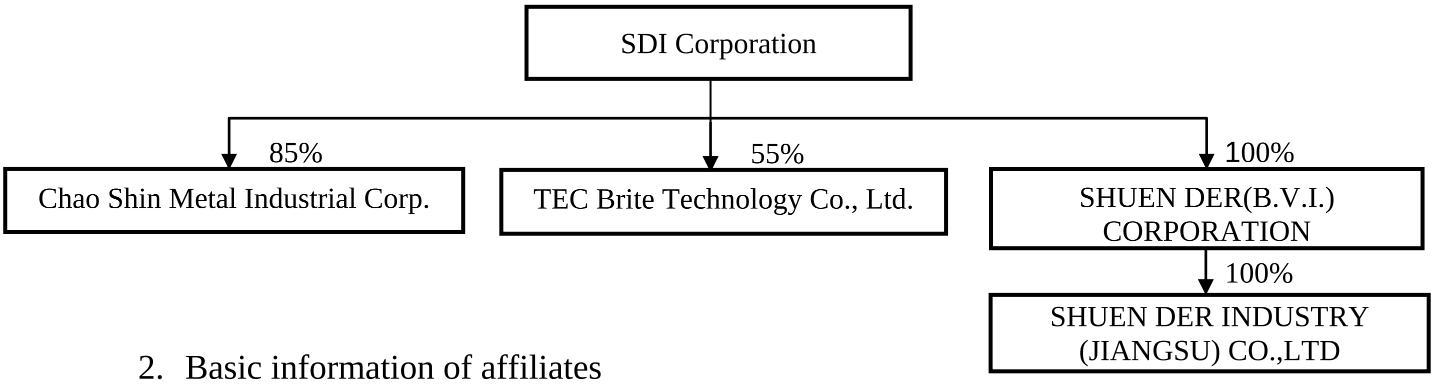
VII. Other Important Matters: None.

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, 2022 Unit: NT$1,000

Name of company	Date of incorporation	Address	Actual paid-in capital	Main Business or Products
SDI Corporation	1967/10/17	No. 260, Sec. 2, Zhangnan Rd., Dazhu Vil., Changhua City. Changhua County, Taiwan	1,821,403	Manufacturing and sales of semiconductor lead frames and hardware stationery products.
Chao Shin Metal Industrial Corp.	1989/03/24	No. 134, Renhe Rd., Xinxing Vil., Nantou City, Nantou County 540, Taiwan	175,007	Production of alloy steel belt, alloy copper belt and special steel belt.
TEC Brite Technology Co., Ltd.	1997/08/01	No. 16, Gongye S. 1st Rd., Xinxing Vil., Nantou City, Nantou County 540, Taiwan	180,000	Electronic components manufacturing and international trade business.
SHUEN DER(B.V.I.) CORPORATION	1997/08/19	Tropic Isle Building P.O.Box 438 Road Town,Tortola B.V.I.	273,844	Holding company
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD	1997/11/14	No. 2, Shanghai Road, Zhangjiagang Bonded Area, Jiangsu Province, China	1,074,500	Manufacturing and sales of stationery and integrated circuit frames.

Note: The exchange rate is converted according to the ending exchange rate US$ 1 = NT$30.7.

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, 2022

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	Takehito Kuji	0	0.00%
	Director	Kokudai Nomura	783	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, 2022

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	363,805	63,911	299,894	208,231	11,927	17,761	1.01
TEC Brite Technology Co., Ltd.	180,000	930,434	226,773	703,661	787,357	150,230	125,275	6.96
SHUEN DER(B.V.I.) CORPORATION	273,844	1,781,130	0	1,781,130	0	(97)	(25,692)	—
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD	1,074,500	3,428,220	1,649,420	1,778,800	3,032,110	23,304	(25,600)	—

Note: The exchange rate is converted according to the ending exchange rate US$ 1= NT$30.7, and the average exchange rate US$ 1= NT$ 29.8.

(III) Declaration of Consolidated Financial Report, Audit Report and Consolidated Financial Statements of Affiliated Companies (please refer to #page71-81#).

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] 2022 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, 2022, 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 23, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 are started as follows：

1. Valuation of Inventory Impairment

Description

As of December 31, 2022, inventory accounted for 30% 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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 Shao, Chao Pin and Lin, Ming Shou.

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

February 23, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 1,058,687	8	$ 702,314	5
Financial assets at fair value through profit or loss - current	6(2)	57,751	-	57,434	-
Notes receivable, net	6(3)	123,141	1	141,917	1
Accounts receivable, net	6(4)	1,979,426	15	2,379,821	18
Accounts receivable - related parties	7	22,145	-	20,881	-
Other receivables		15,606	-	20,559	-
Inventories, net	6(5)	3,865,821	30	4,086,541	33
Prepayments	6(6)	67,339	1	110,409	1
Other financial assets - current	6(7)	69,667	1	55,190	-
Other current assets		193	-	-	-
Total current assets		7,259,776	56	7,575,066	58
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	21,023	-	20,222	-
Property, plant and equipment	6(9)	5,190,999	40	4,951,418	38
Right-of-use assets	6(10)	201,146	2	213,854	2
Intangible assets	6(11)	56,856	-	42,705	-
Deferred income tax assets	6(29)	132,465	1	120,527	1
Other noncurrent assets	6(12)、(18)	63,734	1	120,798	1
Total noncurrent assets		5,666,223	44	5,469,524	42
TOTAL		$ 12,925,999	100	$ 13,044,590	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6(13)	$ 738,126	6	$ 867,361	7
Contract liabilities	6(24)	96,448	1	104,504	1
Notes payable	6(14)	153,769	1	159,924	1
Accounts payable		852,721	6	1,316,613	9
Accounts payable - related parties	7	1,045	-	2,198	-
Other payables	6(15)	744,959	6	722,253	6
Other payables - related parties	7	-	-	860	-
Current income tax liabilities	6(29)	300,317	2	209,988	2
Lease liabilities - current	6(10)	10,078	-	9,436	-
Long-term liabilities - current portion	6(16)	463,363	4	135,082	1
Other current liabilities		24,837	-	21,273	-
Total current liabilities		3,385,663	26	3,549,492	27
NONCURRENT LIABILITIES					
Long term loans	6(16)	1,997,776	16	2,381,276	19
Deferred income tax liabilities	6(29)	319,072	2	311,966	2
Lease liabilities - noncurrent	6(10)	82,860	1	92,497	1
Net defined benefit liability - noncurrent	6(18)	100,030	1	144,397	1
Other noncurrent liabilities	6(17)	54,535	-	31,768	-
Total noncurrent liabilities		2,554,273	20	2,961,904	23
Total liabilities		5,939,936	46	6,511,396	50
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Common stocks	6(19)	1,821,403	14	1,821,403	14
Capital surplus	6(20)	485,797	4	485,598	4
Retained earnings	6(21)				
Legal capital reserve		983,960	8	899,980	7
Special capital reserve		139,763	1	134,642	1
Unappropriated earnings		3,312,978	25	2,984,948	22
Others	6(22)	(116,256)	(1)	(139,763)	(1)
Equity attributable to shareholders of the parent		6,627,645	51	6,186,808	47
NON-CONTROLLING INTERESTS	6(23)	358,418	3	346,386	3
Total equity		6,986,063	54	6,533,194	50
TOTAL		$ 12,925,999	100	$ 13,044,590	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, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2022		2021	
	NOTES	Amount	%	Amount	%
NET REVENUE	6(24)	$ 11,724,279	100	$ 11,152,550	100
COST OF REVENUE	6(25)	(9,645,688)	(82)	(9,042,560)	(81)
GROSS PROFIT		2,078,591	18	2,109,990	19
OPERATING EXPENSES	6(25)				
Marketing		(319,506)	(3)	(311,191)	(3)
General and administrative		(333,385)	(3)	(328,226)	(3)
Research and development		(254,486)	(2)	(247,850)	(2)
Expected credit (losses) gains		(1,716)	-	2,696	-
Total operating expenses		(909,093)	(8)	(884,571)	(8)
OPERATING PROFIT		1,169,498	10	1,225,419	11
NONOPERATING INCOME AND EXPENSES					
Interest income		2,601	-	1,116	-
Other income	6(17)、6(26)	38,608	-	36,904	-
Other gains and losses	6(27)	133,057	2	(37,430)	-
Finance costs	6(28)	(73,839)	(1)	(58,468)	(1)
Total nonoperating income and expenses		100,427	1	(57,878)	(1)
INCOME BEFORE INCOME TAX		1,269,925	11	1,167,541	10
INCOME TAX EXPENSE	6(29)	(270,276)	(2)	(257,202)	(2)
NET INCOME		999,649	9	910,339	8
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss：	6(30)				
Remeasurement of defined benefit obligation		30,000	-	(16,652)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		813	-	3,324	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently	6(29)	(5,910)	-	2,765	-
Items that may be reclassified subsequently to profit or loss：					
Exchange differences arising on translation of foreign operations		28,255	-	(9,850)	-
Income tax benefit (expenses) related to items that may be reclassified subsequently	6(29)	(5,651)	-	1,970	-
Other comprehensive income (loss) for the year, net of income tax		47,507	-	(18,443)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 1,047,156	9	$ 891,896	8
NET INCOME ATTRIBUTABLE TO：					
Shareholders of the parent		$ 940,519	8	$ 852,244	7
Non-controlling interests		59,130	1	58,095	1
		$ 999,649	9	$ 910,339	8
TOTAL COMPREHENSIVE INCOME：					
Shareholders of the parent		$ 987,059	8	$ 834,679	7
Non-controlling interests		60,097	1	57,217	1
		$ 1,047,156	9	$ 891,896	8
EARNINGS PER SHARE (IN DOLLARS)	6(31)				
Basic earnings per share		$ 5.16		$ 4.68	
Diluted earnings per share		$ 5.16		$ 4.68	

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, 2022 AND 2021
(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, 2021	$ 1,821,403	485,403	865,445	155,570	2,486,607	(147,809)	13,167	(134,642)	5,679,786	331,568	6,011,354
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
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	5,121	(5,121)	-	-	-	-	-	-
Legal capital reserve	-	-	83,980	-	(83,980)	-	-	-	-	-	-
Cash dividends to shareholders - NT$3 per share	-	-	-	-	(546,421)	-	-	-	(546,421)	-	(546,421)
Deemed donation from shareholders - dividends give up	-	199	-	-	-	-	-	-	199	-	199
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(48,065)	(48,065)
Net income in 2022	-	-	-	-	940,519	-	-	-	940,519	59,130	999,649
Other comprehensive income (loss) in 2022	-	-	-	-	23,033	22,604	903	23,507	46,540	967	47,507
BALANCE, DECEMBER 31, 2022	$ 1,821,403	$ 485,797	$ 983,960	$ 139,763	$ 3,312,978	$ (133,085)	$ 16,829	$ (116,256)	$ 6,627,645	$ 358,418	$ 6,986,063

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,269,925	$ 1,167,541
Adjustments to reconcile profit (loss)		
Depreciation	644,118	656,417
Amortization	16,611	17,580
Expected credit losses (reversal)	1,716	(2,696)
Gain on financial assets and liabilities at fair value through profit or loss	(317)	(132)
Interest expense	73,839	58,468
Interest income	(2,601)	(1,116)
Dividend income	(1,316)	(392)
Loss (gain) on disposal of property, plant and equipment	(849)	174
Impairment loss on non-financial assets	-	13,935
Changes in operating assets and liabilities		
Notes receivable	20,665	3,625
Accounts receivable	406,710	(619,536)
Inventories	238,256	(1,286,508)
Prepayments	43,601	(17,629)
Other financial assets	270	(102)
Other current assets	4,195	(6,030)
Contract liabilities	(8,283)	25,611
Notes payable	(8,452)	55,328
Accounts payable	(469,005)	489,327
Other payables	27,419	143,070
Other current liabilities	1,703	8,348
Net defined benefit liability	(15,121)	(10,167)
Other operating liabilities	18,813	(8,260)
Cash provided from operations	2,261,897	686,856
Interest received	2,570	1,118
Dividends received	1,316	392
Interest paid	(72,993)	(55,432)
Income taxes paid	(196,291)	(112,350)
Net cash provided by operating activities	1,996,499	520,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund fund of financial assets at fair value through other comprehensive income	12	-
Acquisition of property, plant and equipment	(814,532)	(1,193,835)
Proceeds from disposal of Property, plant and equipment	2,352	3,130
Decrease in refundable deposits	417	868
Acquisition of intangible assets	(12,754)	(6,804)
Increase in other financial assets	(13,920)	(10,098)
Increase in other noncurrent assets	-	(15,909)
Net cash used in investing activities	(838,425)	(1,222,648)

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ (143,813)	$ 83,277
Decrease in short-term notes and bills payable	-	(10,000)
Proceeds from long-term loans	2,585,709	1,790,640
Repayment of long-term loans	(2,645,759)	(840,961)
Repayment of the principal portion of lease liabilities	(10,865)	(12,032)
Increase in other noncurrent liabilities	6,637	1,280
Cash dividends paid	(546,421)	(327,852)
Decrease in non-controlling interests	(48,065)	(42,399)
Net cash provided by (used in) financing activities	(802,577)	641,953
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	876	(1,754)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,373	(61,865)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	702,314	764,179
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,058,687	$ 702,314

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

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

6. 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).

7. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on February 23, 2023.

8. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued 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 Group shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

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

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

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

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

The 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 from selling such items 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 amendments clarify the cost of testing whether the asset is functioning properly. The cost assesses whether the technical and physical performance of such asset that is capable of being used in the production or supply of goods or services, and for rental to others, and/or for administrative purposes..

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

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) 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 liability, only fees paid or received between the Company (the borrower) and the lender for the new or modified contract, 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 Group's assessment, the IFRSs modifications aforementioned have no significant effect on the Group's financial position and financial performance .

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

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

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

Note 1: The Group shall apply the amendments for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting period beginning on or after January 1, 2023.

Note 3: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

(1) Amendments to IAS 1 "Disclosure of Accounting Policies"

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

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

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is changes in accounting estimates unless the change is due to an error from prior period errors.

(3) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

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

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

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

New 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 IFRS 17	January 1, 2023

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

As of the date the accompanying consolidated financial statements are issued, the Group is continuously assessing 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 2022. 12. 31	Percentage of Ownership 2021. 12. 31
The Company	SHUEN DER (B.V.I.) (B.V.I.) CO. (SHUEN DER(B.V.I.))	Investing activities	100%	100%

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership 2022. 12. 31	2021. 12. 31
SHUEN DER (B. V. I.)	SDI China (SDI(JIANGSU))	Office supplies (Blades, stationery, etc.) and manufacturing and processing of electronic components	100%	100%
The Company	CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Smelting and Rolling of metal strips	84. 62%	84. 62%
The Company	TEC BRITE TECHNOLOGY CO.,LTD. (TEC Brite Technology)	Manufacturing of electronic components and international trade	54. 98%	54. 98%

The subsidiaries consolidated in the consolidated financial statements of 2022 and 2021 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, 2022	December 31, 2021
TEC Brite Technology	45. 02%	45. 02%

Please refer to Table 7 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 2022	2021
TEC Brite Technology	$ 56,399	$ 53,893
Others	2,731	4,202
Total	$ 59,130	$ 58,095

Name of subsidiary	Non-controlling Interest December 31, 2022	December 31, 2021
TEC Brite Technology	$ 313,714	$ 301,008
Others	44,704	45,378

Name of subsidiary	Non-controlling Interest December 31, 2022	Non-controlling Interest December 31, 2021
Total	$ 358,418	$ 346,386

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

Balance sheets

	TEC Brite Technology December 31, 2022	TEC Brite Technology December 31, 2021
Current assets	$ 629,462	$ 605,628
Non-current assets	300,972	337,413
Current liabilities	(130,381)	(152,162)
Non-current liabilities	(96,393)	(115,434)
Equity	$ 703,660	$ 675,445
Equity attributable to :		
Shareholder of the parent	$ 386,872	$ 371,360
Non-controlling Interests of TEC Brite Technology	316,788	304,085
Total	$ 703,660	$ 675,445

Statements of comprehensive incomes

	TEC Brite Technology 2022	TEC Brite Technology 2021
Revenue	$ 787,357	$ 799,412
Net profit for the period	$ 125,275	$ 123,892
Other comprehensive income	1,940	(2,048)
Total comprehensive income for the period	$ 127,215	$ 121,844
Net profit attributable to :		
Shareholder of the parent	$ 68,876	$ 68,116
Non-controlling Interests of TEC Brite Technology	56,399	55,776
Total	$ 125,275	$ 123,892

	TEC Brite Technology	
	2022	2021
Total comprehensive income attributable to :		
Shareholder of the parent	$ 69,943	$ 66,990
Non-controlling interests of TEC Brite Technology	57,272	54,854
Total	$ 127,215	$ 121,844
Dividends paid to non-controlling interests		
TEC Brite Technology	$ 44,567	$ (40,516)

Statements of cash flows

	TEC Brite Technology	
	2022	2021
Net cash generated from operating activities	$ 150,333	$ 130,573
Net cash used in investing activities	(35,847)	(68,484)
Net cash used in financing activities	(115,342)	(106,083)
Net increase (decrease) in cash and cash equivalents	(856)	(43,994)
Cash and cash equivalents at beginning of year	100,585	144,579
Cash and cash equivalents at the end of year	$ 99,729	$ 100,585

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 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 settle 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 settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled 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.

D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

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. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.

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 expenses are recognized in profit or loss as 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 accounting estimates 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 ownership of the underlying assets is transferred to the Group by the end of the lease terms or if the cost of right-of-use assets reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

<u>Lease liabilities</u>

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

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

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

4.11 Intangible Assets

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

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

4.12 Impairment of non-financial assets

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

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 subsequent year when the stockholders approve to distribute 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, 2022	December 31, 2021
Cash on hand and petty cash	$ 897	$ 914
Checking accounts and demand deposits	998,725	701,400
Cash equivalents		
Redeemable bond	59,065	–
Total	$ 1,058,687	$ 702,314

(1) Time deposits with original maturities over three months was classified as other financial assets- current as of December 31, 2022 and 2021.

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

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

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

Items	December 31, 2022	December 31, 2021
Mandatorily measured at FVTPL		
Non-derivative financial assets		
Funds	$ 57,751	$ 57,434

Items	December 31, 2022	December 31, 2021
Total	$ 57,751	$ 57,434

(1) The Group recognized net profit or loss of FVTPL for the years ended December 31, 2022 and 2021 are $317 thousand and $132 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, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 123,191	$ 142,017
Less: loss allowance	(50)	(100)
Notes receivable, net	$ 123,141	$ 141,917

(1) As of December 31, 2022 and 2021 the banker's acceptance bill of the Group was $93,039 thousand and $109,918 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, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 1,992,627	$ 2,391,206
Less: loss allowance	(13,201)	(11,385)
Accounts receivable, net	$ 1,979,426	$ 2,379,821

(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.

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

December 31, 2022

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

December 31, 2021

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

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

Items	2022	2021
Balance, January 1	$ 19,644	$ 22,386
Add: Provision for (Reversal of) impairment	1,716	(2,696)

Items	2022	2021
Less: Reversal of impairment	$ (5,847)	$ –
Effect of foreign currency exchange difference	86	(46)
Balance, December 31	$ 15,599	$ 19,644

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

(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, 2022	December 31, 2021
Raw materials	$ 1,322,393	$ 1,486,234
Work-in-process	1,321,662	1,453,154
Finished goods	1,101,203	982,857
Merchandise	96,782	92,135
Inventory in transit	23,781	72,161
Total	$ 3,865,821	$ 4,086,541

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

Items	2022	2021
Loss on decline in market value of inventories	$ 2,850	$ 3,752
Inventory surplus	(184)	–
Unallocated fixed FOH	42,883	810
Loss on inventory scrap	77,336	77,592
Total	$ 122,885	$ 82,154

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

6.6 PREPAYMENTS

Items	December 31, 2022	December 31, 2021
Prepaid expenses	$ 30,502	$ 32,076
Prepayment for purchases	3,058	43,215
Input tax	22,087	22,570
Overpaid VAT	4,346	2,882
Others	7,346	9,666
Total	$ 67,339	$ 110,409

6.7 OTHER FINANCAIL ASSETS - CURRENT

Items	December 31, 2022	December 31, 2021
Pledged time deposits	$ 31,212	$ 23,906
Restricted deposits	38,455	31,284
Total	$ 69,667	$ 55,190

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, 2022	December 31, 2021
Equity instrument		
Unlisted stock	$ 2,191	$ 2,203
Valuation adjustments	18,832	18,019
Total	$ 21,023	$ 20,222

(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, 2022	December 31, 2021
Land	$ 571,471	$ 254,419
Buildings	2,387,472	2,357,039
Machinery	6,164,036	6,140,196
Molds	2,039,327	2,058,845
Other equipment	1,409,366	1,345,722
Equipment to be inspected and construction in progress	1,049,282	1,087,457
Total cost	13,620,954	13,243,678
Less: accumulated depreciation and impairment	(8,429,955)	(8,292,260)
Total	$ 5,190,999	$ 4,951,418

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2022	$ 254,419	$ 2,357,039	$ 6,140,196	$ 2,058,845	$ 1,345,722	$ 1,087,457	$ 13,243,678
Additions	-	18,517	55,059	8,825	45,385	717,796	845,582
Disposals	-	(16,822)	(269,962)	(165,977)	(71,647)	-	(524,408)
Reclassification	317,052	15,206	215,021	124,726	85,353	(757,358)	-
Effect of foreign currency exchange difference	-	13,532	23,722	12,908	4,553	1,387	56,102
Balance, December 31, 2022	$ 571,471	$ 2,387,472	$ 6,164,036	$ 2,039,327	$ 1,409,366	$ 1,049,282	$ 13,620,954
Accumulated depreciation and impairment							
Balance, January 1, 2022	$ -	$ (985,429)	$ (4,614,153)	$ (1,735,696)	$ (956,982)	$ -	$ (8,292,260)
Depreciation expense	-	(70,159)	(312,473)	(145,865)	(99,018)	-	(627,515)
Disposals	-	16,822	269,919	165,613	70,551	-	522,905
Effect of foreign currency exchange difference	-	(4,322)	(16,544)	(8,858)	(3,361)	-	(33,085)
Balance, December 31, 2022	$ -	$ (1,043,088)	$ (4,673,251)	$ (1,724,806)	$ (988,810)	$ -	$ (8,429,955)

	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 foreign currency exchange 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
Reclassification	-	-	(2,612)	-	2,612	-	-
Effect of foreign currency exchange 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)

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

(2) Please refer to Note 6.28 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, 2022	December 31, 2021
Land	$ 96,848	$ 96,840
Use right of land	78,606	77,392
Buildings	80,578	81,274
Total cost	256,032	255,506
Less: Accumulated depreciation and impairment	(54,886)	(41,652)
Total	$ 201,146	$ 213,854

	Land	Use right of land	Buildings	Total
Cost				
Balance, January 1, 2022	$ 96,840	$ 77,392	$ 81,274	$ 255,506
Additions	2,665	-	221	2,886
Derecognition	(2,657)	-	(930)	(3,587)
Effect of foreign currency exchange difference	-	1,214	13	1,227

	Land		Use right of land		Buildings		Total	
Balance, December 31, 2022	$	96,848	$	78,606	$	80,578	$	256,032
Accumulated depreciation and impairment								
Balance, January 1, 2022	$	(20,399)	$	(7,652)	$	(13,601)	$	(41,652)
Depreciation expense		(7,928)		(2,607)		(6,068)		(16,603)
Derecognition		2,657		–		819		3,476
Effect of foreign currency exchange difference		–		(104)		(3)		(107)
Balance, December 31, 2022	$	(25,670)	$	(10,363)	$	(18,853)	$	(54,886)

	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 foreign currency exchange 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 foreign currency exchange difference		–		29		–		29
Balance, December 31, 2021	$	(20,399)	$	(7,652)	$	(13,601)	$	(41,652)

(2) Lease liabilities

Items	December 31, 2022		December 31, 2021	
Current	$	10,078	$	9,436
Non-current	$	82,860	$	92,497

Range of discounts rate for lease liabilities is as follow：

	December 31, 2022	December 31, 2021
Land	0.89%~1.20%	0.90%~1.20%
Buildings	1.20%~4.13%	1.20%~4.13%

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

(3) Material lease-in activities and terms

A. Land and Buildings

The Group leases land and plants with lease terms between 2015 and 2037, and paid $4,086 thousand for guaranteed deposit for the lease. The Group and the lessor agreed that a plant may be built on the leased land by the Group. However, title deed of the plant should be registered by the lessor. The Group has the right to use the plant within the lease terms.

B. 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	2022	2021
Expenses relating to short-term leases	$ 4,379	$ 4,350
Total cash outflow for leases	$ 16,377	$ 17,635

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, 2022	December 31, 2021
Patent	$ 51,891	$ 55,416
Trademarks	1,531	2,432
Computer software	48,764	29,200
Total	102,186	87,048
Less: Accumulated amortization	(45,330)	(44,343)
Intangible assets, net	$ 56,856	$ 42,705

Items	2022			
	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 55,416	$ 2,432	$ 29,200	$ 87,048
Additions	1,200	93	29,462	30,755
Disposal	(4,725)	(994)	(10,002)	(15,721)
Effect of foreign currency exchange difference	–	–	104	104
Balance, December 31	$ 51,891	$ 1,531	$ 48,764	$ 102,186
Accumulated amortization				
Balance, January 1	$ (23,508)	$ (1,567)	$ (19,268)	$ (44,343)
Amortization expense	(5,929)	(284)	(10,398)	(16,611)
Disposal	4,725	994	10,002	15,721
Effect of foreign currency exchange difference	–	–	(97)	(97)
Balance, December 31	$ (24,712)	$ (857)	$ (19,761)	$ (45,330)

Items	2021			
	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
Disposal	(9,760)	(450)	(14,529)	(24,739)
Effect of foreign currency exchange 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
Effect of foreign currency exchange difference	–	–	23	23
Balance, December 31	$ (23,508)	$ (1,567)	$ (19,268)	$ (44,343)

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

6.12 OTHER NON-CURRENT ASSETS

Items	December 31, 2022	December 31, 2021
Prepayments for equipment	$ 50,122	$ 76,387
Refundable deposits	11,787	12,175
Overdue receivables	2,348	8,159
Less: allowance for bad debts	(2,348)	(8,159)
Prepayments for software	-	31,501
Others	1,825	735
Total	$ 63,734	$ 120,798

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, 2022	December 31, 2021
Secured loans	$ 12,078	$ 20,743
Unsecured loans	726,048	846,618
Total	$ 738,126	$ 867,361
Interest rate range	1. 60%~4. 15%	1. 20%~4. 15%

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

6.14 NOTES PAYABLE

Items	December 31, 2022	December 31, 2021
Notes payable-operating activities	$ 153,769	$ 159,924
Total	$ 153,769	$ 159,924

6.15 OTHER PAYABLES

Items	December 31, 2022	December 31, 2021
Salaries and bonuses payable	$ 371,542	$ 354,544

Items	December 31, 2022	December 31, 2021
Payable for equipment and construction	$ 106,877	$ 114,155
Payable for supplies expense	46,110	53,144
Compensation payable of employees, directors and supervisors	32,529	29,081
Payable for repairs and maintenance	27,707	27,241
Payable for utilities expense	22,684	25,083
Payable for insurance	18,011	17,398
Others	119,499	101,607
Total	$ 744,959	$ 722,253

6.16 LONG-TERM LOANS AND ITS CURRENT PORTION

Items	December 31, 2022	December 31, 2021
Unsecured loans	$ 2,469,085	$ 2,525,015
Less: current portion	(463,363)	(135,082)
Discount of government grants (Note 6.17)	(7,946)	(8,657)
Total	$ 1997,776	$ 2,381,276
Interest rate range	1. 45%~4. 56%	0. 45%~5. 18%
Year to maturity	2023 to 2027	2022 to 2027

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

(2) Under the Group's loan agreement with certain banks, the Group should meet several financial ratios and criteria. The Group had no violation of the aforementioned financial ratio regulations as of December 31, 2022 and 2021.

6.17 GOVERNMENT GRANTS

(1) The Company has obtained a $1,133,913 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, 2022, the fair value of loan is estimated to be $1,125,967 thousand. The difference $7,946 thousand between transaction price and fair value is recognized as deferred income (under other current and non-current liabilities). The

deferred revenue is recognized as other income during the loan period. The Company has recognized $4,417 thousand and $2,825 thousand in other income, $17,161 thousand and $7,547 thousand in interest expense for the loan, and has paid $12,744 thousand and $4,722 thousand interests to the bank for the years ended December 31, 2022 and 2021.

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

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

C. The Group's recognized expenses in the consolidated statement of comprehensive income were $75,198 thousand and $70,889 thousand under the contributions rates specified in the plans for the years ended December 31, 2022 and 2021, respectively.

(2) Defined benefit plans

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

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

Items	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 249,597	$ 291,842
Fair value of plan assets	(151,392)	(148,180)
Net defined benefit liability	$ 98,205	$ 143,662
Net defined benefit liability	$ 100,030	$ 144,397
Other non-current assets (Note)	$ 1,825	$ 735

Note: Net defined benefit asset of the subsidiary Chao Shin Metal was $1,825 thousands and $735 thousands for the years ended December 31, 2022 and 2021, respectively, and recognized in other non-current assets.

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

	2022		
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 291,842	$ (148,180)	$ 143,662
Service costs			
Current service cost	1,355	-	1,355
Interest expense (revenue)	2,189	(1,159)	1,030
Amounts recognized in profit and loss	3,544	(1,159)	2,385
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	-	(11,883)	(11,883)
Actuarial (gains) losses -			
Effect of changes in financial assumptions	(13,677)	-	(13,677)
Experience adjustments	$ (4,440)	$ -	$ (4,440)
Amounts recognized in other comprehensive income (losses)	(18,117)	(11,883)	(30,000)
Pension fund contributions	-	(17,842)	(17,842)
Paid pension	(27,672)	27,672	-
Balance, December 31	$ 249,597	$ (151,392)	$ 98,205

Items	2021 Present value of defined benefit obligations	2021 Fair value of plan assets	2021 Net defined benefit liability
Balance, 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, December 31	$ 291,842	$ (148,180)	$ 143,662

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

Items	2022	2021
Cost of revenue	$ 1,596	$ 1,458
Marketing expenses	140	121
General and administrative expenses	421	380
Research and development expenses	228	223
Total	$ 2,385	$ 2,182

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

Items	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 151,392	$ 148,180

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, 2022	December 31, 2021
Discount rate	1. 40%	0. 75%
Expected salary increase rate	1. 875%~2. 125%	1. 875%~2. 125%

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, 2022	December 31, 2021
Discount rate		
0.25% increase	$ (5,355)	$ (6,545)
0.25% decrease	5,538	6,779

Items	December 31, 2022		December 31, 2021	
Expected salary increase rate				
0.25% increase	$	5,353	$	6,513
0.25% decrease		(5,203)		(6,321)

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 $11,876 thousand. The weighted average maturity period of the defined benefit obligation is 7~11 years.

6.19 COMMON STOCKS

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

	2022			2021		
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, 2022.

6.20 CAPITAL SURPLUS

Items	December 31, 2022		December 31, 2021	
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		672		473
Total	$	485,797	$	485,598

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

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

6.21 RETAINED EARNINGS AND DIVIDEND POLICY

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

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

(2) Legal reserve may 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, 2022	December 31, 2021
Special reserve	$ 139,763	$ 134,642

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

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

(4) The appropriations of 2021 and 2020 earnings have been approved by shareholders' meetings held on May 27, 2022 and August 26, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

Items	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2021	For Year 2020	For Year 2021	For Year 2020
Legal reserve	$ 83,980	$ 34,535		
Special reserve	5,121	(20,928)		
Cash dividends	546,421	327,852	$ 3. 00	$ 1. 80

(5) The Company's appropriation of earnings for 2022 had been approved in the meeting of the Board of Directors held on February 23, 2023. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 96,355	
Special reserve	(23,507)	
Cash dividends	582,849	$ 3.20

The appropriations of earnings for 2022 are to be presented for approval in the shareholders' meeting to be held in May, 2023.

(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

Items	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Balance, January 1, 2022	$ (155,689)	$ 15,926	$ (139,763)
Exchange differences on translation of foreign financial statements	22,604	-	22,604

Items	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Unrealized gain (loss) on valuation of financial assets at FVTOCI	$ –	$ 903	$ 903
Balance, December 31, 2022	$ (133,085)	$ 16,829	$ (116,256)

Items	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Balance, January 1, 2021	$ (147,809)	$ 13,167	$ (134,642)
Exchange differences on translation of foreign financial statements	(7,880)	–	(7,880)
Unrealized gain (loss) on valuation of financial assets at FVTOCI	–	2,759	2,759
Balance, December 31, 2021	$ (155,689)	$ 15,926	$ (139,763)

6.23 NON-CONTROLLING INTEREST

Items	2022	2021
Balance, January 1	$ 346,386	$ 331,568
Share attributable to non-controlling interests:		
Net income	59,130	58,095
Other comprehensive income	967	(878)
Decrease in non-controlling interests	(48,065)	(42,399)
Balance, December 31	$ 358,418	$ 346,386

6.24 OPERATING REVENUE

Items	2022	2021
Revenue from contracts with customers		
Sale of goods	$ 11,692,988	$ 11,103,639

Items	2022	2021
Service revenue	$ 15,165	$ 26,287
Subtotal	11,708,153	11,129,926
Other operating revenues	16,126	22,624
Total	$ 11,724,279	$ 11,152,550

(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

Major products /Service line	2022					
	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 4,963,526	$ 1,052,503	$ 1,188,699	$ 1,023,517	$ 1,740,796	$ 9,969,041
Stationery	223,096	276,729	158,300	8,507	939,532	1,606,164
Others	32,936	11,558	9,959	49,960	28,535	132,948
Total	$ 5,219,558	$ 1,340,790	$ 1,356,958	$ 1,081,984	$ 2,708,863	$ 11,708,153

Major products /Service line	2021					
	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

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

Items	December 31, 2022	December 31, 2021
Contract liabilities -current	$ 96,448	$ 104,504

6.25 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

By nature	2022 Cost of sales	2022 Operating expense (include not operating)	2022 Total	2021 Cost of sales	2021 Operating expense (include not operating)	2021 Total
Personnel						
Salary	$ 1,166,352	$ 416,327	$ 1,582,679	$ 1,149,260	$ 410,520	$ 1,559,780
Labor insurance	102,937	29,416	132,353	93,348	27,749	121,097
Pension	62,725	14,858	77,583	54,207	18,864	73,071
Others	115,162	28,488	143,650	103,675	31,852	135,527
Depreciation	599,762	44,356	644,118	605,732	50,685	656,417
Amortization	4,178	12,433	16,611	2,355	15,225	17,580
Total	$ 2,051,116	$ 545,878	$ 2,596,994	$ 2,008,577	$ 554,895	$ 2,563,472

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

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

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

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

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

6.26 OTHER INCOME

Items	2022	2021
Rental income	$ 695	$ 592
Government subsidies	20,331	19,442
Dividend income	1,316	392
Others	16,266	16,478
Total	$ 38,608	$ 36,904

6.27 OTHER GAINS AND LOSSES

Items	2022	2021
Net gains (losses) on financial assets at FVTPL	$ 317	$ 132
Gain (losses) on disposal of property, plant and equipment	849	(174)
Gain on reversal of impairment loss / impairment loss of property, plant and equipment	-	(13,935)
Foreign exchange gain (losses), net	133,760	(20,425)
Others	(1,869)	(3,028)
Total	$ 133,057	$ (37,430)

6.28 FINANCIAL COSTS

Items	2022	2021
Interest expense		
Bank loans	$ 80,107	$ 60,565
Interest on lease liabilities	1,133	1,253
Less: capitalized amount for qualified assets	(7,401)	(3,350)
Financial costs	$ 73,839	$ 58,468
Interest capitalization rates	0. 71%~4. 32%	0. 66%~4. 32%

6.29 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2022	2021
Current income tax expense		
Current tax expense (benefit)recognized in the current year	$ 277,615	$ 241,997
Tax on unappropriated earnings	10,747	729
Adjustments on prior years	(1,970)	3,180
Current tax	286,392	245,906
Deferred income tax expense		
The origination and reversal of temporary differences	(16,116)	11,296
Deferred tax	(16,116)	11,296
Income tax expense recognized in profit or loss	$ 270,276	$ 257,202

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

Items	2022	2021
Exchange differences on translation of foreign operations	$ 5,651	$ (1,970)
Unrealized gains (losses) on financial assets at FVTOCI	(90)	565
Remeasurement of defined benefit obligation	6,000	(3,330)
Total	$ 11,561	$ (4,735)

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

Items	2022	2021
Income before tax	$ 1,269,925	$ 1,167,541
Income tax expense at the statutory rate	$ 269,745	$ 270,501

Items	2022	2021
Tax effect of adjusting items:		
Deductible items in determining taxable income	$ 7,870	$ (28,504)
Income tax on unappropriated earnings	10,747	729
Income tax adjustments on prior years	(1,970)	3,180
Net changes on deferred income tax	(16,116)	11,296
Income tax expense recognized in profit or loss	$ 270,276	$ 257,202

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%. Tax rates used by other jurisdiction shall be based on related local tax laws.

C. Income tax liabilities

Items	December 31, 2022	December 31, 2021
Income tax liabilities	$ 300,317	$ 209,988

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

	2022				
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 29,397	$ 673	$ –	$ 66	$ 30,136
Net defined benefit liability	28,024	(2,841)	(5,849)	–	19,334
Cutoff	32,746	17,041	–	–	49,787
Depreciation expense	9,422	(667)	–	152	8,907
Others	20,938	3,347	–	16	24,301
Subtotal	120,527	17,553	(5,849)	234	132,465

	2022				
Items	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	$ (197,908)	$ 5,138	$ –	$ –	$ (192,770)
Exchange differences arising on translation of foreign operations	(6,508)	–	(5,651)	–	(12,159)
Reserve for land revaluation increment tax	(103,673)	–	–	–	(103,673)
Others	(3,877)	(6,575)	(61)	43	(10,470)
Subtotal	(311,966)	(1,437)	(5,712)	43	(319,072)
Total	$ (191,439)	$ 16,116	$ (11,561)	$ 277	$ (186,607)

	2021				
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	Effect of exchange rate difference	December 31
Deferred income tax assets					
Temporary differences					
Unrealized loss on inventories	$ 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)	1,322	–	(311,966)
Total	$ (184,763)	$ (11,296)	$ 4,735	$ (115)	$ (191,439)

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

6.30 OTHER COMPREHENSIVE INCOME

Items	2022 Before tax	2022 Income tax (expense) benefit	2022 After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 30,000	$ (6,000)	$ 24,000
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	813	90	903
Subtotal	30,813	(5,910)	24,903
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	28,255	(5,651)	22,604
Subtotal	28,255	(5,651)	22,604
Total	$ 59,068	$ (11,561)	$ 47,507

Items	2021 Before tax	2021 Income tax (expense) benefit	2021 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)

6.31 EARNINGS PER SHARE

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

Items	2022	2021
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating basic earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (thousand shares)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 5. 16	$ 4. 68
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating diluted earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (thousand shares)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (thousand shares)	222	106
Weighted average number of shares outstanding for diluted earnings per share (thousand shares)	182,362	182,246
Diluted earnings per share (after tax) (in dollars)	$ 5. 16	$ 4. 68

If the Company offered to settle the compensation on bonuses paid to employees in shares or cash at its option, the company assumed that the entire amount of compensation or bonuses will be settled in shares. The resulting potential shares are included in the weighted average number of shares outstanding used in calculating diluted earnings per share if the effect is dilutive. The dilutive effect of potential shares is included in calculating diluted earnings per share until the number of shares to be distributed to employees is resolved 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, 2022 and 2021 are as follow:

A. Revenue

Related Party	2022	2021
Investors with significant influence over the Group	$ 1,986	$ 5,194
Other related parties	40,794	43,274
Total	$ 42,780	$ 48,468

Sales price 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	2022	2021
Investors with significant influence over the Group	$ 3,073	$ 2,385
Other related parties	10,337	4,643
Total	$ 13,410	$ 7,028

Purchases price 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, 2022	December 31, 2021
Accounts receivable	Investors with significant influence over the Group	$ 563	$ 233
	Other related parties	21,582	20,648
	Total	$ 22,145	$ 20,881
Other receivables	Other related parties	$ 36	$ 70

D. Payables due to related parties

Items	Related Party	December 31, 2022	December 31, 2021
Accounts payable	Investors with significant influence over the Group	$ 1,045	$ 1,078
	Other related parties	–	1,120
	Total	$ 1,045	$ 2,198
Other payables	Other related parties	$ –	$ 860

E. Property transaction

Related Party	2022	2021
Investors with significant influence over the Group	$ –	$ 38,255

F. Other transactions

Items	Related Party	2022	2021
Addition of expenses	Investors with significant influence over the Group	$ 587	$ 2,765
Deduction of expenses	Other related parties	$ 112	$ 153
Other income	Other related parties	$ 121	$ 317

(3) Compensation of key management personnel

Items	2022	2021
Short-term employee benefits	$ 65,671	$ 62,402
Post- employment benefits	481	474
Total	$ 66,152	$ 62,876

8. PLEDGED ASSETS

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

Items	December 31, 2022	December 31, 2021
Pledge time deposits (recognized as other financial assets - current)	$ 31,212	$ 23,906
Restricted deposits (recognized as other financial assets - current)	38,455	31,284
Notes receivable (the banker's acceptance notes)	73,853	65,875
Refundable deposits (recognized as other non - current assets)	514	494
Total	$ 144,034	$ 121,559

9. SIGNIFICANT CONTINGENCIY LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant commitments

A. The unused letters of credit for purchasing raw materials as of December 31, 2022 is $5,753 thousand.

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

Items	December 31, 2022	December 31, 2021
Property, plant, and equipment	$ 241,124	$ 267,514

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

i. 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, 2022		
Items	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 74,851	30.70	$ 2,297,919

Items	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
JPY	$ 193,187	0. 23	$ 45,060
Financial Liabilities			
Monetary Items			
USD	25,826	30. 70	792,867
JPY	265,942	0. 23	62,031

Items	December 31, 2021		
	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. 24	56,892

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 $14,880 thousand and $8,639 thousand for the years ended December 31, 2022 and 2021, respectively.

(b) Price risk

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

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

If the prices of these equity securities had increased/decreased by 1%, the other comprehensive income before tax would have increased/decreased by $578 thousand, $210 thousand, $574 thousand and $202 thousand for the years ended December 31, 2022, and 2021, respectively, due to the fair value of the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income increased/decreased.

(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, 2022	Carrying Amounts December 31, 2021
Fair value interest rate risk		
Financial assets	$ 600	$ 1,094
Financial liabilities	-	-
Net	$ 600	$ 1,094
Cash flow interest rate risk		
Financial assets	$ 1,061,532	$ 741,767
Financial liabilities	(3,199,265)	(3,383,719)
Net	$ (2,137,733)	$ (2,641,952)

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, affecting the Group's future cash flows. If the market interest rate increases/decreases 1%, the profit before tax will increase/decrease $21,377 thousand and $26,420 thousand for the years ended December 31, 2022 and 2021, respectively.

ii. 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, 2022 and 2021, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 15% 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 notes receivable and accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses. After assessment, the Group determined that no material impairment occurred.

iii. Liquidity risk

(a) Liquidity risk management

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

(b) Maturity analysis for financial liabilities

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

	December 31, 2022				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	$ 746,205	$ -	$ -	$ 746,205	$ 738,126
Notes payable	153,769	-	-	153,769	153,769
Accounts payable	853,766	-	-	853,766	853,766
Other payables	716,578	-	-	716,578	716,578
Lease liabilities	10,569	28,559	61,276	100,404	92,938
Long-term loan (include current portion)	505,765	2,008,675	32,736	2,547,176	2,461,139
Guarantee deposits	-	-	13,376	13,376	13,376
Total	$ 2,986,652	$ 2,037,234	$ 107,388	$ 5,131,274	$ 5,029,692

Further information on maturity analysis for lease liabilities：

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

	December 31, 2021				
Non-derivative Financial Liabilities	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

Non-derivative Financial Liabilities	December 31, 2021				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
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

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

12.3 Category of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss- current	$ 57,751	$ 57,434
Financial assets measured at amortized cost (Note 1)	3,267,068	3,314,741
Financial assets at fair value through other comprehensive income- noncurrent	21,023	20,222
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	4,936,754	5,564,450

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

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

12.4 Fair value information of financial instruments

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

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

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

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

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

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

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

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

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

	December 31, 2021			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTPL				
Funds	$ 57,434	$ -	$ -	$ 57,434

Items	December 31, 2021 Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI-noncurrent				
Equity instruments				
Unlisted stocks	$ –	$ –	$ 20,222	$ 20,222
Total	$ 57,434	$ –	$ 20,222	$ 77,656

(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	2022	2021
Financial assets at FVTOCI		
Beginning Balance	$ 20,222	$ 16,898
Unrealized valuation gains or losses on equity investments at FVTOCI	813	3,324
Derecognition	(12)	–
Effect of foreign currency exchange difference	–	–
Ending Balance	$ 21,023	$ 20,222

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:

	2022				
Items	Electronic	Stationery	Others	Eliminations	Total
Revenue					
Revenue from external customers	$ 9,969,041	$ 1,606,164	$ 149,074	$ –	$ 11,724,279
Revenue from intersegments	779,012	611,311	55,833	(1,446,156)	–
Total	$ 10,748,053	$ 2,217,475	$ 204,907	$ (1,446,156)	$ 11,724,279
Interest expenses	$ 62,100	$ 11,739	$ –	$ –	$ 73,839
Depreciation, amortization and impairment loss	$ 555,637	$ 89,156	$ 15,936	$ –	$ 660,729
Segment income (loss)	$ 1,025,196	$ 210,619	$ 34,110	$ –	$ 1,269,925
Income (loss) before tax					$ 1,269,925
Total assets					$ 12,925,999

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

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	2022	2021
China	$ 5,222,714	$ 5,113,079
Japan	1,356,958	1,278,177
Taiwan	1,342,642	1,556,685
Malaysia	1,090,293	776,401
Others	2,711,672	2,428,208
Total	$ 11,724,279	$ 11,152,550

(2) Non-current assets

Areas	December 31, 2022	December 31, 2021
Taiwan	$ 3,813,193	$ 3,709,465
China	1,685,930	1,606,400
Total	$ 5,499,123	$ 5,315,865

14.6 Major customer information

Major customers representing at least 10% of net revenue:

	2022		2021	
Client name	Amount	%	Amount	%
Group A	$ 1,887,349	16%	$ 1,674,135	15%
Group B	1,417,154	12%	1,116,490	10%
Total	$ 3,304,503	28%	$ 2,790,625	25%

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

[Appendix II] 2022 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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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, 2022. 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, 2022 are stated as follows:

1. Valuation of Inventory Impairment

   Description

   As of December 31, 2022, 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.

   How our audit addressed the matter

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

2. Revenue Recognition

   Description

Revenue is used by investors and the Company's management as a key indicator for evaluating the Company's financial or operational performance. As the Company sells its goods to Taiwan, Mainland China, Malaysia, United States and other areas, overseas warehouses are set up in response to the needs of certain international customers. The Company recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of control of a good 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 Shao, Chao Pin and Lin, Ming Shou.

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

February 23, 2023

Notice to Readers

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 713,457	6	$ 414,502	4
Notes receivable, net	6(2)	25,641	-	24,050	-
Accounts receivable, net	6(3)	1,375,174	12	1,606,606	15
Accounts receivable - related parties	7	139,882	1	143,633	1
Other receivables		12,875	-	23,601	-
Other receivables - related parties	7	8,790	-	9,481	-
Inventories, net	6(4)	2,685,228	26	2,834,928	26
Prepayments	6(5)	44,734	-	73,333	1
Other financial assets - current	6(6)	6,600	-	6,600	-
Other current assets		193	-	-	-
Total current assets		5,012,574	45	5,136,734	47
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(7)	21,023	-	20,222	-
Investments accounted for using equity method	6(8)	2,374,739	21	2,361,882	21
Property, plant and equipment	6(9)	3,245,892	30	3,091,157	28
Right-of-use assets	6(10)	166,792	2	180,460	2
Investment properties	6(11)	37,137	-	39,931	-
Intangible assets	6(12)	55,007	-	41,405	-
Deferred income tax assets	6(28)	101,675	1	90,192	1
Other noncurrent assets	6(13)	55,395	1	82,608	1
Total noncurrent assets		6,057,660	55	5,907,857	53
TOTAL		$ 11,070,234	100	$ 11,044,591	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities	6(23)	95,076	1	93,512	1
Notes payable	6(14)	3,320	-	6,288	-
Accounts payable		653,417	6	1,025,809	9
Accounts payable - related parties	7	155,900	1	161,606	1
Other payables	6(15)	582,088	5	553,297	5
Other payables - related parties	7	2,738	-	2,663	-
Current income tax liabilities	6(28)	266,713	3	171,759	2
Lease liabilities - current	6(10)	12,537	-	11,994	-
Long-term liabilities - current portion	6(16)	311,103	3	80,833	1
Other current liabilities		23,404	-	19,891	-
Total current liabilities		2,106,296	19	2,127,652	19
NONCURRENT LIABILITIES					
Long term loans	6(16)	1,834,864	16	2,159,256	20
Deferred income tax liabilities	6(28)	286,865	3	287,065	3
Lease liabilities - noncurrent	6(10)	115,660	1	127,231	1
Net defined benefit liability - noncurrent	6(18)	90,832	1	132,736	1
Other noncurrent liabilities	6(17)	8,072	-	23,843	-
Total noncurrent liabilities		2,336,293	21	2,730,131	25
Total liabilities		4,442,589	40	4,857,783	44
EQUITIES					
Common stocks	6(19)	1,821,403	16	1,821,403	16
Capital surplus	6(20)	485,797	4	485,598	4
Retained earnings	6(21)				
Legal capital reserve		983,960	9	899,980	8
Special capital reserve		139,763	1	134,642	1
Unappropriated earnings		3,312,978	31	2,984,948	28
Others	6(22)	(116,256)	(1)	(139,763)	(1)
Total equity		6,627,645	60	6,186,808	56
TOTAL		$ 11,070,234	100	$ 11,044,591	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, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	NOTES	2022 Amount	2022 %	2021 Amount	2021 %
NET REVENUE	6(23)、7	$ 9,142,725	100	$ 8,247,659	100
COST OF REVENUE	6(24)	(7,537,227)	(82)	(6,743,958)	(82)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		1,605,498	18	1,503,701	18
Unrealized gross profit on sales		(37,638)	-	(34,044)	-
Realized gross profit on sales		34,044	-	33,145	-
GROSS PROFIT		1,601,904	18	1,502,802	18
OPERATING EXPENSES	6(24)				
Marketing		(220,604)	(2)	(211,496)	(3)
General and administrative		(228,949)	(3)	(221,062)	(3)
Research and development		(199,319)	(2)	(204,434)	(2)
Total operating expenses		(648,872)	(7)	(636,992)	(8)
OPERATING PROFIT		953,032	11	865,810	10
NONOPERATING INCOME AND EXPENSES					
Interest income		1,027	-	166	-
Other income	6(17)、6(25)	48,776	-	65,992	1
Other gains and losses	6(26)	137,577	1	(23,504)	-
Finance costs	6(27)	(27,642)	-	(12,643)	-
Share of profits of subsidiaries and associates		59,474	1	152,158	1
Total nonoperating income and expenses		219,212	2	182,169	2
INCOME BEFORE INCOME TAX		1,172,244	13	1,047,979	12
INCOME TAX EXPENSE	6(28)	(231,725)	(3)	(195,735)	(2)
NET INCOME		940,519	10	852,244	10
OTHER COMPREHENSIVE INCOME (LOSS)	6(26)				
Items that will not be reclassified subsequently to profit or loss:	6(29)				
Remeasurement of defined benefit obligation		26,820	1	(14,453)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		813	-	3,324	-
Share of other comprehensive income (loss) of subsidiaries and associates		1,577	-	(882)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(29)	(5,274)	-	2,326	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		28,255	-	(9,850)	-
Income tax benefit (expense) related to items that may be reclassified subsequently		(5,651)	-	1,970	-
Other comprehensive income (loss) for the year, net of income tax		46,540	1	(17,565)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 987,059	11	$ 834,679	10
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(30)	$ 5.16		$ 4.68	
Diluted earnings per share		$ 5.16		$ 4.68	

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, 2022 AND 2021
(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, 2021	$ 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$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)
Deemed donation from shareholders-dividends give up	-	195	-	-	-	-	-	-	195
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)
BALANCE, DECEMBER 31, 2021	1,821,403	485,598	899,980	134,642	2,984,948	(155,689)	15,926	(139,763)	6,186,808
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	5,121	(5,121)	-	-	-	-
Legal capital reserve	-	-	83,980	-	(83,980)	-	-	-	-
Cash dividends to shareholders - NT$ 3 per share	-	-	-	-	(546,421)	-	-	-	(546,421)
Deemed donation from shareholders-dividends give up	-	199	-	-	-	-	-	-	199
Net income in 2022	-	-	-	-	940,519	-	-	-	940,519
Other comprehensive income (loss) in 2022	-	-	-	-	23,033	22,604	903	23,507	46,540
BALANCE, DECEMBER 31, 2022	$ 1,821,403	$ 485,797	$ 983,960	$ 139,763	$ 3,312,978	$ (133,085)	$ 16,829	$ (116,256)	$ 6,627,645

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 1,172,244	$ 1,047,979
Adjustments to reconcile profit (loss)		
Depreciation	389,076	410,935
Amortization	14,618	15,195
Unrealized (realized) gross profit on subsidiaries	2,764	(291)
Interest expense	27,642	12,643
Interest income	(1,027)	(166)
Dividend income	(1,316)	(392)
Share of profits of subsidiaries accounted for under equity method	(59,474)	(152,158)
Gain on disposal of property, plant and equipment	(1,361)	(1,504)
Net changes in operating assets and liabilities		
Notes receivable	(1,591)	(9,421)
Accounts receivable	231,432	(457,372)
Accounts receivable - related parties	3,751	(89,632)
Other receivables	9,584	28,249
Other receivables - related parties	691	8,015
Inventories	149,700	(1,026,843)
Prepayments	28,599	(16,378)
Other current assets	966	(4,304)
Contract liabilities	1,564	16,766
Notes payable	(2,968)	1,602
Accounts payable	(372,392)	372,280
Accounts payable - related parties	(5,706)	48,172
Other payables	36,654	135,413
Other payables - related parties	75	(9,874)
Other current liabilities	1,660	8,168
Net defined benefit liability	(15,083)	(10,057)
Other operating liabilities	(13,145)	(7,314)
Cash provided from operations	1,596,957	319,711
Interest received	1,010	168
Dividends received	75,002	60,243
Interest paid	(26,674)	(10,617)
Income taxes paid	(159,379)	(77,164)
Net cash provided by operating activities	1,486,916	292,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund fund of financial assets at fair value through other comprehensive income	12	-
Acquisition of property, plant and equipment	(525,484)	(876,774)
Proceeds from disposal of Property, plant and equipment	1,521	2,755
Decrease in refundable deposits	417	450
Acquisition of intangible assets	(10,220)	(5,757)
Decrease in other financial assets	-	200
Increase in other noncurrent assets	-	(15,909)
Net cash used in investing activities	(533,754)	(895,035)

(Continued)

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	$ 2,446,000	$ 1,617,080
Repayment of long-term loans	(2,540,834)	(743,333)
Repayments of the principal portion of lease liabilities	(12,892)	(14,307)
Decrease in other noncurrent liabilities	(60)	-
Cash dividends paid	(546,421)	(327,852)
Net cash provided by (used in) financing activities	(654,207)	531,588
NET DECREASE IN CASH AND CASH EQUIVALENTS	298,955	(71,106)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	414,502	485,608
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 713,457	$ 414,502

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 23, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

New standards, interpretations and amendments endorsed by the FSC and effective from 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)

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB(Note 1)

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 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, 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"

The 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 from selling such items 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 amendments clarify the cost of testing whether the asset is functioning properly. The cost assesses whether the technical and physical performance of such asset that is capable of being used in the production or supply of goods or services, and for rental to others, and/or for administrative purposes.

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

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) 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 liability, only fees paid or received between the Company (the borrower) and the lender for the new or modified contract, 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 IFRSs modifications aforementioned have no significant effect on the Company'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 2023 are as follows:

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

Note 1: The Company shall apply the amendments for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting period beginning on or after January 1, 2023.

Note 3: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

(1) Amendments to IAS 1 "Disclosure of Accounting Policies"

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

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

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is changes in accounting estimates unless the change is due to an error from prior period errors.

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

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

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

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

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

New 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 IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

As of the date the accompanying consolidated financial statements are issued, the Company is continuously assessing 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 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 settle 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 settled within the normal operating cycle;
(b) Liabilities arising mainly from trading activities;
(c) Liabilities that are to be settled 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.

D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

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. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such items and the cost of those item are recognized in profit or loss.

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 expenses are recognized in profit or loss as 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 accounting estimates 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 ownership of the underlying assets is transferred 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, respectively.

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 subsequent year when the stockholders approve to distribute 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, 2022	December 31, 2021
Cash on hand and petty cash	$ 507	$ 556
Checking accounts and demand deposits	712,950	413,946
Total	$ 713,457	$ 414,502

(1) Time deposits with original maturities over three months are classified as other financial assets-current as of December 31, 2022 and 2021.

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

6.2 NOTES RECEIVABLE

Items	December 31, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 25,641	$ 24,050
Less: loss allowance	–	–
Notes receivable, net	$ 25,641	$ 24,050

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

6.3 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 1,383,127	$ 1,614,559
Less: loss allowance	(7,953)	(7,953)
Accounts receivable, net	$ 1,375,174	$ 1,606,606

(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.

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

December 31, 2022

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,528,392	$ (7,932)	$ 1,520,460
Past due but not impaired			
Past due within 30 days	11,315	(21)	11,294
Past due 31-90 days	8,102	-	8,102
Past due 91-180 days	841	-	841
Past due 181-365 days	-	-	-
Past due over 365 days	-	-	-
Total	$ 1,548,650	$ (7,953)	$ 1,540,697

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

December 31, 2021

Aging terms	Gross carrying amount		Loss allowance (lifetime ECLs)		Amortized cost	
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

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

Items	2022		2021	
Balance, January 1	$	13,800	$	13,800
Add：Provision for (Reversal of) impairment		–		–
Less: Reversal of impairment		(5,847)		–
Balance, December 31	$	7,953	$	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, 2022		December 31, 2021	
Work-in-process	$	983,108	$	977,917
Finished goods		810,513		746,090
Raw materials		788,637		964,384
Merchandise		93,671		92,644
Inventory in transit		9,299		53,893

Items	December 31, 2022	December 31, 2021
Total	$ 2,685,228	$ 2,834,928

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

Items	2022	2021
Loss on decline (gain on reversal) in market value of inventories	$ 900	$ (6,000)
Unallocated fixed FOH	3,814	810
Loss on inventory given up	36,696	43,990
Total	$ 41,410	$ 38,800

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

6.5 PREPAYMENTS

Items	December 31, 2022	December 31, 2021
Prepaid expenses	$ 22,152	$ 20,960
Prepayment for purchases	294	36,134
Input tax	22,088	16,039
Others	200	200
Total	$ 44,734	$ 73,333

6.6 OTHER FINANCAIL ASSETS – CURRENT

Items	December 31, 2022	December 31, 2021
Pledged time deposits	$ 6,600	$ 6,600
Total	$ 6,600	$ 6,600

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, 2022		December 31, 2021	
Equity instruments				
Unlisted stocks	$	2,191	$	2,203
Valuation adjustment		18,832		18,019
Total	$	21,023	$	20,222

(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, 2022		December 31, 2021	
Subsidiaries	$	2,374,739	$	2,361,882

	Carrying Amount			
Subsidiaries	December 31, 2022		December 31, 2021	
CHAO SHIN METAL INDUSTRIAL CORPORATION	$	246,657	$	250,215
TEC BRITE TECHNOLOGY CO., LTD		386,232		370,307
SHUEN DER(B. V. I)CO.		1,741,850		1,741,360
	$	2,374,739	$	2,361,882

	% of Ownership and Voting Rights Held by the Company	
Subsidiaries	December 31, 2022	December 31, 2021
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 2022

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 2022 and 2021 are recognized according to the audited financial statements for the same periods.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2022	December 31, 2021
Land	$ 490,464	$ 173,412
Buildings	1,350,149	1,327,446
Machinery	3,807,056	3,865,408
Molds	1,292,492	1,367,242
Other equipment	924,795	872,391
Equipment to be inspected and construction in progress	847,329	973,422
Total cost	8,712,285	8,579,321
Less: accumulated depreciation and impairment	(5,466,393)	(5,488,164)
Total	$ 3,245,892	$ 3,091,157

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2022	$ 173,412	$ 1,327,446	$ 3,865,408	$ 1,367,242	$ 872,391	$ 973,422	$ 8,579,321
Additions	–	8,446	44,349	8,825	44,131	418,982	524,733
Disposals	–	–	(206,986)	(134,566)	(50,217)	–	(391,769)
Reclassification	317,052	14,257	104,285	50,991	58,490	(545,075)	–
Balance, December 31, 2022	$ 490,464	$ 1,350,149	$ 3,807,056	$ 1,292,492	$ 924,795	$ 847,329	$ 8,712,285
Accumulated depreciation and impairment							
Balance, January 1, 2022	$ –	$ (589,360)	$ (3,009,430)	$ (1,278,007)	$ (611,367)	$ –	$ (5,488,164)
Depreciation expense	–	(40,883)	(180,111)	(79,192)	(69,652)	–	(369,838)
Disposals	–	–	206,943	134,449	50,217	–	391,609
Balance, December 31, 2022	$ –	$ (630,243)	$ (2,982,598)	$ (1,222,750)	$ (630,802)	$ –	$ (5,466,393)

	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)	$ (3,009,360)	$ (1,278,007)	$ (611,367)	$ –	$ (5,488,164)

(1) In order to fulfill operational and productivity expansion strategies, the Company built a plant in Nantou Industrial Park. The project has still not been completed, please refer to table 3 for relevant information.
(2) Please refer to Note 6(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, 2022	December 31, 2021
Land	$ 141,824	$ 141,816
Buildings	79,751	80,460
Total cost	221,575	222,276
Less: Accumulated depreciation and impairment	(54,783)	(41,816)
Total	$ 166,792	$ 180,460

	Land	Buildings	Total
Cost			
Balance, January 1, 2022	$ 141,816	$ 80,460	$ 222,276
Additions	2,665	221	2,886
Derecognition	(2,657)	(930)	(3,587)

	Land		Buildings		Total	
Balance, December 31, 2022	$	141,824	$	79,751	$	221,575
Accumulated depreciation and impairment						
Balance, January 1, 2022	$	(28,577)	$	(13,239)	$	(41,816)
Depreciation expense		(10,654)		(5,790)		(16,444)
Derecognition		2,658		819		3,477
Balance, December 31, 2022	$	(36,573)	$	(18,210)	$	(54,783)

	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)

(2) Lease liabilities

Items	December 31, 2022		December 31, 2021	
Current	$	12,537	$	11,994
Non-current	$	115,660	$	127,231

Range of discounts rate for lease liabilities was as follow:

	December 31, 2022	December 31, 2021
Land	0.89%~1. 20%	0.90%~1. 20%
Buildings	1. 20%	1. 20%

Please refer to Note 12 for information on the maturity analysis of the 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 $4,086 thousand for 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	2022	2021
Expenses relating to short-term leases	$ 3,650	$ 3,414
Total cash outflow for leases	$ 18,093	$ 19,411

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, 2022	December 31, 2021
Buildings	$ 99,629	$ 99,629
Less: Accumulated depreciation	(62,492)	(59,698)
Total	$ 37,137	$ 39,931

Items	2022	2021
Cost		
Balance, January 1	$ 99,629	$ 99,629
Balance, December 31	$ 99,629	$ 99,629

Items	2022	2021
Accumulated depreciation and impairment		
Balance, January 1	$ (59,698)	$ (56,904)
Depreciation expense	(2,794)	(2,794)
Balance, December 31	$ (62,492)	$ (59,698)

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

Items	2022	2021
Rent revenue from investment property	$ 18,144	$ 18,144
Direct operating expenses from the investment of property that generated rental income during the period	$ 2,892	$ 3,216

B. The lease term for buildings under operating leases is 2 years. The lessees do not have an option to acquire the assets at the expiry of the lease periods. Rental income for 2022 was the same as 2021 and amounted to 18,144 thousand. As of December 31, 2022 and 2021, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31, 2022	December 31, 2021
Not later than 1 year	$ 18,144	$ 18,144
Later than 1 year and not later than 5 years	18,144	36,288
Total	$ 36,288	$ 54,432

C. The Company’s investment property had a fair value of $78,000 thousand and $72,000 thousand as of December 31, 2022 and 2021, respectively. The fair value was not assessed by any independent appraiser but was determined by the Company's management based on the trading price of similar properties on the open market.

D. The investment property of the Company is not pledged to others.

6.12 INTANGIBLE ASSETS

Items	December 31, 2022	December 31, 2021
Patents	$ 51,891	$ 55,416
Trademarks	1,531	2,432
Computer software	41,802	21,843
Total	95,224	79,691
Less: Accumulated amortization	(40,217)	(38,286)
Intangible assets, net	$ 55,007	$ 41,405

	2022			
Items	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 55,416	$ 2,432	$ 21,843	$ 79,691
Additions	1,200	93	26,927	28,220
Disposals	(4,725)	(994)	(6,968)	(12,687)
Balance, December 31	$ 51,891	$ 1,531	$ 41,802	$ 95,224
Accumulated amortization				
Balance, January 1	$ (23,508)	$ (1,567)	$ (13,211)	$ (38,286)
Amortization expense	(5,929)	(284)	(8,405)	(14,618)
Disposals	4,725	994	6,968	12,687
Balance, December 31	$ (24,712)	$ (857)	$ (14,648)	$ (40,217)

	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)

	2021			
Items	Patent	Trademarks	Computer software	Total
Disposals	$ 9,760	$ 450	$ 12,721	$ 22,931
Balance, December 31	$ (23,508)	$ (1,567)	$ (13,211)	$ (38,286)

6.13 OTHER NON-CURRENT ASSETS

Items	December 31, 2022	December 31, 2021
Prepayments for equipment	$ 45,431	$ 40,727
Refundable deposits	9,964	10,381
Overdue receivables	-	5,847
Less: allowance for bad debts	-	(5,847)
Prepayments for software	-	31,500
Total	$ 55,395	$ 82,608

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

6.14 NOTES PAYABLE

Items	December 31, 2022	December 31, 2021
Notes payable - operating activities	$ 3,320	$ 6,288
Total	$ 3,320	$ 6,288

6.15 OTHER PAYABLES

Items	December 31, 2022	December 31, 2021
Salaries and bonuses payable	$ 300,968	$ 276,594
Payable for equipment and construction	90,090	98,198
Payable for supplies expense	35,333	39,048
Compensation payable to employees, directors and supervisors	32,529	29,081
Payable for repairs and maintenance expense	23,151	21,015

Items	December 31, 2022	December 31, 2021
Payable for insurance	$ 15,405	$ 15,189
Payable for utilities expense	14,166	13,523
Others	70,446	60,649
Total	$ 582,088	$ 553,297

6.16 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31, 2022	December 31, 2021
Unsecured loans	$ 2,153,913	$ 2,248,746
Less: current portion	(311,103)	(80,833)
Discount of government grants (Note 6.17)	(7,946)	(8,657)
Total	$ 1,834,864	$ 2,159,256
Interest rates range	1. 45%~1. 86%	0. 45%~0. 98%
Year to maturity	2023 to 2027	2022 to 2037

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

(2) Under the Company's loan agreement with certain banks, the Company should meet several financial ratios and criteria. The Company had no violation of the aforementioned financial ratio regulations as of December 31, 2022 and 2021.

6.17 GOVERNMENT GRANTS

(1) The Company has obtained a $1,133,913 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, 2022, the fair value of loan is estimated to be $1,125,967 thousand. The difference $7,946 thousand between transaction price and fair value is recognized as deferred income (under other current and non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $4,417 thousand and $2,825 thousand in other income, $17,161 thousand and $7,547 thousand in interest expense for the loan, and has paid $12,744 thousand and $4,722 thousand interests to the bank for the years ended December 31, 2022 and 2021.

(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 $35,564 thousand and $40,113 thousand under the contributions rates specified in the plans for years ended December 31, 2022 and 2021, 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, 2022	December 31, 2021
Present value of defined benefit obligations	$ 223,398	$ 257,918
Fair value of plan assets	(132,566)	(125,182)
Net defined benefit liability	$ 90,832	$ 132,736

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

Items	2022 Present value of defined benefit obligations	2022 Fair value of plan assets	2022 Net defined benefit liability
Balance, January 1	$ 257,918	$ (125,182)	$ 132,736
Service costs			
Current service cost	1,087	–	1,087
Interest expense(revenue)	1,934	(983)	951
Amounts recognized in profit and loss	3,021	(983)	2,038
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(10,163)	(10,163)
Actuarial (gains) losses -			
Effect of changes in financial assumptions	(12,314)	–	(12,314)
Experience adjustments	(4,343)	–	(4,343)
Amounts recognized in other comprehensive income (losses)	(16,657)	(10,163)	(26,820)
Pension fund contributions	–	(17,122)	(17,122)
Paid pension	(20,884)	20,884	–
Balance, December 31	$ 223,398	$ (132,566)	$ 90,832

Items	2021 Present value of defined benefit obligations	2021 Fair value of plan assets	2021 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)

Items	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
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

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

Items	2022	2021
Cost of revenue	$ 1,319	$ 1,192
Marketing expenses	133	98
General and administrative expenses	362	304
Research and development expenses	224	215
Total	$ 2,038	$ 1,809

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

Item	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 132,566	$ 125,182

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, 2022	December 31, 2021
Discount rate	1. 40%	0. 75%
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, 2022	December 31, 2021
Discount rate		
0.25% increase	$ (4,821)	$ (5,820)
0.25% decrease	4,986	6,029
Expected salary increase rate		
0.25% increase	4,819	5,792
0.25% decrease	(4,684)	(5,621)

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 Company expects to make to its defined benefit pension plans in next year is $11,156 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:

Items	2022		2021	
	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, 2022.

6.20 CAPITAL SURPLUS

Item	December 31, 2022	December 31, 2021
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	672	473
Total	$ 485,797	$ 485,598

(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, 2022	December 31, 2021
Special reserve	$ 139,763	$ 134,642

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

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

(4) The appropriations of 2021 and 2020 earnings have been approved by shareholders' meetings held on May 27, 2022 and August 26, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
Items	For Year 2021	For Year 2020	For Year 2021	For Year 2020
Legal reserve	$ 83,980	$ 34,535		
Special reserve	5,121	(20,928)		

Items	Appropriation of Earnings For Year 2021	Appropriation of Earnings For Year 2020	Dividends Per Share (NT$) For Year 2021	Dividends Per Share (NT$) For Year 2020
Cash dividends	$ 546,421	$ 327,852	$ 3.00	$ 1.80

(5) The Company's appropriation of earnings for 2022 had been approved in the meeting of the Board of Directors held on February 23, 2023. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 96,355	
Special reserve	(23,507)	
Cash dividends	582,849	$ 3.20

The appropriations of earnings for 2022 are to be presented for approval in the shareholders' meeting to be held in May, 2023.

(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 gain (loss) on valuation of financial assets at FVTOCI	Total
Balance, January 1, 2022	$ (155,689)	$ 15,926	$ (139,763)
Exchange differences on translation of foreign financial statements	22,604	-	22,604
Unrealized gain (loss) on valuation of financial assets at FVTOCI	-	903	903
Balance, December 31, 2022	$ (133,085)	$ 16,829	$ (116,256)
Balance, January 1, 2021	$ (147,809)	$ 13,167	$ (134,642)
Exchange differences on translation of foreign financial statements	(7,880)	-	(7,880)

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Unrealized gain (loss) on valuation of financial assets at FVTOCI	$ -	$ 2,759	$ 2,759
Balance, December 31, 2021	$ (155,689)	$ 15,926	$ (139,763)

6.23 OPERATING REVENUE

Items	2022	2021
Revenue from contracts with customers		
Sale of goods	$ 9,129,580	$ 8,225,981
Other operating revenues	13,145	21,678
Total	$ 9,142,725	$ 8,247,659

(1) Description of customer contract

The Company is mainly engaged in the sale of lead frames and stationery products. The main 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	2022					
	China	Taiwan	Japan	Malaysia	Others	Total
Electronic	$ 2,988,706	$ 796,841	$ 1,188,668	$ 1,027,468	$ 1,689,760	$ 7,691,443
Stationery	28,635	541,280	76,730	7,430	595,282	1,249,357
Others	88,769	11,558	9,959	49,959	28,535	188,780
Total	$ 3,106,110	$ 1,349,679	$ 1,275,357	$ 1,084,857	$ 2,313,577	$ 9,129,580

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

Major products /Service line	2021 China	Taiwan	Japan	Malaysia	Others	Total
Total	$ 2,868,348	$ 1,414,249	$ 1,160,880	$ 751,299	$ 2,031,205	$ 8,225,981

(3) The Company recognizes contract liabilities arising from contracts with customers as follows:

Items	December 31, 2022	December 31, 2021
Contract liabilities - current	$ 95,076	$ 93,512

6.24 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

By nature	2022 Cost of sales	2022 Operating expense (include not operating)	2022 Total	2021 Cost of sales	2021 Operating expense (include not operating)	2021 Total
Personnel						
Salary	$ 780,453	$ 335,954	$ 1,116,407	$ 751,128	$ 320,533	$ 1,071,661
Remuneration to directors	–	15,437	15,437	–	13,630	13,630
Labor insurance	75,059	21,602	96,661	68,925	21,192	90,117
Pension	27,845	9,757	37,602	27,076	14,846	41,922
Other	73,029	12,737	85,766	63,992	16,390	80,382
Depreciation	356,623	32,453	389,076	376,305	34,630	410,935
Amortization	3,779	10,839	14,618	849	14,346	15,195
Total	$ 1,316,788	$ 438,779	$ 1,755,567	$ 1,288,275	$ 435,567	$ 1,723,842

(1) The average numbers of employees of the Company in 2022 and 2021 were 1,519 and 1,490, respectively. The numbers of non-employee Directors were 6 and 6 for 2022 and 2021, respectively.

(2) The average employee benefits expenses were $883 thousand and $865 thousand for 2022 and 2021, respectively.

(3) The average salaries were $738 thousand and $722 thousand for 2022 and 2021, respectively. The average salaries of 2022 and 2021 increased by 20%.

(4) The supervisors' remuneration for 2021 was $40 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' 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' remuneration for 2022 and 2021 have been approved by the board of directors held on February 23, 2023, and February 24, 2022, respectively. The amount of approved and recognized in financial statement is shown as follows.

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

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

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

6.25 OTHER INCOME

Items	2022	2021
Rental income	$ 19,583	$ 19,480
Government subsidies	8,863	11,046
Dividend income	1,316	392
Commission income	89	11,914
Others	18,925	23,160
Total	$ 48,776	$ 65,992

6.26 OTHER GAINS AND LOSSES

Items	2022	2021
Foreign exchange gains (losses), net	$ 139,538	$ (22,357)
Gain on disposal of property, plant and equipment	2,192	2,694
Others	(4,153)	(3,841)
Total	$ 137,577	$ (23,504)

6.27 FINANCIAL COSTS

Items	2022	2021
Interest expense		
Bank loans	$ 31,630	$ 13,767
Interest on lease liabilities	1,551	1,690
Less: capitalized amount for qualified assets	(5,539)	(2,814)
Financial costs	$ 27,642	$ 12,643
Interest capitalization rates	0. 71%~1. 60%	0. 66%~0. 71%

6.28 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2022	2021
Current income tax expense		
Current tax expense (benefit) recognized in the current year	$ 242,429	$ 185,729
Tax on unappropriated earnings	10,214	195
Adjustments for prior years	1,690	3,110
Current tax	254,333	189,034
Deferred income tax expense		
The origination and reversal of temporary differences	(22,608)	6,701
Deferred tax	(22,608)	6,701
Income tax expense recognized in profit or loss	$ 231,725	$ 195,735

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

Items	2022	2021
Exchange differences on translation of foreign operations	$ 5,651	$ (1,970)
Unrealized gains (losses) on financial assets at FVTOCI	(90)	565
Remeasurement of defined benefit obligation	5,364	(2,891)
Total	$ 10,925	$ (4,296)

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

Items	2022	2021
Income before tax	$ 1,172,244	$ 1,047,979
Income tax expense at the statutory rate	$ 234,449	$ 209,596
Tax effect of adjusting items:		
Deductible items in determining taxable income	7,980	(23,867)
Income tax on unappropriated earnings	10,214	195
Income tax adjustments on prior years	1,690	3,110
Net changes on deferred income tax	(22,608)	6,701
Income tax expense recognized in profit or loss	$ 231,725	$ 195,735

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, 2022	December 31, 2021
Income tax liabilities	$ 266,713	$ 171,759

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

Items	2022			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 21,700	$ 180	$ -	$ 21,880
Net defined benefit liability	25,691	(2,833)	(5,364)	17,494
Cutoff	32,869	16,918	-	49,787
Others	9,932	2,582	-	12,514
Subtotal	90,192	16,847	(5,364)	101,675
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(197,908)	5,138	-	(192,770)
Exchange differences arising on translation of foreign operations	(6,508)	-	(5,651)	(12,159)
Reserve for land revaluation increment tax	(78,957)	-	-	(78,957)
Others	(3,692)	623	90	(2,979)
Subtotal	(287,065)	5,761	(5,561)	(286,865)
Total	$ (196,873)	$ 22,608	$ (10,925)	$ (185,190)

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

Items	2021 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
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)

E. The income tax returns of the Company have examined through 2020 by tax authority.

6.29 OTHER COMPREHENSIVE INCOME

Items	2022 Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 26,820	$ (5,364)	$ 21,456
Share of other comprehensive income of investments accounted for using the equity method	1,577	–	1,577

Items	2022 Before tax	2022 Income tax (expense) benefit	2022 After tax
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	$ 813	$ 90	$ 903
Subtotal	29,210	(5,274)	23,936
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	28,255	(5,651)	22,604
Subtotal	28,255	(5,651)	22,604
Total	$ 57,465	$ (10,925)	$ 46,540

Items	2021 Before tax	2021 Income tax (expense) benefit	2021 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)
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)

6.30 EARNINGS PER SHARE

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

Items	2022	2021
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating basic earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 5.16	$ 4. 68
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating diluted earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (share in thousands)	222	106
Weighted average number of shares outstanding for diluted earnings per share (thousand shares)	182,362	182,246
Diluted earnings per share (after tax) (in dollars)	$ 5.16	$ 4. 68

If the Company offered to settle the compensation on bonuses paid to employees in shares or cash at its option, the company assumed that the entire amount of compensation or bonuses will be settled in shares. The resulting potential shares are included in the weighted average number of shares outstanding used in calculating diluted earnings per share if the effect is dilutive. The dilutive effect of potential shares is included in calculating 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, 2022 and 2021 are as follow:

(a) Revenue

Related Party	2022		2021	
Subsidiaries	$	200,567	$	224,657
Other related parties		35,187		35,548
Total	$	235,754	$	260,205

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	2022		2021	
Subsidiaries	$	296,653	$	233,465
SDI (JIANGSU)		854,068		769,208
Other related parties		10,337		4,643
Total	$	1,161,058	$	1,007,316

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, 2022	December 31, 2021
Accounts receivable	Subsidiaries	$ 118,461	$ 126,323
	Other related parties	21,421	17,310
	Total	$ 139,882	$ 143,633
Other receivables	Subsidiaries	$ 477	$ 792
	TEC Brite Technology	8,116	8,571
	Other related parties	197	118
	Total	$ 8,790	$ 9,481

(d) Payables due to related parties

Items	Related Party	December 31, 2022	December 31, 2021
Accounts payable	Subsidiaries	$ 58,020	$ 74,537
	TEC Brite Technology	97,880	85,949
	Other related parties	–	1,120
	Total	$ 155,900	$ 161,606
Other payables	Subsidiaries	$ 2,738	$ 1,803
	Other related parties	–	860
	Total	$ 2,738	$ 2,663

(e) Property transactions

(1) Disposal of property, plant and equipment

	2022		2021	
Related Party	Price	Profit (Loss)	Price	Profit (Loss)
Subsidiaries	$ 146	$ 29	$ 117	$ 16
Total	$ 146	$ 29	$ 117	$ 16

The unrealized gains from selling equipment as mentioned above have been deferred.

(f)Selling parts

Related Party	2022 Price	2022 Profit (Loss)	2021 Price	2021 Profit (Loss)
Subsidiaries	$ 147	$ 13	$ 2,333	$ 243

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, 2022	December 31, 2021
SDI(JIANGSU)	Banking facilities	$ 1,355,685	$ 1,436,168
	Total	$ 1,355,685	$ 1,436,168

(h) Other transactions

Items	Related Party	2022	2021
Processing fee	Chao Shin Metal	$ 3,996	$ 6,747
Other expenses	Subsidiaries	$ 9,314	$ 8,312
	Total	$ 9,314	$ 8,312
Rental income	Subsidiaries	$ 144	$ 144
	TEC Brite Technology	18,744	18,744
	Total	$ 18,888	$ 18,888
Other income	Subsidiaries	$ 7,367	$ 20,681
	Other related parties	133	317
	Total	$ 7,500	$ 20,998
Deduction of expenses	Subsidiaries	$ 4,464	$ 7,281
	Other related parties	252	153
	Total	$ 4,716	$ 7,434

(i) Lease agreement

Items	Related Party	December 31, 2022	December 31, 2021
Lease liabilities－current	Chao Shin Metal	$ 3,127	$ 2,571
Lease liabilities－non-current	Chao Shin Metal	$ 32,275	$ 34,876

Items	Related Party	2022	2021
Depreciation	Subsidiaries	$ 2,726	$ 2,726
Interests expense	Subsidiaries	$ 429	$ 460

C. Compensation of key management personnel

Items	2022	2021
Short-term employee benefits	$ 63,311	$ 58,045
Post- employment benefits	481	474
Total	$ 63,792	$ 58,519

8. PLEDGED ASSETS

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

Items	December 31, 2022	December 31, 2021
Pledge time deposit (recognized as other financial assets - current)	$ 6,600	$ 6,600
Refundable deposits (recognized as other non-current assets)	514	494
Total	$ 7,114	$ 7,094

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

(1) Capital expenditures committed but not yet incurred are as follows:

Items	December 31, 2022	December 31, 2021
Property, plant, and equipment	$ 187,561	$ 190,286

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

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

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

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

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

Significant financial risks and degrees of financial risks

A. Market risk

a. Foreign exchange risk

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

ii. Sensitivity analysis of foreign currency risk

Items	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 63,547	30. 70	$ 1,950,901
JPY	156,149	0. 23	36,421
Non-monetary Items			
Investments accounted for using equity method			
USD	58,017	30. 70	1,781,130
Financial Liabilities			
Monetary Items			
USD	13,987	30. 70	429,390
JPY	253,170	0. 23	59,052

Items	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

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 $14,881 thousand and $10,074 thousand for the years ended December 31, 2022 and 2021, 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 other comprehensive income before tax would have increased/decreased by $210 thousand and $202 thousand for the years ended December 31, 2022 and 2021, respectively, due to the fair value of the financial assets at fair value through other comprehensive income increased/decreased.

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, 2022	Carrying Amounts December 31, 2021
Fair value interest rate risk		
Financial assets	$ 600	$ 1,094
Net	$ 600	$ 1,094
Cash flow interest rate risk		
Financial assets	$ 716,830	$ 412,486
Financial liabilities	(2,145,967)	(2,240,089)
Net	$ (1,429,137)	$ (1,827,603)

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, affecting the Company's future cash flows. If the market interest rate increases (decreases) 1%, the profit before tax will increase (decrease) $14,291 thousand and $18,276 thousand for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 42% and 37%, 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 notes receivable and accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses. After assessment, the 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, 2022				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 3,320	$ –	$ –	$ 3,320	$ 3,320
Accounts payable	809,317	–	–	809,317	809,317
Other payables	561,017	–	–	561,017	561,017
Lease liabilities	13,534	40,559	83,488	137,581	128,197
Long-term loan (include current portion)	342,065	1,839,673	32,736	2,214,474	2,145,967
Guarantee deposits	–	–	27	27	27
Total	$ 1,729,253	$ 1,880,232	$ 116,251	$ 3,725,736	$ 3,647,845

Further information on maturity analysis for lease liabilities：

	December 31, 2022					
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 13,534	$ 40,559	$ 47,460	$ 36,028	$ –	$ 137,581

	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

Non-derivative Financial Liabilities	December 31, 2021 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Lease liabilities	$ 13,300	$ 44,597	$ 92,784	$ 150,681	$ 139,225
Long-term loan (include current portion)	99,998	2,140,733	50,769	2,291,500	2,240,089
Guarantee deposits	–	–	87	87	87
Total	$ 1,839,218	$ 2,185,330	$ 143,640	$ 4,168,188	$ 4,105,321

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 payment
Lease liabilities	$ 13,300	$ 44,597	$ 47,460	$ 42,589	$ 2,735	$ 150,681

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

12.3 Category of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 2,279,742	$ 2,225,504
Financial assets at fair value through other comprehensive income	21,023	20,222
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	3,519,648	3,966,096

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, 2022			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent				
Equity instruments				
Unlisted stocks	$ -	$ -	$ 21,023	$ 21,023
Total	$ -	$ -	$ 21,023	$ 21,023

	December 31, 2021			
Items	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

Items	December 31, 2021 Level 1	Level 2	Level 3	Total
Total	$ -	$ -	$ 20,222	$ 20,222

(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	2022	2021
Financial assets at FVTOCI		
Beginning Balance	$ 20,222	$ 16,898
Unrealized valuation gains or losses on equity investments at FVTOCI	813	3,324
Derecognition	(12)	-
Ending Balance	$ 21,023	$ 20,222

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, 2022.

SDI CORPORATION

Chairman: J.S. Chen