

Stock Code: 2351



**2021 Annual Shareholders' Meeting**

# **Meeting Handbook**

**SDI Corporation**

**Time: 9:30 a.m., June 22, 2021**

**Venue: No.260, Sec.2, Zhangnan Road, Changhua  
City (SDI Meeting Room)**

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## Chapter 1, Meeting Procedures for 2021 Annual Shareholders' Meeting of SDI Corporation

- I. Calling meeting to order (reporting shares held by attending shareholders)
- II. Chairman's remarks
- III. Announcements
- IV. Proposals
- V. Discussions
- VI. Election
- VII. Other Matters
- VIII. Motions
- IX. Adjournment

## Chapter 2, Meeting Agenda for 2021 Annual Shareholders' Meeting of SDI Corporation

Time: 9:30 a.m., June 22, 2021 (Tuesday)

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

- I. Call Meeting to Order
- II. Chairman's remarks
- III. Announcements
  - (I) 2020 Business Report.
  - (II) Supervisor's review report on the final account statements for 2020.
  - (III) Report on distribution and evaluation of remuneration for employees, directors and supervisors for 2020.
  - (IV) Report on establishment of "Code of Good-faith Management" and "Procedures for Good-faith Management and Guidelines for Conducts".
- IV. Proposals
  - (I) Business Report and Financial Statements for 2020.
  - (II) Profit Distribution Plan for 2020.
- V. Discussions
  - (I) Amendment to the "Articles of Incorporation"
  - (II) Amendment to the "Rules of Procedure for the Shareholders' Meeting".
  - (III) Amendment to the "Procedures for Acquisition or Disposal of Assets".
  - (IV) Amendment to the "Operational Procedures for Loaning Funds to Others".
  - (V) Amendment to the "Operational Procedures for Endorsements/ Guarantees".
  - (VI) Establishment of the "Rules for Director Elections".
- VI. Election matters: Re-election of directors.
- VII. Other Matters
  - \* Proposal to release the newly elected directors from non-competition restrictions
- VIII. Motions
- IX. Adjournment

## Chapter 3, Report Items

I. Please see the 2020 Business Report.

### **SDI Corporation 2020 Business Report**

Dear Sir/Madam:

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

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

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

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

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

Chairman: J.S. Chen    Manager: Weite Chen    Accounting Manager: Ray Huang

II. Please see Supervisor's review report on the final account statements for 2020.

## 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 profit distribution plan for 2020, 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 Supervisor. We Supervisors consider there is no inconsistency and prepare the report in accordance with Article 219 of the Company Act. Please review the same.

To

2021 Annual Shareholders' Meeting of SDI Corporation

Supervisor:                      Sheng-yen Hsieh

Chiung-ying Chung

March 9, 2021

III. Please see the report on distribution and evaluation of remuneration for employees, directors and supervisors for 2020.

[Description]

1. In accordance with Article 32 of the Articles of Incorporation, SDI's 2020 profits before tax and before deducting employees' compensation and Directors' and Supervisors' remuneration allocation is NT\$ 435,782,813. We set aside 1.5% as employees' compensation of NT\$ 6,536,742 and 1.2% as remuneration to directors and supervisors of 5,229,394. Both will be distributed in the form of cash.
2. Appraisal results of individual performance of the directors, supervisors and managers:  
The Company's directors, supervisors, and managers are appraised respectively pursuant to the "Measures on Performance Appraisal of the Board of Directors and the Functional Committee" and the "Appraisal Administration Regulations", and are in line with the appraisal standards.
3. Relevance and Reasonableness between the Contents and Amounts of the Compensation of the Directors and Managers and the Performance Appraisal Results:

SDI pays fair remuneration to the directors, supervisors and managers by taking into account the Company's operating results and their contributions to SDI's performance. SDI's performance appraisal measures will become the basis for appraisal of the directors, while managers will be appraised the same as all employees based on the Appraisal Administration Regulations twice a year.

- IV. Please see the report on establishment of "Code of Good-faith Management" and "Procedures for Good-faith Management and Guidelines for Conducts".

[Description]

1. In order to build the corporate culture of credit management and promote sound development, the Company establishes internal rules and regulations including "Code of Good-faith Management" and "Procedures for Good-faith Management and Guidelines for Conducts". [Please refer to #Page 32-45# of the Handbook.]
2. This proposal is approved at the 12th Board meeting of the 18th Board of Directors.

## Chapter 4, Proposals

### **Item 1: Proposed by Board of Directors.**

Subject: Please ratify business report and financial statements for 2020.

Description: 2020 individual financial statements and consolidated financial statements are prepared and approved by the Board of Directors on March 9, 2021. We respectfully submit the same with the business report reviewed by the supervisors for approval.

[Please refer to #Page 4-5# and #Page 12-31# of the Handbook]

Resolution:

### **Item 2: Proposed by Board of Directors.**

Subject: Please ratify the Profit Distribution Plan for 2020.

Description: SDI's Profit Distribution Plan for 2020 is as attached.

SDI Corporation

Profit Distribution

(Attachment)

Year of 2020

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	2,141,256,464
Add: Other comprehensive income (remeasurements of defined benefit plans)	(3,795,680)
Add: Profit after tax of this year	349,147,074
Less: Legal reserve set aside	(34,535,139)
Add: Reversal of special surplus reserve	20,927,660
Distributable earnings	2,473,000,379
Less: Dividends (1.8 dollars per share, distributed in cash)	(327,852,448)
Undistributed earnings at the end of the period	2,145,147,931

Chairman: J.S. Chen    Manager: Weite Chen    Accounting Manager: Ray Huang



2. We plan to set aside 327,852,448 dollars from distributable earnings to distribute cash dividends being NTD 1.8 per share. Based on the outstanding shares at the time of the Board of Directors' resolution being 182,140,249 shares, and leaving the amount below dollar. The changes will be consolidated to the Company's other income. After the shareholders' meeting approves the cash dividends distribution, we intend to authorize the Chair 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 section is adjusted or changed by the competent authority, the Board of Directors is authorized to cooperate and handle the same.

Resolution:

## Chapter 5, Discussions

### **Item 1: Proposed by Board of Directors.**

Subject: Please discuss amendment to Articles of Incorporation.

Description: To cooperate with the Company's establishment of an Audit Committee, we intend to amend some provisions of the "Articles of Incorporation". We respectfully submit the same for discussion. [Please refer to #Page 46-49# of the Handbook]

Resolution:

### **Item 2: Proposed by Board of Directors.**

Subject: Please discuss the Amendment to the "Rules of Procedure for the Shareholders' Meeting".

Description: To cooperate with the Company's establishment of an Audit Committee, and comply with the relevant laws and regulations, we intend to amend some provisions of the "Rules of Procedure for the Shareholders' Meeting". We respectfully submit the same for discussion. [Please refer to #Page 50-56# of the Handbook]

Resolution:

### **Item 3: Proposed by the Board of Directors.**

Subject: Please discuss the Amendment to the "Procedures for Acquisition and Disposal of Assets".

Description: To cooperate with the Company's establishment of an Audit Committee, we intend to amend some provisions of the "Procedures for Acquisition and Disposal of Assets". We respectfully submit the same for discussion. [Please refer to #Page 57-61# of the Handbook]

Resolution:

### **Item 4: Proposed by the Board of Directors.**

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

Description: To cooperate with the Company's establishment of an Audit Committee, we intend to amend some provisions of the "Operational Procedures for Loaning Funds to Others". We respectfully submit the same for discussion. [Please refer to #Page 62-63# of the Handbook]

Resolution:

### **Item 5: Proposed by the Board of Directors.**

Subject: Please discuss amendment to Rules for Endorsement Procedures.

Description: To cooperate with the Company's establishment of an Audit Committee, we intend to amend some provisions of the "Operational Procedures for Endorsements/Guarantees". We respectfully submit the same for discussion. [Please refer to #Page 64-65# of the Handbook]

Resolution:

### **Item 6: Proposed by the Board of Directors**

Subject: Please discuss the proposed establishment of "Rules for Director Elections"

Description: To comply with the relevant laws and regulations, we intend to abolish the Company's original "Rules for Director and Supervisor Elections", and intend to establish the Company's "Rules for Director Elections" by reference to the "Regulations on Election of Directors" enacted by TWSE. We respectfully submit the same for discussion. [Please refer to #Page 66-67# of the Handbook]

Resolution:

## **Chapter 6, Elections**

Subject: Proposal on re-election of directors (Proposed by the Board of Directors)

- Description: 1. The term of office of the Company's current directors and supervisors expires on June 21, 2021. It is proposed to hold the election for new directors and supervisors at the Company's Annual Shareholders' Meeting this year.
2. Pursuant to the Articles of Incorporation, it is proposed to elect 9 directors (including 4 independent directors) in the form of candidate nomination, with a term of office of 3 years from June 22, 2021 to June 21, 2024. Besides, the Audit Committee composed of all independent directors will take place of the supervisors, and the original directors and supervisors retire in the same day.
3. SDI has convened a Board meeting on March 9, 2021 to review the qualification of the candidates for directors. We hereby provide the relevant information as follows:

Category	Name of Candidate	Education	Experience	Current Post	Number of shares held	Reasons for nomination of the candidates as independent director for more than three terms:
Director	S.J. Chen	National Chang-Hua Senior School of Commerce	Chairman of SDI Corporation	Chairman of SDI Corporation		N/A
Director	Weite Chen	MBA, Rotterdam School of Management	General Manager of SDI Corporation	General Manager of SDI Corporation		N/A
Director	Jerome Chen	Master of Accounting, National	Vice General Manager of SDI	Vice General Manager of SDI		N/A

		Changhua University of Education	Corporation	Corporation		
Director	Chieh-hsuan Chen	Ph.D. of Sociology, Tunghai University	Professor in Department of Sociology of Tokai University, and Director of East Asian Social and Economic Research Centre	Professor in Department of Sociology of Tokai University, and Director of East Asian Social and Economic Research Centre		N/A
Director	Wilson Investment Co., Ltd.	N/A	N/A	N/A		N/A
Independent Director	Wen-i Chiang	Master of Accounting, National Changhua University of Education	CPA of Wen-i Chiang Co., CPAs	CPA of Wen-i Chiang Co., CPAs	Nil	Not more than three terms
Independent Director	Tsung-ting Chung	PhD in International Relations from Denver University, USA	Professor in Business Management Department, National Yunlin Technology University	Adjunct Professor in Business Management Department, National Yunlin Technology University	Nil	Not more than three terms
Independent Director	Kuo-chao Tseng	Master of Science in Management from Baker College	Accountant from Kuo-tsao Tseng Certified Public Accountants	Accountant from Kuo-tsao Tseng Certified Public Accountants	Nil	Not more than three terms
Independent Director	Wen-Cheng Cheng	MBA, Feng Chia University	Senior Vice General Manager of Esun Bank		Nil	Not more than three terms

4. Please elect.

Election results:

## Chapter 7, Other Proposals

Subject: please discuss the proposal on release the newly elected directors from non-competition restrictions. (Proposed by the Board of Directors)

Description: 1. Pursuant to Article 209 of the Company Act, “a director who engages in transactions within the business scope of the company for himself or for others shall explain to the shareholders’ meeting the essential consents of such transactions and secure approval from the shareholders’ meeting”. Without prejudice to the Company’s interest, the directors newly elected at the shareholders’ meeting this time submit a request to the shareholders’ meeting for approving release

them from non-competition restrictions from the date when they take office.

2. Data on the director's concurrent positions in other companies is as follows:

Name	Company Name and Concurrent Position
S.J. Chen	1. Chairman and General Manager of Chao Shin Metal Industrial Corp. 2. Chairman of TEC Brite Technology Co., Ltd. 3. Chairman of SHUEN DER(B.V.I.)CORPORATION
Jerome Chen	1. Chairman of SDI (Jiangsu) Co., Ltd. 2. Director of TEC Brite Technology Co., Ltd.

Resolution:

## Chapter 8, Special Motions

## Chapter 9, 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, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

## Key Audit Matters

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

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

### 1. Valuation of Inventory Impairment

#### Description

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

#### How our audit addressed the matter

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

### 2. Revenue Recognition

#### Description

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

Company recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of control of a good transfers to the customer. Therefore, revenue recognition has been identified as a key audit matter.

#### How our audit addressed the matter

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

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

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

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

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

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

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

the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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



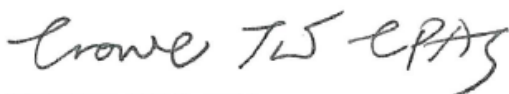
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain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

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

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

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

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



CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 9, 2021

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, 2020 AND 2019

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

ASSETS	NOTES	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 485,608	5	\$ 528,862	6
Financial assets at fair value through profit or loss - current	6(2)	-	-	2,816	-
Notes receivable, net	6(3)	14,629	-	19,157	-
Accounts receivable, net	6(4)	1,149,234	13	1,017,498	12
Accounts receivable, net - related parties	7	54,001	1	87,046	1
Other receivables		46,933	1	61,621	1
Other receivables - related parties	7	17,496	-	29,948	-
Inventories, net	5 · 6(5)	1,808,085	20	1,803,246	20
Prepayments	6(6)	56,955	1	42,471	-
Other financial assets - current	6(7)	6,800	-	10,338	-
Other current assets		616	-	2,933	-
Total current assets		3,640,357	41	3,605,936	40
<b>NONCURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income - noncurrent	6(8)	16,898	-	17,218	-
Investments accounted for using equity method	6(9)	2,280,015	26	2,226,457	25
Property, plant and equipment	6(10)	2,563,326	29	2,655,087	30
Right-of-use assets	6(11) · 7	193,070	2	191,658	2
Investment properties	6(12)	42,725	-	45,520	1
Intangible assets	5 · 6(13)	50,843	1	58,741	1
Deferred income tax assets	6(28)	80,100	1	102,574	1
Other noncurrent assets	6(14)	35,203	-	15,715	-
Total noncurrent assets		5,262,180	59	5,312,970	60
<b>TOTAL</b>		<b>\$ 8,902,537</b>	<b>100</b>	<b>\$ 8,918,906</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Contract liabilities - current	6(33)	76,746	1	66,353	1
Notes payable	6(15)	4,686	-	6,562	-
Accounts payable		653,529	8	388,308	5
Accounts payable - related parties	7	113,434	1	83,708	1
Other payables	6(16)	341,976	4	353,992	4
Other payables - related parties	7	12,537	-	27,403	-
Current income tax liabilities	6(28)	59,888	1	18,854	-
Lease liabilities - current	5 · 6(11) · 7	12,751	-	8,435	-
Long term liabilities - current portion	6(17)	23,333	-	80,000	1
Other current liabilities		11,599	-	12,117	-
Total current liabilities		1,310,479	15	1,045,732	12
<b>NONCURRENT LIABILITIES</b>					
Long term loans	6(17)	1,344,537	15	1,675,000	19
Deferred income tax liabilities	5 · 6(28)	274,568	3	265,200	3
Lease liabilities - noncurrent	5 · 6(11) · 7	135,073	2	132,707	1
Net defined benefit liability	5 · 6(18)	128,340	1	138,308	2
Other noncurrent liabilities		29,754	-	20,746	-
Total noncurrent liabilities		1,912,272	21	2,231,961	25
Total liabilities		3,222,751	36	3,277,693	37
<b>EQUITIES</b>					
Common stocks	6(29)	1,821,403	20	1,821,403	20
Capital surplus	6(20)	485,403	5	485,257	6
Retained earnings	6(21)				
Legal capital reserve		865,445	10	815,192	9
Special capital reserve		155,570	2	101,183	1
Unappropriated earnings		2,486,607	28	2,573,748	29
Others	6(23)	(134,642)	(1)	(155,570)	(2)
Total equity		5,679,786	64	5,641,213	63
<b>TOTAL</b>		<b>\$ 8,902,537</b>	<b>100</b>	<b>\$ 8,918,906</b>	<b>100</b>

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

SDI Corporation

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

	NOTES	2020		2019	
		Amount	%	Amount	%
NET REVENUE	6(24) 、 7	\$ 6,227,222	100	\$ 6,719,302	100
COST OF REVENUE	5 、 6(27) 、 7	(5,350,875)	(86)	(5,619,860)	(84)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		876,347	14	1,099,442	16
Unrealized gross profit on sales		(33,145)	(1)	(36,370)	(1)
Realized gross profit on sales		36,370	1	37,598	1
GROSS PROFIT		879,572	14	1,100,670	16
OPERATING EXPENSES	6(25) 、 7				
Marketing		(188,388)	(3)	(176,088)	(3)
General and administrative		(163,357)	(2)	(188,308)	(2)
Research and development		(175,817)	(3)	(199,206)	(3)
Total operating expenses		(527,562)	(8)	(563,602)	(8)
OPERATING INCOME		352,010	6	537,068	8
NONOPERATING INCOME AND EXPENSES					
Interest income		390	-	1,687	-
Other income	6(26) 、 7	54,328	1	63,303	1
Other gains and losses, net	6(27)	(64,377)	(1)	(5,846)	-
Finance costs	6(28) 、 7	(15,120)	-	(20,656)	-
Share of profits of subsidiaries and associates		96,786	1	30,752	-
Total nonoperating income and expenses		72,007	1	69,240	1
INCOME BEFORE INCOME TAX		424,017	7	606,308	9
INCOME TAX EXPENSE	5 、 6(29)	(74,870)	(1)	(114,742)	(2)
NET INCOME		349,147	6	491,566	7
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:	6(30)				
Remeasurement of defined benefit obligation		(4,524)	-	13,488	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(320)	-	882	-
Share of other comprehensive income (loss) of subsidiaries and associates		(177)	-	174	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(29)	975	-	(2,772)	-
Items that may be reclassified subsequently to profit or loss:	6(30)				
Exchange differences arising on translation of foreign operations		26,472	-	(68,992)	(1)
Income tax benefit (expense) related to items that may be reclassified subsequently	6(29)	(5,294)	-	13,798	-
Other comprehensive income (loss) for the year, net of income tax		17,132	-	(43,422)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 366,279	6	\$ 448,144	6
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(31)	\$ 1.92		\$ 2.70	
Diluted earnings per share		\$ 1.92		\$ 2.70	

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

SDI Corporation

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

	Capital Stocks		Retained Earnings			Others			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, 2019	\$ 1,821,403	\$ 485,155	\$ 732,304	\$ 84,954	\$ 2,680,327	\$ (113,793)	\$ 12,610	\$ (101,183)	\$ 5,702,960	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	16,229	(16,229)	-	-	-	-	
Legal capital reserve	-	-	82,888	-	(82,888)	-	-	-	-	
Cash dividends to shareholders - NT\$2.8 per share	-	-	-	-	(509,993)	-	-	-	(509,993)	
Donation from shareholders	-	102	-	-	-	-	-	-	102	
Net income in 2019	-	-	-	-	491,566	-	-	-	491,566	
Other comprehensive income (loss) in 2019	-	-	-	-	10,965	(55,194)	807	(54,387)	(43,422)	
BALANCE, DECEMBER 31, 2019	1,821,403	485,257	815,192	101,183	2,573,748	(168,987)	13,417	(155,570)	5,641,213	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-	
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-	
Cash dividends to shareholders - NT\$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	
Donation from shareholders	-	146	-	-	-	-	-	-	146	
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147	
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132	
BALANCE, DECEMBER 31, 2020	\$ 1,821,403	\$ 485,403	\$ 865,445	\$ 155,570	\$ 2,486,607	\$ (147,809)	\$ 13,167	\$ (134,642)	\$ 5,679,786	

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

## SDI Corporation

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 424,017	\$ 606,308
Depreciation	426,010	457,222
Amortization	18,221	13,513
Loss (gain) on financial assets at fair value through profit or loss	(190)	(391)
Unrealized (realized) gross profit on subsidiaries	(4,667)	(3,602)
Interest expense	15,120	20,656
Interest income	(390)	(1,687)
Dividend income	(475)	(1,693)
Share of profits of subsidiaries accounted for under equity method	(96,786)	(30,752)
Gain on disposal of property, plant and equipment	(7,661)	(4,122)
Impairment loss (reversal of impairment loss) on non-financial assets	(4,000)	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	3,006	-
Notes receivable	4,528	4,967
Accounts receivable	(131,736)	377,967
Accounts receivable - related parties	33,045	152,036
Other receivables	15,104	96,187
Other receivables - related parties	7,191	3,885
Inventories	(4,839)	68,501
Prepayment	(16,424)	10,351
Other current assets	1,888	1,484
Contract liabilities	10,393	19,547
Notes payable	(1,404)	(1,448)
Accounts payable	265,221	(612,309)
Accounts payable - related parties	29,726	(45,231)
Other payables	(7,956)	(102,883)
Other payables - related parties	(14,866)	(5,566)
Other current liabilities	(1,433)	(4,943)
Net defined benefit liability	(14,492)	(7,825)
Other operating liabilities	2,792	(5,673)
Cash provided from operations	948,943	1,004,499
Interest received	402	1,871
Dividends received	74,666	82,784
Interest paid	(15,367)	(20,775)
Income taxes paid	(6,313)	(243,603)
Net cash provided by operating activities	1,002,331	824,776
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(317,720)	(407,672)
Proceeds from disposal of Property, plant and equipment	14,902	14,478
Refundable deposits paid	(3,228)	(423)
Acquisition of intangible assets	(23,974)	(9,864)
Acquisition of right-of-use assets	-	(51,773)
Decrease in other financial assets	3,538	32,312
Net cash used in investing activities	(326,482)	(422,942)

(Continued)

## SDI Corporation

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

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	\$ 330,000	\$ 733,000
Repayment of long-term loans	(710,000)	(720,000)
Repayments of the principal portion of lease liabilities	(11,251)	(12,312)
Increase in other noncurrent liabilities	-	60
Cash dividends paid	(327,852)	(509,993)
Net cash used in financing activities	<u>(719,103)</u>	<u>(509,245)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(43,254)	(107,411)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	528,862	636,273
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 485,608</u>	<u>\$ 528,862</u>

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, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### Basis for Opinion

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

## Key Audit Matters

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

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

### 1. Valuation of Inventory Impairment

#### Description

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

#### How our audit addressed the matter

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

### 2. Revenue Recognition

#### Description

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



### How our audit addressed the matter

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

### **Other Matter**

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

the basis of these consolidated financial statements.

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

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

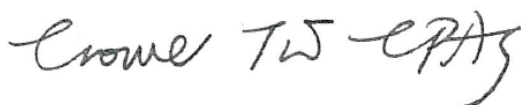
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in

extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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 9, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

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

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

## SDI Corporation and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

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

## SDI Corporation and Subsidiaries

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

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

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

## SDI Corporation and Subsidiaries

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

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

(Continued)

## SDI Corporation and Subsidiaries

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

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

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

(Concluded)



## Code of Good-faith Management of SDI Corporation

- Article 1 Purpose of adoption and scope of application  
In order to establish corporate culture of good faith management, and promote sound development of the Company, this Code is hereby formulated, and is applicable to the Company's subsidiaries, and other group enterprises and organizations such as institutions or legal entities that are substantially controlled by the Company.
- Article 2 Prohibition of unethical conducts  
In the course of business, the Company's directors, managers, employees, agents or anyone who de facto controls the management of the Company shall not directly or indirectly provide, promise, claim or accept any improper benefits, or violate integrity and laws, or have any behaviors against the fiduciary duty in order to obtain or maintain interest.  
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.
- Article 3 Types of Benefits  
Benefits referred to in these Principles mean any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 Compliance with Laws and Regulations  
The Company shall adhere to the Company Act, the Securities Act, the Business Accounting Act, the Political Contribution Act, the Regulations on Punishment for Corruption, the Government Procurement Act, the Act on Avoiding Conflict of Interest of Public Officials, the relevant rules and regulations regarding listing, and other laws and regulations governing commercial conducts, as the basic prerequisites for implementation of credit management.
- Article 5 Policies  
Merry shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6 Prevention Plan  
The credit management policy formulated by the Company shall clearly and thoroughly prescribe the specific ethical management practices, and programs to prevent dishonest conducts, including operation procedures, guidelines, education and training, etc.  
When establishing the preventive programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its business group are operating.
- Article 7 Scope of precautionary scheme  
The Company shall analyze and evaluate the business activities at higher risk of dishonest conducts within the business scope, shall establish a prevention plan and shall review the suitability and effectiveness of the plan on a regular basis.  
The prevention plan formulated by the Company shall at least include the preventive measures against the following behaviors:  
I. Offering and acceptance of bribes.  
II. Offering of illegal political donations.  
III. Improper charitable donations or sponsorship.

- IV. Offering or acceptance of unreasonable presents, hospitality or other improper benefits.
- V. Infringement of trade secrets, trade mark rights, patent rights, copyrights, and other intellectual property rights.
- VI. Unfair competitive practices.
- VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8

Commitments and Implementation

Merry shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company and its group's businesses shall clearly specify in their rules and external documents as well as on the Company's website the ethical corporate management policies and the commitment by the Board of Directors and the senior management to rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities as stated.

Merry shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

Article 9

Honest Business Activities

Merry shall engage in business activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the company shall include in such contracts terms requiring compliance with ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the company may at any time terminate or rescind the contracts.

Article 10

No Offering and Acceptance of Bribes

When conducting business, the Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11

No Illegal Political Donations

Direct or indirect donations made by the Company and its directors, supervisors, managers, employees, agents and actual controllers to the political parties or organizations or individuals participating in the political activities shall conform to the Political Contribution Act and the Company's internal procedures, and shall not seek for business benefit or transaction advantages.

Article 12

No Improper Charitable Donations or Sponsorship

When making or offering donations or sponsorship, the Company and its directors, supervisors, managerial officers, employees, mandataries, and substantive controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not engage in bribery in disguise.

Article 13

Prohibition of unreasonable presents, hospitality or other improper benefits

The Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control shall not directly or indirectly offer or accept any

unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 14 Prohibition of infringement of intellectual property rights

The Company and its directors, supervisors, managers, employees, agents and actual controllers shall comply with the intellectual property related laws and regulations, the Company's internal procedures and contracts, and without consent of the owners of the intellectual property rights, shall not use, disclose, dispose of or otherwise damage the intellectual property rights.

Article 15 No Unfair Competitive Practices

Merry shall engage in business activities in accordance with applicable competition laws and regulations, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16 Prevention of damage to stakeholder by products and services

The Company and its directors, supervisors, managerial officers, employees, mandataries, and substantive controllers shall comply with relevant regulations and international standards in the process of research and development, procurement, manufacturing, provision, or sale of products and services to ensure information transparency and safety of products and services, as well as formulate and disclose the rights and interests protection policy of consumers or other stakeholders, while implementing it in its operating activities, to prevent products or services from damaging the rights, health, and safety of consumers or other stakeholders directly or indirectly. Where there are sufficient facts to determine that the products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, Merry shall, in principle, recall those products or suspend the services immediately.

Article 17 Organization and responsibilities

The directors, supervisors, managers, employees, retained entities, and those under substantial control of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To improve ethical management, the Company shall set up a dedicated unit under the Board of Directors and allocate sufficient resources and qualified personnel to the unit to be responsible for the formulation and supervision of ethical management policy and prevention plans. It is mainly responsible for the following matters and reports to the Board of Directors regularly (at least once a year):

- I. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
- III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the Board of Directors and management in auditing and assessing

whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 Compliance

The Company's Directors, supervisors, managers, employees, retained entities, and those under substantial control shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 Avoiding Conflicts of Interest

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.

If the proposals to be discussed at the Board meeting involve a conflict of interest with the Company's directors, supervisors, managers and other stakeholders who are present or attend the Board meeting or the legal entities represented by them, they shall disclose the important contents of the conflict of interest at the Board meeting, and shall refrain from discussion or vote on the relevant proposals nor shall exercise the right to vote for other directors if there is likelihood of impairment to the Company's interest. Directors shall also exercise self-discipline and must not support one another in improper dealings.

The directors, supervisors, managers, employees, retained entities, and those under substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 Accounting and Internal Control

The Company shall establish effective accounting system and internal control system for the business activities at high risks of dishonest conducts, shall not establish off-the-book accounts or private ledgers, and shall review such systems at any time to ensure that design and implementation of such systems remain in force.

The internal audit unit of Merry shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit and may engage professionals to assist if necessary.

The results of examination referred to in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.

Article 21 Operational Procedures and Guidelines for Conduct

The Company shall formulate operating procedures and behavior guidelines in accordance with the provisions of Article 6 to regulate directors, supervisors, managerial officers, employees, mandataries and substantive controllers on how to conduct business; the content shall at least contain the following matters:

- I. Standards for recognition of offering or acceptance of improper benefits.
- II. Procedures for disposal of legal political donations
- III. Procedures and standard amount of providing proper charitable donations or sponsorship.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.

- VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures on offenders.

Article 22

Education, Training and Appraisal

The Chairman, President, or the senior management of the Company shall communicate the importance of corporate ethics to Directors, employees, and mandataries on a regular basis.

The Company shall regularly organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall link credit management policies with the employee performance appraisal and human resource policies, and shall establish clear and effective systems for reward and punishment.

Article 23

Whistleblowing System

Merry shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

- I. Establish and announce an independent internal whistleblowing mailbox or hotline for the Company's personnel and external persons to report the relevant cases.
- II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
- III. Take subsequent actions based on the severity of the case upon investigation of the case, and if necessary, report to the competent authority or hand over the case to the juridical organ for investigation.
- IV. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- V. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.
- VI. Protect the whistle-blower from and against improper treatment.
- VII. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

Article 24

Disciplinary and Appeal System

Merry shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the intranet of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 25

Information Disclosure

The Company shall collect quantitative data about the promotion of credit management and continuously analyze and assess the effectiveness of the promotion of credit management policy. The Company shall also disclose the measures taken for implementing credit management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on the company website, annual

reports, and prospectuses, and shall disclose these Principles on the Market Observation Post System.

Article 26

Review and amendment of ethical corporate management policies and measures

The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, supervisors, managerial officers, and employees to make suggestions based on which the adopted ethical corporate management policy and measures taken shall be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27

Implementation

The ethical corporate management best practice principles of the Company shall be implemented after the Board of Directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the Company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

If the Company establishes an Audit Committee, the provisions hereof regarding supervisors shall apply mutatis mutandis to the Audit Committee.

# Procedures for Good-faith Management and Guidelines for Conducts of SDI Corporation

- Article 1 Purpose of adoption and scope of application  
This Corporation engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the applicable laws and regulations of the places where this Corporation and its business groups and organizations operate, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.  
The scope of application of these Procedures and Guidelines includes the Company's subsidiaries.
- Article 2 Objects of Application  
For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of this Corporation or its group enterprises and organizations.  
Any provision, promise, request, or acceptance of improper benefits by any of the Company's personnel through a third party will be presumed to be an act by the Company's personnel.
- Article 3 Unethical conduct  
For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Corporation, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.  
The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.
- Article 4 Type of Benefits  
For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.
- Article 5 Dedicated Unit and Duties  
The Company appoints the Office of the General Manager as the dedicated unit (hereinafter referred to as the "dedicated unit") to handle amendment, implementation, interpretation, and consultation regarding the Procedures and Guidelines. The dedicated unit shall also log the report content into file records and supervise implementation. Its duties mainly include the following items and it shall make regular reports to the Board (at least once a year):
- I. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
  - II. Adopting programs to prevent unethical conduct and setting out in each

program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.

- III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.
- VII. The Company shall compile documented information on the ethical management policy, compliance statement, implement commitment and execution status and retain said information properly.

#### Article 6 Prohibition against Providing or Accepting Improper Benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

- I. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- II. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
- III. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- IV. Attendance at folk festivals that are open to and invite the attendance of the general public.
- V. Rewards, emergency assistance, condolence payments, or honorariums from the management.
- VI. Providing or accepting money, property or other benefits from others than relatives or regular friends, subject to the Company's Measures on Management of Business Conducts and Professional Ethics.
- VII. Other conduct that complies with the rules of the Company.

#### Article 7 Procedures for Disposal of Improper Benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of this Corporation are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

- I. If there is no relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
- II. The provided or promised person and stakeholders with duties shall return or



refuse the interest, report the event to their direct supervisor, and notify the Company's dedicated unit. If the interest cannot be returned, the items shall be given to the Company's dedicated unit for handling within three days of receiving the items.

The aforementioned job stake refers to any one of the following:

- I. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidiaries (or rewards) for expenses.
- II. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- III. Other circumstances in which a decision regarding this Corporation's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The Company's dedicated unit shall recommend refund, acceptance by payment, confiscation, transfer to charitable organizations or otherwise proper disposal of the improper benefits based on nature and value of such benefits, and shall report to the competent authority for approval.

#### Article 8 Prohibition on Facilitating Payments and Handling Procedure

The Company shall not offer or promise to offer any bribery.

Personnel of the Company who provide or promise bribes because of threats or intimidation shall record the process and report to their direct supervisor as well as notify the Company's dedicated unit.

The Company's dedicated unit shall handle the matter immediately when a report of the aforementioned items is received. The dedicated unit shall discuss the event to lower the risk of reoccurrence. In a case involving alleged illegality, the dedicated unit shall also immediately report to the relevant judicial agency.

#### Article 9 Procedures for handling political donations

Political contributions made by the Company shall be subject to the following provisions, and shall be approved pursuant to the internal relevant operational procedures. Significant donations shall be reported to the Board of Directors for approval in advance:

- I. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
- II. A written record of the decision-making process shall be kept.
- III. Political contributions shall be credited according to the law and relevant accounting procedures.
- IV. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of this Corporation with the related government agencies shall be avoided.

#### Article 10 Procedures for handling charitable donations or sponsorships

Charitable donations or sponsorships provided by the Company shall be subject to the following provisions, and shall be approved pursuant to the internal relevant operational procedures. Significant donations shall be reported to the Board of Directors for approval in advance:

- I. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
- II. A written record of the decision-making process shall be kept.
- III. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- IV. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the

Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.

- V. After the donation or sponsorship has been granted, it must be confirmed that the funds are used in accordance with the intended purpose.

Article 11 Avoiding Conflicts of Interest

If the agenda items to be discussed at the Board meeting involve a conflict of interest with the Company's directors, supervisors, managers and other stakeholders who are present or attend the Board meeting or the legal entities represented by them, they shall disclose the important contents of the conflict of interest at the Board meeting, and shall refrain from discussion or vote on the relevant proposals nor shall exercise the right to vote for other directors if there is likelihood of impairment to the Company's interest. Directors shall also exercise self-discipline and must not support one another in improper dealings.

Where the spouse or a blood relative within the second degree of kinship of a Director, or a Director's controlling or affiliated company has interests in the aforementioned agenda item, the Director shall be deemed to have a personal interest in the matter.

If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of this Corporation.

Article 12 Special unit in charge of confidentiality regime and its responsibilities

This Corporation shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of this Corporation's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of this Corporation shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Corporation unrelated to their individual duties.

Article 13 No Unfair Competition

This Corporation shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 Prevention of damage to stakeholder by products and services

This Corporation shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or

sale of products and services.

This Corporation shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where there are media reports or sufficient facts to determine that the Company's products or services are likely to pose a hazard to the safety and health of consumers or other stakeholders, the Company shall recall those products or suspend the services within the stipulated time limit, verify the facts, and present a review and improvement plan.

The Company's dedicated unit shall report the foregoing facts, disposal method and subsequent review and improvement actions to the in-charge supervisor.

Article 15

No Insider Trading and Non-disclosure Agreement

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.

Article 16

Compliance and Declaration of the Ethical Management Policy

The Company shall publish its credit management policies in its internal rules and regulations, annual report, website or other promotional materials, and shall make introduction of such policies at the product launch conference, road show and other external events, so that its suppliers, customers or other business related institutions and personnel could clearly know and understand the Company's credit management philosophies and guidelines.

Article 17

Evaluation of ethical corporate management prior to development of business relationships

Before establishing business relationship with others, the Company shall firstly evaluate the legality and ethical management policies of the agents, suppliers, customers or other business counterparties, and ascertain whether they have a record of involvement in unethical conduct in order to ensure they conduct business in a fair and transparent manner, and do not request, offer or take bribes.

During the aforementioned assessment, the Company can use appropriate audit procedures to examine business partners according to the following items to understand their ethical management status:

- I. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- II. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- III. Whether enterprise's business operations are located in a country with a high risk of corruption.
- IV. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- V. The long-term business condition and degree of goodwill of the enterprise.
- VI. Consultation with the enterprise's business partners on their opinion of the

enterprise.

VII. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18 Statement of Ethical Management Policy to Counterparties in Commercial Dealings  
While conducting businesses, the Company's personnel shall clarify the Company's ethical management policy and other related regulations to the transaction partner. Company personnel shall clearly refuse to directly or indirectly offer, promise to offer, request, or accept any forms of improper benefits.

Article 19 Avoiding business dealings with unethical operators  
The Company's personnel shall avoid businesses with agents, suppliers, customers, or other entities who engage in unethical conduct. Any existing business shall be stopped and the entities shall be listed on the banned list to implement the Company's ethical management policy.

Article 20 Stipulating Ethical Management in the Contracts  
While entering into a contract with another party, the Company shall gain a throughout knowledge of the status of the other party's ethical management, and shall make observation of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at least the following matters:

- I. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim from the other party damage compensation, and may also deduct the full amount of the damages from the contract price payable.
- II. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
- III. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations are stipulated.

Article 21 Handling of unethical conduct by personnel of the Company  
The Company encourages internal and external personnel to report dishonest or inappropriate behaviors. A reward shall be given to the reporting person according to the severity of the reported violations. If internal personnel falsely report violations or make malicious accusations, they shall be punished according to regulations. In severe cases, the person shall be dismissed.

This Corporation shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for Company insiders and outsiders to submit reports.

The following information must be provided by the whistleblower:

- I. The whistleblower's name, ID number, (or anonymous compliant) and an address, telephone number and e-mail address where it can be reached.
- II. The informed party's name or other information sufficient to distinguish its identifying features.
- III. Specific facts available for investigation.

The Company shall make a written statement to keep confidential the identity of the

whistleblower and whistleblowing contents while receiving whistleblowing cases, and shall undertake to protect the whistleblower from and against improper treatment due to their whistleblowing.

The responsible unit of this Corporation shall observe the following procedure:

- I. Whistleblowing involving general employees shall be reported to the department head. Whistleblowing involving directors or executives shall be reported to the independent directors or the supervisors.
- II. The dedicated unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related departments.
- III. If a reported person is confirmed to have indeed violated the applicable laws and regulations or the Company's Ethical Corporate Management Policy, the Company shall immediately require the reported person to cease the conduct and it shall punish the individual accordingly. Where necessary, the Company shall report the case to the competent authority, transfer the case to judicial authorities for investigations, or institute legal proceedings and seek damages to protect its reputation and interests.
- IV. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistle-blowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
- V. With respect to a confirmed information, this Corporation shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
- VI. The dedicated unit of the Company shall report the collected whistleblowing information, treatment methods and subsequent improvement measures to the Board of Directors.

Article 22 Handling of unethical conduct engaged in by others toward the Company

If any personnel of this Corporation discovers that another party has engaged in unethical conduct towards this Corporation, and such unethical conduct involves alleged illegality, this Corporation shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, this Corporation shall additionally notify the governmental anti-corruption agency.

Article 23 Internal Promotion, Establishment of Systems for Rewards, Punishments and Complaints, and Disciplinary Measures

The Company's dedicated unit shall organize internal promotion once a year, arranging the Chairman, the general manager or executives to communicate the importance of integrity to the directors, employees and mandatories.

The Company shall incorporate ethical management in the employee performance appraisal and human resource policies, and shall establish clear and effective systems for rewards, punishments and complaints.

In case of significant violation against integrity by the Company's employees, the employee(s) shall be discharged or dismissed in accordance with relevant laws and regulations or the Company's human resources administration regulations.

\* These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting.

Article 24 Implementation

These Procedures and Guidelines, and any amendments hereto, shall be implemented

after adoption by resolution of the Board of Directors, and shall be delivered to each supervisor or the Audit Committee and reported to the shareholders' meeting. When the company submits these Procedures and Code to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

## Comparison Table of Amendments in Articles of Incorporation

After the Amendment	Current Provision	Explanation
Chapter 4 Directors and Audit Committee	Chapter 4 Directors, Supervisors and Audit Committee	Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee
<p>Article 20 The Company has seven to eleven directors with adoption of a candidate nomination system. The directors shall be elected by the shareholders' meeting from the list of the candidates. The term of office of a director 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.</p> <p>Among the directors under the preceding section, 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.</p> <p>After being elected, liability insurance shall be purchased for Directors according to its scope of business during their tenure upon a resolution at the Board meeting. The percentage of shareholdings of all directors shall be in accordance with regulations prescribed by the competent authority in charge of securities.</p>	<p>Article 20 The Company has seven to eleven directors and two supervisors. The election for directors and supervisors adopts candidates nomination system and the Shareholders' Meeting shall elect the directors and supervisors from the candidate list. The term of office of a director and a supervisor is three 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.</p> <p>Among the directors under the preceding section, 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.</p> <p>After being elected, the Company may obtain liability insurance with respect to exercising their duties during their terms with the Board of Directors' resolution.</p> <p>The percentage of shareholdings of all Directors and Supervisors shall be in accordance with regulations prescribed</p>	Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee

	by the competent authority in charge of securities.	
<p>Article 21 The directors shall elect from among themselves a Chair of the Board by a majority in a meeting attended by over two-thirds of the directors. The directors may elect a Vice Chair of the Board. The Chair of the Board shall have the authority to represent the Company. The Company's Board of Directors' meeting shall be convened by the Chair of the Board, who shall act as chairperson of the meeting, provided the first Board of Directors' 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 the directors 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.</p>	<p>Article 21 The directors shall elect from among themselves a Chair of the Board by a majority in a meeting attended by over two-thirds of the directors. The directors may elect a Vice Chair of the Board. The Chair of the Board shall have the authority to represent the Company. The Company's Board of Directors' meeting shall be convened by the Chair of the Board, who shall act as chairperson of the meeting, provided the first Board of Directors' 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 seven 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.</p>	Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee
<p>Article 26 Deleted</p>	<p>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.</p>	Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee
<p>Article 26-1 The Company establishes an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act.</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 since the shareholders' meeting of 2021. The Audit Committee is responsible for exercising the powers of supervisors</p>	Amended in harmony with the establishment of Audit Committee



	<p>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. 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 convener. The relevant organizational rules will be implemented after it is passed by the Board of Directors' resolution.</p>	
<p>Article 27 Deleted</p>	<p>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.</p>	<p>Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee</p>
<p>Article 28 The Board of Directors is authorized to determine the remunerations of directors 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.</p>	<p>Article 28 The Board of Directors is authorized to determine the remunerations for 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.</p>	<p>Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee</p>
<p>Article 31 At the end of each fiscal year, the Board of Directors shall make the following books and submit the same to the Audit Committee for audit 30 days prior to the shareholders' meeting. The Audit Committee shall issue a report and submit it with the books to the shareholders' meeting for recognition.</p> <p>I. Business report. II. Financial statements. III. Earnings distribution or loss make-up proposals.</p>	<p>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. The supervisors shall issue a report and submit it with the books to the Shareholders' Meeting for recognition.</p> <p>I. Business report. II. Financial statements. III. Earnings distribution or loss make-up proposals.</p>	<p>Deleted relevant provisions regarding supervisors in harmony with the establishment of Audit Committee</p>
<p>Article 32 In the event the Company's final accounts of the year have earnings, the Company shall set aside 1.5% as employee's remuneration and no more than 1.5% as</p>	<p>Article 32 In the event the Company's final accounts of the year has earnings, it shall set aside one point five percent as employees' compensation and no more</p>	<p>Deleted relevant provisions regarding supervisors</p>

<p>directors' remuneration. After the Board of Directors resolves for distribution, taxes shall be filed in accordance with laws. Then, 10% will be set aside as 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 capital 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' remuneration. Reservation per ratio 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. Below (omission)</p>	<p>than one point five percent as directors' and supervisors' remuneration. After the Board of Directors resolves for distribution, taxes shall be filed in accordance with laws. Then, ten percent will be set aside as a legal reserve. However, when the legal reserve amounts to the Company's paid-up capital, this may not apply. After setting aside or reversing the special reserve, together with the accumulated undistributed earnings, the Board of Directors shall propose earnings distribution in accordance with the Company's dividends policy under Article 32-1 and submit the same to the Shareholders' Meeting for resolution. 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 section 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. Below (omission)</p>	<p>in harmony with the establishment of Audit Committee</p>
<p>Article 35 These Articles were stipulated on August 7, 1967 the first amendment was made on August 30, 1969. The 35th Amendment is made on June 22, 2021.</p>	<p>Article 35 These Articles were stipulated on August 7, 1967 the first amendment was made on August 30, 1969.</p>	<p>Addition of revision date</p>

## Comparison Table of Amendments to the “Rules of Procedure for the Shareholders’ Meeting”

After the Amendment	Current Provision	Explanation
<p>Article 3 Above (omitted) This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. Twenty-one days before the Company is to convene an ordinary shareholders’ meeting, or 15 days before it convenes an extraordinary 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, alteration of the Articles of Incorporation, reduction of capital, application for stopping public offering, director’s competition permission, capitalization of earnings and reserves, 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</p>	<p>Article 3 Above (omitted) Thirty days before the Company convenes a regular shareholders’ meeting or fifteen 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. Twenty-one days before the Company is to convene an ordinary shareholders’ meeting, or 15 days before it convenes an extraordinary 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 Section 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</p>	<p>Amended in harmony with the laws and regulations of the competent authorities, and the Company’s establishment of the Audit Committee</p>

<p>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.</p> <p>Where the reasons for convening the shareholders' meeting already specifies the election of all Directors and the date elected Directors take office, once the election is completed in the shareholders' meeting, the date the elected Directors take office may not be changed by extempore motions or other methods in the same meeting.</p> <p>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. Shareholders may submit proposals to urge the Company to promote public interests or fulfill its social responsibilities. Only one matter shall be allowed in each proposal pursuant to Article 172-1 of the Company Act. Where a proposal contains more than one matter, such proposal would not be included in the agenda.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>Shareholders holding one percent 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.</p> <p>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 ten days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred 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.</p> <p>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</p>	
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<p>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.</p> <p>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.</p>	<p>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.</p>	
<p>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. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</p>	<p>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 am or later than 3 pm.</p>	<p>Amend in compliance with the competent authority's regulations.</p>
<p>Article 6 The Company shall state the check-in time, location and other notes in the shareholders' meeting's notice. Registration for shareholders referred to in the preceding paragraph shall begin at least thirty minutes before the meeting. There shall be clear signs and sufficient and adequate staff at the registration desk. Shareholders or the power of attorney of a proxy (the shareholder) attending the Meeting shall have attendance card, sign-in card or other certificate of attendance issued by the Company. The company shall not arbitrarily add other supporting documents for the attendance of the meeting. The proxy Solicitor shall provide ID documents for verification.</p>	<p>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</p>	<p>Amended in harmony with the laws and regulations of the competent authorities, and the Company's establishment of the Audit Committee</p>

<p>The Company shall provide an attendance register for shareholders to sign in, or require the attending shareholders to submit their sign-in cards in lieu of signing the register.</p> <p>The Company shall deliver the meeting agendas, annual reports, attendance cards, speaker's slip, votes and other meeting materials to the shareholders attending the shareholders' meeting. If there are Directors to be elected, the ballots shall also be provided.</p> <p>Below (omission)</p>	<p>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.</p> <p>Below (omission)</p>	
<p>Article 7 Above (omitted)</p> <p>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 chair.</p> <p>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, 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.</p> <p>Below (omission)</p>	<p>Article 7 Above (omitted)</p> <p>When a managing director or a director serves as the chairperson as referred to in the preceding section, 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 chair.</p> <p>A shareholders' meeting convened by the Board of Directors shall be chaired by the Chair 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.</p> <p>Below (omission)</p>	<p>Amended in harmony with the laws and regulations of the competent authorities, and the Company's establishment of the Audit Committee</p>
<p>Article 8</p> <p>The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.</p> <p>Below (omission)</p>	<p>Article 8</p> <p>The Company shall continuously record the meeting proceeding and the entire election in both video and audio format.</p> <p>Below (omission)</p>	<p>Amend in compliance with the competent authority's regulations.</p>
<p>Article 9 Above (omitted)</p> <p>When it is the meeting time, and information related to number of non-voting power and number of attending shares is published, the chairperson shall announce that the</p>	<p>Article 9 Above (omitted)</p> <p>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,</p>	<p>Amend in compliance with the competent authority's regulations.</p>

<p>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. Below (omission)</p>	<p>the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed time shall not exceed one hour. If the quorum is still not met after two postponements are still not met, the chairperson shall declare the meeting adjourned. Below (omission)</p>	
<p>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 relevant proposals (including extempore motions and amendments to the original proposals) shall be voted one by one. 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 declare the meeting adjourned prior to completion of deliberation on the meeting agenda set out in the preceding two paragraphs (including extempore motions), except upon a resolution adopted by the shareholders' meeting. 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 shareholders present in electing a new chairperson in accordance with the statutory procedures. The meeting shall continue after a chairperson is elected with the approval of more than half the voting rights represented by the shareholders present. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; where the chairperson believes an issue has been</p>	<p>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 declare the meeting adjourned prior to completion of deliberation on the meeting agenda set out in the preceding two paragraphs (including extempore motions), except upon a resolution adopted by the shareholders' meeting. 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 shareholders present in electing a new chairperson in accordance with the statutory procedures. The meeting shall continue after a chairperson is elected with the approval of more than half the voting rights represented by the shareholders present. 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</p>	<p>Amend in compliance with the competent authority's regulations.</p>

<p>discussed in the meeting up to the level for voting, the chairperson may announce discontinuance of the discussion process and bring that issue to a vote, and arrange a sufficient voting time.</p>	<p>discussion and call for the vote.</p>	
<p>Article 13 Above (omitted) When the Company convenes a shareholders' meeting, shareholders may exercise their voting power in writing or by way of electronic transmission; the method of exercising their voting power shall be describes in the shareholders' meeting notice. 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 respective 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). (Omitted) 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. At the time of voting, the shareholders shall vote on the proposals one by one after the chairperson or its designee announces the total number of voting power of the present shareholders, 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</p>	<p>Article 13 Above (omitted) 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 respective 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). (Omitted) 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 dissents, 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 section, 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</p>	<p>Amend in compliance with the competent authority's regulations.</p>



<p>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.</p> <p>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.</p> <p>The recording procedure of issues of shareholder meetings shall be processing publicly in shareholder meetings and the results including statistical weights shall be reported on the spot and shall be recorded into the minutes of the meeting.</p>	<p>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.</p> <p>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.</p> <p>Vote counting for resolution or elections in a shareholders' meeting shall be conducted within the location of the shareholders' meeting.</p> <p>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.</p>	
<p>Article 14</p> <p>The election of directors 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 and the numbers of voting rights with which they were elected.</p> <p>Below (omission)</p>	<p>Article 14</p> <p>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 and supervisors and the numbers of voting rights with which they were elected.</p> <p>Below (omission)</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 15</p> <p>Above (omitted)</p> <p>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. When a director is election, the number of votes casted to each candidate shall be disclosed. The meeting minutes shall be retained for as long as the Company is in existence.</p>	<p>Article 15</p> <p>Above (omitted)</p> <p>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.</p>	<p>Amend in compliance with the competent authority's regulations.</p>

## Comparison Table of Amendments to the Procedures for Acquisition or Disposal of Assets

After the Amendment	Current Provision	Explanation
<p>Article 6</p> <p>In the case of the Company's acquisition or disposal of assets has to be approved by the Board of Directors according to these Procedures or other laws, but a director shows dissent and the dissent is recorded or presented in a written statement, the Company shall submit the director's dissent materials to the Audit Committee.</p> <p>When the Company submits the transaction for acquisition or disposal of assets to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>Any transaction involving the Company's major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.</p> <p>Below (omission)</p>	<p>Article 6</p> <p>In the case of the Company's acquisition or disposal of assets has to be approved by the Board of Directors according to these Procedures or other laws, but a director shows dissent and the dissent is recorded or presented in a written statement, the Company shall submit the director's dissent materials to each supervisor.</p> <p>After the Company has independent directors, when the Company submits the transaction for acquisition or disposal of assets to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>After the Company establishes an Audit Committee, any transaction involving the Company's major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.</p> <p>Below (omission)</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 7</p> <p>In acquiring or disposing of real estate or equipment by the Company, unless otherwise transacting with a government agency, commissioning others to build on its own land, leased land by appointing a constructor, or acquiring or disposing equipment for business use, where the transaction amount reaches 20% of the Company's paid- in capital or NT\$300 million, the Company shall obtain an appraisal report issued by a professional appraiser and further comply with the following provisions prior to the date of occurrence of event:</p> <p>I. Due to special circumstances,</p>	<p>Article 7</p> <p>In acquiring or disposing of real estate or equipment by the Company, unless otherwise transacting with a government agency, commissioning others to build on its own land, leased land by appointing a constructor, or acquiring or disposing equipment for business use, where the transaction amount reaches 20% of the Company's paid- in capital or NT\$300 million, the Company shall obtain an appraisal report issued by a professional appraiser and further comply with the following provisions prior to the date of occurrence of event:</p> <p>I. Due to special circumstances,</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>

<p>where a limited price, specified price or special price is deemed as the basis of reference for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>Below (omission)</p>	<p>where a limited price, specified price or special price is deemed as the basis of reference for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>Below (omission)</p>	
<p>Article 12</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except for trading government bonds, RP and RS bonds, and the purchase or redemption of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted and approved by the Audit Committee and obtained resolutions by the Board of Directors.</p> <p>I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.</p> <p>II. The reasons for selecting the related persons as the transaction counterparty.</p> <p>III. Relevant information for evaluating the reasonableness of the terms of the anticipated transaction for real estate or right-of-use assets acquired from the related party pursuant to the provisions of Articles 13 and 14.</p> <p>IV. Information such as the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the</p>	<p>Article 12</p> <p>When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except for trading government bonds, RP and RS bonds, and the purchase or redemption of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted and approved by the Audit Committee and obtained resolutions by the Board of Directors.</p> <p>I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.</p> <p>II. The reasons for selecting the related persons as the transaction counterparty.</p> <p>III. Relevant information for evaluating the reasonableness of the terms of the anticipated transaction for real estate or right-of-use assets acquired from the related party pursuant to the provisions of Articles 13 and 14.</p> <p>IV. Information such as the date and price at which the related party originally acquired the real property, the original trading</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>

<p>company and the related party.</p> <p>V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the uses of fund.</p> <p>VI. Appraisal reports from professional appraisers or CPA's opinions in compliance with the preceding article.</p> <p>VII. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>Amount of the transaction in the preceding paragraph shall be calculated in accordance with Paragraph 2 of Article 27, and “within a year” as used herein, refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Audit Committee and approved by the Board of Directors according to these Procedures need not to be counted toward to the transaction amount.</p> <p>When the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the following transactions with each other, the Board of Directors shall authorize the Chairman to make decisions within a certain amount in accordance with Paragraph 2 of Article 5. The report will be ratified in the most recent Board of Directors’ meeting after the transaction.</p> <p>I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.</p> <p>II. Acquisition or disposal of real estate right-of-use assets for purpose of business.</p> <p>When the Company reports acquisition or disposal of assets as described in the preceding paragraph to the Board of Directors for discussion, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall</p>	<p>counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the uses of fund.</p> <p>VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>VII. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>Amount of the transaction in the preceding paragraph shall be calculated in accordance with Paragraph 2 of Article 27, and “within a year” as used herein, refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Board of Directors and approved by the supervisors according to these Procedures need not to be counted toward to the transaction amount.</p> <p>When the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the following transactions with each other, the Board of Directors shall authorize the Chairman to make decisions within a certain amount in accordance with Paragraph 2 of Article 5. The report will be ratified in the most recent Board of Directors’ meeting after the transaction.</p> <p>I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.</p> <p>II. Acquisition or disposal of real estate right-of-use assets for purpose of business.</p> <p>When the Company reports acquisition or disposal of assets as described in the preceding paragraph to the Board of Directors for discussion, the Board of Directors shall take into full consideration opinion of each independent director. If the independent</p>	
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<p>be recorded in the minutes of the Board of Directors' meeting. Any matters to be passed by the Audit Committee according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. Below (omission)</p>	<p>director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting. After the Company establishes the Audit Committee, any matters to be passed by the supervisors according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. Below (omission)</p>					
<p>Article 15 Above (omitted) II. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act. Below (omission)</p>	<p>Article 15 Above (omitted) II. The supervisors shall comply with Article 218 of the Company Act. After the Company establishes the Audit Committee, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the Audit Committee. Below (omission)</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>				
<p>Article 17 Above (omitted) IV. The internal auditors of the Company shall periodically look into the appropriateness of the internal control over derivatives products and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the Audit Committee shall be informed in writing.</p>	<p>Article 17 Above (omitted) IV. The internal auditors of the Company shall periodically look into the appropriateness of the internal control over derivatives products and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the supervisors and independent directors shall be informed in writing.</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>				
<p>Article 18 Above (omitted)</p> <table border="1" data-bbox="151 1624 676 2056"> <tr> <td data-bbox="151 1624 319 2056">Regular Evaluation</td> <td data-bbox="319 1624 676 2056">(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. An independent director</td> </tr> </table>	Regular Evaluation	(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. An independent director	<p>Article 18 Above (omitted)</p> <table border="1" data-bbox="699 1624 1236 2056"> <tr> <td data-bbox="699 1624 866 2056">Regular Evaluation</td> <td data-bbox="866 1624 1236 2056">(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. Where the Company has</td> </tr> </table>	Regular Evaluation	(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. Where the Company has	<p>Amended in harmony with the Company's establishment of Audit Committee</p>
Regular Evaluation	(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. An independent director					
Regular Evaluation	(Omitted) V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. Where the Company has					

	shall be present at the meeting and express an opinion.		independent directors, an independent director shall be present at the meeting and express an opinion.	
<p>Article 31 The Company's formation and any amendment to the Procedures for Acquisition or Disposal of Assets shall be adopted by the Audit Committee and the Board of Directors, and then submitted to the shareholders' meeting for approval. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.</p> <p>When the Company submits the Procedures for Acquisition or Disposal of Assets to the Board of Directors according to the preceding paragraph for discussion, the Board of Directors shall take into full consideration opinion of each independent director, and shall record the consent or dissent opinion of the independent director in the minutes of the Board of Directors' meeting.</p> <p>The Company's formulation or amendment to the Procedures for Acquisition or Disposal of Assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>Article 31 The Company's formation and any amendment to the Procedures for Acquisition or Disposal of Assets shall be adopted by the Board of Directors, and then submitted to the supervisors and shareholders' meeting for approval. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the supervisors.</p> <p>When the Company submits the Procedures for Acquisition or Disposal of Assets to the Board of Directors according to the preceding paragraph for discussion, the Board of Directors shall take into full consideration opinion of each independent director, and shall record the consent or dissent opinion of the independent director in the minutes of the Board of Directors' meeting.</p> <p>After the Company establishment of the Audit Committee, formulation or amendment to the Procedures for Acquisition or Disposal of Assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>		

## Comparison Table of Amendment in Rules for Operational Procedures for Loaning Funds to Others

After the Amendment	Current Provision	Explanation
<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. In case of any major violations, a written notice shall be given to the Audit Committee.</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>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 12 Rectification Plans for Loan Exceeding the Limit</p> <p>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.</p> <p>II. The relevant improvement plan shall be submitted to the Audit Committee, and improvement shall be completed 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 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.</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>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 16</p> <p>These Operational Procedures and any amendments hereto shall be adopted by the Audit Committee and the Board of Directors, and any records or written statements containing dissent opinions of the directors shall be submitted to the shareholders' meeting for discussion. The Company's formulation or amendment to these Operational Procedures shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. 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</p>	<p>Article 16</p> <p>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.</p> <p>The Board of Directors shall take into full consideration each independent director's opinion during the discussion under the preceding section. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors meeting.</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>

After the Amendment	Current Provision	Explanation
<p>Committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>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 Section 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.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	



## Comparison Table of Amendment in Rules for Operational Procedures for Endorsements/Guarantees

After the Amendment	Current Provision	Explanation
<p>Article 5 I-III (Omitted) 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 Audit Committee.</p> <p>V-VI (Omitted)</p>	<p>Article 5 I-III (Omitted) 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>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 9 Internal Audit: 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. II. They shall promptly notify the Audit Committee in writing of any material violation found.</p>	<p>Article 9 Internal Audit: 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. II. They shall promptly notify all the Supervisors, Independent Directors and Audit Committee in writing of any material violation found.</p>	<p>Amended in harmony with the Company's establishment of Audit Committee</p>
<p>Article 10 These Operational Procedures and any amendments hereto shall be adopted by the Audit Committee and the Board of Directors, and any records or written statements containing dissent opinions</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</p>	<p>Amended in harmony with the Company's establishment of Audit</p>

After the Amendment	Current Provision	Explanation
<p>of the directors shall be submitted to the shareholders' meeting for discussion.</p> <p>The Company's formulation or amendment to these Operational Procedures shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. 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.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>dissenting opinion to each Supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Operational Procedures.</p> <p>The Board of Directors shall take into full consideration each independent director's opinion during the discussion under the preceding section. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors meeting.</p> <p>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 Section 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.</p> <p>The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.</p>	<p>Committee</p>

## SDI Corporation's Rules for Director Elections

- Article 1 To ensure a just, fair, and open election of directors, the Procedure is formulated pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 Except otherwise prescribed by the laws and regulations or the Articles of Incorporation, election of the Company's directors shall be subject to these Rules.
- Article 3 The overall composition of the Board of Directors shall be taken into consideration in the selection of this Company's directors. The Company shall diversify Board composition and develop guidelines on diversity based on the operations, nature of business activities and development needs of the Company, including but not limited to the following two aspects:
- I. Basic requirements and values: Gender, age, nationality, and culture.
  - II. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
- All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. The entire BOD shall possess the following abilities:
- I. Business judgment ability.
  - II. Accounting and financial analysis ability.
  - III. Business management ability.
  - IV. Crisis management ability.
  - V. Knowledge of the industry.
  - VI. International market perspective.
  - VII. Leadership.
  - VIII. Decision-making ability.
- Over a majority of the total number of Director seats shall not be served by the ones in the relationship of a spouse or a relative within the second degree of kinship.
- The Company's Board of Directors shall consider adjusting its composition based on the results of performance evaluation.
- Article 4 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 5 The Company's election of Directors shall adopt the candidate nomination system in accordance with Article 192-1 of the Company Act.
- If the number of the directors is less than five due to dismissal of the directors for whatever reasons, the Company shall fill the vacancy at the most recent shareholders' meeting. In the event that vacancy of the directors reach one third of the director seats under the Articles of Incorporation, the Company shall convene an extraordinary shareholders' meeting to fill the vacancy within 60 days from the date of occurrence of the event.
- Where the number of Independent Directors falls short of the number stipulated in Paragraph 1, Article 14-2 of the Securities and Exchange Act, the Company shall hold a by-election at the next shareholders' meeting. Where all Independent

- Directors are dismissed, the Company shall convene an extraordinary shareholders' meeting within 60 days of the event to hold a by-election.
- Article 6 The cumulative voting method shall be used for the Company's election of the directors. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 7 The board of directors shall prepare ballots for directors in a number corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 8 The number of Directors will be as specified in the Company's Articles of Association, with voting rights separately calculated for Independent and Non-Independent Director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes received. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chairman drawing lots on behalf of any person not in attendance.
- Article 9 When the election begins, the chairperson shall designate scrutineers who have the identity of shareholder and vote counting personnel to conduct oversight and vote counting. Ballot boxes are prepared by the Board of Directors and will be opened for examination by scrutineers before voting.
- Article 10 Ballots are deemed void in any of the following circumstances:  
I. The ballot was not prepared by parties entitled to convene the meeting.  
II. A blank ballot is placed in the ballot box.  
III. The writing is ambiguous and cannot be identified.  
IV. The name of the nominated candidates is inconsistent with the list of the director candidates.  
V. A ballot with other words or marks are entered in addition to the number of voting rights allocated.
- Article 11 The votes shall be calculated onsite immediately after voting completes, and the results of the calculation shall be announced by the chairperson, including the name of the elected director and the number of the votes.  
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 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 12 The Company's Board of Directors shall send notice for being elected to the directors elected by voting.
- Article 13 The Rules and any amendments thereto shall be implemented after being approval at the shareholders' meeting.

## Chapter 10, Appendixes

### SDI Corporation 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 are 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.
- Article 9 Deleted
- Article 10 Deleted
- Article 11 The shares shall not be transferred within sixty days prior to the convening date of a regular Shareholders' Meeting, or within thirty days prior to the convening date of a special Shareholders' Meeting, or within five 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 meeting of shareholders referred to in the preceding Paragraph shall be convened within six 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 meeting of shareholders shall be given to each shareholder no later than thirty days prior to the scheduled meeting date. A notice to convene a special meeting of shareholders shall be given to each shareholder no later than fifteen days prior to the scheduled meeting date. The date, venue, cause(s) or subject(s) of a meeting of shareholders 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 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 Chair of the Board shall serve as the chairperson when a shareholders' meeting is convened by the Board of Directors. If the Chair 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 twenty days after the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission, and may be effected by entering the same to the Market Observation Post System for announcement.
- Chapter 4**  
Article 20 **Directors, Supervisors and Audit Committee**  
The Company has seven to eleven directors and two supervisors. The election for directors and supervisors adopts candidates nomination system and the Shareholders' Meeting shall elect the directors and supervisors from the candidate list. The term of office of a director and a supervisor is three 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 section, 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.

Article 21 The directors shall elect from among themselves a Chair of the Board by a majority in a meeting attended by over two-thirds of the directors. The directors may elect a Vice Chair of the Board. The Chair of the Board shall have the authority to represent the Company. The Company's Board of Directors' meeting shall be convened by the Chair of the Board, who shall act as chairperson of the meeting, provided the first Board of Directors' 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 seven 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 sixty 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.
- IX. 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 of Directors' 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 26-1 The Company establishes the Audit Committee instead of supervisors in accordance with Article 14-4 of the Securities and Exchange Act 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.

Provisions in these Articles relating to Supervisors shall not apply after establishment of the Audit Committee.

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 convener. The relevant organizational rules will be implemented after it is passed by the Board of Directors' resolution.

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 for 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 for independent directors according to the Company's business.

## **Chapter 5 Managers**

Article 29 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 Accounting**

Article 30 The Company's fiscal year starts from January 1 to December 31. At the end of each fiscal year, the Company shall prepare final accounts.

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

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 section 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 is allowed. However, in principle, the ratio of stock dividends shall not be higher than fifty percent 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 30 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 30, 1992. 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, 1996. 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. The thirty-fourth amendment is made on June 23, 2020.

SDI Corporation  
Responsible Person: J.S. Chen

## SDI Corporation's Rules of Procedure for Shareholders' Meetings (Before Amendment)

- Article 1 To establish a strong governance system of the Shareholders' Meeting, a sound supervisory capabilities, 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.
- Thirty days before the Company convenes a regular shareholders' meeting or fifteen 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. Twenty-one days before the Company is to convene an ordinary shareholders' meeting, or 15 days before it convenes an extraordinary 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 Section 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 one percent 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 ten days.
- The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred 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 two 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 am or later than 3 pm.

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 Chair of the Board. In case the Chair of the Board is on leave or absent or can not exercise his or her power and authority for any cause, the Vice Chair shall act on his or her behalf. In case there is no Vice Chair, or the Vice Chair is also on leave or absent or unable to exercise his or her power and authority for any cause, the Chair 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 Chair of the Board.

When a managing director or a director serves as the chairperson as referred to in the preceding section, 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 chair.

A shareholders' meeting convened by the Board of Directors shall be chaired by the Chair 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 are 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 time shall not exceed one 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 declare the meeting adjourned prior to completion of deliberation on the meeting agenda set out in the preceding two paragraphs (including extempore motions), except upon a resolution adopted by the shareholders' meeting. 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 shareholders present in electing a new chairperson in accordance with the statutory procedures. The meeting shall continue after a chairperson is elected with the approval of more than half the voting rights represented by the shareholders present.

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.

The number of shares with voting rights that cannot be exercised in the preceding Paragraph shall not be counted as part of the voting rights represented by attending shareholders.

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 three percent 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 respective 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 two 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, two 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 section. 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 dissents, 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 section, 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 and 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 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 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 twenty 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 five days.
- Article 19 The Rules, along with any amendments hereto, shall be implemented after adoption by shareholders' meetings.

## SDI Corporation's Procedures for Acquisition or Disposal of Assets (Before Amendment)

- Article 1      These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the Regulations Governing Acquisition or Disposal of Assets by Public Companies stipulated by the Financial Supervisory Commission, and other laws and regulations in order to strengthen the Company's asset management and implement the information disclosure in practice.
- Article 2      The term "assets" as used in these Procedures is applicable within the scope enumerated below:
- I.    Long-term and short-term investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.
  - II.   Real estate (including land, building and structures, real estate held for investment purposes) and equipment.
  - III.   Memberships.
  - IV.   Patents, copyrights, trademarks, franchise rights, and other intangible assets.
  - V.    Right-of-use assets.
  - VI.   Derivative products.
  - VII.   Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with law.
  - VIII.   Other major assets.
- Article 3      The terms mentioned in these Procedures are defined as follows:
- I.    The term "Derivative Products" means forward contracts, options, futures, leverage contracts, or swaps, whose value is derived from specific interest rate, price of financial instruments, price of commodities, foreign exchange rates, price or rate indexes, credit rating or credit indexes, or other variables, and combination of the above contracts, or combined contracts or structural commodities incorporated with the derivative products. The term "Forward Contracts" does not include insurance contracts, fulfillment contracts, after-sales service contracts, long-term lease contracts or long-term purchase (sale) agreements.
  - II.   The term "Assets Acquired or Disposed by Mergers, Spin-off, Acquisition or Shares Transference Pursuant to Laws" means assets acquired or disposed by merger, spin-off or acquisition pursuant to the Business Mergers and Acquisition Act, or other laws, or share transfer from other companies by issuing new shares of its own as the consideration therefor (hereinafter "transfer of shares") pursuant to the sixth paragraph of Article 156-3 of the Company Act.
  - III.   The term "related party" and "subsidiaries" as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  - IV.   The term "Professional Appraiser" as used in these procedures, means a certified appraiser or a company in the business of appraising real property or equipment.
  - V.    The term "Date of Occurrence" in these Procedures means the date of contract signing, date of payment, date of transactions, date of transfer, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority



shall apply.

- VI. The term "Investments in China" means investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs, R.O.C.
- VII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation ("TWSE"); "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- VIII. Over-the-counter venue ("OTC venue"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange (TPEX); "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and permitted to conduct securities business.

Article 4

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall conform to the following provisions:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. Shall not be a related party or de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. Properly plan and implement appropriate operational procedures to form a conclusion and issue a report or an opinion accordingly when checking the case; and the procedures, data collected and conclusions to be carried out shall be detailed in the working paper of the case.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 5

The assets acquired or disposed by the Company shall reported level by level according to the following evaluation procedures, and where necessary, shall be submitted to the Board of Directors for discussion and approval:

- I. Long-term and short-term investments in securities: in case of non-public (non-listed) companies, evaluated by the finance department according to the financial statements and other relevant data of the invested companies, and

reported to the general manager and the Chairman for approval based on the authority level of the organization. In case of public (listed) companies, the officer designated by the Chairman shall make long-term and short-term investments in securities in the centralized trading markets or the business offices of the securities dealer by taking into account the financial position of the Company.

- II. Real property and other fixed assets: The administration department or the using units shall make an market investigation in detail. The investigation reports and the appraisal results of the professional appraisal agency shall be submitted to the general manager and the Chairman for approval based on the authority level of the organization.
- III. When the assets are acquired or disposed, the responsible department shall inform the administration department and the finance department of the incoming facts in writing.
- IV. Where the transaction amount as described in foregoing Paragraphs I to III reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall report to the Board of Directors for approval in advance; or otherwise, shall be submitted to the most recent Board of Directors' meeting for ratification thereafter.
- V. The Company or subsidiaries may acquire real property and its right-of-use assets or securities in aggregate up to 40% of the paid-in capital, and may invest individual securities up to 20% of the paid-in capital.
- VI. Acquisition of real property and other assets shall be subject to the Company's Measures on Administration of Fixed Assets. After acceptance of the title in the assets, registration of property ownership or any changes thereto shall be conducted by the administration department and the finance department respectively, and be incorporated in the directory of the property.
- VII. Any securities that are acquired through original offering shall be certified in the name of the Company within 3 months after investment. In special circumstances, a report shall be submitted for approval. In case the securities are acquired by a third party, the Company shall immediately conduct the transfer formalities, and deliver the securities to the officer designated by the finance department for custody or management.

#### Article 6

In the case of the Company's acquisition or disposal of assets has to be approved by the Board of Directors according to these Procedures or other laws, but a director shows dissent and the dissent is recorded or presented in a written statement, the Company shall submit the director's dissent materials to each supervisor.

After the Company has independent directors, when the Company submits the transaction for acquisition or disposal of assets to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.

After the Company establishes an Audit Committee, any transaction involving the Company's major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by 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.

Article 7

In acquiring or disposing of real estate or equipment by the Company, unless otherwise transacting with a government agency, commissioning others to build on its own land, leased land by appointing a constructor, or acquiring or disposing equipment for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company shall obtain an appraisal report issued by a professional appraiser and further comply with the following provisions prior to the date of occurrence of event:

- I. Due to special circumstances, where a limited price, specified price or special price is deemed as the basis of reference for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- II. Where the transaction amount is more than NT\$ 1 billion, appraisals from two or more professional appraisers shall be obtained.
- III. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (abbreviated as ARDF hereafter) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- IV. The date of the report issued by the professional valuer and the date of the establishment of the contract shall not exceed 3 months. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 8

In acquiring or disposing of securities, prior to the date of occurrence of the event, the Company shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price. In addition, if the transaction amount is up to 20% of the Company's paid-in capital or NT\$ 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to securities with publicly quoted prices in an active market or in compliance with regulations set by the Financial Supervisory Commission.

Article 9

If the transaction amount of the Company's acquisition or disposal of intangible assets or the right-of-use assets or membership certificates is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall, unless trading with the domestic government agencies, additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion

regarding the reasonableness of the transaction price, and the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 9-1 The calculation of the transaction amounts referred to in the foregoing three paragraphs shall be done in accordance with Paragraph 2 of Article 27 of these Procedures, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 10 Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed through court auction.

Article 11 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding paragraphs.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 9-1 herein.

While determining if the counterparty of the transaction is a related party, the Company shall, in addition to legal formalities, consider the substance of the relationship.

Article 12 When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except for trading government bonds, RP and RS bonds, and the purchase or redemption of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted and approved by the Audit Committee and obtained resolutions by the Board of Directors.

I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.

II. The reasons for selecting the related persons as the transaction counterparty.

III. Relevant information for evaluating the reasonableness of the terms of the anticipated transaction for real estate or right-of-use assets acquired from the related party pursuant to the provisions of Articles 13 and 14.

IV. Information such as the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.

V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the uses of fund.

VI. Appraisal reports from professional appraisers or CPA's opinions in compliance with the preceding article.

VII. Restrictive covenants and other important stipulations associated with the transaction.

Amount of the transaction in the preceding paragraph shall be calculated in accordance with Paragraph 2 of Article 27, and "within a year" as used herein, refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Board of Directors and approved by the supervisors

according to these Procedures need not to be counted toward to the transaction amount.

When the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the following transactions with each other, the Board of Directors shall authorize the Chairman to make decisions within a certain amount in accordance with Paragraph 2 of Article 5. The report will be ratified in the most recent Board of Directors' meeting after the transaction.

I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.

II. Acquisition or disposal of real estate right-of-use assets for purpose of business.

When the Company reports acquisition or disposal of assets as described in the preceding paragraph to the Board of Directors for discussion, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.

After the Company establishes the Audit Committee, any matters to be passed by the supervisors according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by 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.

#### Article 13

In acquiring real property or the right-of-use assets from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

In acquiring real property or the right-of-use assets from a related party, the Company shall, in addition to evaluation on the costs of the real property or the right-of-use assets under the preceding two paragraphs, also engage a CPA to check the evaluation and render a specific opinion.

Where the Company acquires real property or the right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the preceding paragraph, and the provisions of the preceding three paragraphs do not apply:

- I. The related party acquired real property by inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
- III. The real property is acquired through signing of a joint development contract with the related party, or contracting with a related party in the construction of real estate such as contracted construction with its own land or contracted construction on leased land.
- IV. The real property right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

Article 14

If the evaluation result according to previous item 1 and item 2 is lower than the transaction price, the provisions of Article 15 shall be followed. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, proof of compliance may be submitted with one of the following conditions:
  - (I) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The term "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (II) The completed transactions of other floors of the same property or adjacent area by unrelated parties within the preceding year, where the terms of the transactions are similar and the reasonable price discrepancies of different floors or land area with market practice have been taken into consideration.
- II. Where the Company acquiring or leasing real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

The aforementioned item "completed transactions for adjacent area" in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. The term "within the preceding year" refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.

Article 15

Where the Company acquires real property or the right-of-use assets from a related party, in the event that the results of appraisal conducted in accordance with the preceding two paragraphs are lower than the transaction price, the Company shall take the following steps:

- I. A special reserve shall be set aside according to Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised value, and may not be distributed or used for capital increase or issuance of bonus shares. Where the investors whose

investments in the Company are measured using the equity method are the public companies, then, the special reserve shall be also set aside pro rate to the shareholding in accordance with Article 41-1 of the Securities and Exchange Act.

- II. The supervisors shall comply with Article 218 of the Company Act. After the Company establishes the Audit Committee, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the Audit Committee.
- III. Actions taken pursuant to the two preceding subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph, the Company shall not utilize the special reserve until it has recognized a loss or decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.

Where the Company obtains real property or right-of-use assets from a related party, it shall also comply with preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's-length transaction.

## Article 16

### Principles and Guidelines for Transaction of Derivative products

#### I. Type of transactions

The Company may engage in derivative products with limit purposes of management of exchange rate and interest rate, and hedging. The Company may not engage in transaction of other derivative products until it obtains resolution from the Board of Directors and these Procedures are amended.

#### II. Business and hedging strategies

The purpose of engaging in derivatives trading shall be averting risks, and the products selected for trading shall mainly enable the Company to avert the risk arising from business operations. In addition, the Company shall only select banks it has established business relations with to engage in transactions in order to avoid credit risks

#### III. Segregation of duties:

1. Finance Department: responsible for execution of transactions according to the provisions of the procedures, timely collection of market information, and familiarization with relevant laws and operation skills, to offer sufficient and timely information to the management
2. Accounting Department: responsible for confirmation of transaction, settlement, and recording of details.

#### IV. Transaction limit

1. The total contract amount for forward foreign exchange operations for purpose of hedging shall not exceed the total actual demand of foreign currency of the Company's import and export.
2. The hedging transactions of interest rate swap shall not exceed 20% of the Company's net value.
3. The total amount of other derivative products shall not exceed 10% of the Company's net value.

#### V. Loss ceiling

1. For hedging transactions based on the Company's actual demands, the amount of losses under individual contracts shall not exceed 10% of the

amount of the trading contract amount, and the maximum loss amount of all contracts shall not exceed 10% of the total contract amount.

2. For losses under the investment transaction contracts, the total losses shall not exceed 5 percent of the paid-in capital; the losses of individual trading contracts shall not exceed USD 100,000.

VI. Performance evaluation

1. In accord with foreign exchange position sizes, determine foreign exchange profit and loss objectives, and review such objectives on a regular basis.
2. Evaluate the net profits and losses of the month on a regular basis, work together with the relevant departments to review the position of the Company, and discuss occurrence and hedging of the future positions to determine the future operation guidelines.

Article 17 Operational Procedures for Derivative Transactions

I. While engaging in derivative commodity transactions, the Company shall follow the authorized amount below, and shall report to the recent Board of Directors for approval thereafter.

1. Forward foreign exchange: Supervisors at level of finance department manager (inclusive) or above are authorized to make deals with the financial institutions at an amount of not more than USD two million. Any transactions in excess of USD two million shall be reported to the general manager for approval one by one.
2. Interest rate swap and transaction of other derivative products: each deal shall be approved by the general manager.

II. In-charge departments and procedures.

1. Execution of transactions: The trading personnel from the Finance Department will conduct transactions with the banks based on the line of authority. Transaction log shall be completed at the end of each deal, stating the contents of the deal. After the supervisor signs for approving the transaction with statistical data of the position, the copy of the transaction log will be submitted to the Accounting Department.
2. Transaction confirmation, settlement and registration: The Accounting Department shall confirm the transaction according to the copy of the transaction log made by the trading unit. Subsequently, delivery will be undertaken and details will be recorded according to the number confirmed by the transaction. Besides, statements shall be prepared and submitted to the trading personnel of the Finance Department.

III. Memorandum book shall be prepared for derivative products transactions, to record items like transaction type, amount, date of passing the Board of Directors, and prudent evaluation in accordance with Article 16 for future reference.

IV. The internal auditors of the Company shall periodically look into the appropriateness of the internal control over derivatives products and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the supervisors and independent directors shall be informed in writing.

Article 18 Internal Control System for Derivative Transactions



Business activities	Key control points
Trading and confirmation	<ul style="list-style-type: none"> <li>I. Master the market information in real time.</li> <li>II. Make confirmation based on the contents of the transaction log item by item at the time of transactions.</li> <li>III. Complete the transaction log and submit it to the supervisor for approval and signature immediately at the end of the transaction.</li> <li>IV. Transaction amount shall conform to the authorized line hereunder.</li> <li>V. Confirm transactions based on the transaction log.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>I. Credit risk management <ul style="list-style-type: none"> <li>1. The transaction counterparties are limited to the bank with business relationship with the Company.</li> <li>2. After the transaction, the recording personnel shall immediately record the transaction on the credit limit control sheets and regularly check the balances with the transacting bank.</li> </ul> </li> <li>II. Market risk management <ul style="list-style-type: none"> <li>1. The recording personnel shall check at any time whether the total transaction amount meets the limits specified in there Procedures.</li> <li>2. The trading unit of the Finance Department will work together with the Accounting Department to evaluate the market price every week, and will monitor the possible gain/loss influences on the positions held from the future market price fluctuations.</li> </ul> </li> <li>III. Liquidity risk management <p>The trading personnel shall comply with the terms of authorized line and pay attention to the company's cash flow to ensure sufficient cash payment at the time of delivery.</p> </li> <li>IV. Operational risk management <ul style="list-style-type: none"> <li>1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</li> <li>2. Each operation step shall be authorized and supervised by superior superintendents.</li> </ul> </li> <li>V. Legal risk management <p>No documents shall be signed with the banks until the legal affairs officers review such documents.</p> </li> </ul>
Regular Evaluation	<ul style="list-style-type: none"> <li>I. Upon delegation by the Board of Directors, the Chairman shall pay attention to monitoring and control of derivatives trading risks at any time.</li> <li>II. The trading unit of the Finance Department shall make statistics and summary of the hedging contents and positions in the middle and at the end of every month, forming an evaluation report on the market price, gains or losses, future risks, position, market status and hedging strategies, which shall, upon review by the supervisor, be submitted to the Accounting Department. The financial transactions shall be evaluated once a week.</li> </ul>

	<p>III. After verifying the transaction contents and market price evaluation in the evaluation report, the Accounting Department will submit the evaluation report together with the profit and loss statement and the transaction line control statement to the Chairman, and make a copy to the Audit Office. The accounting supervisor shall make a report to the Chairman.</p> <p>IV. The Chairman shall evaluate if the current risk management procedures are suitable and indeed follow the established operational procedures based on the received data and the monthly examination results of the Audit Department, and shall report and discuss whether the performance of the derivative transactions conforms to the established operation strategies and whether the risks are acceptable by the Company regularly in the report of the Board of Directors.</p> <p>V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. Where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.</p>
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Article 19 Where the Company conducts a merger, spin-off, acquisition, or transfer of shares, the Company shall, prior to convening the Board of Directors' meeting to resolve on the matter, engage a Certified Public Accountant, attorney, or securities underwriter to render an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Directors for discussion and resolution. However, merging the subsidiaries in which the Company direct and indirect holds 100% issued shares or amount of capital, or the merging between the subsidiaries in which the Company direct and indirect holds 100% issued shares or amount of capital, do not need to render an opinion on the reasonableness by professionals.

Article 20 The Company participating in a merger, spin-off or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders' meeting invitation for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies, participating in a merger, spin-off, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately make public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 21 Unless otherwise prescribed by law or the competent securities authority is notified in advance of extraordinary circumstances and grants consent, the Company participating in the merger, spin-off or acquisition shall convene the Board of Directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, spin-off or acquisition.

Unless otherwise prescribed by law or the competent securities authority is notified in advance of extraordinary circumstances and grants consent, the Company participating in a transfer of shares shall call a Board of Directors' meeting on the

day of the transaction.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic information of the personnel: Including the titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, spin-off, acquisition, or transfer of another company's shares or the implementation of the plan prior to disclosure of such information.
- II. Dates of material events: Including the dates of signing any letter of intent or memorandum of understanding, retaining a financial advisor or legal counsel, execution of a contract, and the convening of a Board of Directors meeting.
- III. Material documents and minutes: Including documents for merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors' meetings.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the Company shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the Financial Supervisory Commission for recordation via Internet in the specified format.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor traded in the business office of the securities dealer, the company(s) so listed or traded shall sign an agreement with the Company subject to the provisions of the preceding two paragraphs.

Article 22

Each and every person participating in or possessing knowledge of the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

Article 23

While participating in a merger, spin-off, acquisition, or transfer of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under any of the circumstances enumerated below, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

- I. Capital increase in cash, issuance of convertible corporate bonds, allotment free of charge, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
- II. An action such as a disposal of major assets that would affect the Company's financial operations.
- III. Occurrence of an event such as a major disaster or major change in technology that would affect shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
- VI. Other conditions stipulated in the contract may be altered and the altered conditions have been publicly disclosed.

Article 24

A contract for participation in a merger, spin-off, acquisition, or shares transfer shall expressly record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and also record the matters

enumerated below:

- I. Handling of breach of contract.
- II. Principles for handling equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is spin-off.
- III. The amount of treasury stock that the participating companies are permitted under law to buy back after the base date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner to deal with a change in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date of the execution.
- VI. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 25 After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends to further carry out a merger, spin-off, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders' meeting has resolved a decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from calling another shareholders' meeting to resolve the matter anew.

Article 26 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with that non-public company whereby the latter is obliged to comply with the provisions of set forth under Article 21, Article 22 and preceding Article.

Article 27 For acquisition or disposal of assets, provided that one of the following conditions exists, the Company shall publicly announce and file the relevant data and information at the website designated by the competent securities authority in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.
- II. Merger, spin-off, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.
- IV. For acquisition or disposal of assets which are for operating using, and the trading counterparty are not related party, and the transaction amount meets one of the following conditions:
  - (I) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (II) The public listed companies whose actual paid-in capital reaches NT\$10 billion, and the transaction amount reaches over NT\$1 billion.
- V. Where land is acquired under an arrangement on engaging others to build on the

Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.

- VI. Except stipulated in the preceding five subparagraphs, the asset transactions or investments in mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
- (I) Trading of government bonds.
  - (II) Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.

Monetary market fund.

The transaction amounts in the preceding paragraphs shall be calculated in accordance with the methods provided below:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- III. The cumulative transaction amount of real property or right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries of companies that are not domestic public companies and file the information in the prescribed format into the information declaration website designated by the competent securities authority by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced within 2 days from the date of knowledge and reported in their entirety.

Unless otherwise provided for by other laws, the Company engaging in the acquisition or disposal of assets shall retain the relevant contracts, meeting minutes, registry, appraisal report, and the opinion books by CPA, attorneys, and security underwriters at the Company for at least 5 years.

Article 28

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made at the website designed by the competent securities authority within 2 days commencing immediately from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

- Article 29 III. Change to the originally publicly announced and reported information  
The subsidiaries shall establish the procedures for acquisition or disposal of assets according to these Procedures.
- I. The Company shall urge its subsidiaries to formulate and implement procedures for the acquisition or disposal of assets in accordance with the relevant standards.
  - II. The Company shall ensure that subsidiaries independently verify whether the procedures for acquisition or disposal of assets they established meet the relevant standards, and whether the transactions for the acquisition and disposal of assets are processed in accordance with the Procedures.
  - III. The internal auditors shall review the subsidiary's self-inspection report.
  - IV. In the event that a subsidiary is not a publicly listed company, the Company shall, on behalf of the subsidiary, carry out relevant information announcement and reporting as stipulated in these Procedures, if necessary.
  - V. With regard to the threshold for announcement or reporting by subsidiaries prescribed in Article 27, Paragraph 1 herein regarding the paid-in capital or total assets, the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.
- Article 29(1) For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
- Article 30 In the event that the relevant personnel violate these Procedures, they shall be given penalty pursuant to the award and penalty provision in Chapter 8 of the Work Rules announced by the Company.
- Article 31 The Company's formation and any amendment to the Procedures for Acquisition or Disposal of Assets shall be adopted by the Board of Directors, and then submitted to the supervisors and shareholders' meeting for approval. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the supervisors.
- When the Company submits the Procedures for Acquisition or Disposal of Assets to the Board of Directors according to the preceding paragraph for discussion, the Board of Directors shall take into full consideration opinion of each independent director, and shall record the consent or dissent opinion of the independent director in the minutes of the Board of Directors' meeting.
- After the Company establishment of the Audit Committee, formulation or amendment to the Procedures for Acquisition or Disposal of Assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by 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.

## SDI Corporation Rules for 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 which does business with the Company.
  - II. Where it is necessary to extend loans to meet the short-term financing needs of other companies or others. The term "short-term" as set forth herein denotes one year or one business term (whichever is longer) in the case of a company whose business term is longer than one year.
- 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 twenty percent 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: Total Loan Amount and Limit for Single Borrower
- I. The Company's aggregate amount of loans limited to thirty-five percent 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 fifty percent 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 ten percent of the Company's net worth.
  - IV. Amount of the loaning funds to the foreign companies in which the Company directly or indirectly holds 100% of voting shares shall not exceed total amount of the Company's funds available for loaning.
- 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 Chair 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 one 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 Section 4, Article 4.

The Company shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' 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 submit 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: The Institute of Internal Auditors

- 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, independent directors and the Audit Committee 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, independent directors and Audit Committee, 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 tenth 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 twenty percent 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 ten percent 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 two percent 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, 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.
- 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.
- 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.

The Board of Directors shall take into full consideration each independent director's opinion during the discussion under the preceding section. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors 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 Section 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.

## SDI Corporation Rules for 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 sections.
  - 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 fifty percent of the voting shares.
  - III. A company that directly and indirectly holds more than fifty percent of the voting shares in the Company.
- Companies in which the Company holds, directly or indirectly, ninety percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed ten percent 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, a hundred percent 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 fifty percent of the Company's net worth. The amount of its endorsements/guarantees for any single entity shall not exceed forty-five percent of the Company's net worth.
  - II. The Company and subsidiaries' aggregate amount of endorsements/guarantees for external entities shall not exceed forty percent of the Company's net worth. The maximum endorsements/guarantees for a single entity shall not exceed forty-five percent of the Company's net worth.
  - III. If the aggregate amount of endorsement of the Company and subsidiaries reaches over fifty percent of the Company's net worth, the necessity and reasonableness shall be explained at Shareholders' Meeting.
- Article 5 Procedures for endorsements/guarantees made by the Company:
- I. The Chair of the Board is authorized to, at his or her discretion, handle subsidiaries' endorsements/guarantees within the amount set forth in the preceding section, which will subsequently be ratified by the Board of Directors.
  - II. Where a subsidiary in which the Company holds, directly or indirectly, more

than ninety percent 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, a hundred percent 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, Independent Director and Audit Committee.
- 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 of Directors 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 Chair 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 Chair 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 Chair 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 tenth 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 two days commencing immediately from the date of occurrence:
  - (I) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches fifty percent 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 twenty percent or more of the public 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 millions 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 thirty percent 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 five percent 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, 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:
- 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.
  - II. They shall promptly notify all supervisors, independent directors and the Audit Committee 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.

The Board of Directors shall take into full consideration each independent director's opinion during the discussion under the preceding section. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors 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 Section 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.

## SDI Corporation's Rules for Director and Supervisor Elections (Before Abolishment)

- Article 1 Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of the directors and 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 and 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 and 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 has more votes will be elected in the order of votes. In the event a person is simultaneously elected as a director and supervisor, he or she shall decide to be either a director or a 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 section 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 section 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 and 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 one 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 Shareholding by Directors and Supervisors

Upon the date share transfer is stopped for this shareholders' meeting (April 24, 2021), 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	Shareholding ratio	Shares	Shareholding ratio
Chair of the Board	S.J. Chen	'June 22, 2018	8,248,794	4.53%	6,944,794	3.81%
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%	10,327,690	5.67%
Director	Chao-hung Chen	'June 22, 2018	330,406	0.18%	320,406	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%
Independent Director	Tsung-ting Chung	'June 23, 2020	0	0.00%	0	0.00%
Supervisors	Sheng-yen Hsieh	'June 22, 2018	121,632	0.07%	121,632	0.07%
Supervisors	Chiung-ying Chung	'June 22, 2018	1,115,920	0.61%	1,276,920	0.70%

Note 1: The Company has 2 independent directors. According to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," the share ownership requirement shall be decreased to 80%.

Note 2: The statutory minimum of shares held by all Directors is 10,928,414 shares. Upon April 24, 2021, 20,722,597 shares are held by all Directors.

Note 3: The statutory minimum of shares held by all Supervisors is 1,092,841 shares. Upon April 24, 2021, 1,398,552 shares are held by all Supervisors.