

# SDI Corporation's Operational Procedures for Loaning Funds to Others

- Article 1. The Company's operation relating to loaning funds to others for business needs and in compliance with Article 15 of the Company Act shall be conducted in accordance with these Rules.
- Article 2. Borrower  
The Company shall not loan funds to any of its shareholders or any other person except under the following two circumstances:  
I. A company or firm with which it does business.  
II. A company or firm that requires short-term financing. The term "short-term" herein means one year or one operating cycle (whichever longer).
- Article 3. Reasons and Necessity for Loaning Funds to Others  
Fund-lending to companies or firms having business relationship with the Company shall be conducted in accordance with Paragraph 2 Article 4 of the Procedures. Fund-lending to companies or firms which need funds for a short-term period shall be limited to the following situations:  
I. Invested company in which the Company holds 20% or more shares having business requirement for short-term financing.  
II. Other company or firm having business requirement for short-term financing due to material procurement or working funds.  
III. Other conditions where the Company's Board of Directors approves of the loan.
- Article 4. Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower  
I. The Company's total loaned amount is limited to 35% of the Company's net worth. However, the total loaned amount for inter-company or inter-firm short-term financing facility is necessary shall not exceed 50% of the amount of the Company's total loanable amount.  
II. For a company or firm that has business dealings with the Company, the amount permitted to a single borrower is limited to the amount of business transactions between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.  
III. For a company or firm that has short-term financing needs, the amount permitted to a single borrower is limited to 50% of the Company's total loanable amount.  
IV. For inter-company loans of funds between the Company and overseas companies in which the Company holds, directly or indirectly, a hundred of the voting shares, the loaned amount is limited to 50% of the Company's total loanable amount.
- Article 5. Loan Duration and Interest Calculation  
Loan duration is limited to the maximum of one year.  
Calculation of interest of loan adopts floating rate, and may be adjusted based on the Company's cost of capital.
- Article 6. Lending Procedures  
I. Application:  
When a borrower applies for loans of fund to the Company, he or she shall present an application or business letter detailing loan amount, duration and usage to the Company's financial department.  
II. Credit Investigation:  
1. For those taking the first loan from the Company, the borrower shall provide basic information and financial information for the Company's financial department to proceed with credit investigation.  
2. For those repeatedly taking loans from the Company, credit investigation will be conducted once a year. For significant cases, credit investigation may be conducted every half of a year depending on actual needs.  
3. If the borrower is in good financial condition and the annual financial statement has been audited by certified accountant for financing, the Company may refer to the accountant's audit report for approval.  
III. Loan Approval:  
1. After credit investigation or evaluation, if the borrower's credit score is not good, or the use of loan is improper and the Company does not intend to lend the money, the clerk shall reply to the borrower with the rejection and reason as soon as it is approved.  
2. For cases with good credit score and the use of loan is proper after credit investigation, the clerk shall fill out credit report and comments and prepare loan conditions for the Board of Directors and proceed with the same after obtaining the Board of Directors' approval following the approval process. This decision may not be deferred to others.  
Loans of funds between the Company and its subsidiaries, or between its subsidiaries,

shall be submitted for a resolution by the Board of Directors, and the Chairman of the Board may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed 1 year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the Company or the subsidiary, except in cases of companies in compliance with Paragraph 1, Article 4.

The Company shall take into full consideration each Independent Director's opinions; Independent Director' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board meeting.

3. After a case of loan is approved, the financial department shall notify the borrower in writing as soon as possible with details of the Company's loan conditions, including the monetary limit, period, interest rate, collateral and guarantor.

IV. Contract Signing and Confirmation:

1. The clerk for a loan application may proceed with contract signing by filling out loan agreement based on the approved conditions.

2. After borrower and joint and several guarantor sign and affix seal on the contract, the clerk shall proceed with confirmation.

V. Encumbrance on Collateral:

If the approval requires the borrower to provide collateral, then a pledge or mortgage shall be created to protect the Company's claim.

VI. Insurance:

Fire insurance shall be purchased for all collateral, excluding land. If the collateral is a vehicle, comprehensive coverage is required. The insured amount shall not be lower than the mortgage amount. The Company shall be added as a beneficiary in such insurance policy.

VII. Appropriation:

Loan will be appropriated after borrower signs the contract, submits the promissory note or IOU, completes mortgage creation and insurance purchase.

VIII. Account Posting:

When the Company completes the procedures for a loan, journal voucher for collateral or credit security shall be prepared by and obtained from the financial department, and the same shall be sent to accounting division and posted to the necessary books.

Article 7. Repayment

In the event the borrower repays loan on or before the loan matures, the Company shall calculate the interest payable. After the interest is paid together with the principal, the Company may cancel the promissory note and IOU and return the same to the borrower.

Article 8. Mortgage Cancellation

In the event the borrower applies for cancellation of mortgage, the Company shall first find out if the principal and the interest of the loan are fully paid up. The Company may agree to cancel mortgage only if they are fully paid up.

Article 9. Subsequent Management of Loaned Amount and Operational Procedure of Overdue Debts

After the loan is appropriated, the Company shall frequently check the borrower's and guarantor's financial, business and relevant credit status. If a collateral is provided, the Company shall check if the collateral's value is changed. In the event of a significant change, it shall be reported to the Board of Directors immediately and handle the same properly as instructed.

When the loan matures, the borrower shall repay the principal and interest immediately. In the event the loan cannot be repaid when it matures and an extension is required, such a request shall be submitted beforehand, and the loan will be extended after it is approved by the Board of Directors. Each extension for repayment cannot exceed twelve months and is limited to three extensions. In case of violation, the Company may dispose and pursue the claim against the collateral or guarantor provided in accordance with the laws.

Article 10. Docket Management and Custody

Loan Case: The clerk shall consolidate the debt certificate such as contract and promissory note and collateral certificate, insurance policy and correspondence for the case he or she handles in the foregoing order and put them into a custody envelope. The content of things in custody and client name shall be noted on the envelope, and it shall be submitted to his or her supervisor for examination. If it is found to be correct after examination, the envelope shall be immediately sealed, and the clerk's and Supervisor's seal shall be affixed to the envelope seal. After register the same to the registry for things in custody, the envelope shall be delivered to the head of

management department for storage. The Company shall prepare a memorandum book, and record the following information:

- I. borrower;
- II. lending/borrowing date;
- III. date of approval by the Board of Directors;
- IV. appropriation date;
- V. matters to be carefully evaluated under the foregoing evaluation and resolution procedures.

Article 11. Internal Audit

- I. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.
- II. They shall promptly notify all Supervisors in writing of any material violation found.

Article 12. Rectification Plans for Loan Exceeding the Limit

- I. If a borrowing counterparty is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans.
- II. The Company shall submit the rectification plans to all Supervisors, and shall complete the rectification according to the time frame set out in the plan.

Article 13. Announcement and Reporting Procedures

- I. General announcement and reporting:
  - (I) Announcement and reporting deadline: Enter the information reporting website designated by the competent authority in charge of securities before the 10th day of each month.
  - (II) Announcement and reporting content: The previous month's loan balance of the Company and subsidiaries.
- II. Where loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (I) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - (II) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
  - (III) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$ 10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to Subparagraph 3 of the preceding paragraph.

- III. "Date of occurrence" in this Article means the date of contract signing for the transaction, date of payment, dates of Board of Directors' resolutions, or other date that can confirm the borrowing counterparty and monetary amount of the loan of funds, whichever date is earlier.
- IV. "Subsidiary" and "parent company" as referred to in these Rules shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where its financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Rules means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 14. In the event the Company's Operational Procedures for Loaning Funds to Others is violated by managers or personnel in charge, the penalty shall be given pursuant to the award and penalty provision in Article 8 of Work Rules announced by the Company.

Article 15. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and it shall comply with the Procedures when loaning funds.

Article 16. These Operational Procedures are passed by the Board of Directors; where any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to each Supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Operational Procedures. During the Board of Directors' discussion under the preceding paragraph. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the Board meeting.