

Stock Code: 2351



**2022 Annual Shareholders' Meeting**

# **Meeting Handbook**

**SDI Corporation**

**Time: 9:30 a.m., May 27, 2022**

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

This English translation is prepared in accordance with the Chinese version and is for reference purpose only. If there is any inconsistency between the Chinese version and the English translation, the Chinese version shall prevail.

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## Chapter 2. Meeting Agenda for 2022 Annual Shareholders' Meeting of SDI Corporation

Time: 9:30 a.m., May 27, 2022 (Friday)

Venue: No. 260, Sec. 2, Changnan Rd., Changhua City (SDI Meeting Room)

- I. Call Meeting to Order
- II. Chairman's remarks
- III. Announcements
  - (I) 2021 Business Report
  - (II) Audit Committee's Review Report on Final Account Statements for 2021
  - (III) Report on Distribution and Evaluation of Remuneration for Employees and Directors for 2021
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- V. Discussions
  - (I) Amendment to the "Procedures for Acquisition or Disposal of Assets".
  - (II) Amendment to the "Articles of Incorporation"
  - (III) Proposal to release directors and representatives of juristic person directors from non-competition restrictions
- VI. Special Motions
- VII. Adjournment

## Chapter 3. Announcements

I. Please see the 2021 Business Report.

### **SDI Corporation 2021 Business Report**

Dear Sir/Madam:

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

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

marketing strategies including marketing campaigns and development of new products to create consumer demand. Last but not least, SDI's affiliated companies have also generated considerable revenues and profits; TEC Brite Technology has cultivated niche clients, increased market share, and improved production capacity; Chao Shin Metal has benefited from rising steel prices and business relationships with new clients; the re-invested Jiangsu Plant has continued to improve production capacity and efficiency and to satisfy surging demands for developing the third-generation semiconductors in China.

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

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

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

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

II. Please see below the Audit Committee's Review Report Final Account Statements for 2021

**SDI Corporation  
Audit Committee's 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 2021, 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 Audit Committee. We Audit Committee consider there is no inconsistency and prepare the report in accordance with Article 14-4 of Securities and Exchange Act, and Article 219 of the Company Act. Please review the same.

To

2022 Annual Shareholders' Meeting of SDI Corporation

Convener of the Audit Committee:  
Wen-Cheng Cheng

February 24, 2022

### III. Please see the report on distribution and evaluation of remuneration for employees and directors for 2021.

[Description]

1. In accordance with Article 32 of the Articles of Incorporation, SDI's 2021 profits before tax and before deducting employees' compensation and Directors' remuneration allocation is NT\$ 1,077,059,642. We set aside 1.5% as employees' compensation of NT\$16,155,895 and 1.2% as remuneration to directors of NT\$12,924,716. Both will be distributed in the form of cash.
2. The Company's directors 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 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.

## Chapter 4. Proposals

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

Subject: Subject: Please ratify Business Report and Financial Statements for 2021.

Description: 2021 individual financial statements and consolidated financial statements are prepared and approved by the Board of Directors on February 24, 2022. We respectfully submit the same with the business report reviewed by the Audit Committee for approval.

[Please refer to #Page 3-4# and #Page 9-29# of this Handbook.]

Resolution:

## Item 2: Proposed by the Board of Directors

Subject: Please ratify Profit Distribution Plan for 2021.

Description:

1. SDI's Profit Distribution Plan for 2021 is as attached.

SDI Corporation	
Profit Distribution	
(Attachment)	Year of 2021
Unit: NT\$	
Item	Amount
Undistributed earnings at the beginning of the period	2, 145, 147, 931
Add: Other comprehensive income (remeasurements of defined benefit plans)	(12, 443, 927)
Add: Profit after tax of this year	852, 243, 936
Less: Legal reserve set aside	(83, 980, 001)
Less: Special surplus reserve set aside	(5, 121, 052)
Distributable earnings	2, 895, 846, 887
Less: Dividends (3 dollars per share, distributed in cash)	(546, 420, 747)
Undistributed earnings at the end of the period	2, 349, 426, 140

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

2. We plan to set aside NT\$546,420,747 from distributable earnings to distribute cash dividends being NT\$3 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 the Board of Directors

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

Description: To comply with relevant laws and regulations, 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 30-33# this Handbook.]

Resolution:

### Item 2: Proposed by the Board of Directors

Subject: Please discuss the amendments to the "Articles of Incorporation".

Description: To comply with relevant laws and regulations, we intend to amend some provisions of the "Articles of Incorporation". We respectfully submit the same for discussion. [Please refer to #Page 34# of this Handbook.]

Resolution:

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

Subject: Please discuss the proposal to release directors and representatives of juristic person directors from non-competition restrictions.

Description:

1. In accordance with 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, current directors shall submit a request to the shareholders' meeting for approval to release them from non-competition restrictions from the date when they take office.
2. Data on the director's and juristic person directors' concurrent positions in other companies is as follows:

Director and Representative of Juristic Person Director	Company Name and Concurrent Position
Weite Chen	Wei Chia Investment Co., Ltd. Director
Wilson Investment Co., Ltd. Representative: Wei-Shun Chen	General Manager of Chao Shin Metal Industrial Corp. Wilson Investment Co., Ltd. Director

Resolution:

## Chapter 6. Special Motions



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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
SDI Corporation

#### Opinion

We have audited the accompanying parent company only financial statements of SDI Corporation ("the Company"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

## Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2021 are stated as follows:

### 1. Valuation of Inventory Impairment

#### Description

As of December 31, 2021, inventory accounted for 26% of the Company's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

#### 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

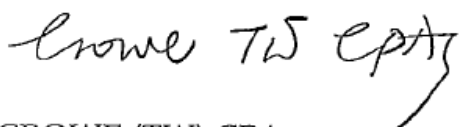
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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



CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

February 24, 2022

Notice to Readers

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

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

# SDI Corporation

## PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

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

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

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

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

SDI Corporation

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

	Capital Stocks		Retained Earnings			Others			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, 2020	\$ 1,821,403	485,257	815,192	101,183	2,573,748	(168,987)	13,417	\$ (155,570)	\$ 5,641,213	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	54,387	(54,387)	-	-	-	-	
Legal capital reserve	-	-	50,253	-	(50,253)	-	-	-	-	
Cash dividends to shareholders - NT\$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	
Deemed donation from shareholders-dividends give up	-	146	-	-	-	-	-	-	146	
Net income in 2020	-	-	-	-	349,147	-	-	-	349,147	
Other comprehensive income (loss) in 2020	-	-	-	-	(3,796)	21,178	(250)	20,928	17,132	
BALANCE, DECEMBER 31, 2020	1,821,403	485,403	865,445	155,570	2,486,607	(147,809)	13,167	(134,642)	5,679,786	
Appropriations of prior year's earnings										
Special capital reserve	-	-	-	(20,928)	20,928	-	-	-	-	
Legal capital reserve	-	-	34,535	-	(34,535)	-	-	-	-	
Cash dividends to shareholders - NT\$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)	
Deemed donation from shareholders-dividends give up	-	195	-	-	-	-	-	-	195	
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244	
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)	
BALANCE, DECEMBER 31, 2021	\$ 1,821,403	\$ 485,598	\$ 899,980	\$ 134,642	\$ 2,984,948	\$ (155,689)	\$ 15,926	\$ (139,763)	\$ 6,186,808	

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

# SDI Corporation

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 1,047,979	\$ 424,017
Adjustments to reconcile profit (loss)		
Depreciation	410,935	426,010
Amortization	15,195	18,221
Gain on financial assets at fair value through profit or loss	-	(190)
Unrealized gross profit on subsidiaries	(291)	(4,667)
Interest expense	12,643	15,120
Interest income	(166)	(390)
Dividend income	(392)	(475)
Share of profits of subsidiaries accounted for under equity method	(152,158)	(96,786)
Gain on disposal of property, plant and equipment	(1,504)	(7,661)
Reversal of impairment loss on non-financial assets	-	(4,000)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	-	3,006
Notes receivable	(9,421)	4,528
Accounts receivable	(457,372)	(131,736)
Accounts receivable - related parties	(89,632)	33,045
Other receivables	28,249	15,104
Other receivables - related parties	8,015	7,191
Inventories	(1,026,843)	(4,839)
Prepayments	(16,378)	(16,424)
Other current assets	(4,304)	1,888
Contract liabilities	16,766	10,393
Notes payable	1,602	(1,404)
Accounts payable	372,280	265,221
Accounts payable - related parties	48,172	29,726
Other payables	135,413	(7,956)
Other payables - related parties	(9,874)	(14,866)
Other current liabilities	8,168	(1,433)
Net defined benefit liability	(10,057)	(14,492)
Other operating liabilities	(7,314)	2,792
Cash provided from operations	<u>319,711</u>	<u>948,943</u>
Interest received	168	402
Dividends received	60,243	74,666
Interest paid	(10,617)	(15,367)
Income taxes paid	<u>(77,164)</u>	<u>(6,313)</u>
Net cash provided by operating activities	<u>292,341</u>	<u>1,002,331</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(876,774)	(317,720)
Proceeds from disposal of Property, plant and equipment	2,755	14,902
Decrease (increase) in refundable deposits	450	(3,228)
Acquisition of intangible assets	(5,757)	(8,383)
Decrease in other financial assets	200	3,538
Increase in other noncurrent assets	<u>(15,909)</u>	<u>(15,591)</u>
Net cash used in investing activities	<u>(895,035)</u>	<u>(326,482)</u>

(Continued)

## SDI Corporation

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	\$ 1,617,080	\$ 330,000
Repayment of long-term loans	(743,333)	(710,000)
Repayments of the principal portion of lease liabilities	(14,307)	(11,251)
Cash dividends paid	(327,852)	(327,852)
Net cash provided by (used in) financing activities	<u>531,588</u>	<u>(719,103)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71,106)	(43,254)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>485,608</u>	<u>528,862</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 414,502</u>	<u>\$ 485,608</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, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### Basis for Opinion

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

## Key Audit Matters

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

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

### 1. Valuation of Inventory Impairment

#### Description

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

#### How our audit addressed the matter

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

### 2. Revenue Recognition

#### Description

Revenue is used by investors and the Group's management as a key indicator for evaluating the Group's financial or operational performance. As the Group sells its goods to Taiwan, Mainland China, Malaysia, United States and other areas, overseas warehouses are set up in response to the needs of certain international customers. The Group recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of control of a good 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, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

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

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





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

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

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)

February 24, 2022

#### Notice to Readers

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

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

## SDI Corporation and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

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

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

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

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

## SDI Corporation and Subsidiaries

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

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

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

# SDI Corporation and Subsidiaries

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

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

(Continued)

## SDI Corporation and Subsidiaries

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

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

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

(Concluded)

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

After the Amendment	Current Provision	Explanation
<p>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: (Omitted) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <b><u>the self-regulations of the trade associations they are a member of and</u></b> the following:</p> <ol style="list-style-type: none"> <li>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>II. Properly plan and implement appropriate operational procedures to form a conclusion and issue a report or an opinion accordingly when <b><u>executing</u></b> the case; and the procedures, data collected and conclusions to be carried out shall be detailed in the working paper of the case.</li> <li>III. They shall undertake an item-by-item evaluation of the <b><u>adequacy</u></b> 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.</li> <li>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 <b><u>adequate and</u></b> reasonable, and that they have complied with applicable laws and regulations.</li> </ol>	<p>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: (Omitted) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> <li>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>II. Properly plan and implement appropriate operational procedures to form a conclusion and issue a report or an opinion accordingly when <b><u>checking</u></b> the case; and the procedures, data collected and conclusions to be carried out shall be detailed in the working paper of the case.</li> <li>III. They shall undertake an item-by-item evaluation of the <b><u>comprehensiveness, accuracy,</u></b> 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.</li> <li>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 <b><u>and accurate,</u></b> and that they have complied with applicable laws and regulations.</li> </ol>	<p>Amend in compliance with the competent authority's regulations.</p>
<p>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-II omitted)</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>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-II omitted)</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>Amend in compliance with the competent authority's regulations.</p>

<p>certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (Below omission)</p>	<p>certified public accountant shall be engaged to <b><u>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)</u></b> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (The following omitted)</p>	
<p>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. 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.</p>	<p>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. <b><u>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.</u></b> 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.</p>	<p>Amend in compliance with the competent authority's regulations.</p>
<p>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.</p>	<p>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 <b><u>the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></b></p>	<p>Amend in compliance with the competent authority's regulations.</p>
<p>Article 12 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</p>	<p>Article 12 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</p>	<p>Amend in compliance with the competent authority's regulations.</p>



<p>approved by the Audit Committee and obtained resolutions by the Board of Directors.</p> <ol style="list-style-type: none"> <li>I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.</li> <li>II. The reasons for selecting the related persons as the transaction counterparty.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>VI. Appraisal reports from professional appraisers or CPA's opinions in compliance with the preceding article.</li> <li>VII. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <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> <ol style="list-style-type: none"> <li>I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.</li> <li>II. Acquisition or disposal of real estate right-of-use assets for purpose of business.</li> </ol> <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 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. If approval of more than half of all Audit Committee members as required in preceding paragraph is not obtained, the Procedures may</p>	<p>approved by the Audit Committee and obtained resolutions by the Board of Directors.</p> <ol style="list-style-type: none"> <li>I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.</li> <li>II. The reasons for selecting the related persons as the transaction counterparty.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>VI. Appraisal reports from professional appraisers or CPA's opinions in compliance with the preceding article.</li> <li>VII. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p><b>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.</b></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> <ol style="list-style-type: none"> <li>I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.</li> <li>II. Acquisition or disposal of real estate right-of-use assets for purpose of business.</li> </ol> <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</p>	
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<p>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.</p> <p><b><u>If a subsidiary of the Company is engaged in the transaction described under Paragraph 1, and the transaction amount is more than 10% of the Company's assets, the Company shall submit all relevant information listed under Paragraph 1 regarding the transaction to the shareholders' meeting for approval before signing a transaction contract and making payment. Transactions between the Company and its subsidiaries are not subject to this requirement.</u></b></p> <p><b><u>Amount of the transaction in Paragraph 1 and 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.</u></b></p> <p><b><u>Items that have been submitted to the shareholders' meeting and Audit Committee and approved by the Board of Directors according to these Procedures need not to be counted toward the transaction amount.</u></b></p>	<p>about any matters, it shall 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. 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.</p>	
<p>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-V omitted) 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 domestic government bonds <b><u>or foreign government bonds with a credit rating not lower than the sovereign rating of Taiwan.</u></b> (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. (Below omission)</p>	<p>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-V omitted) 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 following omitted)</p>	<p>Amend in compliance with the competent authority's regulations.</p>

## Comparison Table of Amendments in Articles of Incorporation

After the Amendment	Current Provision	Explanation
<p>Article 14-1 The Company's shareholders' meeting may be held by means of video conference or other methods promulgated by the central competent authority. The requirements, procedures, and other rules to be complied with when holding a shareholders' meeting via video conference shall be subject to the provisions set forth by the competent authority in charge.</p>		<p>Amended to be in line with relevant laws and actual needs.</p>
<p>Article 35 These Articles were stipulated on August 7, 1967, the first amendment was made on August 30, 1969.... <b><u>The thirty-sixth amendment was on May 27, 2022.</u></b></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>

## Chapter 8 Appendixes

### 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, depositary 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. Derivative products: The term 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. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with law: The term 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. Related party and subsidiary: The term "related party" and "subsidiary" as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  - IV. Professional appraiser: The term as used in these procedures, means a certified appraiser or a company in the business of appraising real property or equipment.
  - V. Date of occurrence: The term 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. Investments in China: The term 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, long-term and short-term investments in securities shall be 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 a 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 the Audit Committee.

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.

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 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.
- 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 Audit Committee and approved by the Board of Directors 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.

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.

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. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act.
- 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: 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 Audit Committee 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> <li>III. After verifying the transaction contents and market price evaluation in the evaluation report, the Accounting Department will submit the evaluation</li> </ul>

	<p>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. 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. 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.

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.
- III. Change to the originally publicly announced and reported information

Article 29 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. 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 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.

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.

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.

The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.

# SDI Corporation Articles of Incorporation (Before Amendment)

- Chapter 1. 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 Name: SDI CORPORATION)
- Article 2 The Company's business is as follows:
- I. CA02010 Metal Architectural Components Manufacturing
  - II. CA02030 Screw, Nut and Rivet Manufacturing
  - III. CA02040 Metal Spring Manufacturing
  - IV. CA02090 Metal Line Products Manufacturing
  - V. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
  - VI. CA03010 Metal Heat Treating
  - VII. CC01080 Electronic Parts and Components Manufacturing.
  - VIII. CC01110 Computers and Computing Peripheral Equipment Manufacturing
  - IX. CH01030 Stationery Articles Manufacturing
  - X. CQ01010 Die Manufacturing
  - XI. F401010 International Trade
  - XII. I301030 Digital Information Supply Services
  - XIII. J399010 Software Publication
  - XIV. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company's investment in other entities shall be passed by the Board of Directors, but the total amount of investment shall not be limited by the amount limit under Article 13 of the Company Act.
- Article 4 The Company may act as a guarantor for its business needs.
- Article 5 The Company is incorporated in Changhua County. Where necessary, the Board of Directors may resolve to set up branches or factories both at home or abroad. The same applies to setting up or moving factories.
- Article 6 Deleted
- Chapter 2. Shares
- Article 7 The total capital of the Company is set at NT\$2.7 billion, divided into 270 million shares. Each share is worth NT\$10. The Board of Directors is authorized to issue them in installments.
- Article 8 The Company's share certificate is registered, which is 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. Directors and Audit Committee
- 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.
- 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, 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.
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.
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	Deleted
Article 26-1	The Company establishes an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act.
Article 27	Deleted
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. 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 each year. 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 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.
- I. Business report
  - II. Financial statements
  - III. Earnings distribution or loss make-up proposals
- Article 32 In the event the Company's final accounts of the year have earnings, the Company shall set aside 1.5% as employee's remuneration and no more than 1.5% as 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.
- 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 These Articles were stipulated 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 23, 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. The thirty-fifth amendment was made on August 26, 2021.

SDI Corporation

Responsible Person: S.J. Chen

# SDI Corporation's Rules of Procedure for Shareholders' Meetings

- Article 1 To establish a strong governance system of the Shareholders' Meeting, a sound supervisory 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.

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 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.

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.

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.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than three hundred words shall not be included

in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

Article 4 Shareholders may appoint a proxy to attend the shareholders' meeting through a letter of appointment printed by the Company, stating the scope of authorization to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail. However, the foregoing does not apply to where an explicit statement to revoke the previous written proxy is made in the proxy which comes later. After the service of the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company 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 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.

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.

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.

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.

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

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.

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.

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, 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.

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, and information related to number of non-voting power and number of attending shares is published, the chairperson shall announce that the meeting starts immediately. However, when less than half of all issued shares are represented in the meeting by then, the chairperson may announce the meeting postponed; the postponement may be called for two times at most. The total number of postponed times shall not exceed 1 hour. If the quorum is still not met after two postponements are still not met, the chairperson shall declare the meeting adjourned.

If the aforementioned two postponements still fail to meet the quorum, but the number of shares that represent more than one-third of the total number of issued shares are present, tentative resolutions may be resolved pursuant to Article 175-1 of the Company Act, and each shareholder will be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month.

If, prior to conclusion of the meeting, the attending shareholders represent more than half of the total number of issued shares, the chairperson may resubmit the tentative resolutions for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The 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 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.

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.

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).

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. 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 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.

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.

Article 14 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.

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. 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.

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 Shareholdings of Directors:

Upon the date share transfer is stopped for this shareholders' meeting (March 29, 2022), the shareholding held by all directors:

Title	Name	Shares held as of the book closure date	
		Shares	Shareholding ratio
Chair of the Board	S.J. Chen	6,944,794	3.81%
Director	Jerome Chen	3,129,707	1.72%
Director	Weite Chen	6,196,614	3.40%
Director	Wilson Investment Co., Ltd. Representative: Wei-Shun Chen	1,805,000	0.99%
Director	Chieh-hsuan Chen	0	0.00%
Independent Director	Wen-i Chiang	0	0.00%
Independent Director	Tsung-ting Chung	0	0.00%
Independent Director	Kuo-chao Tseng	0	0.00%
Independent Director	Wen-Cheng Cheng	0	0.00%

Note 1: The Company has more than 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 number of shares held by all directors is 10,928,414. As of March 29, 2022, the number of shares held by all directors is 18,076,115.

Note 3: The Company has established an Audit Committee, and therefore the shareholding requirement prescribed by laws for supervisors is not applicable.