

Stock Code: 2351



2020 Annual Shareholders' Meeting

Meeting Handbook

SDI CORPORATION

Time: 9:30 a.m., June 23, 2020

**Venue: No. 260, Sec. 2, Zhangnan Rd., Changhua City (SDI
meeting room)**

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II. Meeting Agenda of 2020 Annual Shareholders' Meeting of SDI Corporation

Time: 9:30 a.m., June 23, 2020 (Tuesday)

Venue: No. 260, Sec. 2, Zhangnan Rd., Changhua City (SDI meeting room)

- I. Call Meeting to Order
- II. Chairperson Remarks
- III. Announcements
 - (I) 2019 Business Report.
 - (II) Supervisor's review report on the final account statements for 2019.
 - (III) Distribution report on employees' compensation and Directors' and Supervisors' remuneration for 2019.
- IV. Proposals
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- V. Discussions
 - (I) Amendments to the Operational Procedures for Loaning Funds to Others
 - (II) Amendments to the Operational Procedures for Endorsements/Guarantees
 - (III) Amendments to the Articles of Incorporation
- VI. Election: Independent Director By-Election.
- VII. Extempore Motions
- VIII. Adjournment

III. Announcements

I. Please see business report for 2019.

SDI Corporation **2019 Business Report**

Dear Sir/Madam:

SDI has successfully completed operation of 2019 with all colleagues' joint efforts. SDI Group continues to improve manufacture technology and research and development scale to develop electronic and stationary business. We also work with our partners and diversify our procurement to satisfy clients' purchase order and needs for integrated service.

In 2019, the world is deeply affected by the US-China Trade War and regional trade conflicts, and the economy growth is slowed down. Among all, consumer electronic suffers the greatest recession and development of application in automobile and industry did not grow due to reduced demand. SDI's electronic business group mainly supplies IDM clients worldwide. The sales performance is affected by recession in the terminal demand of traditional application. In addition to strengthening collaboration with supply chain clients and release relevant high-end application product to increase added value, in response to external impact, electronic business group expand the sources and diversify procurement and increase the quality and production of self-made copper material. We also continue to expand automated production and examination process to lower the production cost of electronics, so to respond to the pressure of demand and price decrease and risks resulting from Taiwanese dollars appreciation that waters down profits. As for stationary business group, it is still impacted by the duty increase in the US-China Trade War that increased costs, the great depreciation of exchange rate in emerging markets, and demand decrease. It is dedicated to improve competitiveness and develop new clients with private brand and new products, effectively mitigating the impact to stationary business' revenue and profits. Additionally, our affiliate, TEC Brite Technology, continues to develop the niche market of VCM by expanding market share and its revenue and profit both grew. Chao Hsin Metal and Jiangsu factory, the reinvestment of SDI, are affected by the decrease of traditional steel business and general economy in Mainland, as well as the toll of demand, making revenue and profit both decreased. In total, SDI's revenue in 2019 is NT\$ 6.719 billion with a decrease of 17%. The group's consolidated revenue is NT\$ 8.839 billion with a deduction of 15%. Net profit of this period is NT\$ 491,566,000 and the earning per share is NT\$ 2.7.

According to SEMI, the development of Covid-19 and international trade conflicts will be the uncertain factors in the trend of overall market development in 2020. However, 5G, data center, AI and IoT play important roles in future industry development. SDI electronic business group already provides for industry demands including automobile safety, power saving and power management modules and industrial power control, we also continue to work with clients to develop edge-cutting product application in diverse fields in the industry. We will satisfy clients' demand for technology trend of low cost and high quality with concise manufacture process and improvement of industry and research collaboration and establish our leading position in the industry and achieve sustainable development. With respect to stationary business group, in addition to the sales increase for private brand, we invested in the research, development

and mass production of environmentally friendly and energy saving products. In response to the trade war, we increased the production capacity in Taiwan and introduced automated manufacture process to ensure smooth production. We will continue to increase the market share and competitiveness of stationary business products.

In 2020, the general economy development will still be obstructed by trade protection, which is worsen by Covid-19. However, with the demand for new products brought by continuous advances in automobile, industrial, and telecommunication technology, SDI Group will invest in improving efficiency in process and yield rate with our research and development. To satisfy the production capacity demand of niche products, SDI has implemented the plan of expanding factories to increase the manufacture scale of high-end products. We hope our shareholders can continue to support and assist us. We believe we can grow our Group's business and ensure its success with our robust operation and acceptance to challenge and innovation.

Chairman of the Board: J.S. Chen; Manager: Weite Chen; Accounting Manager: Ray Huang

II. Please see Supervisor's review report on the final account statements for 2019.

SDI Corporation Supervisors' Review Report

We hereby approve the Board of Directors to prepare and submit the Company's financial statements (including consolidated financial statements), business report and earning distribution for 2019, among which the financial statements are audited by CPAs of Crowe (TW) and an audit report was issued. All foregoing books prepared and submitted by Board of Directors are audited by the Supervisors. We consider there is no inconsistency and prepare the report in accordance with Article 219 of the Company Act. Please review the same.

To

2020 Annual Shareholders' Meeting of SDI Corporation

Supervisor: Sheng-yeh Hsieh

Chiung-ying Chung

March 13, 2020

III. Please see distribution report on employees' compensation and Directors' and Supervisors' remuneration for 2019.

[Description]

1. In accordance with Article 32 of the Articles of Incorporation.
2. SDI's profits before tax and before deducting employees' compensation and Directors' and Supervisors' remuneration allocation is NT\$ 623,132,364. We set aside 1.5% as employees' compensation of NT\$ 9,346,985 and 1.2% as Directors' and Supervisors' remuneration of NT\$ 7,477,588. Both will be distributed in the form of cash.

IV. Proposals

Item 1: Proposed by the Board of Directors.

Subject: Please ratify business report and financial statements for 2019.

Description: Individual financial statements and consolidated financial statements are prepared and approved by the Board of Directors on March 6, 2020. We respectfully submit the same with the business report reviewed by Supervisors for approval.

[Please refer to #page3-4# and #page9-28# of the Handbook.]

Resolution:

Item 2: Proposed by the Board of Directors.

Subject: Please ratify earning distribution for 2019.

Description: 1. SDI's earning distribution is as attached.

SDI Corporation
Earning Distribution

(Attachment)	Year 2019	Unit: NT\$
Item	Sum	
Undistributed earnings at the beginning of the period	2,071,217,563	
Add: Other comprehensive income (remeasurements of defined benefit plans)	10,964,884	
Add: Profit after tax of this year	491,566,102	
Less: Legal reserve set aside	(50,253,099)	
Less: Special reserve set aside	(54,386,538)	
Distributable earnings	2,469,108,912	
Less: Dividends (NT\$ 1.8 per share, distributed in cash)	(327,852,448)	
Undistributed earnings at the end of the period	2,141,256,464	

Chairman of the Board: J.S. Chen; Manager: Weite Chen; Accounting Manager: Ray Huang

2. We plan to set aside NT\$ 327,852,448 from distributable earnings to distribute cash dividends at NT\$ 1.8 per share based on the 182,140,249 outstanding shares as of the Board of Directors' resolution, leaving the amount below dollar. The changes will be consolidated to SDI's other income. After the shareholders' meeting approves the cash dividends distribution, we intend to authorize the Chairman of the Board to separately determine the ex-dividend date, payable date, and other relevant matters. The distributed amount per share will be adjusted based on actual outstanding shares.
3. In the event the earning distribution under the preceding paragraph is adjusted or changed by the competent authority, the Board of Directors is authorized to cooperate and handle the same.

Resolution:

V. Discussions

Item 1: Proposed by the Board of Directors.

Subject: Please discuss amendments to the Operational Procedures for Loaning Funds to Others.

Description: To comply with relevant laws and regulations, we intend to amend some provisions of Operational Procedures for Loaning Funds to Others. We respectfully submit the same for discussion. [Please refer to #page29-32# of the Handbook.]

Resolution:

Item 2: Proposed by the Board of Directors.

Subject: Please discuss Amendments to the Operational Procedures for Endorsements/Guarantees.

Description: To comply with relevant laws and regulations, we intend to amend some provisions of Operational Procedures for Endorsements/Guarantees. We respectfully submit the same for discussion. [Please refer to #page33-34# of the Handbook.]

Resolution:

Item 3: Proposed by the Board of Directors.

Subject: Please discuss amendments to the Articles of Incorporation.

Description: To comply with relevant laws and regulations, we intend to amend some provisions of the Articles of Incorporation. We respectfully submit the same for discussion. [Please refer to #page35-36# of the Handbook.]

Resolution:

VI. Election

Subject: Independent Director By-election. (Proposed by the Board of Directors)

Description:

1. Because SDI's Independent Director, Ms. Lan-ying Huang, resigned her position on June 22, 2019, we intend to elect an Independent Director in accordance with the Articles of Incorporation. This election adopts nomination for candidacy. The Independent Director will be elected from the nominees listed by shareholders' meeting.
2. The Independent Director newly elected will assume office immediately after election and remain in office until expiration of the original term. The term starts from June 23, 2020 and ends on June 21, 2021.
3. SDI has convened a Board meeting on May 6, 2020 to review the qualification of candidates for the Independent Director. In the meeting, Tsung-ting Chung's qualification is approved. We hereby provide his information as follows:

Name	Major academic (work) experience	Shareholding
Tsung-ting Chung	PhD in International Relations, Denver University, USA Professor in Business Management Department, National Yunlin Technology University	0

4. Please elect.

Election results:

VII. Extempore Motions

VIII. Attachments

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, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

1. Valuation of Inventory Impairment

Description

As of December 31, 2019, inventory accounted for 20% of the Company's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

How our audit addressed the matter

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

2. Revenue Recognition

Description

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

judgement is required in determining the timing of transfer of risks and awards of goods to customers. 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; obtaining purchase orders or contracts from major customers and reviewing the terms of transactions to confirm whether the timing of revenue recognition is appropriate per the content of contracts or orders; 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 inspecting any irregular revenue vouchers exist, and reviewing if there were significant sales return in the subsequent period.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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


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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yang, Chen Yu and Shao, Chao Pin.

A handwritten signature in black ink that reads "Crowe TW CPAs". The signature is written in a cursive, flowing style.

CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 6, 2020

Notice to Readers

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

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

SDI Corporation

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	NOTES	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 528,862	6	\$ 636,273	7
Financial assets at fair value through profit or loss - current	6(2)	2,816	-	2,425	-
Notes receivable, net	6(3)	19,157	-	24,124	-
Accounts receivable, net	6(4)	1,039,032	12	1,409,193	15
Accounts receivable, net - related parties	7	65,512	1	225,306	2
Other receivables		71,419	1	177,468	2
Other receivables - related parties	7	20,150	-	11,072	-
Inventories, net	5、6(5)	1,803,246	20	1,871,747	19
Prepayments	6(6)	42,471	-	53,881	1
Other financial assets - current	6(7)	10,338	-	42,650	-
Other current assets		2,933	-	2,441	-
Total current assets		3,605,936	40	4,456,580	46
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	17,218	-	16,336	-
Investments accounted for using equity method	6(9)	2,226,457	25	2,342,012	24
Property, plant and equipment	6(10)	2,655,087	30	2,699,487	27
Right-of-use assets	6(11)	191,658	2	-	-
Investment properties	6(12)	45,520	1	48,314	-
Intangible assets	6(13)	58,741	1	61,655	1
Deferred income tax assets	5、6(28)	102,574	1	122,663	1
Other noncurrent assets	6(14)、8	15,715	-	54,105	1
Total noncurrent assets		5,312,970	60	5,344,572	54
TOTAL		\$ 8,918,906	100	\$ 9,801,152	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities - current	6(23)	66,353	1	46,806	-
Notes payable	6(15)	6,562	-	9,268	-
Accounts payable		388,308	5	1,000,617	10
Accounts payable - related parties	7	83,708	1	128,939	1
Other payables	6(16)	353,992	4	490,525	5
Other payables - related parties	7	27,403	-	32,967	1
Current income tax liabilities	6(28)	18,854	-	152,815	2
Lease liabilities - current	5、6(11)	8,435	-	-	-
Long term liabilities - current portion	6(17)	80,000	1	492,000	5
Other current liabilities		12,117	-	17,062	-
Total current liabilities		1,045,732	12	2,370,999	24
NONCURRENT LIABILITIES					
Long term loans	6(17)	1,675,000	19	1,250,000	13
Deferred income tax liabilities	5、6(28)	265,200	3	291,214	3
Lease liabilities - noncurrent	5、6(11)	132,707	1	-	-
Net defined benefit liability	5、6(18)	138,308	2	159,621	2
Other noncurrent liabilities		20,746	-	26,358	-
Total noncurrent liabilities		2,231,961	25	1,727,193	18
Total liabilities		3,277,693	37	4,098,192	42
EQUITIES					
Common stocks	6(19)	1,821,403	20	1,821,403	19
Capital surplus	6(20)	485,257	6	485,155	5
Retained earnings	6(21)				
Legal capital reserve		815,192	9	732,304	8
Special capital reserve		101,183	1	84,954	1
Unappropriated earnings		2,573,748	29	2,680,327	26
Others	6(22)	(155,570)	(2)	(101,183)	(1)
Total equity		5,641,213	63	5,702,960	58
TOTAL		\$ 8,918,906	100	\$ 9,801,152	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, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	NOTES	2019		2018	
		Amount	%	Amount	%
NET REVENUE	6(23), 7	\$ 6,719,302	100	\$ 8,105,455	100
COST OF REVENUE	5,6(5 · 24) · 7	(5,619,860)	(84)	(6,691,212)	(83)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		1,099,442	16	1,414,243	17
Unrealized gross profit on sales		(36,370)	(1)	(37,597)	-
Realized gross profit on sales		37,598	1	32,818	-
GROSS PROFIT		1,100,670	16	1,409,464	17
OPERATING EXPENSES	6(24), 7				
Marketing		(176,088)	(3)	(186,430)	(2)
General and administrative		(188,308)	(3)	(214,324)	(2)
Research and development		(199,206)	(2)	(202,818)	(3)
Total operating expenses		(563,602)	(8)	(603,572)	(7)
OPERATING INCOME		537,068	8	805,892	10
NONOPERATING INCOME AND EXPENSES					
Other income	6(25) · 7	64,990	1	75,181	1
Other gains and losses, net	6(26)	(5,846)	-	79,435	1
Finance costs	6(27)	(20,656)	-	(17,771)	-
Share of profits of subsidiaries and associates		30,752	-	100,316	1
Total nonoperating income and expenses		69,240	1	237,161	3
INCOME BEFORE INCOME TAX		606,308	9	1,043,053	13
INCOME TAX EXPENSE	6(28)	(114,742)	(2)	(214,173)	(3)
NET INCOME		491,566	7	828,880	10
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	5 · 6(29)	13,488	-	(3,434)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		882	-	2,336	-
Share of other comprehensive income (loss) of subsidiaries and associates		174	-	(68)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(28)	(2,772)	-	434	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	6(24)	(68,992)	(1)	(31,677)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	6(28)	13,798	-	2,838	-
Other comprehensive income (loss) for the year, net of income tax		(43,422)	(1)	(29,571)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 448,144	6	\$ 799,309	10
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(30)	\$ 2.70		\$ 4.55	
Diluted earnings per share		\$ 2.70		\$ 4.54	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Capital Stocks		Retained Earnings			Others			Total	Total Equity
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE, JANUARY 1, 2018	\$ 1,821,403	\$ 485,125	\$ 660,705	\$ 54,332	\$ 2,409,981	\$ (84,954)	\$ -	\$ (84,954)	\$ 5,346,592	
Effect of retrospective application on IFRS 9	-	-	-	-	1,644	-	10,736	10,736	12,380	
ADJUSTED BALANCES, JANUARY 1, 2018	1,821,403	485,125	660,705	54,332	2,411,625	(84,954)	10,736	(74,218)	5,358,972	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	30,622	(30,622)	-	-	-	-	
Legal capital reserve	-	-	71,599	-	(71,599)	-	-	-	-	
Cash dividends to shareholders - NT\$2.5 per share	-	-	-	-	(455,351)	-	-	-	(455,351)	
Donation from shareholders	-	30	-	-	-	-	-	-	30	
Net income in 2018	-	-	-	-	828,880	-	-	-	828,880	
Other comprehensive income (loss) in 2018	-	-	-	-	(2,606)	(28,839)	1,874	(26,965)	(29,571)	
BALANCE, DECEMBER 31, 2018	1,821,403	485,155	732,304	84,954	2,680,327	(113,793)	12,610	(101,183)	5,702,960	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-	
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-	
Cash dividends to shareholders - NT\$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)	
Donation from shareholders	-	102	-	-	-	-	-	-	102	
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566	
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)	
BALANCE, DECEMBER 31, 2019	\$ 1,821,403	\$ 485,257	\$ 815,192	\$ 101,183	\$ 2,573,748	\$ (168,987)	\$ 13,417	\$ (155,570)	\$ 5,641,213	

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 606,308	\$ 1,043,053
Depreciation	457,222	420,393
Amortization	13,513	14,713
Loss (gain) on financial assets at fair value through profit or loss	(391)	246
Unrealized (realized) gross profit on subsidiaries	(3,602)	2,149
Interest expense	20,656	17,771
Interest income	(1,687)	(1,777)
Dividend income	(1,693)	(353)
Share of profits of subsidiaries accounted for under equity method	(30,752)	(100,316)
Gain on disposal of property, plant and equipment	(4,122)	(1,226)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	3,000
Notes receivable	4,967	(7,969)
Accounts receivable	370,209	29,393
Accounts receivable - related parties	159,794	(150,191)
Other receivables	103,889	(103,913)
Other receivables - related parties	(3,817)	15,234
Inventories	68,501	(50,016)
Prepaid expenses	10,351	(23,652)
Other current assets	1,484	5,279
Contract liabilities	19,547	(39,207)
Notes payable	(1,448)	(2,336)
Accounts payable	(612,309)	148,553
Accounts payable - related parties	(45,231)	(28,123)
Other payables	(102,883)	40,898
Other payables - related parties	(5,566)	18,938
Other current liabilities	(4,943)	-
Net defined benefit liability	(7,825)	(21,312)
Other operating liabilities	(5,673)	487
Cash provided from operations	<u>1,004,499</u>	<u>1,229,716</u>
Interest received	1,871	1,810
Dividends received	82,784	81,443
Interest paid	(20,775)	(17,741)
Income taxes paid	<u>(243,603)</u>	<u>(145,348)</u>
Net cash provided by operating activities	<u>824,776</u>	<u>1,149,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(407,672)	(618,740)
Proceeds from disposal of Property, plant and equipment	14,478	19,008
Refundable deposits paid	(423)	(614)
Acquisition of intangible assets	(9,864)	(10,549)
Acquisition of right-of-use assets	(51,773)	-
Decrease in other financial assets	<u>32,312</u>	<u>8,892</u>
Net cash used in investing activities	<u>(422,942)</u>	<u>(602,003)</u>

(Continued)

SDI Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	\$ 733,000	\$ 500,000
Repayments of long-term debt	(720,000)	(393,200)
Repayments of the principal portion of lease liabilities	(12,312)	-
Increase in other noncurrent liabilities	60	-
Cash dividends paid	(509,993)	(455,351)
Net cash used in financing activities	(509,245)	(348,551)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(107,411)	199,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	636,273	436,947
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 528,862	\$ 636,273

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance

in our audit of the consolidated financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows :

1. Valuation of Inventory Impairment

Description

As of December 31, 2019, inventory accounted for 25% 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 transfer of risks and awards of goods to customers. 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; obtaining purchase orders or contracts from major customers and reviewing the terms of transactions to confirm whether the timing of revenue recognition is appropriate per the content of contracts or orders; 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 inspecting any irregular revenue vouchers exist, 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, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yang, Chen Yu and Shao, Chao Pin.

A handwritten signature in black ink that reads "Crowe TW CPAs". The signature is written in a cursive, flowing style.

CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 6, 2020

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 871,509	8	\$ 995,674	9
Financial assets at fair value through profit or loss - current	6(2)	62,947	1	2,425	-
Notes receivable, net	6(3) 、 8	108,113	1	136,939	1
Accounts receivable, net	6(4)	1,591,245	15	2,051,940	18
Accounts receivable, net - related parties	7	5,279	-	4,227	-
Other receivables	7	13,779	-	19,655	-
Current income tax assets		-	-	711	-
Inventories, net	5 、 6(5)	2,603,477	25	2,866,122	25
Prepayments	6(6)	71,255	1	83,054	1
Other financial assets - current	6(7) 、 8	20,493	-	64,358	1
Other current assets		1,943	-	1,516	-
Total current assets		5,350,040	51	6,226,621	55
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	17,218	-	16,336	-
Property, plant and equipment	5 、 6(9)	4,566,765	44	4,762,760	41
Right-of-use assets	6(10)	223,701	2	-	-
Intangible assets	5 、 6(11)	60,131	1	64,431	1
Deferred income tax assets	5 、 6(30)	143,854	2	157,888	1
Long-term prepaid rent	6(12)	-	-	79,807	1
Other noncurrent assets	6(13) 、 8	34,861	-	73,772	1
Total noncurrent assets		5,046,530	49	5,154,994	45
TOTAL		\$ 10,396,570	100	\$ 11,381,615	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6(14)	\$ 767,575	7	\$ 857,005	8
Short-term notes and bills payable	6(15)	9,998	-	-	-
Contract liabilities - current	6(25)	70,600	1	50,565	-
Notes payable	6(16)	44,509	-	88,374	1
Accounts payable		554,347	5	1,182,975	10
Accounts payable - related parties	7	1,513	-	3,418	-
Other payables	6(17)	506,444	5	657,802	5
Other payables - related parties	7	813	-	1,816	-
Current income tax liabilities	6(30)	35,634	1	176,581	2
Lease liabilities - current	6(10)	5,802	1	-	-
Long term liabilities - current portion	6(18)	132,465	1	545,751	5
Other current liabilities		13,224	-	18,303	-
Total current liabilities		2,142,924	21	3,582,590	31
NONCURRENT LIABILITIES					
Long term loans	6(18)	1,717,975	17	1,250,000	12
Deferred income tax liabilities	5 、 6(30)	289,993	3	315,957	3
Lease liabilities - noncurrent	6(10)	92,720	1	-	-
Net defined benefit liability	6(19)	148,350	1	169,703	1
Other noncurrent liabilities		32,942	-	39,370	-
Total noncurrent liabilities		2,281,980	22	1,775,030	16
Total liabilities		4,424,904	43	5,357,620	47
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Common stocks	6(20)	1,821,403	17	1,821,403	16
Capital surplus	6(21)	485,257	4	485,155	4
Retained earnings	6(22)				
Legal capital reserve		815,192	8	732,304	6
Special capital reserve		101,183	1	84,954	1
Unappropriated earnings		2,573,748	25	2,680,327	24
Others	6(23)	(155,570)	(1)	(101,183)	(1)
Equity attributable to shareholders of the parent		5,641,213	54	5,702,960	50
NON-CONTROLLING INTERESTS	6(24)	330,453	3	321,035	3
Total equity		5,971,666	57	6,023,995	53
TOTAL		\$ 10,396,570	100	\$ 11,381,615	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, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	NOTES	2019		2018	
		Amount	%	Amount	%
NET REVENUE	6(25), 7	\$ 8,839,367	100	\$ 10,416,495	100
COST OF REVENUE	5, 6(5 · 26), 7	(7,304,437)	(83)	(8,485,037)	(81)
GROSS PROFIT		1,534,930	17	1,931,458	19
OPERATING EXPENSES	6(26), 7				
Marketing		(266,228)	(3)	(285,709)	(3)
General and administrative		(284,030)	(3)	(310,872)	(3)
Research and development		(226,684)	(2)	(236,646)	(2)
Expected credit (loss) gain		(6,904)	-	863	-
Total operating expenses		(783,846)	(8)	(832,364)	(8)
OPERATING INCOME		751,084	9	1,099,094	11
NONOPERATING INCOME AND EXPENSES					
Other income	6(27)	28,031	-	38,247	-
Other gains and losses, net	5, 6(28)	(26,278)	-	56,127	1
Finance costs	6(29)	(58,239)	(1)	(53,248)	(1)
Total nonoperating income and expenses		(56,486)	(1)	41,126	-
INCOME BEFORE INCOME TAX		694,598	8	1,140,220	11
INCOME TAX EXPENSE	5, 6(30)	(144,133)	(2)	(251,651)	(2)
NET INCOME		550,465	6	888,569	9
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss :					
Remeasurement of defined benefit obligation	5 · 6(31)	13,618	-	(4,166)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6(31)	882	-	2,336	-
Income tax benefit (expenses) related to items that will not be reclassified subsequently	6(30)	(2,798)	-	1,009	-
Items that may be reclassified subsequently to profit or loss :					
Exchange differences arising on translation of foreign operations	6(31)	(68,992)	(1)	(31,677)	-
Income tax benefit (expenses) related to items that may be reclassified subsequently	6(30)	13,798	-	2,838	-
Other comprehensive income (loss) for the year, net of income tax		(43,492)	(1)	(29,660)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 506,973	5	\$ 858,909	9
NET INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 491,566	5	\$ 828,880	8
Non-controlling interests		58,899	1	59,689	1
		\$ 550,465	6	\$ 888,569	9
TOTAL COMPREHENSIVE INCOME :					
Shareholders of the parent		\$ 448,144	5	\$ 799,309	8
Non-controlling interests		58,829	-	59,600	1
		\$ 506,973	5	\$ 858,909	9
EARNINGS PER SHARE (IN DOLLARS)	6(32)				
Basic earnings per share		\$ 2.70		\$ 4.55	
Diluted earnings per share		\$ 2.70		\$ 4.54	

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, 2019 AND 2018
 (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	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2018	\$ 1,821,403	\$ 485,125	\$ 660,705	\$ 54,332	\$ 2,409,981	\$ (84,954)	\$ -	\$ (84,954)	\$ 5,346,592	\$ 310,846	\$ 5,657,438
Effect of retrospective application	-	-	-	-	1,644	-	10,736	10,736	12,380	-	12,380
ADJUSTED BALANCE, JANUARY 1, 2018	1,821,403	485,125	660,705	54,332	2,411,625	(84,954)	10,736	(74,218)	5,358,972	\$ 310,846	\$ 5,669,818
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	30,622	(30,622)	-	-	-	-	-	-
Legal capital reserve	-	-	71,599	-	(71,599)	-	-	-	-	-	-
Cash dividends to shareholders - NT\$2.5 per share	-	-	-	-	(455,351)	-	-	-	(455,351)	-	(455,351)
Donation from shareholders	-	30	-	-	-	-	-	-	30	-	30
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(49,411)	(49,411)
Net income in 2018	-	-	-	-	828,880	-	-	-	828,880	59,689	888,569
Other comprehensive income (loss) in 2018	-	-	-	-	(2,606)	(28,839)	1,874	(26,965)	(29,571)	(89)	(29,660)
BALANCE, DECEMBER 31, 2018	1,821,403	485,155	732,304	84,954	2,680,327	(113,793)	12,610	(101,183)	5,702,960	321,035	6,023,995
Appropriations of prior year's earnings											
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-	-	-
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-	-	-
Cash dividends to shareholders - NT\$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)	-	(509,993)
Donation from shareholders	-	102	-	-	-	-	-	-	102	-	102
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(49,411)	(49,411)
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566	58,899	550,465
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)	(70)	(43,492)
BALANCE, DECEMBER 31, 2019	\$ 1,821,403	\$ 485,257	\$ 815,192	\$ 101,183	\$ 2,573,748	\$ (168,987)	\$ 13,417	\$ (155,570)	\$ 5,641,213	\$ 330,453	\$ 5,971,666

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 694,598	\$ 1,140,220
Depreciation	716,287	668,317
Amortization	15,820	20,092
Expected credit loss (gain)	6,904	(863)
Loss (gain) on financial assets at fair value through profit or loss	(509)	246
Interest expense	58,239	53,248
Interest income	(4,055)	(2,911)
Dividend income	(1,693)	(353)
Gain on disposal of property, plant and equipment	(4,494)	(2,350)
Impairment loss on non-financial assets	5,725	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(60,013)	3,000
Notes receivable	25,392	3,903
Accounts receivable	438,461	(11,879)
Inventories	241,177	(116,130)
Prepayments	9,657	(27,073)
Other financial assets	3,164	(4,955)
Other current assets	2,160	9,790
Contract liabilities	20,170	(37,219)
Notes payable	(41,236)	30,425
Accounts payable	(625,831)	135,303
Other payables	(113,176)	23,162
Other current liabilities	(5,065)	1,962
Net defined benefit liability	(8,276)	(22,518)
Other operating liabilities	(7,230)	(1,606)
Cash provided from operations	1,366,176	1,861,811
Interest received	4,286	2,944
Dividends received	1,693	353
Interest paid	(58,018)	(52,282)
Income taxes paid	(286,344)	(177,558)
Net cash provided in operating activities	1,027,793	1,635,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(576,022)	(1,018,741)
Proceeds from disposal of Property, plant and equipment	7,803	21,828
Refundable deposits paid	(1,500)	(649)
Acquisition of intangible assets	(10,828)	(11,504)
Acquisition of right-of-use assets	(51,773)	-
Decrease (increase) in other financial assets	43,267	(5,949)
Net cash used in investing activities	(589,053)	(1,015,015)

(Continued)

SDI Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	\$ (58,620)	\$ 23,592
Increase (decrease) in short-term notes and bills payable	10,000	(10,000)
Proceeds from long-term debt	777,831	500,000
Repayment of long-term debt	(720,000)	(393,200)
Repayment of the principal portion of lease liabilities	(10,378)	-
Increase in other noncurrent liabilities	1,293	7,743
Cash dividends paid	(509,993)	(455,351)
Decrease in non-controlling interests	(49,411)	(49,411)
Net cash used in financing activities	<u>(559,278)</u>	<u>(376,627)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(3,627)</u>	<u>2,914</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124,165)	246,540
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	995,674	749,134
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 871,509</u>	<u>\$ 995,674</u>

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

(Concluded)

Comparison Table for Amendments to the Operational Procedures for Loaning Funds to Others

After Amendment	Current Provision	Explanation
<p>Article 4 Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower</p> <p>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.</p> <p>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.</p> <p>III. For a company or firm that has short-term financing needs, the amount permitted to a single borrower is limited to 10% of the Company's net worth.</p> <p>IV. For inter-company loans of funds between the Company and overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, the loaned amount is limited to the Company's total loanable amount.</p>	<p>Article 4 Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 6 Lending Procedures I-II (Omitted) III. Loan Approval:</p> <ol style="list-style-type: none"> 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. <p>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</p>	<p>Article 6 Lending Procedures I-II (Omitted) III. Loan Approval:</p> <ol style="list-style-type: none"> 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. <p>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</p>	<p>Amended in compliance with the competent authority's regulations.</p>

After Amendment	Current Provision	Explanation
<p>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.</p> <p>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 4, Article 4.</p> <p>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.</p> <p>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.</p> <p>IV~VI (Omitted)</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>IV~VI (Omitted)</p>	
<p>Article 11 Internal Audit</p> <p>I. 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.</p> <p>II. They shall promptly notify all supervisors, independent directors and the Audit Committee in writing of any material violation found.</p>	<p>Article 11 Internal Audit</p> <p>I. 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.</p> <p>II. They shall promptly notify all Supervisors in writing of any material violation found.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 12 Rectification Plans for Loan Exceeding the Limit</p> <p>I. If a borrower does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans.</p> <p>II. The Company shall submit the rectification plans to all supervisors, independent directors and Audit Committee, and shall complete the rectification according to the time frame set out in the plan.</p>	<p>Article 12 Rectification Plans for Loan Exceeding the Limit</p> <p>I. If a borrower does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans.</p> <p>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.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 13 Announcement and Reporting</p>	<p>Article 13 Announcement and Reporting</p>	<p>Amended in</p>

After Amendment	Current Provision	Explanation
<p>Procedures</p> <p>I. General announcement and reporting:</p> <p>(I) Announcement and reporting deadline: Enter the information reporting website designated by the competent authority of securities before the 10th day of each month.</p> <p>(II) Announcement and reporting content: The previous month's loan balance of the Company and subsidiaries.</p> <p>II. Where loans of funds reach one of the following levels shall announce and report such event within 2 days commencing immediately from the date of occurrence:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>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.</p> <p>III. "Date of occurrence" in this Article means the date of contract signing, 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.</p> <p>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.</p>	<p>Procedures</p> <p>I. General announcement and reporting:</p> <p>(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.</p> <p>(II) Announcement and reporting content: The previous month's loan balance of the Company and subsidiaries.</p> <p>II. Where loans of funds reach one of the following levels shall announce and report such event within 2 days commencing immediately from the date of occurrence:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>compliance with the competent authority's regulations.</p>

After Amendment	Current Provision	Explanation
	owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.	
<p>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. In the event the Company's responsible person violates Article 2, he or she shall be jointly and severally liable for repayment with the borrower. If the Company suffers damages therefrom, he or she shall be liable for such damages.</p>	<p>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.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>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. The Board of Directors shall take into full consideration each Independent Director's opinion during the 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. Where the Company has established an Audit Committee, when it adopts or amends these Operational Procedures, the Operational Procedures or amended Operational Procedures shall require the approval of one half or more of all audit committee members, and furthermore shall be submitted for a resolution by the Board of Directors, and the provisions of Paragraph 2 shall not apply. If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting. The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>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.</p>	<p>Amended in compliance with the competent authority's regulations.</p>

Comparison Table for Amendments to the Operational Procedures for Endorsements/Guarantees

After Amendment	Current Provision	Explanation
<p>Article 5 I~III (Omitted)</p> <p>IV. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit. The relevant plan to discharge the amount in excess shall be submitted to each supervisor, Independent Director and Audit Committee.</p> <p>V~VI (Omitted)</p>	<p>Article 5 I~III (Omitted)</p> <p>IV. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit. The relevant plan to discharge the amount in excess shall be submitted to each Supervisor.</p> <p>V~VI (Omitted)</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 8 I (Omitted)</p> <p>II. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within 2 days commencing immediately from the date of occurrence:</p> <p>(I) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(III) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial</p>	<p>Article 8 I (Omitted)</p> <p>II. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within 2 days commencing immediately from the date of occurrence:</p> <p>(I) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(III) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>(IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5% or more of the</p>	<p>Amended in compliance with the competent authority's regulations.</p>

After Amendment	Current Provision	Explanation
<p>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 4 of the preceding paragraph.</p> <p>III. "Date of occurrence" in this Article means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.</p>	<p>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 4 of the preceding paragraph.</p> <p>III. "Date of occurrence" in this Article means the date of contract signing for the transaction, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.</p>	
<p>Article 9 Internal Audit:</p> <p>I. Internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.</p> <p>II. They shall promptly notify all the Supervisors, Independent Directors and Audit Committee in writing of any material violation found.</p>	<p>Article 9 Internal Audit:</p> <p>I. Internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.</p> <p>II. They shall promptly notify all the supervisors in writing of any material violation found.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 10 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. The Board of Directors shall take into full consideration each Independent Director's opinion during the 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. Where the Company has established an audit committee, when it adopts or amends these Operational Procedures, the Operational Procedures or amended Operational Procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the Board of Directors, and the provisions of Paragraph 2 shall not apply. If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. The "all audit committee members" and the "all directors" in the preceding paragraphs refers to the actual Incumbents.</p>	<p>Article 10 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.</p>	<p>Amended in compliance with the competent authority's regulations.</p>

Comparison Table of Amendments in Articles of Incorporation

After the Amendment	Current Provision	Explanation
<p>Article 8 The Company's share certificate is registered, which are issued after being signed or sealed by a director representing the Company and attested in accordance with laws. The Corporation may be exempted from printing any stock certificate for the shares issued. However, the Corporation shall appoint a centralized securities custody enterprise/institution to make registration of such shares.</p>	<p>Article 8 The Company's share certificate is registered, which are issued after being signed or sealed by the Chairman of the Board and three or more Directors and attested in accordance with laws. The Corporation may be exempted from printing any stock certificate for the shares issued. However, the Corporation shall appoint a centralized securities custody enterprise/institution to make registration of such shares.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Chapter 4 Directors, Supervisors and Audit Committee</p>	<p>Chapter 4 Directors and Supervisors</p>	
<p>Article 20 The Company has seven to eleven Directors and two Supervisors. The election for Directors and Supervisors adopts candidate's nomination system and the shareholders' meeting shall elect Directors and Supervisors from the candidate list. The term of office of a Director and a Supervisor is 3 years, but he or she may be eligible for re-elections. In case no election of new Directors is effected after expiration of the term of office of existing directors, it will be handled in accordance with Article 195 of the Company Act. Among the Directors under the preceding paragraph, Independent Directors shall not be less than two in number and not less than one-fifth of the total number of Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority in charge of securities. After being elected, the Company may obtain liability insurance with respect to exercising their duties during their terms with the Board of Directors' resolution. The percentage of shareholdings of all Directors and Supervisors shall be in accordance with regulations prescribed by the competent authority in charge of securities.</p>	<p>Article 20 The Company has five to seven Directors and two Supervisors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The term of office of a Director and a Supervisor is 3 years, but he or she may be eligible for re-elections. In case no election of new Directors is effected after expiration of the term of office of existing directors, it will be handled in accordance with Article 195 of the Company Act. Among the directors under the preceding paragraph, Independent Directors shall not be less than two in number and not less than one-fifth of the total number of Directors. The election for Directors and Supervisors adopts candidate nomination system and the shareholders' meeting shall elect the Independent Directors from the candidate list. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority in charge of securities. After being elected, the Company may obtain liability insurance with respect to exercising their duties during their terms with the Board of Directors' resolution. The percentage of shareholdings of all Directors and Supervisors shall be in accordance with regulations prescribed by the competent authority in charge of securities.</p>	<p>Amended in compliance with the competent authority's regulations.</p>
<p>Article 26-1 The Company establishes the Audit Committee instead of supervisors in accordance with Article 14-4 of the Securities and Exchange Act</p>		<p>Amend for the establishment of the Audit</p>

<p>since the shareholders' meeting of 2021. The Audit Committee is responsible for exercising the powers of supervisors under the Company Act, Securities and Exchange Act, and other laws and regulations.</p> <p>Provisions in these Articles relating to Supervisors shall not apply after establishment of the Audit Committee.</p> <p>The Audit Committee shall be composed of the entire number of Independent Directors. It shall not be fewer than three persons in number, one of whom shall be the convener. The relevant organizational rules will be implemented after it is passed by the Board of Directors' resolution.</p>		Committee
<p>Article 35 These Articles were stipulated on, the first amendment was made on August 30, 1969. The thirty-fourth amendment is made on June 23, 2020.</p>	<p>Article 35 These Articles were stipulated on, the first amendment was made on August 30, 1969.</p>	Addition of revision date

IX. Chapter 8. Appendices

SDI Corporation's Operational Procedures for Loaning Funds to Others (Before Amendment)

- 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.

SDI Corporation's Operational Procedures for Endorsements/Guarantees (Before Amendment)

Article 1. Purpose:

To strengthen the Company's internal control over matters of endorsements/guarantees and to reduce business risks, all matters relating to endorsement/guarantees of the Company shall be handled in accordance with these Rules.

Article 2. The term "endorsements/guarantees" as used in these Operational Procedures refers to the following:

- I. Financing endorsements/guarantees, including:
 - (I) Bill discount financing.
 - (II) Endorsement or guarantee made to meet the financing needs of another company.
 - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
- II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company or another company with respect to customs duty matters.
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two paragraphs.
- IV. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company.

Article 3. The Company may make endorsements/guarantees for the following companies:

- I. A company with which it does business.
- II. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- III. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 4. Ceilings on the Amount of Endorsement/Guarantee

- I. The Company's aggregate amount of endorsements/guarantees is limited to 50% of the Company's net worth. The amount of its endorsements/guarantees for any single entity shall not exceed 45% of the Company's net worth.
- II. The Company and subsidiaries' aggregate amount of endorsements/guarantees for external entities shall not exceed 50% of the Company's net worth. The maximum endorsements/guarantees for a single entity shall not exceed 45% of the Company's net worth.
- III. If the aggregate amount of endorsement of the Company and subsidiaries reaches over 50% of the Company's net worth, the necessity and reasonableness shall be explained at the shareholders' meeting.

Article 5. Procedures for endorsements/guarantees made by the Company:

- I. The Chairman of the Board is authorized to, at his or her discretion, handle subsidiaries' endorsements/guarantees within the amount set forth in the preceding paragraph, which will subsequently be ratified by the Board of Directors.
- II. Where a subsidiary in which the Company holds, directly or indirectly, more than 90% of the voting shares provides endorsements/guarantees in accordance with Article 3, Paragraph 2, it shall submit the proposal to the Company's Board of Directors for approval before proceeding. This restriction shall not apply to endorsements/guarantees made between companies in which

the Company holds, directly or indirectly, 100% of the voting shares.

- III. Endorsements/guarantees for entities other than subsidiaries shall be proceeded after it is passed by the Board of Directors.
- IV. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit. The relevant plan to discharge the amount in excess shall be submitted to each Supervisor.
- V. Where the entity for which an endorsement/guarantee is made that met but no longer meets the requirements of Item 3, or the amount of endorsement/guarantee exceeds the limit because the basis of calculation changed, the Company shall cancel all of the amount of endorsements/guarantees or the part exceeding the limit upon the expiration of the agreement or adopt plans and cancel the same within a certain period of time. The same shall be reported to the Board of Directors.
- VI. The Company shall take into full consideration each Independent Director's opinions. If an Independent Director expresses any dissent or reservation, it shall be specifically recorded in the minutes of the Board meeting.

Article 6. Operational Procedures and Control Procedures over Subsidiaries:

- I. When the Company makes or cancels endorsements/guarantees, an application detailing the name of the entity endorsed/guaranteed, warranty, amount and conditions and date for rescinding the endorsement or guarantee obligation shall be prepared and submitted by the financial department to the Chairman of the Board for authorization or to the Board of Directors for passage by resolution. The financial department shall post warranties to account and register the same in the memorandum book based on its nature. The memorandum book shall record in detail the following information for the record:
 - (I) the entity for which the endorsement/guarantee is made,
 - (II) the amount,
 - (III) the date of passage by the Board of Directors or of authorization by the Chairman of the Board,
 - (IV) the date the endorsement/guarantee is made,
 - (V) matters to be carefully evaluated under the foregoing evaluation and resolution procedures.
- II. If the entity for which the endorsement/guarantee is made is a subsidiary with net worth lower than one-half of the paid-in capital, the Company shall submit financial statements each quarter and adopts relevant control measures in accordance with internal audit procedures under Article 9.

If the subsidiary's stock has no denomination or the denomination of each share is NT\$ 10, the amount of paid-in capital calculated in accordance with the above provisions shall be the sum of the capital reserve plus the issue premium.
- III. Where a subsidiary of the Company intends to provide endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for Providing Endorsements/guarantees in compliance with these Regulations, and it shall comply with the Operational Procedures when making endorsements/guarantees.
- 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 7. Procedures for Use and Custody of Corporate Chops:

Relevant notes and corporate chops shall be separately kept by designated persons, and chops may be affixed or notes may be signed and issued only in accordance with the operational procedures stipulated by the Company. The relevant persons are appointed by the Chairman of the Board under the Board of Directors' authorization. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees.

Article 8. Public announcement and regulatory filing 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 balance of endorsements/guarantees of the Company and its subsidiaries.

II. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within 2 days commencing immediately from the date of occurrence:

(I) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.

(II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.

(III) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.

(IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5% 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 4 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 Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.

Article 9. Internal Audit:

A. Internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly.

B. They shall promptly notify all supervisors in writing of any material violation found.

Article 10. 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.

SDI Corporation's Articles of Incorporation (Before Amendment)

Chapter I

General Provisions

- Article 1 The Company is incorporated in accordance with the provisions relating to companies limited by shares of the Company Act. The Company is named SDI Corporation. (English: SDI CORPORATION)
- Article 2 The Company's business is as follows:
- I. CA02010 Metal Architectural Components Manufacturing
 - II. CA02030 Screw, Nut and Rivet Manufacturing
 - III. CA02040 Metal Spring Manufacturing
 - IV. CA02090 Metal Line Products Manufacturing
 - V. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
 - VI. CA03010 Metal Heat Treating
 - VII. CC01080 Electronic Parts and Components Manufacturing.
 - VIII. CC01110 Computers and Computing Peripheral Equipment Manufacturing
 - IX. CH01030 Stationery Articles Manufacturing
 - X. CQ01010 Die Manufacturing
 - XI. F401010 International Trade
 - XII. I301030 Digital Information Supply Services
 - XIII. J399010 Software Publication
 - XIV. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company's investment in other entities shall be passed by the Board of Directors, but the total amount of investment shall not be limited by the amount limit under Article 13 of the Company Act.
- Article 4 The Company may act as a guarantor for its business needs.
- Article 5 The Company is incorporated in Changhua County. Where necessary, the Board of Directors may resolve to set up branches or factories both at home or abroad. The same applies to setting up or moving factories.
- Article 6 Deleted
- ## **Chapter 2**
- ### **Shares**
- Article 7 The total capital of the Company is set at NT\$ 2.7 billion, divided into 270 million shares. Each share is worth NT\$ 10. The Board of Directors is authorized to issue them in installments.
- Article 8 The Company's share certificate is registered, which are issued after being signed or sealed by the Chairman of the Board and three or more Directors and attested in accordance with laws.
- The Corporation may be exempted from printing any stock certificate for the shares issued. However, the Corporation shall appoint a centralized securities custody enterprise/institution to make registration of such shares.
- Article 9 Deleted
- Article 10 Deleted
- Article 11 The shares shall not be transferred within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonus or other benefits. The transfer registration of shares is stopped thereof.
- Article 12 Deleted
- ## **Chapter 3**
- ### **Shareholders' Meeting**
- Article 13 Shareholders' meeting shall be of regular meeting and special meeting. The regular shareholders' meeting referred to in the preceding Paragraph shall be convened within 6 months after close of each fiscal year, unless otherwise approved by the competent

- authority for good cause shown. Special meetings shall be convened according to the law when necessary. A shareholders meeting shall, unless otherwise provided for in the Company Act, be convened by the Board of Directors.
- Article 14 A notice to convene a regular shareholders' meeting shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a special shareholders' meeting shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. The date, venue, cause(s) or subject(s) of a shareholders' meeting to be convened shall be indicated in the individual notice to be given to shareholders and the announcement.
- Article 15 In the event a shareholder cannot attend the shareholders' meeting, he or she may, in accordance with Article 177 of the Company Act, execute a proxy form printed and issued by the Company stating therein the scope of authorization and appoint a proxy to attend on his or her behalf. Save and except for Article 177 of the Company Act, methods for shareholders to appoint proxy for attendance shall be handled in accordance with Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies stipulated by the competent authority.
- Article 16 The Chairman of the Board shall serve as the chairperson when a shareholders' meeting is convened by the Board of Directors. If the Chairman of the Board is absent or cannot perform his duty for any reason, the delegation process shall be carried out in accordance with Article 208 of the Company Act.
For a shareholders meeting convened by any other person having the convening right, he or she shall act as the chairperson of that meeting. However, if there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among them.
- Article 17 Unless otherwise stipulated for in the Company Act, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
- Article 18 The shareholders of the Company shall have one voting right for each share, unless otherwise regulated under Article 179 of the Company Act or other laws and regulations.
- Article 19 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall include: the date and place of the meeting, number of shareholders attended, number of shares represented, number of voting shares, the name of the chairperson, adopting items and the method of adopting resolutions. The minutes of the shareholders' meeting shall be affixed with the signature or seal of the chairperson of the meeting, and then be kept in the Company with shareholders' sign-in book and proxy forms in accordance with Article 183 of the Company Act. The minutes of the meeting shall be distributed to each shareholder within 20 days after the meeting. The preparation and distribution of the minutes of shareholders' meeting may be affected by means of electronic transmission, and may be affected by entering the same to the Market Observation Post System for announcement.
- Chapter 4**
Directors and Supervisors
- Article 20 The Company has five to seven directors and two supervisors who shall be elected by the Shareholders' Meeting from among the persons with disposing capacity. The term of office of a Director and a Supervisor is 3 years, but he or she may be eligible for re-elections. In case no election of new Directors is affected after expiration of the term of office of existing directors, it will be handled in accordance with Article 195 of the Company Act. Among the directors under the preceding paragraph, Independent Directors shall not be less than two in number and not less than one-fifth of the total number of Directors. The election for Directors and Supervisors adopts candidate nomination system and the shareholders' meeting shall elect the Independent Directors from the candidate list. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other

- matters for compliance with respect to independent directors shall be prescribed by the competent authority in charge of securities.
- After being elected, the Company may obtain liability insurance with respect to exercising their duties during their terms with the Board of Directors' resolution.
- The percentage of shareholdings of all Directors and Supervisors shall be in accordance with regulations prescribed by the competent authority in charge of securities.
- Article 21 The Directors shall elect from among themselves a Chairman of the Board by a majority in a meeting attended by over two-thirds of the Directors. The directors may elect a Vice Chairman of the Board. The Chairman of the Board shall have the authority to represent the Company. The Company's Board meeting shall be convened by the Chairman of the Board, who shall act as chairperson of the meeting, provided the first Board meeting of each term after an election of Directors shall be convened in accordance with Article 203 of the Company Act. Reasons for convening a Board of Directors' meeting shall be notified to Directors and Supervisors no later than 7 days before the meeting. In the event of an emergency, a meeting may be convened at any time. The notice of convening the Board of Directors' meeting shall be delivered in written, fax, or electronic form.
- Article 22 When the vacancies on the Board of Directors exceed one-third of the total number of the Directors, the Board of Directors shall convene a special shareholders' meeting within 60 days for by-election. The newly elected directors shall serve the remaining terms.
- Article 23 Directors form the Board of Directors, which has the following functions and powers:
- I. Formulation of various articles of association.
 - II. Decision of business policies.
 - III. Review of budgets.
 - IV. Decision of important personnel placement.
 - V. Formulation of earnings distribution or loss make-up.
 - VI. Planning and approval of important property and real property acquisition and disposal.
 - VII. Proposals of capital increase or decrease.
 - VIII. Planning and approval of investments in other businesses.
- Other functions and powers conferred by the shareholders' meeting.
- Article 24 Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a half of the directors in attendance at the meeting where a half of the total number of Directors presents. If a Director is unable to personally attend the Board meeting for cause, he or she may authorize another director to attend on his or her behalf in accordance with the laws. No Director may act as a proxy for more than one other Director.
- The Board of Directors' meeting is convened by video conference. Attendance via video conference is deemed to be attendance in person.
- Article 25 Deleted
- Article 26 The supervisors have the following functions and powers:
- I. Investigation in financial conditions.
 - II. Auditing financial books and documents.
 - III. Supervising business.
 - IV. Reviewing final accounts statement and books and submitting reports and opinions to the shareholders' meeting.
 - V. Other functions and powers authorized according to laws and regulations and the shareholders' meeting.
- Article 27 In addition to perform supervising duties according to the laws and regulations, supervisors may attend the meeting of the Board of Directors to express their opinions without voting powers.
- Article 28 The Board of Directors is authorized to determine the remunerations of Directors and Supervisors according to their participation in and contribution to the Company's operation

and with reference to the common remuneration level of counterparts in the industry. The Board of Directors is authorized to determine and distribute the remunerations of Independent Directors according to the Company's business.

Chapter 5

Article 29

Managerial Officer

The Company may have managerial officers. Appointment, dismissal and compensation of the managerial officers shall be decided in accordance with Article 29 of the Company Act.

Chapter 6

Article 30

Accounting

The Company's fiscal year starts from the beginning to the end of the same year. At the end of each fiscal year, the Company shall prepare final accounts. 一月一日十二月卅一日

Article 31

At the end of each fiscal year, the Board of Directors shall make the following books and submit the same to Supervisors for audit 30 days prior to the shareholders' meeting. The Supervisors shall issue a report and submit it with the books to the shareholders' meeting for recognition.

I. Business report.

II. Financial statements.

III. Earnings distribution or loss make-up proposals.

Article 32

In the event the Company's final accounts of the year have earnings, the Company shall set aside 1.5% as employees' compensation and no more than 1.5% as Directors' and Supervisors' remuneration. After the Board of Directors resolves for distribution, taxes shall be filed in accordance with laws. Then, 10% 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.

In the event the Company accumulated loss from the previous years and the Company has distributable earnings in the current year, the loss shall be covered before setting aside employees' compensation and Directors' and Supervisors' remuneration. Reservation per ration set forth in the preceding paragraph shall be applied to the remaining balance. Where employees' compensation is paid in shares or cash, it shall be distributed to employees of subsidiaries meeting certain requirements.

For earnings distribution, in the event the number of outstanding shares is affected by repurchase of the Company's shares or transfer, conversion, cancellation of treasury shares, and the allotment ratio of shareholders is thus changed, the Board of Directors is authorized to handle the change of registration.

Article 32-1

The Company's dividends policy is stipulated by the Board of Directors based on business plans, investment plans, capital budgeting and changes in internal and external circumstances. The Company is now in a stage of stable business growth. The earnings distribution shall primarily be made in cash dividends, but stock dividends are allowed. However, in principle, the ratio of stock dividends shall not be higher than 50% of the total amount of dividends.

Chapter 7

Supplementary Provisions

Article 33

The Company's organizational rules and regulations shall be stipulated separately by the Board of Directors.

Article 34

Matters not stipulated in these Articles shall be handled in accordance with the Company Act and other laws and regulations.

Article 35

The Articles were established on August 7, 1967; the first amendment was on August 31, 1969; the second amendment was on November 11, 1973; the third amendment was on February 9, 1976; the fourth amendment was on December 1, 1978; the fifth amendment was on June 19, 1982; the sixth amendment was on January 12, 1983; the seventh amendment was on March 25, 1983; the eighth amendment was on February 15, 1986; the ninth amendment was on December 15, 1989; the tenth amendment was on November 1,

1991; the eleventh amendment was on August 26, 1992; the twelfth amendment was on September 23, 1993; the thirteenth amendment was on April 27, 1993; the fourteenth amendment was on July 20, 1993; the fifteenth amendment was on February 19, 1994; the sixteenth amendment was on June 10, 1994; the seventeenth amendment was on May 16, 1995; the eighteenth amendment was on March 21, 1995; the nineteenth amendment was on May 16, 1997; the twentieth amendment was on April 23, 1998; the twenty-first amendment was on May 12, 1999; the twenty-second amendment was on May 24, 2000; the twenty-third amendment was on June 12, 2001; the twenty-fourth amendment was on June 21, 2002; the twenty-fifth amendment was on June 25, 2003; the twenty-sixth amendment was on March 23, 2005; the twenty-seventh amendment was on June 23, 2005; the twenty-eighth amendment was on June 23, 2006; the twenty-ninth amendment was on June 25, 2009; the thirtieth amendment was on June 25, 2010. The thirty-first amendment was on June 28, 2012. The thirty-second amendment was on June 24, 2014. The thirty-third amendment was on June 22, 2016.

SDI Corporation

Responsible person: J.S. Chen

SDI Corporation's Rules of Procedure for Shareholders' Meetings

- Article 1 To establish a strong governance system of the Shareholders' Meeting, a sound supervisory capability, and to strengthen its management mechanism for the Company, the Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- Article 2 The procedures rules for the Company's shareholders' meetings shall be in accordance with these Rules unless otherwise stated by law, regulation, or the Articles of Incorporation.
- Article 3 Unless otherwise stated by regulations, the shareholders' meetings are convened by the Board of Directors.
- 30 days before the Company convenes a regular shareholders' meeting or 15 days before a special shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System. 21 days before the Company convenes a regular shareholders' meeting or 15 days before a special shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials referred to in the preceding paragraph, and upload it to the Market Observation Post System. 15 days before the date of shareholders' meeting, the shareholders' meeting agenda handbook and supplementary information shall be prepared for shareholders' perusal at any time, displayed at the company and the company's professional shareholder services agency, and distributed on-site during the shareholders' meeting.
- The notice and public announcement shall indicate the reasons for convening the meeting. The notice, if agreed by counterparties, may be delivered by electronic means.
- Election or discharge of directors and supervisors, alteration of the Articles of Incorporation, dissolution, merger, spin-off, or any matters as set forth in Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described, and shall not be brought up as extempore motions.
- Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a written proposal to the Company for discussion at an annual general meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. When any of the circumstances provided in Paragraph 4, Article 172-1 of the Company Act applies to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.
- Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than 10 days.
- The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than three hundred words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.
- The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.
- Article 4 Shareholders may appoint a proxy to attend the shareholders' meeting through a letter of appointment printed by the Company, stating the scope of authorization to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail. However, the foregoing does not apply to where an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the service of the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company 2 days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 5 The place for convening a shareholders meeting shall be held inside the Company's location, or any other place convenient for the shareholders and suitable for holding of the said meeting. The time for commencing the said meeting shall not be earlier than 9 a.m. or later than 3 p.m..

Article 6 The Company shall state the check-in location and other notes in the shareholders' meeting's notice. The check-in location shall have clear marking and sufficient and capable staff for handling the check-in process.

Shareholders and their proxies (hereinafter referred to collectively as "Shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person has been delegated to attend the shareholders' meeting, only one person should be delegated as proxy.

Article 7 For a shareholders' meeting convened by the board of directors, the chairperson of the meeting shall be the Chairman of the Board. In case the Chairman of the Board is on leave or absent or cannot exercise his or her power and authority for any cause, the Vice Chairman shall act on his or her behalf. In case there is no Vice Chairman, or the Vice Chairman is also on leave or absent or unable to exercise his or her power and authority for any cause, the Chairman of the Board shall designate one of the Managing Directors, or where there is no managing Directors, one of the Directors to act on his or her behalf. In the absence of such a designation, the Managing Directors or the Directors shall elect from among themselves an acting Chairman of the Board.

When a Managing Director or a director serves as the chairperson as referred to in the preceding paragraph, the Managing Director or the Director shall be one who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chairperson.

A shareholders' meeting convened by the Board of Directors shall be chaired by the Chairman of the Board in person. It is advisable that the shareholders' meeting to be attended by a majority of the Directors, at least one Supervisor in person, and at least one member from each of the functional committees. The attendance record of the meeting shall be recorded in the shareholders' meeting minutes.

For a shareholders meeting convened by any other person having the convening right, he or she shall act as the chairperson of that meeting. However, if there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among them.

The Company may appoint its attorneys, certified public accountants, or related persons to attend a shareholders' meeting in a non-voting capacity.

Article 8 The Company shall continuously record the meeting proceeding and the entire election in both video and audio format.

The aforementioned recordings shall be kept for at least one year. If, however, a shareholder

files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

- Article 9 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed, and the number of shares of voting rights is exercised in writing or electronically.
- When it is the meeting time, the chairperson shall announce that the meeting starts immediately. However, when less than half of all issued shares are represented in the meeting by then, the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed times shall not exceed 1 hour. If the quorum is still not met after two postponements are still not met, the chairperson shall declare the meeting adjourned.
- If the aforementioned two postponements still fail to meet the quorum, but the number of shares that represent more than one-third of the total number of issued shares are present, tentative resolutions may be resolved pursuant to Article 175-1 of the Company Act, and each shareholder will be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month.
- If, prior to conclusion of the meeting, the attending shareholders represent more than half of the total number of issued shares, the chairperson may resubmit the tentative resolutions for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- Article 10 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.
- The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.
- The chairperson may not arbitrarily declare the adjournment of the meeting before the end of proceedings (including extempore motions). If the chairperson declares the meeting adjourned in violation of the rules of procedure, other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- The chairperson shall allow ample opportunity during the meeting for explanation and discussion of the proposals and of the amendments or extempore motions put forward by the shareholders; when the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, he or she may announce the end of the discussion and call for the vote.
- Article 11 A shareholder wishing to speak in a shareholders meeting shall first fill out a speaker's slip, specifying therein the essentials of his speech, his or her shareholder account number (or attendance card number) and the account name, and the chairperson shall determine his or her order of giving a speech.
- A shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. If the contents of speech are inconsistent with the contents of speaker's slip, the contents of speech shall prevail.
- Except with the consent of the chairperson, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the issue under discussion, the chairperson may terminate the speech.
- When a shareholder attends the shareholders' meeting, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor. The chairperson shall stop any violation.
- When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same proposal.
- After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.
- Article 12 Voting at a shareholders' meeting shall be calculated based the number of shares.

For the resolutions of the shareholders' meeting, the number of shares of the non-voting shareholders is not included in the total number of issued shares.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

In passing a resolution at a shareholders' meeting, shares for which voting right cannot be exercised as provided in the preceding paragraph shall not be counted in the number of votes of shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted or deemed non-voting shares under Paragraph 2, Article 179 of the Company Act. The Company may allow shareholders to exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person. However, he or she shall be deemed to have waived his or her voting power in respect of any extempore motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. Therefore, it is advisable that the Company avoids proposing any extempore motion(s) and amendment(s) to the contents of the original proposal(s).

In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his or her declaration of intention shall be served to the company 2 days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail. However, the foregoing does not apply where an explicit statement to revoke the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he or she shall, 2 days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his or her voting power, serve a separate declaration of intention to rescind his or her previous declaration of intention made in exercising the voting power under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his or her voting power in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his or her behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and the Company's Articles of Incorporation, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. In resolving an item, if the chairperson consults all shareholders present and there is no dissent, it is deemed to be passed, and its effect is the same as voting. In the event of dissents, the resolution shall be voted pursuant to the preceding paragraph, and the shareholders' consent, objection and waiver shall be entered into the Market Observation Post System on the same day after the shareholders' meeting is convened.

When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Scrutineers and vote counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all scrutineers shall be shareholders of the Company.

Vote counting for resolution or elections in a shareholders' meeting shall be conducted within the location of the shareholders' meeting. Immediately after vote counting is completed, the results of the voting, including the numbers of votes, shall be announced on-site at the

meeting, and a record is made for the vote.

Article 14 The election of Directors or Supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules of the Company, and the election results shall be announced on-site immediately, including the names of those elected as Directors or Supervisors and the numbers of voting rights with which they were elected. The ballots for the election under the preceding paragraph shall be sealed with the signatures of the scrutineers and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 15 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within 20 days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission.

The Company may distribute the meeting minutes as described in the preceding paragraph by entering the same to the Market Observation Post System for public announcement.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chairperson may direct the inspectors or security personnel to help maintain order at the meeting place. The pickets or security personnel shall wear armbands with the word "Picket" when maintaining order.

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairperson may stop the shareholder from so doing.

If the shareholder violates the rules of procedures and defies the chairperson's instruction, and obstructs the proceedings and refuses to stop, the chairperson may direct the pickets or security personnel to escort the shareholder out of the venue.

Article 18 When a meeting is in progress, the chairperson may announce a break based on time considerations. If a force majeure event occurs, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

Before the completion of agendas (including extraordinary motions) of the shareholders' meeting, if the meeting venue is not available for continued use, the shareholders' meeting may decide to seek a new venue to resume the meeting.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Act, decide to postpone or resume the assembly within 5 days.

Article 19 The Rules, along with any amendments hereto, shall be implemented after adoption by shareholders' meetings.

SDI Corporation's Rules for Director and Supervisor Elections

- Article 1 Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of the Directors or Supervisors shall be conducted in accordance with the Rules.
- Article 2 The cumulative voting method shall be used for the Company's election of the Directors or Supervisors. Each share will have voting rights in number equal to the Directors or Supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Elections of Independent Directors of the Company shall be conducted in accordance with the candidate nomination system set out in Article 192-1 of the Company Act.
- Article 3 The Company's Directors or Supervisors will count the voting rights for independent directors and non-independent directors separately and based on the quota provided by the Articles of Incorporation. Candidates who have more votes will be elected in the order of votes. In the event a person is simultaneously elected as a Directors or Supervisor, he or she shall decide to be either a Directors or Supervisor. In the event two or more people have the same vote and the elected people exceeds the quota, it shall be determined by lot drawing among the people who have the same vote, and the chairperson will act on behalf of those not present in the lot drawing.
- The qualifications of the Independent Directors of the Company shall be in accordance with the provisions of Articles 2, 3 and 4 of the Measures for the Establishment and Compliance of Independent Directors of Public Offering Companies.
- The selection of independent directors of the Company shall be in accordance with Articles 5, 6, 7, 8 and 9 of the Measures for the Establishment and Compliance of Independent Directors of Public Offering Companies, and shall be based on the listing. Article 24 of the Code of Practice for Corporate Governance of Cabinets shall be handled.
- Article 4 When the election begins, the chairperson shall designate scrutineers and vote counting personnel to conduct oversight and vote counting.
- Scrutineers in the preceding paragraph shall be shareholders of the Company.
- Article 5 The Company shall prepare and issue the ballots. Each ballot shall specify the attendance card number and the number of voting rights of a voter.
- Article 6 A voter shall specify the name or the attendance card number of the person to be elected in the column of "The Person to be Elected." It may note the shareholder account number in addition. If he or she is not a shareholder, the name and identification number of the person to be elected shall be specified. However, if a juristic person shareholder has two or more representative as people to be elected, the juristic person's name shall be filled in the column of the person to be elected on the ballot. Alternatively, the juristic person's name or its representatives' name shall be filled in.
- Filling in the name, account number and identification number of a person to be elected in the preceding paragraph may be replaced by affixing a chop.
- Article 7 Article 10 Ballots are deemed void in any of the following circumstances:
1. A ballot under these Rules is not used.
 2. A blank ballot is placed in the ballot box.
 3. The writing is ambiguous and cannot be identified.

4. Inconsistent account name and shareholder account name with the shareholders ledger when the person to be elected filled in is a shareholder; or otherwise the name and identification number are not consistent upon check.
5. Two or more people to be elected are filled in the same ballot.
6. Texts other than the name and shareholder account number or identification number of the person to be elected are included.
7. The name of the person to be elected elector is the same as that of the other shareholders, and the shareholder number or the identity card is not filled in to identify the person.

Article 8 Separate ballot boxes are set up for Directors or Supervisors election.

Article 9 Ballot boxes are prepared by the Board of Directors and will be opened for examination by scrutineers before voting.

Article 10 The votes shall be calculated on-site immediately after voting completes, and the results of the calculation shall be announced by the chairperson or a person designated by the chairperson on-site.

The ballots for the election under the preceding paragraph shall be sealed with the signatures of the scrutineers and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the same shall be retained until the conclusion of the litigation.

Article 11 The Company will separately send notice for being elected to directors and supervisors elected by voting. The elected will sign a letter expressing their will to take on the post.

Article 12 Matters not detailed in these Rules shall be handled in accordance with the Company Act and relevant laws and regulations and the Articles of Incorporation.

Article 13 The Rules and any amendments thereto shall be implemented after being approval at the shareholder's meeting.

❖ SDI Corporation's Shareholding of Directors and Supervisors

Upon the date share transfer is stopped for this shareholders' meeting (April 25, 2020), the shareholding of all Directors or Supervisors on the shareholders roster is as below:

Title	Name	Date elected	Shareholding while elected		Shares held as of the book closure date	
			Shares	%	Shares	%
Chairman of the Board	S.J. Chen	June 22, 2018	8,248,794	4.53%	8,248,794	4.53%
Director	Jerome Chen	June 22, 2018	3,129,707	1.72%	3,129,707	1.72%
Director	Weite Chen	June 22, 2018	9,327,690	5.12%	9,327,690	5.12%
Director	Chao-hung Chen	June 22, 2018	330,406	0.18%	330,406	0.18%
Director	Chieh-hsuan Chen	June 22, 2018	0	0.00%	0	0.00%
Independent Director	Wen-i Chiang	June 22, 2018	0	0.00%	0	0.00%
Supervisor	Sheng-yen Hsieh	June 22, 2018	121,632	0.07%	121,632	0.07%
Supervisor	Chiung-ying Chung	June 22, 2018	1,115,920	0.61%	1,341,920	0.74%

Note 1: The statutory minimum of shares held by all Directors is 13,660,518 shares. Upon April 25, 2020, 21,036,597 shares are held by all Directors.

Note 2: The statutory minimum of shares held by all Supervisors is 1,366,051 shares. Upon April 25, 2020, 1,463,552 shares are held by all Supervisors.