

**(English Translation)**  
**Winbond Electronics Corporation**

**2019 Annual General Shareholders Meeting**  
**Agenda Handbook<sup>1</sup>**

**Date:** June 14, 2019  
**Time:** 9:00 A.M.  
**Place:** 1st Floor-The Ballroom, No.15, Ln.168, Xingshan Rd., Neihu Dist.,  
Taipei City.

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<sup>1</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

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## **Procedure and Agenda for the 2019 Annual General Meeting of Shareholders**

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1. Business report of fiscal year 2018
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3. Report of remuneration of employees and directors for fiscal year 2018
4. Other matters to be reported

B. Matters to be recognized and discussed and election of Independent Director

1. To recognize business report and financial statements of fiscal year 2018
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4. To discuss the amendment of the rules of the Company:
  - (1) Procedures of Acquisition or Disposal of Assets
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  - (4) Procedures for Governing Loaning of Funds
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  - (6) Rules Governing Election of Directors
5. To discuss the release of directors (including independent director) from the non-competition restriction
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## Matters to be reported

### 1. Business report of fiscal year 2018

Both the business report and the financial statements of fiscal year 2018 are hereby presented (please refer to Attachment 1 for details). Please examine. To be reported by General Manager.

### 2. The Audit Committee's review report on 2018 financial statements

The Audit Committee's Review Report is hereby presented (please refer to Attachment 3 for details). Please examine.

### 3. Report of remuneration of employees and directors for fiscal year 2018.

According to the Company's 2018 earnings audited by the certified public accountants, it is proposed to, in accordance with Article 22 of the Company's Articles of Incorporation, allot 1% of the balance to be the remuneration of directors, which is NT\$81,824,913 in total, and to allot 2% of the balance to be the remuneration of employees, which is NT\$163,649,825 in total. The above amounts will all be paid in cash. The aforesaid ratios and amounts for allocation have been approved respectively by the Company's Compensation Committee and Board of Directors.

### 4. Other matters to be reported

#### (1) Report on the Company's issuance of corporate bonds for 2018:

Name of the Bonds	Winbond Electronics Corporation 2018 First Secured Straight Bonds
Amount	NT\$10 billion
Maturity	7 year
Coupon Rate	Fixed interest rate at 1% per annum.
Principal Repayment and Coupon Frequency	Method of principal repayment: The principal will be repaid in a lump sum upon maturity which is seven years from the issue date. Method of interest payment: The interest is payable once a year on the anniversary day of the issue date at the coupon rate accrued annually on a simple interest basis starting from the issue date.
Approval Document Number	Effective registration of the issuance of the bonds per the Letter issued by the Taipei Exchange dated July 10, 2018 with reference no. Zheng-Gui-Zhai-Zi No.10700185421
The Purpose of Issuance	To finance capital expenditures, repay the bank loan and augment the working capital
Note	The offering was completed on July 17, 2018.

#### (2) Report on shareholdings of all directors

- According to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Share Ownership Ratios of Directors of Public Companies, the minimum combined shareholdings of all directors required should be 95,520,005 shares. The Company has set up an Audit Committee and thus the requirement on the minimum shareholdings of all supervisors is not applicable.
- Please refer to Attachment 4 for the shareholding of each director and the shareholdings of all directors as of the record date for determining the shareholders eligible to attend this annual general shareholders meeting.
- The aggregate shareholdings of all directors meet the minimum shareholding required by laws and regulations.

#### (3) During the period for accepting shareholders' proposals, no shareholder submitted any written proposal to the Company for the 2019 annual general shareholders meeting in accordance with

## Matters to be recognized and discussed and election of independent director

### **Motion 1:** (proposed by the Board of Directors)

Proposal: The business report and financial statements of fiscal year 2018 are hereby presented. Please acknowledge and recognize the same.

Explanation:

1. Please refer to Attachment 1 for the business report and financial statements of fiscal year 2018.
2. The aforementioned financial statements had been approved by the Board of Directors and after audited by the certified public accountants, together with the business report, have been submitted to and reviewed by the Audit Committee.

### **Motion 2:** (proposed by the Board of Directors)

Proposal: The proposal for distribution of 2018 profit of the Company is presented. Please acknowledge and recognize the same.

Explanation:

1. The Company has a net profit after tax of NT\$7,446,496,051 for the year of 2018. The proposed statement of profit distribution is as follows.
2. After this proposal is resolved by the annual general shareholders meeting, the Chairman of the Board of Directors is authorized to designate a record date for dividend distribution and a dividend payment date.
3. The Chairman of the Board of Directors is also authorized to modify the cash dividend per share distributable to shareholders based on the actual number of the outstanding shares in the Company as of the ex-dividend record date if such cash dividend is changed due to changes in the number of the outstanding shares in the Company arising from any event such as a share repurchase by the Company.
4. The proposal was approved by the Board of Directors.

Winbond Electronics Corporation

Statement of Profit Distribution

For the year ended December 31, 2018

(Unit : NT\$)

Items	Total
Unappropriated earnings at beginning of year	\$2,852,265,722
Plus: Adjustment on initial application of IFRS 9	471,170,177
Unappropriated earnings at beginning of year after adjustments	3,323,435,899
Minus: Losses on re-measurement of defined benefit plans	(115,860,592)
Minus: Losses on disposals of investments in equity instruments designated as at fair value through other comprehensive loss and the cumulative gain or loss transferred to retained earnings	(86,226,588)
Unappropriated earnings after adjustment	3,121,348,719
Plus: Net Income of 2018	7,446,496,051
Minus: 10% legal reserve appropriated	(744,649,605)
Earnings available for distribution as of December 31, 2018	\$9,823,195,165
Distributable items:	
Cash Dividends to Common Shareholders (NT\$ 1 per share)	(3,980,000,193)
Unappropriated earnings at the end of year	\$5,843,194,972

(Note: Cash dividends will be calculated and distributed in whole New Taiwan Dollar. Any fractional amount less than one New Taiwan Dollar will be accounted in the Company's other income.)

Chairman: Arthur Yu-Cheng Chiao

Manager: Tung-Yi Chan

Chief Accountant: Jessica Chiou-Jii Huang

**Motion 3:** (proposed by the Board of Directors)

Proposal: It is proposed to amend the Company's Articles of Incorporation. Please review and approve the same.

Explanation:

1. It is conducted in accordance with the Company Act promulgated by the order of the President dated August 1, 2018 (Ref. No: Hwa-Zong-1-Jing-Tze-No. 10700083291), Item 8 of Article 17 of the Company's Articles of Incorporation and actual needs.
2. The amendments to the Articles of Incorporation are mainly as follows:
  - (1) Article 22: Employee reward and remuneration are extended to employees of the controlling or subordinated companies who meet certain criteria to facilitate recruiting talents.
  - (2) Article 23: Where profits and reserves are distributed in cash, the Board of Directors is authorized to make the distribution decision and shall report the same to the shareholders' meeting.
  - (3) Article 24: Distribution of profits is changed from once per year to once each half financial year to increase the flexibility in profit distribution.
3. Please refer to Attachment 5 for the comparison table of amended articles and refer to Appendix 3 for the full text of the Articles of Incorporation after amendment.
4. The proposal was approved by the Board of Directors.

**Motion 4:** (proposed by the Board of Directors)

Proposal: It is proposed to amend the rules of the Company. Please review and approve the same.

Explanation:

1. Amendments to the following rules of the Company are as follows:
  - (1) Procedures of Acquisition or Disposal of Assets
    - (a) It is conducted in accordance with the letter dated November 26, 2018 (Ref. No.: Jin-Guan-Jeng-Fa-Tze- 1070341072) issued by the Financial Supervisory Commission and the actual needs.
    - (b) Major amendments to the Company's Procedures of Acquisition or Disposal of Assets are as follows:
      - i. Right-of-use assets are included in the scope of assets.
      - ii. As it may be necessary for the Company and its subsidiaries or direct or indirect wholly-owned subsidiaries to collectively purchase or lease machinery and equipment for business use and then transfer (including purchasing/selling or subletting) the same due to the overall business planning, or as it may be possible for them to lease and then sublet the real property, which involves lower risk, it is proposed to relax the approval procedures for acquisition and disposal among the above companies of the equipment for business use, the right-of-use assets of such equipment or the right-of-use assets that are real property for business use, and to exempt the above companies from evaluating the reasonableness of the transaction costs of the acquisition of the right-to-use assets that are real property for business use.
      - iii. In cooperation with the practice for the lease of real property such as factories, it is proposed to broaden the range of reference cases to include the lease transactions entered into by unrelated parties within one year in the neighboring area for assessing and estimating the reasonableness of the real transaction prices, in case of

- acquisition of the right-of-use assets of the real property from a related party.
- (c) Please refer to Attachment 6 for the comparison table of the articles proposed to be amended in these procedures and the full text of these procedures after amendment.
- (2) Procedures for Engaging in Financial Derivatives Transactions
- (a) It is conducted in accordance with the letter dated November 26, 2018 (Ref. No.: Jin-Guan-Jeng-Fa-Tze-1070341072) issued by the Financial Supervisory Commission.
- (b) The amendment to the Company's Procedures for Engaging in Financial Derivatives mainly relates to the scope of financial derivatives.
- (c) Please refer to Attachment 7 for the comparison table of the articles proposed to be amended in these procedures and the full text of these procedures after amendment.
- (3) Regulations Governing Endorsements and Guarantees, renamed as "Procedures for Endorsements and Guarantees"
- (a) It is conducted in accordance with the letter dated March 7, 2019 (Ref. No.: Jin-Guan-Jeng-Shung-Tze-1080304826) issued by the Financial Supervisory Commission, Item 19 of Article 17 of the Company's Articles of Incorporation and the actual needs.
- (b) The major amendments to the Company's "Regulations Governing Endorsements and Guarantees" which is renamed as "Procedures for Endorsements and Guarantees" are as follows:
- i. For the Company to have greater flexibility in providing endorsement/guarantee for companies in the same group by exempting the Company from the limit on the total amount of endorsement/guarantee for a single entity in the case of providing endorsement/guarantee by the Company for the subsidiaries in which the Company directly or indirectly holds 100% of the voting shares.
  - ii. To adjust the limit and the ceiling of endorsement/guarantee to a single entity due to risk control.
- (c) Please refer to Attachment 8 for the comparison table of the articles proposed to be amended and the full text of these procedures after amendment.
- (4) Procedures for Governing Loaning of Funds
- (a) It is conducted in accordance with the letter dated March 7, 2019 (Ref. No.: Jin-Guan-Jeng-Shung-Tze-1080304826) issued by the Financial Supervisory Commission, Item 19 of Article 17 of the Company's Articles of Incorporation and the actual needs.
- (b) The major amendments to the Company's Procedures for Governing Loaning of Funds are as follows:
- i. To add provisions in accordance with law so that intercompany loans granted to the Company by foreign subsidiaries in which the Company directly or indirectly holds 100% of the voting shares are exempt from the restrictions on loan limits and loan term.
  - ii. To slightly adjust parties eligible for the Company's financing and limits of financing to single corporation based on actual needs.
- (c) Please refer to Attachment 9 for the comparison table of the articles proposed to be amended and the full text of these procedures after amendment.
- (5) Rules Governing the Conduct of Shareholders Meeting
- (a) It is conducted in accordance with Paragraph 5 of Article 172 of the Company Act and Item 19 of Article 17 of the Company's Articles of Incorporation.
- (b) This amendment is mainly for the purpose of adding the matters which should be listed in the notice for convention of shareholders' meeting.
- (c) Please refer to Attachment 10 for the comparison table of the articles proposed to be amended and refer to Appendix 1 for the full text of these procedures after amendment.
- (6) Rules Governing Election of Directors

- (a) It is conducted in accordance with Article 192-1 of the Company Act and Item 19 of Article 17 of the Company's Articles of Incorporation.
  - (b) In order to protect the minority shareholders' nomination right, Article 192-1 of the Company Act deleted the right of the Board of Directors to examine the director candidates.
  - (c) Please refer to Attachment 11 for the comparison table of the articles proposed to be amended and refer to Appendix 2 for the full text of these procedures after amendment.
2. The proposal was approved by the Board of Directors.

**Motion 5:** (proposed by the Board of Directors)

**Proposal:** It is proposed to release the directors (including independent director) of the Company from the non-competition restrictions. Please review and approve the same.

**Explanation:**

1. It is conducted in accordance with Paragraph 1 of Article 209 of the Company Act.
2. Please refer to Attachment 12 for the items of competitive conduct of the directors (including independent director) of the Company who act as directors or managers in other companies which engage in the same businesses as those of the Company.
3. It is proposed to release the non-competition restriction on the directors (including independent director) who conduct activities that fall within the Company's business scope and to waive the Company's right to request disgorgement of the profits gained by such directors from the date of acting as directors or managers of other companies in the same business .
4. The proposal was approved by the Board of Directors.

**Motion 6:** Election of Director (proposed by the Board of Directors)

**Proposal:** It is proposed to elect one additional independent director.

**Explanation:**

1. According to Article 13 of the Company's Articles of Incorporation, the Company shall have 9 to 11 directors, among whom there shall be at least three independent directors, and the number of independent directors shall not be less than one-fifth of the total number of the directors. Directors and independent directors of this term (eleventh term) were elected by the annual general shareholders' meeting dated June 13, 2017, and their term of office is three years (from June 13, 2017 to June 12, 2020).
2. As Mr. Matthew Feng-Chiang Miao resigned as director on January 1, 2019, to strengthen corporate governance, it is proposed to elect one additional independent director to fill the vacancy and serve the remainder of the term until expiration (from June 14, 2019 to June 12, 2020).
3. The Company adopts the candidate nomination system for election of directors (including independent directors). The list of independent director candidate for this election has been reviewed and approved by the Board of Directors as follows:

Category	Name	Education	Work Experience	Current Job	Shareholding (Unit : Share)
Independent Director Candidate	STEPHEN TSO	Ph.D & MS From Materials Science and Engineering, U.C Berkeley	President of WaferTech General Manager of MCVD, Applied Material, Inc. Applied Mate CIO & Sr. V.P, TMSC	Independent Director, AOPEN INC.	0

**Voting by Poll:**



Other Extemporaneous Matters and Motions:

Meeting Adjourned.

# **Attachment**

(English Translation)

## Winbond Electronics Corporation 2018 Business Report

Winbond continued to grow steadily and deliver brilliant results in 2018. Our consolidated revenue reached a record high and has been profitable for six consecutive years. The overall economy continued to flourish in 2018, driving strong demand for electronic devices and the semiconductor industry. The global semiconductor output reached US\$476.7 billion in 2018, over 10% annual growth, which was benefited by rising average selling price. The memory industry's annual revenue growth reached 30%, accounting for about 35% of the whole semiconductor market. It is the sector that drove the biggest increase for the semiconductor industry.

### Financial Performance

The consolidated revenue, including Nuvoton Technology Group and other subsidiaries, amounted to NT\$51.19 billion in 2018, an 8% increase compared to NT\$47.59 billion in 2017. Memory and logic products made up respectively 80% and 20% of the total revenue. The gross margin was 37% in 2018, a 3% growth compared to the gross margin of 34% in 2017. The consolidated operating profit margin was 15%, which was a 1% growth compared to 14% of the previous year. Consolidated net income after tax amounted to NT\$7.73 billion, which was a significant increase of 33% compared to NT\$5.82 billion in 2017. Net margin was 15% and earnings per share were NT\$1.87.

### Market and Product Applications

Winbond is committed to total memory solutions, focusing on the design and manufacturing of Specialty DRAM. We are ranked among the world's top five DRAM manufacturers, and also a leading Serial NOR Flash supplier. We are one of a few memory solution providers with both DRAM and Flash product lines in the world.

In 2018, Winbond's DRAM revenue accounted for 52% of total memory revenue, while Flash revenue accounted for 48%. In the aspect of product applications, communications and consumer products each contributed 29% of memory revenue in 2018. The revenue of computer and peripheral products on the other hand accounted for 26%. With the increasing demand for memory products by automotive electronics and industrial applications, revenue from this sector has grown to nearly 20% of total memory revenue.

Winbond upholds the "pursuit for excellence" and demands "zero defects" as its standards for high-quality products, thus gaining customer recognition. With perfect after-sales services and stable supplying abilities, Winbond has maintained good long-term partnerships with major customers, and has been keeping tabs on customers and the market demand for new products, thereby improving operations in niche markets.

### Capacity planning

The production capacity of our fab at Central Taiwan Science Park (CTSP) has increased from 44,000 to 52,000 wafers per month, amounting to growth of nearly 20% in 2018. Considering market demands and customer commitment, Winbond started an investment for the Kaohsiung Fab Construction Plan in October 2018. It is expected that the fab will be completed in 2020 and start production in 2021. The production capacity will be gradually expanded along with customer demands. The highest level of smart automation designs, self-developed technologies and flexible production advantages will be implemented in the Kaohsiung Fab so that we will be able to meet the needs of Tier-1 customers and bring growth momentum to our future revenue. As the second 12-inch fab of Winbond, the Kaohsiung Fab will be a key milestone for the Company's development in the memory market.

## **Technology Development and Manufacturing**

Given constantly evolving electronic technologies and ever-changing business environment, Winbond endeavors to enhance its processing technologies and product design abilities. In processing technology, our 25nm DRAM products went into mass production in 4Q 2018. We will continue to release related products for various applications in 2019 to strengthen our competitiveness. In the aspect of product design, the new products developed by Winbond in 2018 include ULTRA Low Power DRAM and 1.2V Flash for mobile and IoT devices with low-power consumption requirements; high-speed and high-quality Flash for automotive electronics; and the TrustMe Secure Flash for secure storage solutions with the industry's first Common Criteria (CC) and EAL5+ certifications. We expect to add more value to our products through innovative design and maintain our long-term competitiveness.

## **Honors and Awards**

Winbond received several awards in customer relations, product technology, corporate governance and sustainable development in 2018.

In terms of customer relations, Winbond was recognized as the "Quality Star" by Siemens Industrial Automation Products Ltd. Chengdu, which demonstrated Winbond's customer-oriented services and resulted in strengthened customer satisfaction.

In terms of product technology, Winbond's 1.2V Serial NOR Flash was awarded the ASPENCORE 2018 World Electronics Achievement Award. The ultra-low power consumption of this product was selected as the Innovative Product of the Year in the memory product category.

In terms of corporate governance, Winbond always upholds business integrity as its topmost ethical principle. In the past four years, we have been evaluated by the Taiwan Stock Exchange as one of the top 20% listed companies for corporate governance and have even been ranked in the top 5% for two out of four years.

In terms of sustainable development, Winbond was awarded the Sustainability Excellence Award by the British Standards Institute (BSI), representing Winbond's outstanding performance and international recognition on corporate social responsibility and sustainable development issues over the years.

## **Future Outlook**

The economic uncertainty mainly caused by the U.S.-China trade war and uncertainties of Eurozone continue to pervade in 2019. Consumers tend to spend conservatively and the demands for smartphones, computers, servers, and consumer products have slowed down. However, multi-applications have created emerging demand for memory products. The development of emerging technologies such as AI and 5G will accelerate application of the Internet of Things (IoT) to a higher level. The implementation of edge computing on various terminal devices will also create demand for next-generation products. Automotive electronics and industrial IoT are expected to prosper, thereby creating new growth momentum. Winbond believes that the memory industry will benefit from these changes, and will continue to maintain a long-term growth trend.

Winbond will continue taking cautious and steady steps forward, keeping close tabs on market trends while meeting the wide range of needs with innovative solutions. We pursue excellence, welcome challenges, and look forward to working side by side with world-class customers to create maximum value and returns for our shareholders, customers, and employees.

Chairman: Arthur Yu-Cheng Chiao

President: Tung-Yi Chan

CAO: Jessica Chiou-Jii Huang

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 12,559,631	13	\$ 14,172,441	16
Current financial assets at fair value through profit or loss (Notes 4 and 7)	8,290	-	32,745	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	6,249,212	7	-	-
Current available-for-sale financial assets (Notes 4 and 9)	-	-	6,502,762	7
Notes and accounts receivable, net (Notes 4 and 10)	6,469,413	7	6,707,490	8
Accounts receivable due from related parties, net (Note 29)	44,297	-	33,546	-
Other receivables (Note 6)	406,879	-	654,836	1
Inventories (Notes 4 and 11)	10,908,106	11	8,139,982	9
Other current assets	882,418	1	996,403	1
Total current assets	37,528,246	39	37,240,205	42
<b>NON-CURRENT ASSETS</b>				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	861,853	1	-	-
Non-current available-for-sale financial assets (Notes 4 and 9)	-	-	289,789	-
Non-current financial assets measured at cost (Notes 4 and 12)	-	-	340,875	1
Investments accounted for using equity method (Notes 4 and 13)	3,585,328	4	4,430,985	5
Property, plant and equipment (Notes 4 and 14)	52,484,183	55	43,828,707	50
Investment properties (Notes 4 and 15)	50,527	-	56,278	-
Intangible assets (Notes 4 and 16)	229,195	-	288,013	-
Deferred income tax assets	953,726	1	1,351,087	2
Other non-current assets (Note 6)	349,406	-	290,184	-
Total non-current assets	58,514,218	61	50,875,918	58
<b>TOTAL</b>	<b>\$ 96,042,464</b>	<b>100</b>	<b>\$ 88,116,123</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ -	-	\$ 553,539	1
Notes and accounts payable	4,317,866	4	4,420,945	5
Accounts payable to related parties (Note 29)	629,681	1	496,787	-
Payables on machinery and equipment	2,860,869	3	3,734,501	4
Other payables	3,776,574	4	3,268,207	4
Current tax liabilities	178,690	-	248,662	-
Long-term borrowings-current portion (Note 17)	4,563,520	5	3,323,520	4
Other current liabilities	142,544	-	194,027	-
Total current liabilities	16,469,744	17	16,240,188	18
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 18)	9,919,779	10	-	-
Long-term borrowings (Note 17)	4,179,273	4	8,728,773	10
Net defined benefit liabilities, non-current (Notes 4 and 19)	1,167,325	1	1,087,089	1
Other non-current liabilities	415,246	1	433,082	1
Total non-current liabilities	15,681,623	16	10,248,944	12
Total liabilities	32,151,367	33	26,489,132	30
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)</b>				
Share capital	39,800,002	41	39,800,002	45
Capital surplus	7,540,440	8	7,540,440	8
Retained earnings				
Legal reserve	1,053,441	1	498,385	1
Special reserve	-	-	31,429	-
Unappropriated earnings	10,567,845	11	7,355,893	8
Exchange differences on translation of foreign financial statements	(50,780)	-	(120,988)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	3,533,423	4	-	-
Unrealized gains on available-for-sale financial assets	-	-	5,107,003	6
Total equity attributable to owners of the parent	62,444,371	65	60,212,164	68
<b>NON-CONTROLLING INTERESTS</b>	1,446,726	2	1,414,827	2
Total equity	63,891,097	67	61,626,991	70
<b>TOTAL</b>	<b>\$ 96,042,464</b>	<b>100</b>	<b>\$ 88,116,123</b>	<b>100</b>

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

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 51,190,323	100	\$ 47,591,792	100
OPERATING COSTS (Note 11)	<u>32,039,220</u>	<u>63</u>	<u>31,268,105</u>	<u>66</u>
GROSS PROFIT	<u>19,151,103</u>	<u>37</u>	<u>16,323,687</u>	<u>34</u>
OPERATING EXPENSES				
Selling expenses	1,481,815	3	1,376,250	3
General and administrative expenses	2,045,248	4	1,566,084	3
Research and development expenses	<u>7,697,343</u>	<u>15</u>	<u>6,725,585</u>	<u>14</u>
Total operating expenses	<u>11,224,406</u>	<u>22</u>	<u>9,667,919</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>7,926,697</u>	<u>15</u>	<u>6,655,768</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	93,833	-	35,349	-
Dividend income	416,339	1	340,284	1
Other income	45,572	-	58,660	-
Gains on disposal of property, plant and equipment	764	-	1,267	-
Gains on disposal of investments	-	-	25,489	-
Foreign exchange gains (losses)	280,264	1	(269,799)	(1)
Share of profit of associates accounted for using equity method	228,981	-	192,125	-
Interest expenses	(182,299)	-	(78,625)	-
Other expenses	(73,471)	-	(68,089)	-
(Losses) gains on financial instruments at fair value through profit or loss	(328,890)	(1)	215,100	1
Impairment loss on financial assets (Note 12)	-	-	(10,000)	-
Other impairment loss	<u>(12,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>468,203</u>	<u>1</u>	<u>441,761</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	8,394,900	16	7,097,529	15
INCOME TAX EXPENSE (Notes 4 and 24)	<u>667,242</u>	<u>1</u>	<u>1,274,579</u>	<u>3</u>
NET PROFIT	<u>7,727,658</u>	<u>15</u>	<u>5,822,950</u>	<u>12</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Components of other comprehensive loss that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans	\$ (142,113)	-	\$ (80,813)	-
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	(505,248)	(1)	-	-
Share of other comprehensive loss of associates accounted for using the equity method	(1,157,275)	(2)	-	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	66,164	-	(155,904)	-
Unrealized gains on available-for-sale financial assets	-	-	2,402,035	5
Share of other comprehensive income of associates accounted for using equity method	-	-	1,584,383	3
Other comprehensive (loss) income	(1,738,472)	(3)	3,749,701	8
TOTAL COMPREHENSIVE INCOME	\$ 5,989,186	12	\$ 9,572,651	20
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 7,446,496	14	\$ 5,550,562	12
Non-controlling interests	281,162	1	272,388	-
	\$ 7,727,658	15	\$ 5,822,950	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 5,810,825	12	\$ 9,263,420	19
Non-controlling interests	178,361	-	309,231	1
	\$ 5,989,186	12	\$ 9,572,651	20
EARNINGS PER SHARE (Note 25)				
Basic	\$ 1.87		\$ 1.54	
Diluted	\$ 1.87		\$ 1.54	

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

(Concluded)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2017	\$ 35,800,002	\$ 2,471,044	\$ 208,606	\$ 1,395,063	\$ 2,952,901	\$ 23,433	\$ -	\$ 1,176,299	\$ (106,387)	\$ 43,920,961	\$ 1,299,838	\$ 45,220,799
Appropriation of 2016 earnings												
Legal reserve appropriated	-	-	289,779	-	(289,779)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,363,634)	1,363,634	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,148,000)	-	-	-	-	(2,148,000)	-	(2,148,000)
Total appropriations	-	-	289,779	(1,363,634)	(1,074,145)	-	-	-	-	(2,148,000)	-	(2,148,000)
Net profit for 2017	-	-	-	-	5,550,562	-	-	-	-	5,550,562	272,388	5,822,950
Other comprehensive (loss) income for 2017	-	-	-	-	(73,425)	(144,421)	-	3,930,704	-	3,712,858	36,843	3,749,701
Total comprehensive income (loss) for 2017	-	-	-	-	5,477,137	(144,421)	-	3,930,704	-	9,263,420	309,231	9,572,651
Issue of shares (Note 20)	4,000,000	4,787,673	-	-	-	-	-	-	-	8,787,673	-	8,787,673
Share-based payments (Note 23)	-	239,200	-	-	-	-	-	-	-	239,200	-	239,200
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	4,511	-	-	-	-	-	-	-	4,511	-	4,511
Disposal of the Company's shares by subsidiaries recognized as treasury share transactions (Note 20)	-	38,012	-	-	-	-	-	-	106,387	144,399	-	144,399
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(194,242)	(194,242)
BALANCE, DECEMBER 31, 2017	39,800,002	7,540,440	498,385	31,429	7,355,893	(120,988)	-	5,107,003	-	60,212,164	1,414,827	61,626,991
Adjustment on initial application of IFRS 9	-	-	-	-	471,170	-	5,065,763	(5,107,003)	-	429,930	55,874	485,804
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	-	60,642,094	1,470,701	62,112,795
Appropriation of 2017 earnings												
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	-	(3,980,000)	-	(3,980,000)
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	-	(3,980,000)	-	(3,980,000)
Net profit for 2018	-	-	-	-	7,446,496	-	-	-	-	7,446,496	281,162	7,727,658
Other comprehensive (loss) income for 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	-	(1,635,671)	(102,801)	(1,738,472)
Total comprehensive income (loss) for 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	-	5,810,825	178,361	5,989,186
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	-	(28,548)	-	(28,548)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(202,336)	(202,336)
BALANCE, DECEMBER 31, 2018	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ -	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ -	\$ -	\$ 62,444,371	\$ 1,446,726	\$ 63,891,097

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



# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 8,394,900	\$ 7,097,529
Adjustments for:		
Depreciation expense	7,480,661	5,981,027
Amortization expense	102,201	103,348
Expected credit loss reversed on accounts receivable	(4,708)	-
Provision for allowance for doubtful accounts	-	28,351
Provision for declines in market value, obsolescence and scraps of inventories	113,910	125,748
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	24,455	(74,474)
Interest expense	182,299	78,625
Interest income	(93,833)	(35,349)
Dividend income	(416,339)	(340,284)
Share-based payments	-	239,200
Share of profit of associates accounted for using equity method	(228,981)	(192,125)
Gain on disposal of property, plant and equipment	(764)	(1,267)
Impairment loss on financial assets	-	10,000
Impairment loss on non-financial assets	12,890	-
Gain on disposal of investments	-	(25,489)
Changes in operating assets and liabilities		
Decrease (increase) in notes and accounts receivable	187,018	(922,470)
(Increase) decrease in accounts receivable due from related parties	(10,751)	15,985
Decrease (increase) in other receivables	257,184	(185,922)
Increase in inventories	(2,882,034)	(729,569)
Decrease in other current assets	101,095	226,535
Increase in other non-current assets	(59,222)	(46,457)
(Decrease) increase in notes and accounts payable	(103,079)	211,225
Increase in accounts payable to related parties	132,894	24,298
Increase in other payables	449,962	514,388
(Decrease) increase in other current liabilities	(51,483)	20,936
Decrease in other non-current liabilities	(69,160)	(72,146)
Cash generated from operations	13,519,115	12,051,643
Interest received	89,052	40,958
Dividends received	416,339	340,284
Interest paid	(206,744)	(210,451)
Income taxes paid	(284,520)	(79,160)
Net cash generated from operating activities	13,533,242	12,143,274

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of financial assets at fair value through other comprehensive income	\$ (280,233)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	147,925	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	24,072	-
Acquisitions of available-for-sale financial assets	-	(68,842)
Proceeds from disposal of available-for-sale financial assets	-	315,312
Proceeds from capital reduction of available-for-sale financial assets	-	6,067
Proceeds from capital reduction of financial assets measured at cost	-	229,651
Acquisitions of investments accounted for using the equity method	(750)	-
Acquisitions of property, plant and equipment	(16,930,434)	(15,411,661)
Proceeds from disposal of property, plant and equipment	2,549	2,940
Acquisition of intangible assets	<u>(25,260)</u>	<u>(103,190)</u>
Net cash used in investing activities	<u>(17,062,131)</u>	<u>(15,029,723)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(553,539)	553,539
Proceeds from issuing bonds	10,000,000	-
Proceeds from long-term borrowings	-	6,900,000
Repayments of long-term borrowings	(3,323,520)	(4,590,180)
Cash dividends paid	(3,980,000)	(2,143,489)
Proceeds from issuing shares	-	8,800,000
Proceeds from sale of treasury shares	-	144,399
Change in non-controlling interests	(202,336)	(194,242)
Other financing activities	<u>(86,171)</u>	<u>(12,327)</u>
Net cash generated from financing activities	<u>1,854,434</u>	<u>9,457,700</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>61,645</u>	<u>(82,627)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,612,810)</u>	<u>6,488,624</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>14,172,441</u>	<u>7,683,817</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 12,559,631</u>	<u>\$ 14,172,441</u>

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

(Concluded)

# WINBOND ELECTRONICS CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,384,525	10	\$ 11,658,134	14
Current financial assets at fair value through profit or loss (Notes 4 and 7)	7,526	-	31,035	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	6,174,768	7	-	-
Current available-for-sale financial assets (Notes 4 and 9)	-	-	6,281,754	7
Notes and accounts receivable, net (Notes 4 and 10)	3,918,246	4	3,830,179	5
Accounts receivable due from related parties, net (Note 27)	1,213,213	1	1,753,601	2
Other receivables	469,494	1	247,805	-
Inventories (Notes 4 and 11)	9,330,646	10	6,497,262	8
Other current assets	<u>689,621</u>	<u>1</u>	<u>746,871</u>	<u>1</u>
Total current assets	<u>31,188,039</u>	<u>34</u>	<u>31,046,641</u>	<u>37</u>
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	23,657	-	-	-
Non-current financial assets measured at cost (Notes 4 and 12)	-	-	27,649	-
Investments accounted for using equity method (Notes 4 and 13)	8,413,315	9	9,003,400	11
Property, plant and equipment (Notes 4 and 14)	51,577,630	56	42,969,011	51
Intangible assets (Notes 4 and 15)	104,925	-	115,325	-
Deferred income tax assets (Notes 4 and 22)	667,000	1	1,087,000	1
Other non-current assets (Note 6)	<u>199,263</u>	<u>-</u>	<u>160,974</u>	<u>-</u>
Total non-current assets	<u>60,985,790</u>	<u>66</u>	<u>53,363,359</u>	<u>63</u>
TOTAL	<u>\$ 92,173,829</u>	<u>100</u>	<u>\$ 84,410,000</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 553,539	1
Notes payable	207,394	-	233,687	-
Accounts payable	3,233,658	4	3,271,986	4
Accounts payable to related parties (Note 27)	629,681	1	496,787	1
Payables on machinery and equipment	2,790,736	3	3,683,587	4
Other payables	3,083,269	3	2,583,996	3
Current tax liabilities	73,504	-	128,164	-
Long-term borrowings-current portion (Note 16)	4,563,520	5	3,323,520	4
Other current liabilities	<u>56,674</u>	<u>-</u>	<u>84,791</u>	<u>-</u>
Total current liabilities	<u>14,638,436</u>	<u>16</u>	<u>14,360,057</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	9,919,779	11	-	-
Long-term borrowings (Note 16)	4,179,273	4	8,728,773	10
Net defined benefit liabilities, non-current (Notes 4 and 18)	758,432	1	652,453	1
Other non-current liabilities	<u>233,538</u>	<u>-</u>	<u>456,553</u>	<u>1</u>
Total non-current liabilities	<u>15,091,022</u>	<u>16</u>	<u>9,837,779</u>	<u>12</u>
Total liabilities	<u>29,729,458</u>	<u>32</u>	<u>24,197,836</u>	<u>29</u>
EQUITY (Note 19)				
Share capital	39,800,002	43	39,800,002	47
Capital surplus	7,540,440	8	7,540,440	9
Retained earnings				
Legal reserve	1,053,441	1	498,385	-
Special reserve	-	-	31,429	-
Unappropriated earnings	10,567,845	12	7,355,893	9
Exchange differences on translation of foreign financial statements	(50,780)	-	(120,988)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	3,533,423	4	-	-
Unrealized gains on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>5,107,003</u>	<u>6</u>
Total equity	<u>62,444,371</u>	<u>68</u>	<u>60,212,164</u>	<u>71</u>
TOTAL	<u>\$ 92,173,829</u>	<u>100</u>	<u>\$ 84,410,000</u>	<u>100</u>

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

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 40,733,527	100	\$ 38,102,813	100
OPERATING COSTS (Note 11)	<u>25,952,289</u>	<u>64</u>	<u>25,944,812</u>	<u>68</u>
GROSS PROFIT	<u>14,781,238</u>	<u>36</u>	<u>12,158,001</u>	<u>32</u>
OPERATING EXPENSES				
Selling expenses	1,037,591	3	927,513	2
General and administrative expenses	1,400,498	3	987,205	3
Research and development expenses	<u>5,399,222</u>	<u>13</u>	<u>4,532,594</u>	<u>12</u>
Total operating expenses	<u>7,837,311</u>	<u>19</u>	<u>6,447,312</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>6,943,927</u>	<u>17</u>	<u>5,710,689</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	65,662	-	16,325	-
Dividend income	342,184	1	225,684	1
Other income	38,459	-	73,762	-
Gains on disposal of investments	-	-	22,800	-
Foreign exchange gains (losses)	272,717	1	(238,909)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 13)	830,792	2	766,998	2
Interest expenses	(182,299)	(1)	(78,625)	-
Other expenses	(62,909)	-	(46,770)	-
(Losses) gains on disposal of property, plant and equipment	(411)	-	644	-
(Losses) gains on financial instruments at fair value through profit or loss	(298,216)	(1)	209,770	-
Impairment loss on financial assets (Note 12)	-	-	(10,000)	-
Other impairment loss	<u>(12,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>993,089</u>	<u>2</u>	<u>941,679</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	7,937,016	19	6,652,368	17
INCOME TAX EXPENSE (Notes 4 and 22)	<u>490,520</u>	<u>1</u>	<u>1,101,806</u>	<u>3</u>
NET PROFIT	<u>7,446,496</u>	<u>18</u>	<u>5,550,562</u>	<u>14</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive loss that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 18)	\$ (85,080)	-	\$ (69,455)	-
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive loss	(301,203)	(1)	-	-
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	(1,319,596)	(3)	(3,970)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(1,486)	-	223	-
Unrealized gains on available-for-sale financial assets	-	-	2,266,196	6
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	<u>71,694</u>	<u>-</u>	<u>1,519,864</u>	<u>4</u>
Other comprehensive (loss) income	<u>(1,635,671)</u>	<u>(4)</u>	<u>3,712,858</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,810,825</u>	<u>14</u>	<u>\$ 9,263,420</u>	<u>24</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.87</u>		<u>\$ 1.54</u>	
Diluted	<u>\$ 1.87</u>		<u>\$ 1.54</u>	

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

(Concluded)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Retained Earnings					Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2017	\$ 35,800,002	\$ 2,471,044	\$ 208,606	\$ 1,395,063	\$ 2,952,901	\$ 23,433	\$ -	\$ 1,176,299	\$ (106,387)	\$ 43,920,961
Appropriation of 2016 earnings										
Legal reserve appropriated	-	-	289,779	-	(289,779)	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,363,634)	1,363,634	-	-	-	-	-
Cash dividends	-	-	-	-	(2,148,000)	-	-	-	-	(2,148,000)
Total appropriations	-	-	289,779	(1,363,634)	(1,074,145)	-	-	-	-	(2,148,000)
Net profit for 2017	-	-	-	-	5,550,562	-	-	-	-	5,550,562
Other comprehensive (loss) income for 2017	-	-	-	-	(73,425)	(144,421)	-	3,930,704	-	3,712,858
Total comprehensive income (loss) for 2017	-	-	-	-	5,477,137	(144,421)	-	3,930,704	-	9,263,420
Issue of shares (Note 19)	4,000,000	4,787,673	-	-	-	-	-	-	-	8,787,673
Share-based payments (Note 21)	-	239,200	-	-	-	-	-	-	-	239,200
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	4,511	-	-	-	-	-	-	-	4,511
Disposal of the Company's shares by subsidiaries recognized as treasury share transactions (Note 19)	-	38,012	-	-	-	-	-	-	106,387	144,399
BALANCE, DECEMBER 31, 2017	39,800,002	7,540,440	498,385	31,429	7,355,893	(120,988)	-	5,107,003	-	60,212,164
Adjustment on initial application of IFRS 9	-	-	-	-	471,170	-	5,065,763	(5,107,003)	-	429,930
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	-	60,642,094
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	-	(3,980,000)
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	-	(3,980,000)
Net profit for 2018	-	-	-	-	7,446,496	-	-	-	-	7,446,496
Other comprehensive (loss) income for 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	-	(1,635,671)
Total comprehensive income (loss) for 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	-	5,810,825
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	-	(28,548)
BALANCE, DECEMBER 31, 2018	<u>\$ 39,800,002</u>	<u>\$ 7,540,440</u>	<u>\$ 1,053,441</u>	<u>\$ -</u>	<u>\$ 10,567,845</u>	<u>\$ (50,780)</u>	<u>\$ 3,533,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,444,371</u>

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

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 7,937,016	\$ 6,652,368
Adjustments for:		
Depreciation expense	7,285,916	5,796,410
Amortization expense	24,420	24,420
Expected credit loss on accounts receivable	3,000	-
Provision for allowance for doubtful accounts	-	16,000
Provision for declines in market value, obsolescence and scraps of inventories	69,522	92,399
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	23,509	(72,057)
Interest expense	182,299	78,625
Interest income	(65,662)	(16,325)
Dividend income	(342,184)	(225,684)
Share-based payments	-	239,200
Share of profit of subsidiaries and associates accounted for using equity method	(830,792)	(766,998)
Loss (gain) on disposal of property, plant and equipment	411	(644)
Gain on disposal of investments	-	(22,800)
Impairment loss on financial assets	-	10,000
Impairment loss on non-financial assets	12,890	-
Unrealized (loss) profit on the transactions with subsidiaries	(15,664)	23,871
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(91,067)	(525,939)
Decrease (increase) in accounts receivable due from related parties	540,388	(523,261)
Decrease (increase) in other receivables	55,396	(44,386)
Increase in inventories	(2,902,906)	(223,987)
Decrease in other current assets	44,360	239,135
Increase in other non-current assets	(26,480)	(47,195)
Decrease in notes payable	(26,293)	(67,863)
(Decrease) increase in accounts payable	(38,328)	248,581
Increase in accounts payable to related parties	132,894	24,298
Increase in other payables	455,655	575,872
(Decrease) increase in other current liabilities	(28,117)	38,614
Increase in other non-current liabilities	20,848	14,341
Cash generated from operations	12,421,031	11,536,995
Interest received	60,695	15,777
Dividends received	694,614	529,572
Interest paid	(206,744)	(210,451)
Income taxes (paid) returned	(130,233)	6,701
Net cash generated from operating activities	12,839,363	11,878,594

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of available-for-sale financial assets	\$ -	\$ 276,220
Proceeds from capital reduction of available-for-sale financial assets	-	6,067
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	11,914	-
Acquisition of financial assets at fair value through other comprehensive income	(183,229)	-
Acquisition of investments accounted for using equity method	(433,252)	-
Proceeds from capital reduction of investments accounted for using equity method	148,609	282,249
Acquisitions of property, plant and equipment	(16,714,392)	(15,107,937)
Proceeds from disposal of property, plant and equipment	608	2,025
Acquisition of intangible assets	<u>-</u>	<u>(56,287)</u>
Net cash used in investing activities	<u>(17,169,742)</u>	<u>(14,597,663)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(553,539)	553,539
Proceeds from issuing bonds	10,000,000	-
Proceeds from long-term borrowings	-	6,900,000
Repayments of long-term borrowings	(3,323,520)	(4,590,180)
Cash dividends paid	(3,980,000)	(2,148,000)
Proceeds from issuing shares	-	8,800,000
Other financing activities	<u>(86,171)</u>	<u>(12,327)</u>
Net cash generated from financing activities	<u>2,056,770</u>	<u>9,503,032</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,273,609)</b>	<b>6,783,963</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>11,658,134</u></b>	<b><u>4,874,171</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 9,384,525</u></b>	<b><u>\$ 11,658,134</u></b>

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

(Concluded)





**勤業眾信**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Winbond Electronics Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Winbond Electronics Corporation (the “Company”) and its subsidiaries (collectively referred as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and 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, 2018 and 2017, 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 of the Republic of China.

### **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 the most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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.

### Existence of sales revenue

As there is significant risk on revenue recognition and customers' line of credit and delivery of products to customers are highly related to the recognition of sales revenue. We therefore considered that the existence of sales revenue from the twenty largest customers that had credit line changed and temporary excess credit line in the year is a key audit matter for 2018. Please refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure transactions occurred.

### **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017 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 the 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 operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committees 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:

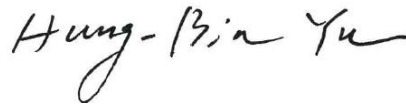
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 and appropriate audit evidence regarding the financial information of 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 statements 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, 2018 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 Kenny Hong and Hung-Bin Yu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 1, 2019

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.*

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Winbond Electronics Corporation

**Opinion**

We have audited the accompanying financial statements of Winbond Electronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its 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 audit 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 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence of sales revenue

As there is significant risk on revenue recognition and customers' line of credit and delivery of products to customers are highly related to the recognition of sales revenue. We therefore considered that the existence of sales revenue from the twenty largest customers that had credit line changed and temporary excess credit line in the year is a key audit matter for 2018. Please refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure transactions occurred.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committees, are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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.

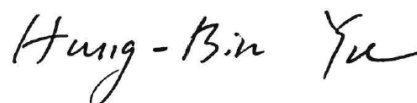

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 statements 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 financial statements for the year ended December 31, 2018 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 Kenny Hong and Hung-Bin Yu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 1, 2019

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(English Translation)

## **Audit Committee's Review Report**

To: The 2019 Annual General Meeting of Shareholders

The Board of Directors has prepared the Company's 2018 Business Report, the financial statements (including the consolidated financial statements) and proposal for distribution of earnings. The consolidated financial statements have been audited by Kenny Hong and HUNG-BIN, Yu from Deloitte & Touche, which has been retained by the Board of Directors as independent auditors. The independent auditors have issued an unmodified opinion. The Audit Committee has reviewed and determined the above Business Report, the consolidated financial statements, and proposal for distribution of earnings to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Winbond Electronics Corporation

Chairman of the Audit Committee : Allen Hsu

Date: March 25, 2019



(English Translation)

**Winbond Electronics Corporation**  
**Shareholdings of All Directors**

Book closure date: April 16, 2019

Position	Name	Current shareholding (Shares)	Shareholding ratio (%)
Chairman	Arthur Yu-Cheng Chiao	63,472,995	1.59%
Vice Chairman	Yuan-Mou Su	936,279	0.02%
Director	Yung Chin	11,778,797	0.30%
Independent Director	Francis Tsai	0	0.00%
Independent Director	Allen Hsu	0	0.00%
Independent Director	Jerry Hsu	0	0.00%
Independent Director	San-Cheng Chang	0	0.00%
Director	Wei-Hsin Ma	0	0.00%
Director	Chih-Chen Lin	0	0.00%
Director	Walsin Lihwa Corporation (Representative: Sophi Pan)	883,848,423	22.21%
Shareholdings of All Directors		960,036,494	24.12%

**Note:** This Company had a total of 3,980,000,193 issued shares as of April 16, 2019

## WINBOND ELECTRONICS CORPORATION COMPARISON TABLE OF THE ARTICLES OF INCORPORATION

Article	Amended Articles	Current Articles	Note
Article 1	The Company is incorporated as a company limited by shares in accordance with the Company Act (the "Company Act") and its name shall be 華邦電子股份有限公司 <u>in Chinese language and Winbond Electronics Corporation in English language</u> (the "Company").	The Company is incorporated as a company limited by shares in accordance with the Company Act (the "Company Act") and its name shall be 華邦電子股份有限公司 (the "Company").	Amended according to Article 392 of the Company Act.
Article 7	Where the shares issued by the Company are in scripless form and without <u>physical</u> certificates, the Company shall register the shares with the central securities depository institution.	<del>Shares certificates of the Company shall be in registered form and shall be signed or sealed by at least three directors and then be printed in the form as requested by the government authority and be legally authenticated before being issued in accordance with laws and regulations.</del> <u>If the Company issues shares without printing share certificates, the Company shall register the shares with the central securities depository institution.</u>	Amended according to Article 161-2 of the Company Act.
Article 13	1. Omitted  The method of candidate nomination and election of directors <u>shall conform to the Company Act, the Securities and Exchange Act, and other relevant rules and regulations.</u> The professional qualifications for, requirements relating to shareholdings of, restrictions on concurrent positions held by, and other compliance matters with respect to independent directors shall conform to <u>relevant rules and</u>	1. Omitted  The method of candidate nomination, <del>examination</del> and election of directors, as well as professional qualifications for, requirements relating to shareholdings of, restrictions on concurrent positions held by, and other compliance matters with respect to independent directors, shall conform to <u>the Company Act, the Securities and Exchange Act, and other</u> relevant rules and regulations.	Amended according to Article 192-1 of the Company Act.

Article	Amended Articles	Current Articles	Note
	<u>regulations.</u>		
	Hereafter Omitted	Hereafter Omitted	
Article 14-1	<p><u>Unless otherwise provided for by law</u>, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. When convening a meeting of the Board of Directors, a meeting notice specifying the reasons for convening such meeting shall be sent to each director <u>within the period prescribed by the competent authority in charge of securities law</u>; provided that a meeting may be convened at any time in case of emergency.</p> <p>Hereafter Omitted</p>	<p>Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. When convening a meeting of the Board of Directors, a meeting notice specifying the reasons for convening such meeting shall be sent to each director <u>seven days prior to the meeting</u>; provided that a meeting may be convened at any time in case of emergency.</p> <p>Hereafter Omitted</p>	Amended according to Articles 203-1 and 204 of the Company Act and the practical needs.
Article 20-1	(Deleted)	<p>After the end of each fiscal year, the Board of Directors shall have the following documents prepared: (1) the business report; (2) the financial statements; and (3) the proposal for distribution of profit or making up loss, and submit the same for recognition at the annual general shareholders' meeting in accordance with statutory procedures.</p>	The original article is moved to Article 21.
Article 21	<p>After the end of each fiscal year, the Board of Directors shall have the following documents prepared: (1) the business report; (2) the financial statements; and (3) the proposal for distribution of earnings or making up loss, and submit the same for recognition at the annual general shareholders' meeting in accordance with</p>	(Deleted)	This Article is moved from Article 20-1.

Article	Amended Articles	Current Articles	Note
	statutory procedures.		
Article 22	<p>From the profit before tax for the current year (before deducting remuneration of employees and remuneration of directors), no more than 1% thereof shall be allocated as remuneration of directors and no less than 1% thereof as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the Board of Directors. <u>The distribution of employee and director remuneration shall be reported to the shareholders' meeting.</u></p> <p>However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph. <u>The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the Board of Directors.</u></p>	<p>From the profit before tax for the current year (before deducting remuneration of employees and remuneration of directors), no more than 1% thereof shall be allocated as remuneration of directors and no less than 1% thereof as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the Board of Directors, and <u>may be distributed to the employees of subordinated companies of the Company who meet certain criteria.</u></p> <p>However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.</p> <p><del>The Board of Directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first Paragraph or the Board of Directors may authorize the Chairman of the Board of Directors to determine the "employees of subsidiaries of the Company set forth in the first Paragraph.</del></p>	<p>1. The second half of the original Paragraph 1 is moved to the second half of Paragraph 3. Paragraph 1 is amended according to Article 235-1 of the Company Act and relevant laws and regulations.</p> <p>2 Paragraph 3 is amended according to Articles 167-1, 167-2, 235-1 and 267 and the practical needs.</p>
Article 23	<p>If the Company has any profit before tax at the end of the current fiscal year, after paying all taxes</p>	<p>If the Company has any profit before tax at the end of the current fiscal year, after paying all taxes</p>	<p>1. The original Article 22-1 is moved to</p>

Article	Amended Articles	Current Articles	Note
	<p>and covering all accumulated losses, the Company shall set aside 10% of said profit as the legal reserve. However, the legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.</p> <p><u>The Board of Directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.</u></p> <p>The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a</p>	<p>and covering all accumulated losses, the Company shall set aside 10% of said profit as the legal reserve. However, the legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.</p> <p>The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady</p>	<p>Article 23.</p> <p>2. Paragraph 2 is newly added according to Articles 240 and 241 of the Company Acts.</p> <p>3. The original Paragraph 2 is moved to Paragraph 3 and is amended due to the practical needs.</p>

Article	Amended Articles	Current Articles	Note
	steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than <u>30%</u> of the remaining amount of the net income after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain the Company's sustainable growth.	manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than <u>50%</u> of the remaining amount of the net income after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain Company's sustainable growth.	
Article 24	<p><u>The Company may distribute its profit or make up its losses at the end of each half of a fiscal year.</u></p> <p><u>The statements and proposals set forth in Article 21 hereof shall be prepared by and then resolved by the Board of Directors.</u></p> <p><u>The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with to law; provided, however, that where the legal reserve amounts to the total paid-in capital, the legal reserve needs not setting aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the Board of Directors, but where the profit is distributed in the form of newly</u></p>		This Article is newly added according to Article 228-1 and the practical needs.

Article	Amended Articles	Current Articles	Note
	<u>issued share, such distribution shall be resolved by the shareholders' meeting.</u> (Article newly added)		
<u>Article 25</u>	In case of any matters not covered herein, the Company Act shall govern.	In case of any matters not covered herein, the Company Act shall govern.	The numeral of this Article is amended.
<u>Article 26</u>	The organizational rules of the Company shall be separately stipulated.	The organizational rules of the Company shall be separately stipulated.	The numeral of this Article is amended.
<u>Article 27</u>	These Articles of Incorporation were enacted on September 1, 1987, and were first amended ....; the twenty-eighth amendment was made on June 11, 2018 <u>and the twenty-ninth amendment was made on June 14, 2019</u> and shall become effective after approval by a resolution of the shareholders meeting. Any subsequent amendments to these Articles of Incorporation shall follow the same procedure.	These Articles of Incorporation were enacted on September 1, 1987, and were first amended ....; and the twenty-eighth amendment was made on June 11, 2018 and shall become effective after approval by a resolution of the shareholders meeting. Any subsequent amendments to these Articles of Incorporation shall follow the same procedure.	The numeral of this Article is amended, and the date of amendment is newly added.

## (English Translation)

## Winbond Electronics Corporation (the "Company")

## Comparison Table of the Procedures of Acquisition or Disposal of Assets

Amended Articles	Current Articles	Note
<p>Article 1: The scope of applicability of the term "Assets" as used in these Procedures is as follows:</p> <ol style="list-style-type: none"> <li>1. Stocks, government bonds, corporate bonds, financial bonds, securities representing units of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, real properties for investment purpose, land usage right) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, trade secrets and other intangible assets.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignments of shares in accordance with law.</li> <li>8. Other major assets.</li> </ol>	<p>Article 1: The scope of applicability of the term "Assets" as used in these Procedures is as follows:</p> <ol style="list-style-type: none"> <li>1. Stocks, government bonds, corporate bonds, financial bonds, securities representing units of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, real properties for investment purpose <u>and the right to use land</u>) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, trade secrets and other intangible assets.</li> <li>5. Derivatives.</li> <li>6. Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignments of shares in accordance with law.</li> <li>7. Other major assets.</li> </ol>	<ol style="list-style-type: none"> <li>1. Subparagraph 5 is newly added to expand the scope of the assets that the Company has the right to use to conform to IFRS16 <i>Leases</i>, and the current Subparagraph 2 regarding the right to use land is moved to Subparagraph 5.</li> <li>2. The current Subparagraphs 5 to 7 are moved and become Subparagraphs 6 to 8.</li> </ol>
<p>Article 4: The terms "Subsidiary" and "Related Party" under these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p><u>When judging whether a counterparty of a transaction is a Related Party, in addition to legal formalities, the</u></p>	<p>Article 4: The term "Subsidiary" under these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>The current Article 5 is incorporated into Article 4.</p>



Amended Articles	Current Articles	Note
<u>substance of the relationship shall also be taken into consideration.</u>		
	Article 5: The term "Related Party" under these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When judging whether a counterparty of a transaction is a Related Party, in addition to legal formalities, the substance of the relationship shall also be taken into consideration.	The current Article 5 is incorporated into Article 4.
Article 5: <u>The "securities exchange" referred to in these Procedures: "domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "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.</u> <u>The "over-the-counter venue" ("OTC venue") referred to in these Procedures: "domestic OTC venue" refers to a venue for over-the-counter trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution which is regulated by the foreign competent authority and permitted to conduct securities business.</u>		<ol style="list-style-type: none"> <li>Article 5 is newly added.</li> <li>To explicitly define the scope of domestic/foreign securities exchanges and over-the-counter venues.</li> </ol>
Article 6: The term "Derivatives" under these Procedures means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products whose value is derived from <u>specified interest</u>	Article 6: The term "Derivatives" under these Procedures means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and <u>compound contracts combining the above products,</u>	The scope of derivatives is amended to conform to the definitions in IFRS 9 <i>Financial Instruments</i> .

Amended Articles	Current Articles	Note
<p><u>rates, financial instrument prices, commodity prices, foreign exchange rates, indexes of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) contracts.</p>	<p>whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests.</u></p> <p>The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) contracts.</p>	
<p>Article 7: Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignment of shares in accordance with law under these Procedures means assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and/or other acts/laws, or acquisitions of shares through issuance of new shares of its own as the consideration therefore (hereinafter "Assignment of Shares") under Article 156<u>3</u> of the Company Act.</p>	<p>Article 7: Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignment of shares in accordance with law under these Procedures means assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and/or other acts/laws, or acquisitions of shares through issuance of new shares of its own as the consideration therefore (hereinafter "Assignment of Shares") under <u>Paragraph 8 of Article 156</u> of the Company Act.</p>	<p>In response to the amended Articles of the Company Act promulgated on August 1, 2018 and implemented on November 1, 2018, the numeral of the Article of the Company Act cited in Subparagraph 2 is changed from Paragraph 6 of Article 156 to Article 156-3.</p>
<p>Article 9: Professional Appraisers and their officers, certified public accountants, attorneys and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions or underwriter's opinions <u>shall meet the following requirements:</u></p> <p>1. <u>It/He shall not have previously received a final and unappealable sentence to imprisonment for one</u></p>	<p>Article 9: Professional Appraisers and their officers, certified public accountants, attorneys and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions or underwriter's opinions shall <u>not be a Related Party of any party to the transaction.</u></p>	<p>1. In cooperation with the Financial Supervisory Commission ("FSC") who simplified relevant laws and regulations, Point 4 of the ruling issued by the former Securities</p>

Amended Articles	Current Articles	Note
<p><u>(1) year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, 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; provided, however, that this provision does not apply if three (3) years have already passed since the completion of the term of the imprisonment sentence, since expiration of the period of a probation, or since it/he was pardoned.</u></p> <p><u>2. It/He may not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. 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.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, it/he shall prudently assess its/his own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, it/he shall appropriately plan and execute adequate working process, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The relevant working procedures, data collected,</u></p>		<p>and Futures Commission, Ministry of Finance dated March 21, 2003 (Ref. No.: Tai-Cai-Zheng-I-Tse-0920001151) regarding engaging professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters by public companies is incorporated into these Procedures. Also, the passive qualification of relevant experts is specified.</p> <p>2. In addition, provisions to explicitly determine the liability of external experts and to specify the evaluation of the appraisal reports or opinions issued by relevant experts and audits and representations in these Procedures.</p>

Amended Articles	Current Articles	Note
<p><u>and conclusion shall be fully and accurately specified in the working papers for the case.</u></p> <p>3. <u>It/He shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data, the parameters, and the information used, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4. <u>It/He shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that it/he has evaluated and found that the information used is reasonable and accurate, and that it/he has complied with applicable laws and regulations.</u></p> <p>However, if the Company acquires or disposes of assets through a court auction, the court certificates may be substituted for appraisal reports or the certified public accountant's opinions.</p>	<p>However, if the Company acquires or disposes of assets through a court auction, the court certificates may be substituted for appraisal reports or the certified public accountant's opinions.</p>	
<p>Article 11: The total amount obtained from non-operating real property <u>and its right-of-use assets</u> may not exceed <u>20%</u> of the Company's net value; the total amount obtained from securities may not exceed <u>100%</u> of the net value of the Company; however, the amount obtained from individual security may not exceed <u>50%</u> of the net value of the Company.</p>	<p>Article 11: The total amount obtained from non-operating real property may not exceed <u>1%</u> of the Company's net value; the total amount obtained from securities may not exceed <u>50%</u> of the net value of the Company; however, the amount obtained from individual security may not exceed <u>25%</u> of the net value of the Company.</p>	<p>To conform to IFRS 16 <i>Lease</i>, right-of-use assets of real property for non-operational use are included in the calculation of the maximum amount set forth in these Procedures.</p>
<p>Article 12: The restrictions on the amount any Subsidiary of the Company may use to obtain non-operating real property <u>or its right-of-use assets</u>, securities or individual investment are as follows:</p>	<p>Article 12: The restrictions on the amount any Subsidiary of the Company may use to obtain non-operating real property, securities or individual investment are as follows:</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, right-of-use assets of the real property for non-operational use are included in</p>

Amended Articles	Current Articles	Note
<p>1. If such Subsidiary's main business is investment: The amount for such Subsidiary to obtain non-operating real property <u>or its right-of-use assets</u> may not exceed <u>10%</u> of the net value of such Subsidiary; the amount for such Subsidiary to obtain securities may not exceed <u>300%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.</p> <p>2. If such Subsidiary's main business is not investment: The amount for such Subsidiary to obtain non-operating real property <u>or its right-of-use assets</u> may not exceed <u>100%</u> of the net value of such Subsidiary; the amount used to obtain securities may not exceed <u>300%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed <u>300%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher.</p> <p>3. <u>If such Subsidiary has both investment business and operational functions:</u> <u>The amount for such Subsidiary to obtain non-operating real property or its right-of-use assets may not exceed 100% of the net value of such Subsidiary; the amount used</u></p>	<p>1. If such Subsidiary's main business is investment: The amount for such Subsidiary to obtain non-operating real property may not exceed <u>100%</u> of the net value of such Subsidiary; the amount for such Subsidiary to obtain securities may not exceed <u>500%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.</p> <p>2. If such Subsidiary's main business is not investment: The amount for such Subsidiary to obtain non-operating real property may not exceed <u>10%</u> of the net value of such Subsidiary; the amount used to obtain securities may not exceed <u>100%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed <u>50%</u> of the paid-in capital or the net value of such Subsidiary, whichever is higher.</p>	<p>the calculation of the maximum amount set forth in these Procedures.</p> <p>2. Paragraph 3 is newly added in response to the practical needs.</p>

Amended Articles	Current Articles	Note
<p><u>to obtain securities may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.</u></p>		
<p>Article 13: Paragraph 1 is omitted</p> <p>The acquisition or disposal of assets by each Subsidiary shall comply with the "Procedures of Acquisition or Disposal of Assets" of each such Subsidiary. And, the Internal Audit of the Company will examine the relevant matters relating to the <u>self-assessment</u> report of its Subsidiary.</p>	<p>Article 13: Paragraph 1 is omitted</p> <p>The acquisition or disposal of assets by each Subsidiary shall comply with the "Procedures of Acquisition or Disposal of Assets" of each such Subsidiary. And, the Internal Audit of the Company will examine the relevant matters relating to the <u>self-inspection</u> report of its Subsidiary.</p>	<p>The wording is revised based on the amended laws and regulations.</p>
<p>Article 14: The procedures of acquisition or disposal of securities 1.~3. Omitted</p> <p>4. If the Company acquires or disposes of securities from or to a Related Party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10 % or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 through 3 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures. Trading of <u>domestic</u> government bonds, bonds under repurchase and resale agreements, and purchase or repurchase of money market funds issued by domestic securities investment trust enterprises shall</p>	<p>Article 14: The procedures of acquisition or disposal of securities 1.~3. Omitted</p> <p>4. If the Company acquires or disposes of securities from or to a Related Party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10 % or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 through 3 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures. Trading of government bonds, bonds under repurchase and resale agreements, and purchase or</p>	<p>To conform to the laws and regulations, the "government bonds" are specified to refer only to "domestic government bonds."</p>

Amended Articles	Current Articles	Note
be exempted from the procedures provided in Paragraphs 3 and 4 of Article 15 of these Procedures.	repurchase of money market funds issued by domestic securities investment trust enterprises shall be exempted from the procedures provided in Paragraphs 3 and 4 of Article 15 of these Procedures.	
<p>Article 15: The procedures of acquisition or disposal of real property <u>or its right-of-use assets</u></p> <p>1. The Responsible Unit should <u>put forward</u> the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal <u>and handle the acquisition or disposal in accordance with the Company's Rules for Managing Fixed Assets or the Company's Lease Operating Procedures. Such transactions should be submitted to the Audit Committee and the board of directors for approval after being approved by the Chairman, except for transactions of the right-of-use assets of the real property in the amount less than NT\$500 million that the Chairman is authorized to directly approve and decide without submitting to the Audit Committee and the board of directors for approval. In addition, the Chairman is authorized to approve and conduct the acquisition or disposal of the right-of-use assets of the real property for operational use in the amount less than NT\$500 million by and among the Company and its Subsidiaries, or by and among the Company's Subsidiaries in which the Company directly or indirectly holds 100 percent of the issued</u></p>	<p>Article 15: The procedures of acquisition or disposal of real property</p> <p>1. The Responsible Unit should <u>submit</u> the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal, to the <del>General Manager and the Chairman for their respective</del> approval <u>and then</u> submit it to the Audit Committee and the board of directors for approval.</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, the right-of-use asset is newly added.</p> <p>2. To comply to relevant laws and regulations and based on the practical needs, Paragraph 1 is revised so that the Chairman is authorized to directly approve and decide the transactions of the right-of-use assets of the real property in the amount less than NT\$500 million is loosened, and the approval procedures for the acquisition and disposal of right-of-use assets of the real property for operational use by and between the Company and its Subsidiaries, or by and among the Company's direct or indirect wholly-owned</p>

Amended Articles	Current Articles	Note
<p><u>shares or capital, and to submit the same to the most recent Audit Committee meeting and the board of directors meeting for recognition thereafter, where Paragraph 4 of this Article (which requires that in relation to acquisition or disposal of assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until such transaction being approved by the Audit Committee and the board of directors) shall not apply.</u></p> <p>2. In acquiring or disposing of real property <u>or its right-of-use assets</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or above, unless transacting with a <u>domestic</u> government agency, commissioning others to build on its own land, or commissioning others to build on rented land, an appraisal report should be obtained prior to the Date of Occurrence of the transaction from a Professional Appraiser and the transaction should comply with Article 18 of these Procedures.</p> <p>3. Omitted</p> <p>4. In acquiring or disposing of the assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until the following</p>	<p>2. In acquiring or disposing of real property where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or above, unless transacting with a government agency, commissioning others to build on its own land, or commissioning others to build on rented land, an appraisal report should be obtained prior to the Date of Occurrence of the transaction from a Professional Appraiser and the transaction should comply with Article 18 of these Procedures.</p> <p>3. Omitted</p> <p>4. In acquiring or disposing of the assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until</p>	<p>Subsidiaries is also loosened.</p> <p>3. To conform to the laws and regulations, a "government agency" is specified to refer to a "domestic government agency" in Paragraph 2.</p> <p>4. In view that the relevant regulations loosen the sub-letting among the parent company, its subsidiaries and its direct or indirect wholly-owned subsidiaries given that for the overall business planning, there are possibilities for the parent company and its subsidiaries or its direct or indirect wholly-owned subsidiaries to collectively lease real property and sublet the same by and among themselves, and as the said transactions involve lower risk of non-arm's length transactions, Subparagraph 5 of Paragraph 5 hereof is newly added, and</p>



Amended Articles	Current Articles	Note
<p>information has been submitted for approval from the Audit Committee and the board of directors:</p> <p>(1)~(2). Omitted</p> <p>(3) With respect to the acquisition from a Related Party of real property <u>or its right-of-use assets</u>, the relevant information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions of Paragraphs 5 and 6 of this Article.</p> <p>(4)~(10). Omitted</p> <p>5. In acquiring from a Related Party real property <u>or its right-of-use assets</u>, the reasonableness of the transaction costs shall be evaluated by the following means:</p> <p>(1)~(2). Omitted</p> <p>(3) Where land and structure thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and structures may be separately appraised in accordance with any of the methods stated in the provisions of the two subparagraphs above.</p> <p>(4) If the Company acquires real property <u>or its right-of-use assets</u> from a Related Party and appraises the cost of the real property <u>or its</u></p>	<p>the following information has been submitted for approval from the Audit Committee and the board of directors:</p> <p>(1)~(2). Omitted</p> <p>(3) With respect to the acquisition from a Related Party of real property, the relevant information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions of Paragraphs 5 and 6 of this Article.</p> <p>(4)~(10). Omitted</p> <p>5. In acquiring real property from a Related Party, the reasonableness of the transaction costs shall be evaluated by the following means:</p> <p>(1)~(2). Omitted</p> <p>(3) Where land and structure thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and structures may be separately appraised in accordance with any of the methods stated in the provisions of the two subparagraphs above.</p> <p>(4) If the Company acquires real property from a Related Party and appraises the cost of the real property in accordance</p>	<p>the requirement for evaluating the reasonableness of the transaction costs (the transaction prices paid by the Related Party to acquire real property or the price paid by the Related Party to lease real property) under this Article is exempted.</p> <p>5. In cooperation with the practice for the lease of real property such as factories, the restriction set forth in Paragraph 6 in relation to acquisition of the right-of-use assets of the real property from a related party is loosened to broaden the range of reference cases by including the lease transactions entered into by unrelated parties within one year in the neighboring area as transaction references for assessing and estimating the reasonableness of the real transaction prices. In addition,</p>

Amended Articles	Current Articles	Note
<p><u>right-of-use assets</u> in accordance with the preceding three subparagraphs of this Paragraph, a certified public accountant shall also be engaged to check the appraisal and render a specific opinion.</p> <p>(5) Where the Company acquires real property <u>or its right-of-use assets</u> from a Related Party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 4 of this Article and the provisions of the preceding four subparagraphs shall not apply:</p> <p>(i) The Related Party acquired the real property <u>or its right-of-use assets</u> through inheritance or as a gift.</p> <p>(ii) More than five years have elapsed from the time the Related Party signed the contract to obtain the real property <u>or its right-of-use assets</u> to the signing date for the current transaction.</p> <p>(iii) The real property is acquired through signing of a joint development contract with the Related Party or by engaging the Company's Related Party to construct the real property on the Company's owned land or leased land.</p> <p><u>(ix) The right-of-use assets of the real property for operational use are acquired by and between the Company and its Subsidiaries, or by and among the Company's Subsidiaries in</u></p>	<p>with the preceding three subparagraphs of this Paragraph, a certified public accountant shall also be engaged to check the appraisal and render a specific opinion.</p> <p>(5) Where the Company acquires real property from a Related Party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 4 of this Article and the provisions of the preceding four subparagraphs shall not apply:</p> <p>(i) The Related Party acquired the real property through inheritance or as a gift.</p> <p>(ii) More than five years have elapsed from the time the Related Party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>(iii) The real property is acquired through signing of a joint development contract with the Related Party or by engaging the Company's Related Party to construct the real property on the Company's owned land or leased land.</p>	<p>lease transactions may also be used as transaction references.</p>

Amended Articles	Current Articles	Note
<p><u>which the Company directly or indirectly holds 100 percent of the issued shares or capital.</u></p> <p>6. When the results of the Company's appraisal conducted in accordance with the provisions of Subparagraphs (1), (2) and (3) of the preceding paragraph are uniformly lower than the transaction price, the matter shall be handled in accordance with Article 16. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:</p> <p>(1) Where the Related Party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Omitted</p> <p>(ii) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices <u>or leasing</u></p>	<p>6. When the results of the Company's appraisal conducted in accordance with the provisions of Subparagraphs (1), (2) and (3) of the preceding paragraph are uniformly lower than the transaction price, the matter shall be handled in accordance with Article 16. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:</p> <p>(1) Where the Related Party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Omitted</p> <p>(ii) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard</p>	

Amended Articles	Current Articles	Note
<p><u>practices.</u></p> <p>(2) The Company, when acquiring real property <u>or obtaining the right-of-use assets of the real property through leasing</u>, from a Related Party provides evidence that the terms of the transaction are similar to the terms of transactions <del>completed</del> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Transactions <u>involving</u> neighboring or closely valued parcels of land in the preceding two subparagraphs 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 in publicly announced current value; transaction involving similarly sized parcels of similar land area in principle refers to transactions <u>conducted</u> by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; "within one year" mentioned in the foregoing refers to the year preceding the actual date of acquisition of the real property <u>or its right-of-use assets</u>.</p>	<p>property market practices.</p> <p><u>(iii) Completed lease transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property market practices.</u></p> <p>(2) Where the Company acquiring real property from a Related Party provides evidence that the terms of the transaction are similar to the terms of transactions <del>completed</del> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><del>Completed</del> transactions <u>for</u> neighboring or closely valued parcels of land in the preceding two subparagraphs 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 in publicly announced current value; transaction for similarly sized parcels of similar land area in principle refers to transactions <u>completed</u> by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; "within one year" refers to the year preceding the actual date of acquisition of the real property.</p>	
Article 16: Where the Company	Article 16: Where the Company	To conform to IFRS 16

Amended Articles	Current Articles	Note
<p>acquires real property <u>or its right-of-use assets</u> from a Related Party and the results of appraisals conducted in accordance with the provisions of Paragraphs 5 and 6 of Article 15 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. The difference between the transaction price and the appraised costs of real property <u>or its right-of-use assets</u> shall be set aside as a special reserve in accordance with the provisions of Paragraph 1, Article 41 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. If an investor that has investment in the Company and uses the equity method to account for such investment is a public company, it shall also set aside as a special reserve under Paragraph 1, Article 41 of the Securities and Exchange Act pro rata to the special reserve set aside by the Company in proportion to its shareholding.</p> <p>2.~3. Omitted</p> <p>4. If the Company has set aside a special reserve under the preceding paragraph, the Company shall not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or the assets have been disposed of, <u>or the lease contract has been terminated</u>, or adequate compensation has been made, or</p>	<p>acquires real property from a Related Party and the results of appraisals conducted in accordance with the provisions of Paragraphs 5 and 6 of Article 15 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. The difference between the transaction price and the appraised costs of the real property shall be set aside as a special reserve in accordance with the provisions of Paragraph 1, Article 41 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. If an investor that has investment in the Company and uses the equity method to account for such investment is a public company, it shall also set aside as a special reserve under Paragraph 1, Article 41 of the Securities and Exchange Act pro rata to the special reserve set aside by the Company in proportion to its shareholding.</p> <p>2.~3. Omitted</p> <p>4. If the Company has set aside a special reserve under the preceding paragraph, the Company shall not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made,</p>	<p><i>Lease</i>, this Article is amended to incorporate the matters to be done when the appraised cost is lower than the transaction price in the case of the acquisition of the right-of-use assets of the real property from the lease with a Related Party.</p>

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<p>the original condition has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>5. The Company shall also comply with the provisions of the preceding four paragraphs when obtaining real property <u>or its right-of-use asset</u> from a Related Party if there is other evidence indicating that the transaction was not an arm's length transaction.</p>	<p>or the original condition has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>5. The Company shall also comply with the provisions of the preceding four paragraphs when obtaining real property from a Related Party if there is other evidence indicating that the transaction was not an arm's length transaction.</p>	
<p>Article 17: The procedures of acquisition or disposal of equipment <u>or its right-of-use asset</u></p> <p>1. Where the Responsible Unit is acquiring a fixed asset, it should comply with the procedures of negotiation and evaluation of transaction price and should submit to the Chairman for approval; when disposing of a fixed asset, it should comply with the asset depreciation procedure under the Rules for Managing Fixed Assets <u>or the Lease Operating Procedures</u> of the Company; however, if the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.</p> <p>2. If the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, unless transacting with a</p>	<p>Article 17: The procedures of acquisition or disposal of equipment</p> <p>1. Where the Responsible Unit is acquiring a fixed asset, it should comply with the procedures of negotiation and evaluation of transaction price and should submit to the Chairman for approval; when disposing of a fixed asset, it should comply with the asset depreciation procedure under the Rules for Managing Fixed Assets of the Company; however, if the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.</p> <p>2. If the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above,</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, the right-of-use asset is newly added in this article.</p> <p>2. Paragraph 1 is amended in cooperation with the laws and regulations and the practical needs.</p> <p>3. To conform to the laws and regulations, a "government agency" is specified to refer to a "domestic government agency" in Paragraph 2.</p> <p>4. To conform to the laws and regulations, in Paragraph 4, the approval</p>

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<p><u>domestic</u> government agency or acquisition or disposal of the equipment <u>or its right-of-use asset</u> for operational use, prior to the Date of Occurrence of the transaction, an appraisal should be obtained by a Professional Appraiser who should issue an appraisal report and the transaction should comply with Article 18 of these Procedures.</p> <p>3. When the Company intends to acquire or dispose of equipment <u>or its right-of-use asset</u> from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.</p> <p>4. With respect to the acquisition or disposal of equipment for business use or its right-of-use assets by and between the Company and its Subsidiaries, <u>or by and among the Company's Subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or capital</u>, the Chairman is authorized to decide the related matters when the transaction amount is within NT\$500 million and subsequently submit the same</p>	<p>unless transacting with a government agency or acquisition or disposal of the equipment for operational use, prior to the Date of Occurrence of the transaction, an appraisal should be obtained by a Professional Appraiser who should issue an appraisal report and the transaction should comply with Article 18 of these Procedures.</p> <p>3. When the Company intends to acquire or dispose of equipment from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.</p> <p>4. With respect to the acquisition or disposal of equipment for business use between the Company and its Subsidiaries, the Chairman is authorized to decide the related matters when the transaction amount is within NT\$500 million and subsequently submit the same to the most recent Audit Committee meeting and the board of directors meeting for recognition.</p>	<p>procedures for the acquisition and disposal of the equipment for operational use, its right-of-use assets or right-of-use assets of the real property for operational use by and between the parent company and its subsidiaries, or by and among the parent company's direct or indirect wholly-owned subsidiaries is loosened.</p>

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to the most recent Audit Committee meeting and the board of directors meeting for recognition, where Paragraph 4 of <u>Article 15 (which requires that in relation to acquisition or disposal of assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until such transaction being approved by the Audit Committee and the board of directors) shall not apply.</u>		
<p>Article 18: The evaluation of real property, equipment <u>or its right-of-use asset.</u></p> <p>In acquiring or disposing of real property, <u>equipment or its right-of-use asset</u> where the transaction amount reaches 20 % of the Company's paid-in capital or NT\$300 million or above, the Company, unless transacting with a <u>domestic</u> government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring, or disposing of equipment <u>or its right-of-use asset</u> for operational use, shall obtain an appraisal report prior to the Date of Occurrence of the transaction from a Professional Appraiser and shall further comply with the following provisions:</p> <p>1. Where, due to special circumstances, a limited price, specified price or special price must be given as a reference basis for the transaction price, the transaction shall be submitted to the board of directors for approval in advance, and <u>the same shall</u></p>	<p>Article 18: The evaluation of real property <u>and</u> equipment</p> <p>In acquiring <u>or</u> disposing of real property or equipment where the transaction amount reaches 20 % of the Company's paid-in capital or NT\$300 million or above, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring, or disposing of equipment for operational use, shall obtain an appraisal report prior to the Date of Occurrence of the transaction from a Professional Appraiser and shall further comply with the following provisions:</p> <p>1. Where, due to special circumstances, a limited price, specified price or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, the right-of-use asset is newly added in this article.</p> <p>2. To conform to the laws and regulations, a "government agency" is specified to refer to a "domestic government agency: in Paragraph 1.</p>



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<p><u>apply to any subsequent</u> changes, if any, to the terms and conditions of the transaction.</p> <p>Hereafter Omitted</p>	<p>directors, <u>and the same procedure aforesaid shall be followed for any future</u> changes to the terms and conditions of the transaction.</p> <p>Hereafter Omitted</p>	
<p>Article 19: The procedures of acquisition or disposal of memberships</p> <p>1. Where the Responsible Unit acquires or disposes of memberships, if the transaction amount is below NT\$1 million (inclusive of NT\$1 million), <u>the head-in-charge</u> is authorized to approve the transaction; if the transaction amount is between NT\$1 million and NT\$500 million, the Chairman is authorized to approve the transaction. If the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.</p> <p>2. Except for transactions with <u>domestic</u> government agencies, if the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, the usage after acquisition or the purpose of disposal and an opinion on the reasonableness of the transaction price issued by a certified public accountant in accordance with the Statement of General Auditing Procedures No. 20 published by</p>	<p>Article 19: The procedures of acquisition or disposal of memberships</p> <p>1. Where the Responsible Unit acquires or disposes of memberships, if the transaction amount is below NT\$1 million (inclusive of NT\$1 million), <u>the General Manager</u> is authorized to approve the transaction; if the transaction amount is between NT\$1 million and NT\$500 million, the Chairman is authorized to approve the transaction. If the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.</p> <p>2. Except for transactions with government agencies, if the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, the usage after acquisition or the purpose of disposal and an opinion on the reasonableness of the transaction price issued by a certified public accountant in accordance with the Statement of General</p>	<p>1. Paragraph 1 is amended based on the practical needs.</p> <p>2. To conform to the laws and regulations, a "government agency" is specified to refer to a "domestic government agency" in Paragraph 2.</p>

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<p>the ARDF are required prior to the Date of Occurrence of the transaction.</p> <p>Hereafter Omitted</p>	<p>Auditing Procedures No. 20 published by the ARDF are required prior to the Date of Occurrence of the transaction.</p> <p>Hereafter Omitted</p>	
<p>Article 20: The procedures of acquisition or disposal of intangible assets <u>or its right-of-use assets</u></p> <p>1. Where a legal basis exists for the development of products, whether jointly by the Company and other entities, or by the Company on behalf of another entity, or by another entity on behalf of the Company, or for the Company to obtain certain techniques or processes developed by other entities, and the parties agree to have any intangible asset <u>or its right-of-use asset</u> resulting from such development to be owned by the Company, the authority to approve the acquisition or disposal of such intangible asset <u>or its right-of-use asset</u> should rest with the head of the relevant center. Any agreement proposing to have any intangible assets <u>or their right-of-use asset</u> resulting from such development, joint or otherwise, to be owned either jointly by the Company and another entity or by such other entity must in principle be approved by the head of the relevant business group; any agreement proposing to have another entity to acquire any existing intangible assets <u>or their right-of-use asset</u> which the Company intends to dispose must in principle be approved by the head of the relevant business</p>	<p>Article 20: The procedures of acquisition or disposal of intangible assets</p> <p>1. Where a legal basis exists for the development of products, whether jointly by the Company and other entities, or by the Company on behalf of another entity, or by another entity on behalf of the Company, or for the Company to obtain certain techniques or processes developed by other entities, and the parties agree to have any intangible asset resulting from such development to be owned by the Company, the authority to approve the acquisition or disposal of such intangible asset should rest with the head of the relevant center. Any agreement proposing to have any intangible assets resulting from such development, joint or otherwise, to be owned either jointly by the Company and another entity or by such other entity must in principle be approved by the head of the relevant business group; any agreement proposing to have another entity to acquire any existing intangible assets which the Company intends to dispose must in principle be</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, the right-of-use asset is newly added in this article.</p> <p>2. A paragraph is newly added due to the practical needs.</p>

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<p>group, unless it is otherwise required to be approved by a higher ranking officer in accordance with relevant laws or regulations, board of directors or other rules of the Company at the time of the acquisition or disposal.</p> <p>2. If the transaction amount for acquisition or disposal of intangible assets <u>or their right-of-use assets</u> reaches 20% or more of the Company's paid-in capital or NT\$3 million or above, it should comply with Paragraphs 2 of Article 19 of these Procedures.</p> <p>3. When the Company intends to acquire or dispose of intangible assets or <u>their right-of-use assets</u> from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for transactions with <u>domestic</u> government agencies, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.</p> <p>4. <u>If the transaction amount for an acquisition or disposal of intangible assets or their right-of-use assets reaches NT\$500 million or above, such acquisition or</u></p>	<p>approved by the head of the relevant business group, unless it is otherwise required to be approved by a higher ranking officer in accordance with relevant laws or regulations, board of directors or other rules of the Company at the time of the acquisition or disposal.</p> <p>2. If the transaction amount for acquisition or disposal of intangible assets reaches 20% or more of the Company's paid-in capital or NT\$3 million or above, it should comply with Paragraphs 2 of Article 19 of these Procedures.</p> <p>3. When the Company intends to acquire or dispose of intangible assets from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for transactions with government agencies, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.</p>	

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<p><u>disposal shall be submitted to the Audit Committee meeting and the board of directors meeting for approval.</u></p>		
<p>Article 21: The procedures of acquisition or disposal of engaging in Derivatives trading 1.omitted The Company shall supervise its Subsidiaries to draw up the relevant rules to manage the engagement in Derivatives trading and shall supervise its Subsidiaries to comply with the Derivatives trading rules. The Internal Audit will examine the relevant matters relating to the <u>self-assessment</u> report of its Subsidiaries. <u>If any of its Subsidiaries does not intend to engage in derivatives trading, it may, after obtaining the approval of its board of directors, be exempted from establishing the procedures governing derivatives trading. If it subsequently wishes to engage in derivatives trading, it shall still comply with Article 31 and the preceding paragraph before doing so.</u></p>	<p>Article 21: The procedures of acquisition or disposal of engaging in Derivatives trading 1.omitted The Company shall supervise its Subsidiaries to draw up the relevant rules to manage the engagement in Derivatives trading and shall supervise its Subsidiaries to comply with the Derivatives trading rules. The Internal Audit will examine the relevant matters relating to the <u>self-inspection</u> report of its Subsidiaries.</p>	<p>This Article is amended based the laws and regulations.</p>
<p>Article 25: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the FSC in the prescribed format within two days commencing immediately from the Date of Occurrence of such fact:</p> <p>1. Acquisition or disposal of real property <u>or its right-of-use assets</u> from or to a Related Party, or acquisition or disposal of assets other than real property <u>or its</u></p>	<p>Article 25: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the FSC in the prescribed format within two days commencing immediately from the Date of Occurrence of such fact:</p> <p>1. Acquisition or disposal of real property from or to a Related Party, or acquisition or disposal of assets other than real property from or to a</p>	<p>1. To conform to IFRS 16 <i>Lease</i>, right-of-use assets are incorporated into this article. 2. To conform to the laws and regulations, the "government bonds" are specified to refer only to "domestic government bonds."</p>

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<p><u>right-of-use assets</u> from or to a Related Party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for the trading of <u>domestic</u> government bonds, bonds under repurchase and resale agreements, and subscription/ purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Mergers, spin-offs, acquisitions, or assignment of shares.</p> <p>3. Where losses from Derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where the equipment <u>or its right-of-use assets</u> for operational use is acquired or disposed of, and the counterparty is not a Related Party and the transaction amount reaches any of the following:</p> <p>(1) Where the Company's paid-in capital is less than NT\$10 million, the transaction amount reaches NT\$500 million; or</p> <p>(2) Where the Company's paid-in capital is NT\$10 million or more, the transaction amount reaches NT\$1 billion.</p>	<p>Related Party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for the trading of government bonds, bonds under repurchase and resale agreements, and subscription/ purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Mergers, spin-offs, acquisitions, or assignment of shares.</p> <p>3. Where losses from Derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where <u>any asset categorized as</u> equipment for operational use is acquired or disposed of, and the counterparty is not a Related Party and the transaction amount reaches any of the following:</p> <p>(1) Where the Company's paid-in capital is less than NT\$10 million, the transaction amount reaches NT\$500 million; or</p> <p>(2) Where the Company's paid-in capital is NT\$10 million or more, the transaction amount reaches NT\$1 billion.</p>	

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<p>5. Where real property is acquired under an arrangement for commissioned construction on self-owned land or on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterpart is not a Related Party</u>, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than those referred to in the preceding five subparagraphs, or Mainland China Investment, reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, that this shall not apply in the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements or subscription/purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount</p>	<p>5. Where real property is acquired under an arrangement for commissioned construction on self-owned land or 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 reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than those referred to in the preceding five subparagraphs, or Mainland China Investment, reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, that this shall not apply in the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements or subscription/purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction</p>	

Amended Articles	Current Articles	Note
<p>of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</p> <p>3. The cumulative transaction amount of real property <u>or its right-of-use asset</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</p> <p>"Within one 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 Regulations need not be entered.</p> <p>The Finance Center shall enter monthly the status of Derivatives transactions undertaken by the Company and its subsidiaries that are not domestic public companies up to the end of the preceding month in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced</p>	<p>amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</p> <p>"Within one 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 Regulations need not be entered.</p> <p>The Finance Center shall enter monthly the status of Derivatives transactions undertaken by the Company and its subsidiaries that are not domestic public companies up to the end of the preceding month in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be</p>	

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<p>and so is required to correct such error, all the items shall be publicly announced again within two days from the day of acknowledgement of the error and reported in their entirety.</p> <p>Where the Company acquires or disposes of assets, the division in charge shall keep all relevant contracts, meeting minutes, memorandum books, appraisal reports and opinions of certified public accountants, attorneys, and securities underwriters at the Company, where they shall be stored for five years, unless otherwise provided by laws.</p>	<p>publicly announced and so is required to correct such error, all the items shall be publicly announced again within two days from the day of acknowledgement of the error and reported in their entirety.</p> <p>Where the Company acquires or disposes of assets, the division in charge shall keep all relevant contracts, meeting minutes, memorandum books, appraisal reports and opinions of certified public accountants, attorneys, and securities underwriters at the Company, where they shall be stored for five years, unless otherwise provided by laws.</p>	
<p>Article 27</p> <p>Paragraph 1 is omitted.</p> <p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a Subsidiary referred to in the preceding paragraph is subject to Paragraph 1 of Article 25 requiring a public announcement and regulatory filing in relation to transactions reaching the paid-in capital or the total assets specified therein.</p>	<p>Article 27</p> <p>Paragraph 1 is omitted.</p> <p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a Subsidiary referred to in the preceding paragraph is subject to Paragraph 1 of Article 25 requiring a public announcement and regulatory filing in relation to the transactions reaching <del>20% of the</del> paid-in capital or <del>10% of the</del> total assets specified therein.</p>	<p>To conform to the amendment to the regulations, this Paragraph is amended to make the public announcement and regulatory filing standards for the Subsidiaries consistent with those for the parent company.</p>
<p>Article 28</p> <p>Paragraph 1 is omitted.</p> <p>In case of the shares in the Company with no par value or with a par value other than NT\$10, for the calculation of transaction amount of 20% of paid-in capital under these Procedures, 10% of equity attributable to stockholders of</p>	<p>Article 28</p> <p>Paragraph 1 is omitted.</p> <p>In case of the shares in the Company with no par value or with a par value other than NT\$10, for the calculation of transaction amount of 20% of paid-in capital under these Procedures, 10% of</p>	<p>To conform to the amendment to the laws and regulations, the method of calculation of the paid-in capital reaching NT\$10 billion as provided in Article 25 is specified in case of the shares in</p>



Amended Articles	Current Articles	Note
the parent shall be substituted; <u>for calculations under the provisions of these Procedures of the transaction amount regarding the paid-in capital reaching NT\$10 billion, NT\$20 billion of equity attributable to stockholders of the parent shall be substituted.</u>	equity attributable to stockholders of the parent shall be substituted.	the Company with no par value or with a par value other than NT\$10.
<p><b>Chapter IV Penalty</b></p> <p>Article 29: When officers or persons in charge violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC,</p> <p>1. The Human Resources Division will make a proposal of penalty according to the seriousness of the violation by each person based on the facts and evidence provided by the Responsible Unit or the audit unit <u>and submits the same to the head-in-charge for approval.</u> Penalty on officers will be submitted to and resolved by <u>the Compensation Committee meeting and the board meeting.</u></p> <p>2. In the event that any irrecoverable losses are caused to the Company due to any willful or negligent acts or omissions <u>by an individual, such individual</u> may be suspended from duties, <u>subject to the approval of the head-in-charge.</u></p>	<p><b>Chapter IV Penalty</b></p> <p>Article 29: When officers or persons in charge violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC,</p> <p>1. The Human Resources Division will make a proposal of penalty according to the seriousness of the violation by each person based on the facts and evidence provided by the Responsible Unit or audit unit. <u>Penalty on persons-in-charge will be submitted to and approved by the Chairman after approval by the General Manger;</u> penalty on officers will be submitted to and resolved by the board meeting <u>after approved by the Chairman.</u></p> <p>2. In the event that any irrecoverable losses are caused to the Company due to any willful or negligent acts or omissions <u>by an officer or a person in charge, the person in charge and the manger</u> may be suspended from duties, <u>respectively subject to approval of the General Manger and the Chairman.</u></p>	<p>This Article is amended due to the practical needs.</p>

Amended Articles	Current Articles	Note
Hereafter Omitted	Hereafter Omitted	

**(English Translation)**  
**Procedures of Acquisition or Disposal of Assets (revised edition)**  
**(English Translation)**  
**Procedures of Acquisition or Disposal of Assets**

**I. Purpose**

To efficiently manage the procedures of acquisition and disposal of the Company's assets and to ensure the Company's rights and interests, the Company enacts these Procedures.

**II. Objective**

To meet the Company's policies, to fully utilize resources and to properly acquire or dispose of assets to maximize the economic benefit to the Company.

**III. Contents**

**Chapter I            General**

Article 1: The scope of applicability of the term "Assets" as used in these Procedures is as follows:

1. Stocks, government bonds, corporate bonds, financial bonds, securities representing units of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.
2. Real property (including land, houses and buildings, real properties for investment purpose, land usage right) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, trade secrets and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignments of shares in accordance with law.
8. Other major assets.

Article 2: The term "Date of Occurrence" under these Procedures means the date of execution of contract, date of payment, date of consignment trade, date of transfer, date of board of directors meeting or any other date that can confirm the counterpart and the transaction amount, whichever date is earliest; provided that, where approval of the competent authority is required for such transaction, the

earlier of the earliest date above or the date of receipt of approval by the competent authority shall apply.

Article 3: The term "Professional Appraiser" under these Procedures means a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.

Article 4: The terms "Subsidiary" and "Related Party" under these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

When judging whether a counterparty of a transaction is a Related Party, in addition to legal formalities, the substance of the relationship shall also be taken into consideration.

Article 5: The "securities exchange" referred to in these Procedures: "domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "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.  
The "over-the-counter venue" ("OTC venue") referred to in these Procedures: "domestic OTC venue" refers to a venue for over-the-counter trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution which is regulated by the foreign competent authority and permitted to conduct securities business.

Article 6: The term "Derivatives" under these Procedures means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products whose value is derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, indexes of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) contracts.

Article 7: Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignment of shares in accordance with law under these Procedures means assets acquired or disposed through mergers, spin-offs or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and/or other acts/laws, or acquisitions of shares through issuance of new shares of its own as the consideration therefore (hereinafter "Assignment of Shares") under Article 156-3 of the Company Act.

Article 8: The term "Mainland Area Investment" means investments in People's Republic of China conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" promulgated by the Investment Commission of the Ministry of Economic Affairs.

Article 9: Professional Appraisers and their officers, certified public accountants, attorneys and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions or underwriter's opinions shall meet the following requirements:

1. It/He shall not have previously received a final and unappealable sentence to imprisonment for one (1) year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, 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; provided, however, that this provision does not apply if three (3) years have already passed since the completion of the term of the imprisonment sentence, since expiration of the period of a probation, or since it/he was pardoned.
2. It/He may not be a related party or de facto related party of any party to the transaction.
3. 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:

1. Prior to accepting a case, it/he shall prudently assess its/his own professional capabilities, practical experience, and independence.
2. When examining a case, it/he shall appropriately plan and execute adequate working process, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The relevant working procedures, data collected, and conclusion shall be fully and accurately specified in the working papers for the case.
3. It/He shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data, the parameters, and the information used, as the basis for issuance of the appraisal report or the opinion.
4. It/He shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that it/he has evaluated and found that the information used is reasonable and accurate, and that it/he has complied with applicable laws and regulations.

However, if the Company acquires or disposes of assets through a court auction, the court certificates may be substituted for appraisal reports or the certified public accountant's opinions.

Article 10: Responsible Unit

The Responsible Unit under these Procedures means the business operating unit designated by the Company based on the nature of each business of the Company.

Article 11: The total amount obtained from non-operating real property and its right-of-use assets

may not exceed 20% of the Company's net value; the total amount obtained from securities may not exceed 100% of the net value of the Company; however, the amount obtained from individual security may not exceed 50% of the net value of the Company.

Article 12: The restrictions on the amount any Subsidiary of the Company may use to obtain non-operating real property or its right-of-use assets, securities or individual investment are as follows:

1.If such Subsidiary's main business is investment:

The amount for such Subsidiary to obtain non-operating real property or its right-of-use assets may not exceed 10% of the net value of such Subsidiary; the amount for such Subsidiary to obtain securities may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.

2. If such Subsidiary's main business is not investment:

The amount for such Subsidiary to obtain non-operating real property or its right-of-use assets may not exceed 100% of the net value of such Subsidiary; the amount used to obtain securities may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.

3.If such Subsidiary has both investment business and operational functions:

The amount for such Subsidiary to obtain non-operating real property or its right-of-use assets may not exceed 100% of the net value of such Subsidiary; the amount used to obtain securities may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher; however, the amount for obtaining individual security may not exceed 300% of the paid-in capital or the net value of such Subsidiary, whichever is higher.

Article 13: Each Subsidiary of the Company shall enact its "Procedures of Acquisition or Disposal of Assets" in accordance with "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission ("FSC") and these Procedures.

The acquisition or disposal of assets by each Subsidiary shall comply with the "Procedures of Acquisition or Disposal of Assets" of each such Subsidiary. And, the Internal Audit of the Company will examine the relevant matters relating to the self-assessment report of its Subsidiary.

## **Chapter II Procedures**

Article 14: The procedures of acquisition or disposal of securities

1. In connection with the acquisition or disposal of securities, the Finance Center shall attach evaluation explanation and such evaluation explanation should analyze the future development and the risk factors of such invested object,

and advantages and disadvantages. In addition, the transaction price should be determined through subjective and objective judgment. If the transaction amount is above NT\$500 million (inclusive of NT\$500 million), it should be submitted to the audit committee and the board of directors meeting for approval. If the transaction amount is below NT\$500 million (exclusive of NT\$500 million), the Chairman may approve and authorize the Finance Center to engage in the transaction. If the acquisition or disposal of securities is for the same purpose, it is not allowed to file different applications for engaging in the different transactions for the acquisition or disposal of securities, and it should proceed in accordance with Paragraph 2 of this Article.

2. In connection with the acquisition or disposal of securities, the most updated audited or reviewed financial statements prepared by a certified public accountant of the target company should be obtained for reference to evaluate the transaction price prior to the Date of Occurrence of the transaction. In addition, if the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, the Company should engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the Date of Occurrence of the transaction. If the certified public accountant needs to use the report of an expert, the certified public accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ADRF. The above restriction shall not apply if such securities have public prices quoted on an active market or the regulations of the FSC otherwise provide.
3. In connection with Mainland Area Investment, approval from competent authorities should be obtained before proceeding with the transaction. Upon engaging in the investment, the transaction should be handled in accordance with this Article.
4. If the Company acquires or disposes of securities from or to a Related Party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10 % or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 through 3 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures. Trading of domestic government bonds, bonds under repurchase and resale agreements, and purchase or repurchase of money market funds issued by domestic securities investment trust enterprises shall be exempted from the procedures provided in Paragraphs 3 and 4 of Article 15 of these Procedures.

Article 15: The procedures of acquisition or disposal of real property or its right-of-use assets

1. The Responsible Unit should put forward the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal and handle the acquisition or disposal in accordance with the Company's Rules for Managing Fixed Assets or the Company's Lease Operating Procedures. Such transactions should be submitted to the Audit Committee and the board of directors for approval after being approved by the Chairman, except for transactions of the right-of-use assets of the real property in the amount less than NT\$500 million that the Chairman is authorized to directly approve and decide without submitting to the Audit Committee and the board of directors for approval. In addition, the Chairman is authorized to approve and conduct the acquisition or

disposal of the right-of-use assets of the real property for operational use in the amount less than NT\$500 million by and among the Company and its Subsidiaries, or by and among the Company's Subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or capital, and to submit the same to the most recent Audit Committee meeting and the board of directors meeting for recognition thereafter, where Paragraph 4 of this Article (which requires that in relation to acquisition or disposal of assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until such transaction being approved by the Audit Committee and the board of directors) shall not apply.

2. In acquiring or disposing of real property or its right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or above, unless transacting with a domestic government agency, commissioning others to build on its own land, or commissioning others to build on rented land, an appraisal report should be obtained prior to the Date of Occurrence of the transaction from a Professional Appraiser and the transaction should comply with Article 18 of these Procedures.
3. The calculation of the transaction amount shall be conducted in accordance with Paragraph 2 of Article 25, and "within the preceding year" as used herein refers to the year preceding the Date of Occurrence of the transaction. Items for which an appraisal report from a Professional Appraiser or a certified public accountant's opinion has been obtained need not be counted again when calculating the transaction amount.
4. In acquiring or disposing of the assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until the following information has been submitted for approval from the Audit Committee and the board of directors:
  - (1) The purpose, necessity and anticipated benefit of the assets acquisition or disposal.
  - (2) The reason for choosing the Related Party as a trading counterparty.
  - (3) With respect to the acquisition from a Related Party of real property or its right-of-use assets , the relevant information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions of Paragraphs 5 and 6 of this Article.
  - (4) The date and price at which the Related Party originally acquired the real property, the original trading counterparty and that trading counterparty's relationship with the Company and the Related Party.
  - (5) 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 use of funds.
  - (6) When the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, the Company shall obtain an appraisal report from a Professional Appraiser or a certified public accountant's opinion in



accordance with Paragraph 3 of this Article, and shall further comply with Article 18 of these Procedures.

- (7) Restrictive terms and other important stipulations associated with the transaction.
  - (8) The calculation of the transaction amount shall be conducted in accordance with Paragraph 2 of Article 25, and "within the preceding year" as used herein refers to the year preceding the Date of Occurrence of the transaction. Items that have been approved by the board of directors and recognized need not be counted again when calculating the transaction amount.
  - (9) When an acquisition or disposal of assets transaction is reported to the board of directors for deliberation, the opinions of each independent director shall be given full consideration and their dissenting or qualified opinion shall be recorded in the meeting minutes.
  - (10) Where an acquisition or disposal of assets transaction shall be approved by the board of directors, it shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for resolution, and Paragraphs 4 and 5 of Article 31 shall apply mutatis mutandis.
5. In acquiring from a Related Party real property or its right-of-use assets, the reasonableness of the transaction costs shall be evaluated by the following means:
- (1) Based upon the Related Party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer in accordance with law. "Necessary interest on funding" is computed as the weighted averaged interest rate on the Company's 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.
  - (2) 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, that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a Related Party of one of the trading counterparties.
  - (3) Where land and structure thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and structures may be separately appraised in accordance with any of the methods stated in the provisions of the two subparagraphs above.
  - (4) If the Company acquires real property or its right-of-use assets from a Related Party and appraises the cost of the real property or its

right-of-use assets in accordance with the preceding three subparagraphs of this Paragraph, a certified public accountant shall also be engaged to check the appraisal and render a specific opinion.

- (5) Where the Company acquires real property or its right-of-use assets from a Related Party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 4 of this Article and the provisions of the preceding four subparagraphs shall not apply:
- (i) The Related Party acquired the real property or its right-of-use assets through inheritance or as a gift.
  - (ii) More than five years have elapsed from the time the Related Party signed the contract to obtain the real property or its right-of-use assets 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 by engaging the Company's Related Party to construct the real property on the Company's owned land or leased land.
  - (ix) The right-of-use assets of the real property for operational use are acquired by and between the Company and its Subsidiaries, or by and among the Company's Subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or capital.
6. When the results of the Company's appraisal conducted in accordance with the provisions of Subparagraphs (1), (2) and (3) of the preceding paragraph are uniformly lower than the transaction price, the matter shall be handled in accordance with Article 16. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:
- (1) Where the Related Party acquired undeveloped land or leased land for development, it may submit proof of compliance 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. "Reasonable Construction Profit" shall be deemed to be the average gross operating profit margin of the Related Party's

construction division over the most recent three 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) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices or leasing practices.
- (2) The Company, when acquiring real property or obtaining the right-of-use assets of the real property through leasing, 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.

Transactions involving neighboring or closely valued parcels of land in the preceding two subparagraphs 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 in publicly announced current value; transaction involving similarly sized parcels of similar land area in principle refers to transactions conducted by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; "within one year" mentioned in the foregoing refers to the year preceding the actual date of acquisition of the real property or its right-of-use assets.

Article 16: Where the Company acquires real property or its right-of-use assets from a Related Party and the results of appraisals conducted in accordance with the provisions of Paragraphs 5 and 6 of Article 15 are uniformly lower than the transaction price, the following steps shall be taken:

1. The difference between the transaction price and the appraised costs of real property or its right-of-use assets shall be set aside as a special reserve in accordance with the provisions of Paragraph 1, Article 41 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. If an investor that has investment in the Company and uses the equity method to account for such investment is a public company, it shall also set aside as a special reserve under Paragraph 1, Article 41 of the Securities and Exchange Act pro rata to the special reserve set aside by the Company in proportion to its shareholding.
2. Audit Committee members who act as independent directors concurrently shall comply with the provisions of Article 218 of the Company Law.
3. The circumstances of handling under Paragraphs 1 and 2 of this Article shall be reported to the shareholders meeting and the detailed contents of the transaction disclosed in the annual report and prospectus.
4. If the Company has set aside a special reserve under the preceding paragraph, the

Company shall not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or the assets have been disposed of, or the lease contract has been terminated, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

5. The Company shall also comply with the provisions of the preceding four paragraphs when obtaining real property or its right-of-use assets from a Related Party if there is other evidence indicating that the transaction was not an arm's length transaction.

Article 17: The procedures of acquisition or disposal of equipment or its right-of-use assets

1. Where the Responsible Unit is acquiring a fixed asset, it should comply with the procedures of negotiation and evaluation of transaction price and should submit to the Chairman for approval; when disposing of a fixed asset, it should comply with the asset depreciation procedure under the Rules for Managing Fixed Assets or the Lease Operating Procedures of the Company; however, if the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.
2. If the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, unless transacting with a domestic government agency or acquisition or disposal of the equipment or its right-of-use assets for operational use, prior to the Date of Occurrence of the transaction, an appraisal should be obtained by a Professional Appraiser who should issue an appraisal report and the transaction should comply with Article 18 of these Procedures.
3. When the Company intends to acquire or dispose of equipment or its right-of-use assets from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.
4. With respect to the acquisition or disposal of equipment for business use or its right-of-use assets by and between the Company and its Subsidiaries, or by and among the Company's Subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or capital, the Chairman is authorized to decide the related matters when the transaction amount is within NT\$500 million and subsequently submit the same to the most recent Audit Committee meeting and the board of directors meeting for recognition, where Paragraph 4 of Article 15 (which requires that in relation to acquisition or disposal of assets from or to a Related Party, the Company may not proceed with execution of a transaction contract or making any payment unless and until such transaction being approved by the Audit Committee and the board of directors) shall not apply.

Article 18: The evaluation of real property, equipment or its right-of-use assets.

In acquiring or disposing of real property, equipment or its right-of-use assets where the transaction amount reaches 20 % of the Company's paid-in capital or NT\$300 million or above, the Company, unless transacting with a domestic government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring, or disposing of equipment or its right-of-use assets for operational use, shall obtain an appraisal report prior to the Date of Occurrence of the transaction from a Professional Appraiser and shall further comply with the following provisions:

1. Where, due to special circumstances, a limited price, specified price or special price must be given as a reference basis for the transaction price, the transaction shall be submitted to the board of directors for approval in advance, and the same shall apply to any subsequent changes, if any, to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or above, appraisals from two or more Professional Appraisers shall be obtained.
3. Where the Professional Appraiser's appraisal results in any of the following circumstances, unless all the appraised values of the assets to be acquired are higher than the transaction amount, or all the appraised values of 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 General Auditing Procedures No. 20 published by the Accounting Research and Development Foundation (hereinafter referred to as "ARDF") and express a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:
  - (1) Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount.
  - (2) Where the discrepancy between the appraisal results of two or more Professional Appraisers reaches 10% or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a Professional Appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original Professional Appraiser.

Article 19: The procedures of acquisition or disposal of memberships

1. Where the Responsible Unit acquires or disposes of memberships, if the transaction amount is below NT\$1 million (inclusive of NT\$1 million), the head-in-charge is authorized to approve the transaction; if the transaction amount is between NT\$1 million and NT\$500 million, the Chairman is authorized to approve the transaction. If the transaction amount exceeds NT\$500 million (inclusive of NT\$500 million), it should be submitted to the Audit Committee and the board of directors meeting for approval.
2. Except for transactions with domestic government agencies, if the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or above, the usage after acquisition or the purpose of disposal and an opinion on the reasonableness of the transaction price issued by a certified public accountant in accordance with the Statement of General Auditing

Procedures No. 20 published by the ARDF are required prior to the Date of Occurrence of the transaction.

3. When the Company intends to acquire or dispose of memberships from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.

Article 20: The procedures of acquisition or disposal of intangible assets or its right-of-use assets

1. Where a legal basis exists for the development of products, whether jointly by the Company and other entities, or by the Company on behalf of another entity, or by another entity on behalf of the Company, or for the Company to obtain certain techniques or processes developed by other entities, and the parties agree to have any intangible asset or its right-of-use assets resulting from such development to be owned by the Company, the authority to approve the acquisition or disposal of such intangible asset or its right-of-use assets should rest with the head of the relevant center. Any agreement proposing to have any intangible assets or their right-of-use assets resulting from such development, joint or otherwise, to be owned either jointly by the Company and another entity or by such other entity must in principle be approved by the head of the relevant business group; any agreement proposing to have another entity to acquire any existing intangible assets or their right-of-use assets which the Company intends to dispose must in principle be approved by the head of the relevant business group, unless it is otherwise required to be approved by a higher ranking officer in accordance with relevant laws or regulations, board of directors or other rules of the Company at the time of the acquisition or disposal.
2. If the transaction amount for acquisition or disposal of intangible assets or their right-of-use assets reaches 20% or more of the Company's paid-in capital or NT\$3 million or above, it should comply with Paragraphs 2 of Article 19 of these Procedures.
3. When the Company intends to acquire or dispose of intangible assets or their right-of-use assets from or to a Related Party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for transactions with domestic government agencies, the transaction should be conducted in accordance with Paragraphs 1 and 2 of this Article and Paragraphs 3 and 4 of Article 15 of these Procedures.
4. If the transaction amount for an acquisition or disposal of intangible assets or their right-of-use assets reaches NT\$500 million or above, such acquisition or disposal shall be submitted to the Audit Committee meeting and the board of directors meeting for approval.

Article 21: The procedures of acquisition or disposal of engaging in Derivatives trading

When the division in charge engages in Derivatives trading, the Derivatives are limited to the financial Derivatives only and such trading shall be handled in accordance with the "Procedures of Governing Engagement in Derivatives

Transactions" of the Company.

The Company shall supervise its Subsidiaries to draw up the relevant rules to manage the engagement in Derivatives trading and shall supervise its Subsidiaries to comply with the Derivatives trading rules. The Internal Audit will examine the relevant matters relating to the self-assessment report of its Subsidiaries. If any of its Subsidiaries does not intend to engage in derivatives trading, it may, after obtaining the approval of its board of directors, be exempted from establishing the procedures governing derivatives trading. If it subsequently wishes to engage in derivatives trading, it shall still comply with Article 31 and the preceding paragraph before doing so.

Article 22: The procedures of acquisition or disposal of assets through mergers, spin-offs, acquisitions or assignment of shares

1. Where the Company conducts a merger, spin-off, acquisition, or assignment of shares, the Responsible Unit shall attach evaluation explanation which shall be approved by the Chairman and, prior to convening the Audit Committee and the board meeting for resolution, retain a certified public accountant, attorney-at-law or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the Audit Committee and the board meeting for discussion and resolution. No such fairness opinion of experts is required for a merger between the Company and a subsidiary whose issued shares or capital is directly or indirectly wholly-owned by the Company or a merger between two subsidiaries both of whose issued shares or capital is directly or indirectly wholly-owned by the Company.
2. Where the Company participates in a merger, spin-off or acquisition, a public report to shareholders shall be prepared detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and such report should be included along with the expert opinion referred to in Paragraph 1 of this Article when sending convention notice of the shareholders meeting for reference in deciding whether to approve such 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 lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by a shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the proposed date of the next shareholders meeting.

3. The Company participating in a merger, spin-off, or acquisition shall convene the board meeting and the shareholders meeting on the same day as other parties to the transaction to resolve relevant matters of the merger, spin-off, or acquisition, unless otherwise provided by other laws or regulations or reported to and approved by the FSC in advance due to extraordinary circumstances.

The Company participating in an assignment of shares shall convene the board meeting on the same day as other parties to the transaction, unless otherwise provided by other laws or regulations or reported to and approved

by the FSC in advance due to extraordinary circumstances.

4. Where the Company participates in a merger, spin-off, acquisition, or assignment of shares, the Company shall prepare a complete written record of the following information and preserve it for five years for check:
  - (1) Personnel's basic information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the plan or execution of any merger, spin-off, acquisition, or assignment of shares prior to the disclosure of the information.
  - (2) Dates of material events: including the dates of signing of any letter of intent or memorandum of understanding, engagement of financial or legal advisor(s), execution of contract(s) and convention of a board of directors meeting.
  - (3) Important documents and minutes: including plan of any merger, spin-off, acquisition, and assignment of shares, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
5. Where the Company participates in a merger, spin-off, acquisition, or assignment of shares, the Company shall, within two days commencing immediately from the date of the resolution of the board of directors approving such transaction, report the information set out in Subparagraphs (1) and (2) of the preceding paragraph in the prescribed format via the Internet-based information system to the FSC for filing.
6. Every person participating in or privy to the plan for any merger, spin-off, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to 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 any merger, spin-off, acquisition, or assignment of shares.
7. The Company participating in a merger, spin-off, acquisition, or assignment of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or assignment of shares:
  - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - (2) An action, such as a disposal of major assets, which affects the Company's financial conditions and operations.
  - (3) An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
  - (4) An adjustment where any of the companies participating in the merger, spin-off, acquisition, or assignment of shares from another company,



buys back treasury stock.

(5) An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or assignment of shares.

(6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

8. The contract for participation by the Company in a merger, spin-off, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or assignment of shares, and shall also record the following:

(1) Handling of breach of contract.

(2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any Company that is extinguished in a merger or that is spun off.

(3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

(4) The manner of handling changes in the number of participating entities or companies.

(5) Anticipated progress schedule for plan execution, and anticipated completion date.

(6) Scheduled date for convening the shareholders meeting in accordance with laws and regulations if the plan exceeds the deadline without completion, and relevant procedures.

9. After public disclosure of the information, if the Company participating in a merger, spin-off, acquisition, or assignment of shares intends further to carry out a merger, spin-off, acquisition, or assignment of shares 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 assignment of shares; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

10. Where a company participating in a merger, spin-off, acquisition, or assignment of shares is not a company whose stock are listed on the stock exchanges or over-the-counter markets, the Company shall sign an agreement with the non-public company, and comply with the provisions of Paragraphs 3, 4, 5, 6 and 9 of this Article.

#### Article 23: Other major assets

The procedures for the acquisition or disposal of other major assets should be handled in accordance with Article 19 of these Procedures.

Article 24: Where the Company's acquisition or disposal of assets is subject to the approval of the board of directors under these Procedures or other acts or regulations, it shall be first approved by more than half of all Audit Committee members and then submitted to the board of directors for resolution, and Paragraphs 4 and 5 of Article 31 shall apply mutatis mutandis.

When an acquisition or disposal of assets transaction is reported to the board of directors for deliberation under the preceding paragraph, the opinions of each independent director shall be given full consideration and their dissenting or qualified opinion shall be entered into the meeting minutes.

### **Chapter III Public Disclosure of Information**

Article 25: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the FSC in the prescribed format within two days commencing immediately from the Date of Occurrence of such fact:

1. Acquisition or disposal of real property or its right-of-use assets from or to a Related Party, or acquisition or disposal of assets other than real property or its right-of-use assets from or to a Related Party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for the trading of domestic government bonds, bonds under repurchase and resale agreements, and subscription/ purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.
2. Mergers, spin-offs, acquisitions, or assignment of shares.
3. Where losses from Derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where the equipment or its right-of-use assets for operational use is acquired or disposed of, and the counterparty is not a Related Party and the transaction amount reaches any of the following:
  - (1) Where the Company's paid-in capital is less than NT\$10 million, the transaction amount reaches NT\$500 million; or
  - (2) Where the Company's paid-in capital is NT\$10 million or more, the transaction amount reaches NT\$1 billion.
5. Where real property is acquired under an arrangement for commissioned construction on self-owned land or on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterpart is not a Related Party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
6. Where an asset transaction other than those referred to in the preceding five subparagraphs, or Mainland China Investment, reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, that this shall not apply in the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Trading of bonds under repurchase/resale agreements or subscription/purchase or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.
3. The cumulative transaction amount of real property or its right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

"Within one 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 Regulations need not be entered.

The Finance Center shall enter monthly the status of Derivatives transactions undertaken by the Company and its subsidiaries that are not domestic public companies up to the end of the preceding month in the prescribed format into the information reporting website designated by the FSC by the tenth 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 such error, all the items shall be publicly announced again within two days from the day of acknowledgement of the error and reported in their entirety.

Where the Company acquires or disposes of assets, the division in charge shall keep all relevant contracts, meeting minutes, memorandum books, appraisal reports and opinions of certified public accountants, attorneys, and securities underwriters at the Company, where they shall be stored for five years, unless otherwise provided by laws.

Article 26: Under any of the following circumstances, the Company, after publicly announcing and reporting the transaction in accordance with the preceding article, shall publicly announce and report the relevant information on the website designated by the FSC within two days commencing immediately from the Date of Occurrence of such fact:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, spin-off, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract.
3. Change to any publicly announced and reported information.

Article 27: Information required to be reported in accordance with the provisions of Chapter II on acquisitions and disposals of assets by any Subsidiary of the Company that is not a domestic public company shall be reported by the relevant division in charge of the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether or not a Subsidiary referred to in the preceding paragraph is subject to Paragraph 1 of Article 25 requiring a public announcement and

regulatory filing in relation to transactions reaching the paid-in capital or the total assets specified therein.

Article 28: Provisions under these Procedures regarding the 10% of the total assets shall be calculated based on the total amount of assets in the most recent stand-alone or individual financial report issued in accordance with the financial reporting standards of the securities issuer.

In case of the shares in the Company with no par value or with a par value other than NT\$10, for the calculation of transaction amount of 20% of paid-in capital under these Procedures, 10% of equity attributable to stockholders of the parent shall be substituted; for calculations under the provisions of these Procedures of the transaction amount regarding the paid-in capital reaching NT\$10 billion, NT\$20 billion of equity attributable to stockholders of the parent shall be substituted.

## **Chapter IV Penalty**

Article 29: When officers or persons in charge violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the FSC,

1. The Human Resources Division will make a proposal of penalty according to the seriousness of the violation by each person based on the facts and evidence provided by the Responsible Unit or the audit unit and submits the same to the head-in-charge for approval. Penalty on officers will be submitted to and resolved by the Compensation Committee meeting and the board meeting.
2. In the event that any irrecoverable losses are caused to the Company due to any willful or negligent acts or omissions by an individual, such individual may be suspended from duties, subject to the approval of the head-in-charge.
3. The manager as described in this Article shall mean the manager as established in accordance with the ruling issued by the Securities and Futures Commission dated 27 March 2003 per its letter (Ref. No.: Tai-Tsai-Tseng-(3)-092001301); the person in charge shall mean the relevant chief who reviews and approves the execution of any such transactions.

## **Chapter V Effectiveness and Amendment**

Article 30: For matters not covered herein, provisions in the relevant laws and regulations and the relevant rules of the Company shall govern.

Article 31: These Procedures are effective subject to the approval of the Audit Committee and the board of directors and then submitted to the shareholders meeting for approval. The preceding procedures shall apply if there is any amendment to these Procedures.

When these Procedures are reported to the board of directors for deliberation under the preceding paragraph, the opinions of each independent director shall be given full consideration and their dissenting or qualified opinion shall be entered into the meeting minutes.

When these Procedures are adopted or amended, they shall be subject to approval by more than half of all Audit Committee members and submitted to

the board of directors for resolution.

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the board of directors .

The terms "all Audit Committee members" in Paragraph 3 and "all directors" in the preceding paragraph shall mean the actual number of persons currently holding those positions.

## (English Translation)

## Winbond Electronics Corporation (the "Company")

### Comparison Table of the Engaging in Financial Derivatives Transactions

Amended Article	Current Article	Note
<p><b>III. CONTENTS</b>  <b>Chapter I Principles and Directions of Transaction</b></p> <p><b>Article 1: Scope of Transactions</b>  The terms "derivatives" herein is defined as forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p>	<p><b>III. CONTENTS</b>  <b>Chapter I Principles and Directions of Transaction</b></p> <p><b>Article 1: Scope of Transactions</b>  The term "derivatives" herein is defined as forward contracts, options contracts, futures contracts, leverage contracts, swaps contracts and compound contracts combining the above products, whose value is derived from the underlying assets, interest rates, exchange rates, indices or other interests. The term "Forward Contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) contracts.</p>	<p>Amended the definition of derivatives in accordance with the regulatory updates of company's "Procedure for Acquisition or Disposal of Assets" and "International Financial Reporting Standard (IFRS) 9, Financial Instruments."</p>
<p><b>Article 17:</b>  The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Upon finding any material violation, the internal auditor shall give written notice to the independent directors and the audit committee.</p>	<p><b>Article 17:</b>  The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Upon finding any material violation, the internal auditor shall give written notice to <u>each member of the audit committee</u>.</p>	<p>Amended in accordance with laws and regulations.</p>

## **(English Translation)**

### **Procedures for Engaging in Derivatives Transactions**

#### **I. PURPOSES**

In accordance with Article 21 of "Procedures for Handling Acquisition or Disposal of Properties" of the Company, the Company enacts the Procedures in order to execute derivatives transactions.

#### **II. OBJECTIVE**

To efficiently manage the income and expenses, assets and liabilities of the Company and to reduce the financial risks resulting from the volatility of the price of financial products (i.e. exchange rate and interest rate) and to enhance the competitiveness of the Company and to manage each derivatives transaction, the Company enacts the Procedures.

#### **III. CONTENTS**

##### **Chapter I Principles and Directions of Transaction**

##### **Article 1: Scope of Transactions**

The term "derivatives" herein is defined as forward contracts, options contracts, futures contracts, leverage contracts, or swaps contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

##### **Article 2: Strategy of Operation or Hedge**

In principle, to engage in financial derivatives transactions should be for hedging the risk resulting from the operation of the Company.

##### **Article 3: Separation of Powers and Obligations**

1. The Finance Division shall have trading, telephone confirmation and settlement officers for financial derivatives. The trading officer should be responsible for trading financial derivatives; the telephone confirmation officer should be responsible for transaction confirmation with banks by telephone; and the settlement officer are responsible for arranging the settlement matters pursuant to the transaction agreement.
2. Accounting Division: This division should be responsible for derivatives confirmation.
3. The respective functions of trading, confirmation and settlement shall be performed by different officers.
4. Setting up risk-assessment, risk-supervision, and risk-control personnel who should belong to a different department from the above personnel, and report to the higher level chiefs who are not involved in trading or its relevant position policy implementation.

#### **Article 4:**

The total amount of contracts for derivative transactions engaged by the Company which are not offset should not exceed 30% of the net value of the Company.

#### **Article 5: Set Stop Loss Limit**

1. The maximum amount of unrealized loss for all contracts of derivatives transaction in which the Company engages in should be the lesser of the amount of 20% of the total amount of contracts or 3% of the shareholders' equity.
2. The maximum amount of the unrealized losses in one single contract of financial derivatives transactions which the Company engages in shall be 20% of the transaction amount.
3. If unrealized losses on all contracts or one single contract in the financial derivatives transactions engaged by the Company reach the foregoing ceiling, the Company should announce the material information in accordance with the relevant regulations and report to the board of directors after the announcement

#### **Article 6:**

The essentials of performance evaluation shall be based on the evaluation of hedging effect on the financial derivatives transactions engaged by the Company.

### **Chapter II Operation Procedures**

#### **Article 7: Authorized Amount**

1. The authorized amount and level of transactions are as follows. The authorized level applicable to the total amount per day and the aggregate net position shall be the higher level of the responsible chief for the above two items.

Authorized Level	Total Amount Per Day	Aggregate Net Position
Center Chief	Above USD 20,000,000	Above USD 120,000,000
Division Chief	USD 20,000,000 (inclusive)	USD 120,000,000 (inclusive)
Department Chief	USD 10,000,000 (inclusive)	USD 60,000,000 (inclusive)

2. If the total amount of aggregated net position reaches the quarterly revenue, such transaction should be reported to the Chairman after its completion.
3. Any major derivatives transactions to be engaged by the Company shall be approved by one-half or more of the total members of the audit committee and be submitted to the board of directors meeting for resolution. Such transactions, without being approved by one-half or more of the total members of the audit committee, may be conducted with the consent of two-thirds of the total directors, and the resolution of the audit committee shall be recorded in the board meeting minutes. The total members of the audit committee and total directors as referred to in this paragraph shall be the actual incumbent members or directors.

### **Chapter III Procedures of Public Announcement and Report**

#### **Article 8:**



The Company should make announcements and reports in accordance with "Procedures for Handling Acquisition or Disposal of Properties" of the Company.

## **Chapter IV Accounting Method**

### **Article 9:**

The accounting of derivatives transactions entered into by the Company shall be processed pursuant to the international accounting standards and the relevant laws and regulations.

## **Chapter V Internal Control System**

### **Article 10: Risk Management**

1. Credit risk: When the Company chooses the counterparty of the transaction, the counterparty chosen shall be limited to financial institutions with lower credit risks in order to avoid the risk of breach of contract by the counterparty.
2. Market price risk: In relation to derivative products, the risks of changes in market prices arising from changes in interest rates and foreign exchange rates or other factors.
3. Liquidity risk: To ensure the market liquidity, the trading counterparty shall be equipped with adequate facilities, information, capital and the ability to trade in any major international market.
4. Operating risk: The Company shall ensure the full compliance the authorized trading amount and the rules of operating process in order to avoid the operating risk.
5. Legal risk: The documents that the Company executes with the counterparties shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.
6. Cash flow risk: The authorized transaction officer should monitor the cash flow of the Company, in order to make sure that there is sufficient cash.
7. Other important risk management measures.

### **Article 11: Internal Control**

1. The trading officer should obtain oral or written (by e-mail) authorization from the authorized chief before engaging in a transaction. If there is only the oral consent from the authorized chief, he/she should obtain written or e-mail authorization not later than the next business day.
2. When completing each transaction, the trading officer should make transaction records together with the authorized confirmation in writing or by e-mail not later than the next business day. After the transaction records are approved, the trading officer should deliver them to the confirmation officer. The confirmation officer shall review and make the chop on the transaction records after checking the transaction records with the confirmation sent by the bank and shall send back one copy thereof to the bank and another copy thereof for the Accounting Division for record.
3. The contents of transaction records should specifically state, including but not limited to, the transaction date, counterparty, number, currency, amount, price, mature date, settlement date, approved authorization, the spot of loss limit, the limitation of the total transaction amount, the conditions of the current position and other items meeting the characteristic of each product.
4. The written confirmation officer shall maintain the account book and issue written verification

regularly with the corresponding bank.

#### **Article 12: Periodical Evaluation**

The center chief should supervise the financial department to mark derivatives to market on weekly basis. However, evaluation on the hedging transactions for hedging risks arising from business operation shall be made at least twice a month and spreadsheet of such evaluation is required and submitted to the chief of the Finance Center and high-level managers authorized by the board of directors.

#### **Article 13:**

The Company should prepare a transaction record book when engaging in derivatives transactions. The types, amount and the date approved by the board of the directors, periodical evaluations and other matters in connection with derivatives transactions should be carried in the transaction record book for review.

### **Chapter VI Supervisory and Management of the Board of the Directors**

#### **Article 14:**

The board of the directors should supervise and manage based on the following principles the derivatives transactions engaged in by the Company:

1. To appoint a higher chief officer to take notice at all times to the supervision and control of the risks of derivatives transactions.
2. To periodically evaluate whether the performance of derivatives transactions meets the operating strategy and the risk to be undertaken is within the admitted undertaking ranges of the Company.

#### **Article 15:**

The higher level of chief officers authorized by the board of the directors should manage derivatives transactions based on the following principles:

1. He/she should periodically evaluate the current measures of risk management to see whether they are proper or not and should handle them in accordance with the relevant laws and regulations and the Procedures.
2. He/she should supervise transactions and profit and loss. If there is an unusual matter, he/she should take the necessary measures and should report it to the board of the directors immediately. If there are any independent directors, the independent directors should attend the board of the directors and express their opinion.

#### **Article 16:**

When any authorized officer handles any derivatives transaction in accordance with the Procedures, he/she should report to the most recent meeting of the board of directors after completion of the transaction.

### **Chapter VII Internal Audit**

**Article 17:**

The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Upon finding any material violation, the internal auditor shall give written notice to the independent directors and the audit committee.

**Chapter VIII Penalty****Article 18:**

It is handled in accordance with the "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.

**IV. PROMULGATION AND AMENDMENT**

The Procedures shall be approved by one-half or more of all members of the audit committee and submitted to the board of directors for resolution. And the Procedures take effect after being approved by the shareholders' meeting. Any amendments thereto shall follow the above procedures. If any director has objections to the Procedures and the objection is recorded or made in the form of the written claim, the information about the objections shall be sent to the audit committee. The board of the directors shall fully take account of the opinion of each independent director when the board of the directors discusses the Procedures in accordance with the preceding paragraph, and the consent of, or the opinion and reason of objections raised by independent directors shall be recorded in the minutes.

If the aforesaid matter as provided in the preceding paragraph was not approved by one-half or more of the full audit committee members, it may be approved by two-thirds or more of the members of the full board of directors, and the audit committee's resolution shall be recorded in the minutes. Full audit committee members, as mentioned in this paragraph, and the members of a full board of directors, as mentioned in the preceding paragraph, shall be calculated on the basis of actual incumbency.

**V. REFERENCE DOCUMENTS**

The Company's "Procedures for Acquisition or Disposal of Assets"

## Winbond Electronics Corporation (the "Company")

### Comparison Table of the Procedures for Endorsements and Guarantees

Amended Articles	Current Articles	Note
<u>Procedures for</u> Endorsements and Guarantees	<u>Regulations Governing</u> Endorsements and Guarantees	The wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
<b>I. PURPOSE</b>  To soundly manage endorsements and guarantees for others by the Company and to protect the assets and credit of the Company, the Company stipulates these <u>Procedures</u> as a basis for the execution of endorsements and guarantees.	<b>I. PURPOSE</b>  To soundly manage endorsements and guarantees for others by the Company and to protect the assets and credit of the Company, the Company stipulates these <u>Regulations</u> as a basis for the execution of endorsements and guarantees.	The wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
<b>II. OBJECTIVE</b>  Execution of matters relative to endorsements and guarantees made by the Company for others shall be governed by these <u>Procedures</u> . Any matter not provided for in these <u>Procedures</u> shall be governed by the related laws and regulations to effectively manage endorsements and guarantees and to comply with the Company's goal of steady operation.	<b>II. OBJECTIVE</b>  Execution of matters relative to endorsements and guarantees made by the Company for others shall be governed by these <u>Regulations</u> . Any matter not provided for in these <u>Regulations</u> shall be governed by the related laws and regulations to effectively manage endorsements and guarantees and to comply with the Company's goal of steady operation.	The wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
<b>III. CONTENTS</b>  Article 1: The "endorsements and/or guarantees" referred to in these <u>Procedures</u> include following: (1)~(3) (Omitted) (4)When the Company creates a pledge or mortgage on its chattel or real property as security for the loans of another company, these <u>Procedures</u> shall apply.	<b>III. CONTENTS</b>  Article 1: The "endorsements and/or guarantees" referred to in these <u>Regulations</u> include following: (1)~(3) (Omitted) (4)When the Company creates a pledge or mortgage on its chattel or real property as security for the loans of another company, these <u>Regulations</u> shall apply.	The wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
Article 3: Ceiling amount for endorsement/guarantee  (1)The limit on the aggregate amount of endorsements and/or guarantees made by either the	Article 3: Ceiling amount for endorsement/guarantee  (1) The limit on the aggregate amount of endorsements and/or guarantees made by either the	1.Redundant words are deleted.  2.“The Company” and “the Company itself” are equal in meaning, and therefore the redundant word is deleted, and

Amended Articles	Current Articles	Note
<p>Company or the Company and its subsidiaries altogether shall not exceed fifty percent of the Company's net worth shown on the Company's latest financial report.</p>	<p>Company <del>itself for the aggregate amount of endorsements and/or guarantees made by</del> the Company and its subsidiaries altogether shall not exceed fifty percent of the Company's net worth shown on the Company's latest financial report.</p>	<p>the wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>
<p>(2) The limit on the total amount of endorsements and/or guarantees for any single entity The total amount of endorsements and/or guarantees made by either the Company or the Company and its subsidiaries altogether for a single <u>corporation</u> shall not exceed <u>twenty</u> percent of the Company's net worth shown on the Company's latest financial report, <u>or the net worth of such endorsee/guarantee company, whichever is lower.</u></p> <p>If the Company engages in endorsements and/or guarantees because of its business relations, in addition to the aforesaid restriction, the aggregate amount of endorsements and/or guarantees provided by the Company to any single <u>corporation</u> shall not exceed the <u>total trading amount</u> between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.</p> <p><u>The restriction on the amount of endorsements/guarantees that the Company may provide to any single corporation and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's</u> <u>endorsements/guarantees for its 100%-owned subsidiaries.</u></p>	<p>(2) The limit on the total amount of endorsements and/or guarantees for any single entity The total amount of endorsements and/or guarantees made by either the Company <del>itself</del> or the Company and its subsidiaries altogether for a single <u>company</u> shall not exceed <u>forty</u> percent of the Company's net worth shown on the Company's latest financial report. If the Company engages in endorsements and/or guarantees because of its business relations, in addition to the aforesaid restriction, the aggregate amount of endorsements and/or guarantees provided by the Company to any single <u>company</u> shall not exceed the <u>trading amount</u> between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.</p>	<p>3. The limit on the total amount of endorsements/guarantees for any single entity is adjusted from 40% of the Company's net worth to 20% of the Company's net worth, and a new threshold for the limit on the total amount of endorsements/guarantees for any single entity is added, in order to properly control risks.</p> <p>4. The wording has been amended to reflect that the limits on endorsement/guarantee for a single corporation are explained in different paragraphs, and the endorsement/guarantee amount due to business relations is explicitly specified to be calculated by the total amount.</p> <p>5. An exemption is added to exempt the Company from the limit on the total amount of endorsement/guarantee for a single entity in the case of providing endorsement/guarantee by the Company for the subsidiaries in which the Company directly or indirectly holds 100% of the voting shares, for the Company to have greater flexibility in providing endorsement/guarantee for companies in the same group.</p>

Amended Articles	Current Articles	Note
<p>(3) Where the Company needs to exceed the limits set out in these <u>Procedures</u> to satisfy its business needs, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors against losses that may be caused to the Company by the excess endorsement and/or guarantee provided that the conditions set out in these <u>Procedures</u> are complied with. It shall also amend the operating procedures for endorsements and/or guarantees accordingly and submit the same to the shareholders' meeting for its ratification. If the shareholders' meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. Where there are independent directors on the board, when the Company submits the operating procedures for endorsements and/or guarantees to the board meetings for discussion in accordance with the above provisions, it shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.</p>	<p>(3) Where the Company needs to exceed the limits set out in these <u>Regulations</u> to satisfy its business needs, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors against losses that may be caused to the Company by the excess endorsement and/or guarantee provided that the conditions set out in these <u>Regulations</u> are complied with. It shall also amend the operating procedures for endorsements and/or guarantees accordingly and submit the same to the shareholders' meeting for its ratification. If the shareholders' meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. Where there are independent directors on the board, when the Company submits the operating procedures for endorsements and/or guarantees to the board meetings for discussion in accordance with the above provisions, it shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.</p>	<p>6. Certain wording of Paragraphs (3) and (4) has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>
<p>(4) Where changes in circumstances of the Company result in that the entity for which the Company provides endorsement/guarantee ceases to be a qualified entity under Article 2 of these <u>Procedures</u>, or the amount endorsed/guaranteed exceeds the ceiling due to changes in the calculation base for the ceiling, the Company shall</p>	<p>(4) Where changes in circumstances of the Company result in that the entity for which the Company provides endorsement/guarantee ceases to be a qualified entity under Article 2 of these <u>Regulations</u>, or the amount endorsed/guaranteed exceeds the ceiling due to changes in the calculation base for the ceiling, the Company shall adopt</p>	<p>7. To strengthen corporate governance, independent directors have been added in Paragraph (4) in response to the amendment to the law.</p>

Amended Articles	Current Articles	Note
adopt rectification plans, submit the relevant rectification plans to <u>the independent directors</u> and the audit committee and complete the rectification on schedule.	rectification plans, submit the relevant rectification plans to the audit committee and complete the rectification on schedule.	
<p>Article 6: Operation Procedures of Making Endorsements and Guarantees and Review Procedures</p> <p>Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies promulgated by the securities regulator <u>and handle and review the following matters in accordance with these Procedures.</u></p> <p>(1)~(5) (Omitted)</p> <p>(6) The Finance Division shall periodically prepare and report the statement of details of guarantees for the purpose of controlling and monitoring the financial conditions and usage of fund of the guarantee company. Should any significant change regarding the aforementioned matters arise, the Finance Division shall immediately report to the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.</p> <p>(7)~(8) (Omitted)</p> <p>(9) The Finance Division shall review the net worth of the parties endorsed/guaranteed by the Company. The Company shall forthwith draft an evaluation report and submit the same to the chairman for determination whether to continue the endorsement/guarantee for any</p>	<p>Article 6: Operation Procedures of Making Endorsements and Guarantees and Review Procedures</p> <p>Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies promulgated by the securities regulator <u>as well as these Regulations. In addition, the Company shall handle and review the following matters.</u></p> <p>(1)~(5) (Omitted)</p> <p>(6) The Finance Division shall periodically prepare and report the statement of details of guarantees for the purpose of controlling and monitoring the financial conditions and usage of fund of the guarantee company. Should any significant change regarding the aforementioned matters arise, the Finance Division shall immediately report to <u>the president and</u> the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.</p> <p>(7)~(8) (Omitted)</p> <p>(9) The Finance Division shall review the net worth of the parties endorsed/guaranteed by the Company at the end of each month. The Company shall forthwith draft an evaluation report and submit the same to <u>the president and</u> the chairman for determination whether to continue the</p>	<p>1.The introductory part of Paragraph 1 has been amended to specify that public companies engaging in endorsements/guarantees shall comply with the procedures established by them, in order to make it clearer, in response to the amendment to the law.</p> <p>2.The approver has been changed in Paragraphs (6) and (9) according to the organizational duties.</p>

Amended Articles	Current Articles	Note
<p>of the parties whose net worth falls below half of its paid-in capital. If continued endorsement/guarantee is agreed upon, the Company shall obtain the guarantee instrument or other collateral equivalent to the amount of its endorsement/guarantee; provided, however, that the Company is not required to obtain such guarantee instrument and collateral from its direct and indirect wholly-owned subsidiaries.</p> <p>(The below is omitted)</p>	<p>endorsement/guarantee for any of the parties whose net worth falls below half of its paid-in capital. If continued endorsement/guarantee is agreed upon, the Finance Division shall obtain a guarantee instrument or other collateral equivalent to the amount of its endorsement/guarantee; provided, however, that the Company is not required to obtain such guarantee instrument and collateral from its direct and indirect wholly-owned subsidiaries.</p> <p>(The below is omitted)</p>	
<p>Article 9: Internal Audit</p> <p>The Company's internal auditors shall at least quarterly audit these Procedures and the implementation thereof and prepare written records accordingly. They shall promptly notify the <u>independent directors</u> the audit committee in writing of any material violation found.</p>	<p>Article 9: Internal Audit</p> <p>The Company's internal auditors shall at least quarterly audit these Procedures and the implementation thereof and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.</p>	<p>To strengthen corporate governance, independent directors have been added in this article in response to the amendment to the law.</p>
<p>Article 10: Procedures for Announcement and Report</p> <p>(1) (Omitted)</p> <p>(2) If the balance of endorsement/guarantee reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the <u>guaranteed/endorsed party</u> and the monetary amount <u>of the guarantee/endorsement</u>, whichever date is earlier.</p> <p>1.~2. (Omitted)</p> <p>3. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a</p>	<p>Article 10: Procedures for Announcement and Report</p> <p>(1) (Omitted)</p> <p>(2) If the balance of endorsement/guarantee reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract/<del>transaction</del>, date of payment, date of board resolutions, or other dates that may confirm the <u>counterparty</u> and the monetary amount <u>of the transaction</u>, whichever date is earlier.</p> <p>1.~2. (Omitted)</p> <p>3. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a single entity</p>	<p>1.Considering that the endorsement/guarantee is not a transaction in nature, certain wording of Paragraph (2) has been amended to comply with the amendment to the law.</p> <p>2.Certain wording of Paragraph (2) has been amended by reference to Subparagraph 1 of Paragraph 4 of Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, in order to make clearer the definition of “long-term investments”, in response to the amendments to the law.</p> <p>3.Certain wording of Paragraphs (4) to (6) has been amended by reference to the Regulations</p>



Amended Articles	Current Articles	Note
<p>single entity reaches NTD 10 million or more, and the aggregate balance of endorsement/guarantee provided for, <u>the book value of investments under the equity method</u> in and funds lending to, such entity reaches thirty percent or more of the net worth of the Company as stated in its latest financial statements.</p> <p>4. (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The Company shall evaluate or record the contingent loss for endorsements and/or guarantees and shall adequately disclose information on endorsements and/or guarantees in its financial reports and provide <u>relevant information to the certified public accountants for them to carry out necessary audit procedures.</u></p> <p>(5) "Net worth" as set forth in these <u>Procedures</u> means the equity attributable to owners of the parent company on the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(6) "Subsidiary" and "parent company" as set forth in these <u>Procedures</u> shall be determined as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>reaches NTD 10 million or more, and the aggregate balance of endorsement/guarantee provided for, <u>long-term investments in and funds lending to</u>, such entity reaches thirty percent or more of the net worth of the Company as stated in its latest financial statements.</p> <p>4. (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The Company shall evaluate or record the contingent loss for endorsements and/or guarantees and shall adequately disclose information on endorsements and/or guarantees in its financial reports and provide <u>the certified public accountants with relevant information to carry out necessary audit procedures.</u></p> <p>(5) "Net worth" as set forth in these <u>Regulations</u> means the equity attributable to owners of the parent company on the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(6) "Subsidiary" and "parent company" as set forth in these <u>Regulations</u> shall be determined as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>
<p>Article 11: Penalty</p> <p>In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal endorsements and/or guarantees, when managers or personnel in charge violate these <u>Procedures</u> or the related laws and</p>	<p>Article 11: Penalty</p> <p>In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal endorsements and/or guarantees, when managers or personnel in charge violate these <u>Regulations</u> or the related laws and</p>	<p>1. Certain words have been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

Amended Articles	Current Articles	Note
<p>regulations, the Human Resource Department shall make a proposal for penalty <u>to be approved by the responsible supervisor</u> according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers <u>shall be submitted to the compensation committee and the board of directors for resolution.</u> In the event of unrecoverable losses incurred from violation of these <u>Procedures</u> or the related laws and regulations with intent or by negligence, suspension may be imposed on personnel in charge <u>after being approved by the responsible supervisor.</u></p> <p>The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.</p>	<p>regulations, the Human Resource Department shall make a proposal for penalty according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. <u>Penalty imposed on personnel in charge shall be assented by the president and approved by the chairman of the board of directors.</u> Penalty imposed on managers <u>shall be approved by the chairman of the board of directors and submitted to the board of directors for resolution.</u> In the event of unrecoverable losses incurred from violation of these <u>Regulations</u> or the related laws and regulations with intent or by negligence, suspension may be imposed on personnel in charge <u>after being approved by the president and suspension may be imposed on managers after being approved by the chairman of the board of directors.</u></p> <p>The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.</p>	<p>2.The wording has been amended according to the adjustment to the organizational duties.</p>
<p>Article 12: Control procedure for providing endorsement /guarantee by subsidiaries</p> <p>The Company shall require all of its subsidiaries to formulate their own <u>Procedures</u> for Endorsement and Guarantee in accordance with the Regulations Governing Lending Funds and Providing Endorsement and Guarantee by Public Offering Companies promulgated by the competent authorities and the <u>Procedures</u> for Endorsement and Guarantee of the Company. Any endorsement/guarantee provided by the subsidiaries shall comply with</p>	<p>Article 12: Control procedure for providing endorsement /guarantee by subsidiaries</p> <p>The Company shall require all of its subsidiaries to formulate their own <u>Regulations</u> for Endorsement and Guarantee in accordance with the Regulations Governing Lending Funds and Providing Endorsement and Guarantee by Public Offering Companies promulgated by the competent authorities and the <u>Regulations</u> for Endorsement and Guarantee of the Company. Any endorsement/guarantee provided by the subsidiaries shall comply with their own <u>Regulations</u> for</p>	<p>Certain wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

Amended Articles	Current Articles	Note
<p>their own <u>Procedures</u> for Endorsement and Guarantee, and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.</p>	<p>Endorsement and Guarantee, and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.</p>	
<p><b>IV. VALIDATION AND AMENDMENTS</b></p> <p>These <u>Procedures</u> shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these <u>Procedures</u> shall be submitted to the shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures. When the Procedures are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinions; <u>any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.</u></p> <p>If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, the Procedures or any amendment hereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p><b>IV. VALIDATION AND AMENDMENTS</b></p> <p>These <u>Regulations</u> shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these <u>Regulations</u> shall be submitted to the shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Regulations. When the Regulations are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinions; <u>the independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meetings.</u></p> <p>If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, the Regulations or any amendment hereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>1. Certain wording has been amended by reference to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> <p>2. Certain sentence has been rephrased by reference to Article 14-3 of the Securities and Exchanges Act to reflect the amendment to the law.</p>

**(Translation)**  
**Winbond Electronics Corporation (the "Company")**  
**Procedures for Endorsements and Guarantees**  
**(The "Procedures ")**

**I. PURPOSE**

To soundly manage endorsements and guarantees for others by the Company and to protect the assets and credit of the Company, the Company stipulates these Procedures as a basis for the execution of endorsements and guarantees.

**II. OBJECTIVE**

Execution of matters relative to endorsements and guarantees made by the Company for others shall be governed by these Procedures. Any matter not provided for in these Procedures shall be governed by the related laws and regulations to effectively manage endorsements and guarantees and to comply with the Company's goal of steady operation.

**III. CONTENTS**

**Article 1:**

The "endorsements and/or guarantees" referred to in these Procedures include following:

- (1) Endorsements and/or guarantees in connection with financing facilities, including:
  1. Financing facilities in connection with discounts on customers' check;
  2. Endorsements and/or guarantees provided in connection with financing facilities for other companies; and
  3. Instruments issued to non-financial enterprises as security in connection with the financing facilities for the Company.
- (2) Endorsements and/or guarantees in connection with customs duty, which mean endorsements and/or guarantees made for the Company or other companies with respect to matters involving customs duty;
- (3) Other endorsements and/or guarantees, which cannot be categorized in items (1) and (2) as mentioned above; and
- (4) When the Company creates a pledge or mortgage on its chattel or real property as security for the loans of another company, the Procedures shall apply.

**Article 2: Parties for whom the Company may provide endorsement/guarantee**

- (1) The Company may provide endorsement/guarantee for the following:
  1. A company who has business relationship with the Company.
  2. A company in which the Company directly and indirectly owns more than fifty percent of the voting shares.
  3. A company that directly and indirectly owns more than fifty percent of the voting shares of the Company.

- (2) The companies in which the Company directly and indirectly owns ninety percent or more of voting shares may provide endorsement/guarantee for one another; provided that, the amount of endorsement/guarantee provided by the Company may not exceed ten percent of the net value shown on the Company's latest financial report; provided further that, the endorsement/guarantee provided by a company which is directly and indirectly wholly owned by the Company to another company which is also directly and indirectly wholly owned by the Company is not subject to the restriction provided in the immediately preceding proviso.
- (3) Where the Company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or the collaborative builders for purposes of undertaking a construction project, or where all the shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantee may be exempted from the restrictions under the preceding two paragraphs.
- (4) The investment as mentioned in the preceding paragraph means investment directly made by the Company or made through a company in which the Company owns one hundred percent of the voting shares.

### **Article 3: Amount ceiling for endorsement/guarantee**

- (1) The limit on the aggregate amount of endorsements and/or guarantees

Either the aggregate amount of endorsements and/or guarantees made by the Company itself, or the aggregate amount of endorsements and/or guarantees made by the Company and its subsidiaries together, shall not exceed fifty percent of the Company's net assets shown on the Company's latest financial report.

- (2) The limit on the total amount of endorsements and/or guarantees for any single entity  
The total amount of endorsements and/or guarantees made by either the Company or the Company and its subsidiaries altogether for a single corporation shall not exceed twenty percent of the Company's net worth shown on the Company's latest financial report, or the net worth of such endorsee/guarantee company, whichever is lower.

If the Company engages in endorsements and/or guarantees because of its business relations, in addition to the aforesaid restriction, the aggregate amount of endorsements and/or guarantees provided by the Company to any single corporation shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.

The restriction on the amount of endorsements/guarantees that the Company may provide to any single corporation and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its 100%-owned subsidiaries.

- (3) Where the Company needs to exceed the limits set out in these Procedures to satisfy its business needs, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors against losses that may be caused to the Company by the excess endorsement and/or guarantee provided that the conditions set out in these Procedures are complied with. It shall also amend the operating procedures for endorsements and/or guarantees accordingly and submit the same to the shareholders' meeting for its ratification. If the shareholders' meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. Where there are independent directors on the board, when the Company submits the operating procedures for endorsements and/or guarantees to the board meetings for discussion in

accordance with the above provisions, it shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.

- (4) Where changes in circumstances of the Company result in that the entity for which the Company provides endorsement/guarantee ceases to be a qualified entity under Article 2 of these Procedures, or the amount endorsed/guaranteed exceeds the ceiling due to changes in the calculation base for the ceiling, the Company shall adopt rectification plans, submit the relevant rectification plans to the independent directors and the audit committee and complete the rectification on schedule.

#### **Article 4: Corporate Chops for Endorsements and Guarantees**

The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements and/or guarantees.

When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

#### **Article 5: Custody of Corporate Seals and Notes for Endorsements and Guarantees**

The corporate seals and notes for endorsements and/or guarantees shall be kept in the custody of a designated person (the "Custodian") approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures. The Company shall submit the Custodian of the seals for endorsements and/or guarantees to and for approval by the board of directors. The same shall apply to any amendments to the Regulations.

#### **Article 6: Operation Procedures of Making Endorsements and Guarantees and Review Process**

Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies promulgated by the securities regulator and handle and review the following matters in accordance with these Procedures.

- (1) The guarantee company shall provide detailed financial information to the Finance Division of the Company.
- (2) The Finance Division shall prepare a report specifically stating the financial information of the guarantee company, examining the necessity and reasonableness of endorsements and/or guarantees, credit status and risk assessment of the entity for which the endorsement and/or guarantee is made and the impact on the Company's operational risks, financial condition and shareholders' equity. Such report shall be submitted to the chairman of the board of directors for approval.
- (3) If necessary, the ceiling on the amount of endorsements and/or guarantees proposed to be decided by the board of directors may be decided by the chairman of the board of directors provided the amount is within ten percent of the Company's net worth shown on the Company's latest financial report and then be reported to the upcoming board of directors for ratification. Where there are independent directors in the board, when making an endorsement or guarantee for others, the Company shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting

opinion.

- (4) The chairman of the board of directors may approve the endorsement and/or guarantee made for the guarantee company within the ceiling decided by the board of directors and refer to the Finance Division for execution.
- (5) The endorsement and/or guarantee may be made by the Finance Division after receiving the guarantee notes of the same term and same amount and collaterals where necessary. Appraisal of the collateral shall be done carefully by the Finance Division. However, where the subsidiaries are one hundred percent invested directly and indirectly by the Company, receipt of guarantee notes and collaterals can exempt.
- (6) The Finance Division shall periodically prepare and report the statement of details of guarantees for the purpose of controlling and monitoring the financial conditions and usage of fund of the guarantee company. Should any significant change regarding the aforementioned matters arise, the Finance Division shall immediately report to the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.
- (7) The Finance Division shall prepare a memorandum book and truthfully record the following information: entities for which the approved endorsements and/or guarantees are made, amount, date of approval by the board of directors or the chairman of the board of directors, endorsement and/or guarantee date, and matters to be carefully evaluated under paragraph (2) of this Article.
- (8) Prior approval of the Company's board of directors is required to provide endorsement/guarantee for the subsidiaries that the Company directly and indirectly owns ninety percent or more of the shares pursuant to Paragraph (2) of Article 2; provided that, the endorsement/guarantee provided by a company which is directly and indirectly wholly owned by the Company for another company which is also directly and indirectly wholly owned by the Company is not subject to the restriction provided above in this paragraph.
- (9) The Finance Division shall examine the net worth of the company for which the Company provides endorsement/guarantee at the end of each month. If the net worth of such company is lower than  $\frac{1}{2}$  of its paid-in capital, the Finance Division shall prepare a valuation report and submit such report to the chairman in order to determine whether to continue to provide endorsement/guarantee to such company. If the Company will continue to provide endorsement/guarantee for such company, the Finance Division shall obtain a negotiable instrument guaranteed by another person with the issuing amount equivalent to the amount of endorsement/guarantee or other security; provided that, no guaranteed negotiable instrument or security is required if the company for which the Company provides the endorsement/guarantee is directly and indirectly wholly owned by the Company.
- (10) In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital calculation pursuant to Paragraph 9 of this Article shall be the share capital plus premium for issuance of shares above par value.

Material endorsement or provision of guarantee by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those

positions.

## **Article 7: Renewal of Endorsements and/or Guarantees**

Renewal of endorsements and/or guarantees shall be in accordance with Article 6.

## **Article 8: Cancellation of Endorsement and Guarantee Record**

When the extinguishment of endorsements and/or guarantees is asked by the guarantee company or the Company, the Finance Division shall process it in accordance with the following procedures:

- (1) It shall be confirmed that the guarantee company has cancelled the record of the liability of guarantee.
- (2) A copy of cancellation of the guarantee notes by the guarantee company shall be obtained.

## **Article 9: Internal Audit**

The Company's internal auditors shall at least quarterly audit these Procedures and the implementation thereof and prepare written records accordingly. They shall promptly notify the independent directors the audit committee in writing of any material violation found.

## **Article 10: Procedures of Announcement and Report**

- (1) The Company shall announce and report the previous month's balance of endorsements and/or guarantees of itself and its subsidiaries by the 10th day of each month.
- (2) If the balance of endorsement/guarantee reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the guaranteed/endorsed party and the monetary amount of the guarantee/endorsement, whichever date is earlier.
  1. The balance of endorsement/guarantee of the Company and its subsidiaries reaches fifty percent or more of the net worth of the Company as stated in its latest financial statement.
  2. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a single entity reaches twenty percent or more of the net worth of the Company as stated in its latest financial statement.
  3. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a single entity reaches NTD 10 million or more, and the aggregate balance of endorsement/guarantee provided for, the book value of investments under the equity method in and funds lending to, such entity reaches thirty percent or more of the net worth of the Company as stated in its latest financial statements.



4. The amount of new endorsement/guarantee provided by the Company or its subsidiaries reaches NTD 30 million and reaches five percent of the net worth of the Company as stated in its latest financial statement.
- (3) Where any subsidiary of the Company is not a domestic public offering company, the Company shall make the required announcement and report on behalf of such subsidiary if the situation prescribed in the preceding Item 4 occurs.
- (4) The Company shall evaluate or record the contingent loss for endorsements and/or guarantees and shall adequately disclose information on endorsements and/or guarantees in its financial reports and provide relevant information to the certified public accountants for them to carry out necessary audit procedures.
- (5) "Net worth" as set forth in these Procedures means the equity attributable to owners of the parent company on the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (6) "Subsidiary" and "parent company" as set forth in these Procedures shall be determined as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Article 11: Penalty**

In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal endorsements and/or guarantees, when managers or personnel in charge violate these Procedures or the related laws and regulations, the Human Resource Department shall make a proposal for penalty to be approved by the responsible supervisor according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers shall be submitted to the compensation committee and the board of directors for resolution.

In the event of unrecoverable losses incurred from violation of these Procedures or the related laws and regulations with intent or by negligence, suspension may be imposed on personnel in charge after being approved by the responsible supervisor.

The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.

#### **Article 12: Control procedure to subsidiaries in providing endorsement /guarantee**

The Company shall require all of its subsidiaries to formulate their own Procedures for Endorsement and Guarantee in accordance with the Regulations Governing Lending Funds and Providing Endorsement and Guarantee by Public Offering Companies promulgated by the competent authorities and the Procedures for Endorsement and Guarantee of the Company. Any endorsement/guarantee provided by the subsidiaries shall comply with their own Procedures for Endorsement and Guarantee, and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.

#### **IV. VALIDATION AND AMENDMENTS**

These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these Procedures shall be submitted to the shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures. When the Procedures are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinions; any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.

If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, the Procedures or any amendment hereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.

**Winbond Electronics Corporation (the "Company")**  
**Comparison Table of the Operating Procedures of Fund Loaning**

Amended Articles	Current Articles	Note
<p>Article 1: Parties Eligible for Loans from the Company</p> <p>(1) <u>The Company shall not grant loans to any shareholder or anyone except for the following:</u></p> <p style="padding-left: 20px;">1. <u>Companies which have business dealings with the Company, to the extent that the loan is for their working capital needs only; and</u></p> <p style="padding-left: 20px;">2. <u>Companies having short-term financing needs in which the Company holds, whether directly or indirectly, fifty percent or more of the voting shares.</u></p> <p>(2) <u>The restriction set out in Paragraphs 1 and 2 of Article 2 and Article 4 hereof may not apply to the intercompany loans between foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, or the intercompany loans granted by foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, to the Company; provided, however, that the Company shall prescribe the aggregate maximum loan amount that the Company can provide and the maximum loan amount permitted to be given to a single borrower and specify the term of loan in these Procedures according to the Regulations Governing Loans and Endorsements /Guarantees by Public Companies promulgated by the securities authority.</u></p>	<p>Article 1: Parties Eligible for Loans from the Company</p> <p><u>The Company may grant loans only to companies or firms which have business dealings with the Company or short-term financing needs and in which the Company invests and holds twenty percent or more shareholding ("Borrower"). The restriction set out in Paragraphs 2 and 3 of Article 2 hereof shall apply to the intercompany loans between foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares.</u></p>	<p>1. This Article has been amended to explicitly define parties to which loans may be granted and the nature thereof. "Business dealings" shall be limited to the working capital financing relating to the purchase and sale of merchandise by both parties, excluding lending that does not involve business dealings. "Parties eligible for the short-term financing" shall be limited to the subsidiaries in which the Company has over 50% shareholding, in order to properly manage risks and avoid any damage to shareholders' rights and interests.</p> <p>2. To comply with the amendment to the law and improve the flexibility of financing between members within the group, in view that Article 15 of the Company Act does not apply to foreign companies, intercompany loans granted to the Company by foreign companies in which the Company holds directly or indirectly 100% of the voting shares are exempt from the loan limits and one-year repayment term.</p>

Amended Articles	Current Articles	Note
Article 2: Maximum Amount of Loans Granted to Other Parties	<p>Article 2: <del>Reasons, Necessity and</del> Maximum Amount of Loans Granted to Other Parties</p> <p><del>The Reasons and Necessity of Loaning of Fund</del></p> <p><del>The Company may engage in loaning of funds to other companies or enterprises having business transactions with the Company or requiring short term financing. The aforementioned loaning of funds for short term financing shall be limited to business financing or revolving finance for operations of other companies or enterprises or other circumstances where the Company's board of directors consents to the necessity of short term fund needs.</del></p>	<p>1.The reasons and necessity of lending specified in the original Article are subject to Article 1, and the relevant evaluation procedures have been conducted pursuant to Subparagraph (2) of Paragraph 1 of Article 3 (Operating Procedures for Loaning of Funds and Review Process); therefore, redundant words have been deleted. In the meantime, the order of the paragraphs has been rearranged.</p> <p>2.The order of the paragraphs (aggregate maximum loan amount of the Company and maximum loan amount for each borrower) was switched, such that the description regarding the aggregate maximum loan amount of the Company precedes the description of the maximum loan amount for each borrower, to be consistent with the description in the Procedures for Endorsements and Guarantees.</p> <p>3.The wording in Paragraphs (2) and (5) has been amended by reference to the Regulations Governing Loans and Endorsements/Guarantees by Public Companies and certain redundant words are deleted. In addition, the Borrower's net worth becomes the maximum loan amount and to simplify, the amount of money lent for business dealings shall mean the total amount of business transaction, for proper risk management and to</p>
<p>(1)The aggregate maximum loan amount granted to others may not exceed twenty percent of the net worth of the Company shown on its latest financial report.</p> <p>(2) The Maximum Amount of Loans for Each Borrower The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the Borrower's net worth shown on the Borrower's latest financial report or ten percent of the net worth of the Company shown on the Company's latest financial report, whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the <u>total</u> business transaction amount within the latest year</p>	<p>(2) The Maximum Amount of Loans for Each Borrower The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed <u>1.5 times</u> the Borrower's net worth shown on the Borrower's latest financial report or ten percent of the net worth of the Company shown on the Company's latest financial report, whichever is lower. Moreover, in case of aforementioned loans to others having business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the <u>average monthly</u> business transaction amount within the</p>	

Amended Articles	Current Articles	Note
<p>between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.</p> <p>(3) "Financing amount" used in this Article means the cumulative balance of the Company's short-term financing.</p> <p>(4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to <u>the independent directors and</u> the audit committee and complete the improvement on schedule.</p>	<p>latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Borrower and the Company, whichever is higher.</p> <p>(3) The aggregate maximum loan amount granted to others may not exceed twenty percent of the net worth of the Company shown on its latest financial report.</p> <p>(4) "Financing amount" used in this Article means the cumulative balance of the Company's short-term financing.</p> <p>(5) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the audit committee and complete the improvement on schedule.</p>	<p>prevent making excessive and large loans to prejudice the shareholders' rights and interests.</p> <p>4. To strengthen corporate governance, independent directors have been added in Paragraph (4) in response to the amendment to the law.</p>
<p>Article 3: Operating Procedures for Loaning of Funds and Review Procedures</p> <p>Before giving loans to others, the Company shall carefully evaluate whether it is in compliance with the Regulations Governing Loans and Providing Endorsements and/or Guarantees by Public Companies promulgated by Securities and Futures Commission and these <u>Operating Procedures</u>. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such</p>	<p>Article 3: Operating Procedures for Loaning of Funds and Review Procedures</p> <p>Before giving loans to others, the Company shall carefully evaluate whether it is in compliance with the Regulations Governing Loaning of Funds and Providing Endorsements and/or Guarantees by Public Companies promulgated by Securities and Futures Commission and these <u>Procedures</u>. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such</p>	<p>1. The language in the introductory paragraph and Paragraphs (1) to (3) was revised by reference to the Regulations Governing Loaning of Funds and Endorsements/ Guarantees by Public Companies.</p>

Amended Articles	Current Articles	Note
<p>decision. Where the independent directors have been in place, when making loans to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures for loaning of funds and review procedures are as follows:</p> <p>(1) When the Company handles the matters of loaning of funds, the necessary financial and guarantee information shall be provided by the Borrower to the Finance Division of the Company in advance.</p> <p>(2) The Finance Division of the Company shall prepare a report specifically stating the borrower, reason, the necessity and reasonableness of loans granted to others, amount, term, interest rate, method of repayment, source of funds, collateral or other methods of guarantee and other necessary matters. The borrower's credit position and risk assessment and analysis of the impact of such lending upon the Company's business operations, financial condition and shareholders' equity shall also be included in said report. Lending shall be handled by the Finance Division after such report has been submitted to the chairman of the board of directors for their review and to the board of directors for approval.</p> <p>(3) The procedures for loan will be processed by the Finance Division only after receiving the guarantee notes of the same amount or other</p>	<p>decision. Where the independent directors have been in place, when making loans to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures for lending and review procedures are as follows:</p> <p>(1) When the Company handles the matters of loaning of funds, the necessary financial and guarantee information shall be provided by the Borrower to the Finance Division of the Company in advance.</p> <p>(2) The Finance Division of the Company shall prepare a report specifically stating the borrower, reason, the necessity and reasonableness of loans granted to others, amount, term, interest rate, method of repayment, source of funds, collateral or other methods of guarantee and other necessary matters. The borrower's credit position and risk assessment and analysis of the impact of such lending upon the Company's business operations, financial condition and shareholders' equity shall also be included in said report. Lending shall be handled by the Finance Division after such report has been submitted to <del>the president and</del> the chairman of the board of directors for their review and to the board of directors for approval.</p> <p>(3) The procedures for loan will be processed by the Finance Division only after receiving the guarantee notes of the same amount or other</p>	<p>2. The approver has been changed in accordance with the organization and responsibilities.</p>

Amended Articles	Current Articles	Note
collateral as security for applying to the Company for loan. Appraisal of the collateral shall be done carefully by the Finance Division.  Hereafter Omitted.	collateral as security for applying to the Company for loan. Appraisal of the collateral shall be done carefully by the Finance Division.  Hereafter Omitted.	
Article 4: The Term of Loan  The term of loan shall not exceed one year.	Article 4: The Term of Loan  The term of loan shall not exceed one year.	A wording change has been made by reference to the Regulations Governing Loaning of Funds and Endorsements/ Guarantees by Public Companies.
Article 6: Follow-Up Control Measures and Procedures for Overdue Loans  (1) The Company shall prepare a memorandum book for its loans and truthfully record the following information: the borrower, amount, date of approval by the board of directors, date of loan, and matters to be carefully evaluated under Article 3.  (2)The Finance Division shall be responsible for monitoring and reviewing the financial conditions, business and related credit conditions of the Borrower and the guarantor and shall also pay attention to whether there is any change in the value of the collateral. If there is any significant change of circumstances, the Finance Division shall immediately report to the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.  (3) When making a repayment on or before the due date, the Borrower shall first calculate the interest payable and repay the principal and interest in full. The Finance Division shall submit a report	Article 6: Follow-Up Control Measures and Procedures for Overdue Loans  (1)The Company shall prepare a memorandum book for its loans and truthfully record the following information: the borrower, amount, date of approval by the board of directors, date of loan, and matters to be carefully evaluated under Article 3.  (2)The Finance Division shall be responsible for monitoring and reviewing the financial conditions, business and related credit conditions of the Borrower and the guarantor and shall also pay attention to whether there is any change in the value of the collateral. If there is any significant change of circumstances, the Finance Division shall immediately report to <del>the president and</del> the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.  (3)When making a repayment on or before the due date, the Borrower shall first calculate the interest payable and repay the principal and interest in full. The Finance Division shall submit a report	1.Certain words in Paragraphs (1) to (4) have been amended by reference to the Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies.  2.The approver in Paragraphs (2) and (3) has been changed in accordance with the organization and responsibilities.

Amended Articles	Current Articles	Note
<p>confirming the full repayment and obtain approval of the chairman of the board of directors before returning the collateral or security to the Borrower.</p> <p>(4) The Borrower shall immediately repay the interest and principal in full when due; otherwise, the Company may dispose of the collateral or security provided by the Borrower and seek remedy against it pursuant to law.</p>	<p>confirming the full repayment and obtain approval of <del>the president and</del> the chairman of the board of directors before returning the collateral or security to the Borrower.</p> <p>(4) The Borrower shall immediately repay the interest and principal in full when due; otherwise, the Company may dispose of the collateral or security provided by the Borrower and seek remedy against it pursuant to law.</p>	
<p>Article 7: Internal Audit</p> <p>The Company's internal auditors shall audit the operating procedures for lending to others and the implementation thereof at least quarterly and prepare written records accordingly. The Company's internal auditors shall promptly notify the <u>independent directors</u> the audit committee in writing of any material violation found.</p>	<p>Article 7: Internal Audit</p> <p>The Company's internal auditors shall audit the operating procedures for lending to others and the implementation thereof at least quarterly and prepare written records accordingly. The Company's internal auditors shall promptly notify the audit committee in writing of any material violation found.</p>	<p>To strengthen corporate governance, independent directors have been added in this article in response to the amendment to the law.</p>
<p>Article 8: Procedure for Announcement and Report</p> <p>(1) (Omitted)</p> <p>(2) If the loan balance reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the party <u>to which the money is lent and loan amount</u>, whichever date is earlier.</p> <p>Hereafter Omitted.</p>	<p>Article 8: Procedure for Announcement and Report</p> <p>(1) (Omitted)</p> <p>(2) If the loan balance reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract <del>for the transaction</del>, date of payment, date of board resolutions, or other dates that may confirm the <u>counterparty and monetary value of the transaction</u>, whichever date is earlier.</p> <p>Hereafter Omitted.</p>	<p>In view that loaning of funds is not a transaction in nature, certain wording of Paragraph (2) has been amended to comply with the amendment to the law.</p>
<p>Article 9: Penalty</p> <p><u>(1) The responsible person of the Company who has violated Paragraph 1 of Article 3 of the</u></p>	<p>Article 9: Penalty</p>	<p>1.Paragraph (1) was newly added to conform to the amendment to the law. It is specified that in the event of any violation of</p>



Amended Articles	Current Articles	Note
<p><u>Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies shall be liable, jointly and severally with the Borrower, for the repayment of the loan at issue in accordance with Paragraph 6 of the same article of the same regulations, and shall indemnify the Company for any damages suffered by the Company resulted therefrom.</u></p> <p>(2) In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal loans, when managers or personnel in charge violate these <u>Operating Procedures</u> or the related laws and regulations, the Human Resource Department shall make a proposal for penalty <u>to be approved by the responsible supervisor</u> according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers <u>shall be submitted to the compensation committee and the board of directors for resolution.</u> In the event of unrecoverable losses incurred from violation of these Procedures or the related laws and regulations by an employee with intent or by negligence, suspension may be imposed on personnel in charge <u>after being approved by the responsible supervisor.</u></p> <p>The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.:</p>	<p>In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal loan, when managers or personnel in charge violate these <u>Procedures</u> or the related laws and regulations, the Human Resource Department shall make a proposal for penalty according to the seriousness of such violation of based on the evidence provided by the division in charge or audit division. <u>Penalty imposed on personnel in charge shall be assented by the president and approved by the chairman of the board of directors.</u> Penalty imposed on managers <u>shall be approved by the chairman of the board of directors and approved by the board of directors.</u></p> <p>In the event of unrecoverable losses incurred from violation of these Procedures or the related laws and regulations with intent or by negligence, <u>suspension may be imposed on personnel in charge after being approved by the president and suspension may be imposed on managers after being approved by the chairman of the board of directors.</u></p> <p>The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.:</p>	<p>Paragraph 1 of Article 3 of the Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies, the Company's responsible person shall be jointly and severally liable for the repayment of the loan and indemnification for any damages caused.</p> <p>2.Relevant words have been amended according to adjustments to the organization and responsibilities.</p>

Amended Articles	Current Articles	Note
Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.	Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.	
<p><b>IV. THE EFFECTIVENESS AND AMENDMENT</b></p> <p>These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these procedures shall be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendment to the Procedures. When the Operating Procedures of Fund Loaning are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinion; <u>any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.</u></p> <p>If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, these Procedures or amendments thereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons</p>	<p><b>IV. THE EFFECTIVENESS AND AMENDMENT</b></p> <p>These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these procedures shall be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendment to the Procedures. When the Operating Procedures of Fund Loaning are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinion; <u>independent directors' opinions specifically expressing assent or dissent and their reasons for such dissent shall be included in the minutes of the board meetings.</u></p> <p>If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, these Procedures or amendments thereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in</p>	<p>Certain sentence has been rephrased by reference to Article 14-3 of the Securities and Exchanges Act to reflect amendments to the law.</p>

Amended Articles	Current Articles	Note
currently holding those positions.	this paragraph shall be counted as the actual number of persons currently holding those positions.	

**(Translation)**  
**Winbond Electronics Corporation (the "Company")**  
**Operation Procedures of Fund Loaning**

**J. PURPOSE**

To soundly manage the Company's fund loaning and to reduce the risk in management, the Company enacts these Procedures.

**JJ. OBJECTIVE**

Loans to others by the Company shall be processed in accordance with these Procedures. Any matter not provided in these Procedures shall be processed in accordance with relevant laws and regulations so as to effectively manage matters concerning loans to others in line with the principles of steady and solid management of the Company.

**III. CONTENTS**

**Article 1: Object of Fund Loaning**

(1) The Company shall not grant loans to any shareholder or anyone except for the following:

1. Companies which have business dealings with the Company, to the extent that the loan is for their working capital needs only; and

2. Companies having short-term financing needs in which the Company holds, whether directly or indirectly, fifty percent or more of the voting shares.

(2) The restriction set out in Paragraphs 1 and 2 of Article 2 and Article 4 hereof may not apply to the intercompany loans between foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, or the intercompany loans granted by foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, to the Company; provided, however, that the Company shall prescribe the aggregate maximum loan amount that the Company can provide and the maximum loan amount permitted to be given to a single borrower and specify the term of loan in these Procedures according to the Regulations Governing Loans and Endorsements /Guarantees by Public Companies promulgated by the securities authority.

**Article 2: Maximum Amount of Loans Granted to Other Parties**

(1) The aggregate maximum loan amount granted to others may not exceed twenty percent of the net worth of the Company shown on its latest financial report.

(2) The Restriction Amount for Each Borrower

The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the Borrower's net worth shown on the Borrower's latest financial report or ten percent of the net worth of the Company shown on the Company's latest financial report,

whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the total business transaction amount within the latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.

- (3) "Financing amount" used in this Article means the cumulative balance of the Company's short-term financing.
- (4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the independent directors and the audit committee and complete the improvement on schedule.

### **Article 3: Operation Procedures of Fund Loaning and Review Process**

Before giving loans to others, the Company shall carefully evaluate whether it is in compliance with the Regulations Governing Loans and Providing Endorsements and/or Guarantees by Public Companies promulgated by Securities and Futures Commission and these Operating Procedures. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such decision. Where the independent directors have been in place, when making loans to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures for loaning of funds and review procedures are as follows:

- (1) When the Company handles the matters of fund loaning, the necessary financial information and guarantee shall be provided by the Borrower to the Finance Division of the Company in advance.
- (2) The Finance Division of the Company shall prepare a report specifically stating the borrower, reason, the necessity and reasonableness of loans to others, amount, term, interest rate, method of repayment, source of funds, collateral or other methods of guarantee and other necessary matters. The borrower's credit status and risk assessment and analysis of the impact of such fund loaning upon the Company's business operation, financial condition and shareholders' equity shall also be made by the Finance Division of the Company. Fund loaning shall be handled by the Finance Division after such report has been submitted to the chairman of the board of directors for their review and to the board of directors for approval.
- (3) The procedures of fund loaning will be processed by the Finance Division only after receiving the guarantee notes of the same amount or other collaterals as security for applying to the Company for fund loaning. Appraisal of the collateral shall be done carefully by the Finance Division.
- (4) The funds loaning between the Company and its subsidiaries shall be submitted to the Board of Directors for approval in accordance with this Article and the chairman of the Board of Directors may be authorized to loan the funds in installments or revolving within a certain amount resolved by the Board of Directors and within one

year with respect to the same persons to whom the funds are loaned. The authorized amount of the funds loaned to a single enterprise shall not exceed ten percent of the net worth of the Company shown on the Company's latest financial report.

Material fund loaning by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.

#### **Article 4: The Term of Loan**

The term of loan shall not exceed one year.

#### **Article 5: The Method of Interest Calculation for Loaning of Funds**

The method of interest calculation for fund loaning shall be decided with reference to the interest rate of correspondent financial institutions of the Company and may be adjusted according to the cost of funds. The interest calculation shall be done once a month except that under special circumstances, adjustment may be made in according to the actual need after being approved by the board of directors.

#### **Article 6: The Follow-Up Control Measures and the Process of Overdue Loan**

- (1) The Company shall prepare a memorandum book for its fund loaning activities and truthfully record the following information: the borrower, amount, date of approval by the board of directors, date of loan, and matters to be carefully evaluated under Article 3.
- (2) The Finance Division shall be responsible for following and checking the financial conditions, business and related credit conditions of the Borrower and the guarantor and shall also pay attention to whether there is any change to the value of the collateral. If there is any significant change of circumstances, the Finance Division shall immediately report to the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.
- (3) When making a repayment on or before the due date, the Borrower shall first  
Calculate the interest payable together with the principle. The Finance Division shall provide a report confirming that all amount of loan has been repaid and is approved by the chairman of the board of directors before return of collateral or guarantee to the Borrower.
- (4) The Borrower shall immediately repay all amount of interest and principle when due; otherwise, the Company may dispose the collateral and has a right of recovery to the guarantor.

#### **Article 7: Internal Audit**

The Company's internal auditors shall audit the operating procedures for lending to others and the implementation thereof at least quarterly and prepare written records accordingly. The Company's internal auditors shall promptly notify the independent directors the audit

committee in writing of any material violation found.

## **Article 8: Procedure for announcement and report**

- (1) The Company shall announce and report the loan balances of the Company and its subsidiaries for the previous month by the tenth day of each month, or conduct the announcement and report in accordance with relevant regulations promulgated by the competent authority.
- (2) If the loan balance reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the party to which the money is lent and loan amount, whichever date is earlier.
  - (i) The balances of the loans granted by the Company and its subsidiaries reaches twenty percent or more of the net worth of the Company as stated in its latest financial statement.
  - (ii) The balances of the loans granted by the Company and its subsidiaries made to a single entity reaches ten percent or more of the net worth of the Company as stated in its latest financial statement.
  - (iii) The amount of new loans granted by the Company or its subsidiaries reaches NTD 10 million and reaches two percent of the net worth of the Company as stated in its latest financial statement.
- (3) Where any subsidiary of the Company is not a domestic public offering company, the Company shall make the required announcement and report on behalf of such subsidiary if the situation prescribed in the preceding Item 3 occurs.
- (4) The Company shall evaluate the status of loans and make sufficient allowances for bad debts and shall properly disclose relevant information in its financial reports and provide the certified public accountants with the relevant information to conduct necessary audit procedures.
- (5) "Net worth" as set forth herein means parent company owner's equity on the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (6) "Subsidiary" and "parent company" as set forth herein shall be determined per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Article 9: Penalty for Violation of These Procedures by Managers or Personnel in Charge**

- (1) The responsible person of the Company who has violated Paragraph 1 of Article 3 of the Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies shall be liable, jointly and severally with the Borrower, for the repayment of the loan at issue in accordance with Paragraph 6 of the same article of the same regulations, and shall indemnify the Company for any damages suffered by the Company resulted therefrom.
- (2) In order to prevent managers or personnel in charge from taking advantage of their

offices to engage in illegal loans, when managers or personnel in charge violate these Operating Procedures or the related laws and regulations, the Human Resource Department shall make a proposal for penalty to be approved by the responsible supervisor according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers shall be submitted to the compensation committee and the board of directors for resolution. In the event of unrecoverable losses incurred from violation of these Procedures or the related laws and regulations by an employee with intent or by negligence, suspension may be imposed on personnel in charge after being approved by the responsible supervisor.

The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.

#### **Article 10: Control procedure to subsidiaries in loaning funds to other parties**

The Company shall require all of its subsidiaries to formulate their own "Procedures for Loaning Funds to Other Parties" in accordance with the "Regulations Governing Loaning Funds and Providing Endorsement and Guarantee by Public Offering Companies" promulgated by the competent authorities and the "Procedures for Loaning Funds to Other Parties" of the Company. Any loan made by the subsidiaries shall comply with their own "Procedures for Loaning Funds to Other Parties", and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.

#### **IV. THE EFFECTIVENESS AND AMENDMENT**

These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these procedures shall be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendment to the Procedures. When the Operating Procedures of Fund Loaning are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinion; any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.

If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, these Procedures or amendments thereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.



## Winbond Electronics Corporation (the "Company")

### Comparison Table of the Rules Governing the Conduct of Shareholders Meeting

Amended Article	Current Article	Note
Article 2: 1.~3. Omitted  <u>The matters specified in Paragraph 5 of Article 172 of the Company Act, or Article 26-1 or Article 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 listed among the reasons and explained in the notice for the meeting, and may not be proposed as extemporary motions. The essential contents of the matters specified in Paragraph 5 of Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</u>	Article 2: 1.~3. Omitted  <u>The election or discharge of directors, amendment to the Company's Articles of Incorporation, dissolution, merger, or spin-off of the Company, or the matters specified in Paragraph 1 of Article 185 of the Company Act, or Article 26-1 or Article 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 listed among the reasons for the meeting, and may not be proposed as extemporary motions.</u>	To conform to the amendments to the Paragraph 5 of Article 172 of the Company Act
Hereafter Omitted	Hereafter Omitted	

(English Translation)

**WINBOND ELECTRONICS CORPORATION (the "Company")**  
**Rules Governing Election of Directors**

Article	Amended Article	Current Article	Note
Article 2	<p>1.Omitted</p> <p>The candidate nomination and election of directors <u>shall be conducted in accordance with the Company Act, Securities and Exchange Act and other relevant laws and rules.</u> The professional qualification, shareholding, restrictions on concurrent serving in other companies and other matters to be complied with by independent directors shall be conducted in accordance with other relevant laws and rules.</p>	<p>1.Omitted</p> <p>The candidate nomination, <del>examination</del> and election of directors, <del>and the professional qualification, shareholding, restrictions on concurrent serving in other companies and other matters to be complied with by independent directors</del> shall be conducted in accordance with <del>the Company Act, Securities and Exchange Act and other relevant laws and rules.</del></p>	To conform to the amendments to Article 192-1 of the Company Act

## Explanations of involvement of directors in acts for themselves or others which fall into the field of the Company's business

### (1) Director : Yung Chin

Names of other companies Where he served	Title	Business items same or similar to the Company's
Hwa Bao Botanic Conservation Corp.	Chairman	F401010 International Trade I501010 Product Designing

### (2) Independent Director : Jerry Hsu

Names of other companies Where he served	Title	Business items same or similar to the Company's
AcBel Polytech Inc.	Director	CC01080 Etronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade I301010 Software Design Services
Kang Exhibition Electronics (Dongguan) Co., Ltd.	Manager	The company mainly engages in the processing, manufacturing and sale of power supplies.
AcBel Polytech (Dongguan) Co., Ltd.	Manager	The company mainly engages in the processing, manufacturing and sale of power supplies.

### (3) Director : Chih-Chen Lin

Names of other companies Where he served	Title	Business items same or similar to the Company's
AppWorks Fund III Co., Ltd.	Chairman	F401010 International Trade

### (4) Director : Walsin Lihwa Corporation

Names of other companies Where he served	Title	Business items same or similar to the Company's
Waltuo Green Resources Corporation	Director	F401010 International Trade

# Appendix

(English Translation)

**Winbond Electronics Corporation (hereinafter the "Company")**  
**"Rules Governing the Conduct of Shareholders Meeting"**

The Ninth amendment will be submitted to the annual general shareholders meeting of June 14, 2019 for approval

Article 1

Unless otherwise provided by laws and regulations, all shareholders meetings of the Company shall be conducted in accordance with these Rules.

Article 2

The shareholders meetings of the Company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.

All shareholders shall be served with the convention notice of an annual shareholders meeting at least 30 days prior to the meeting, except for those shareholders each holding less than 1,000 registered shares that may be notified by means of an announcement on the Market Observation Post System at least 30 days prior to the meeting. All shareholders shall be served with the convention notice of a special shareholders meeting at least 15 days prior to the meeting, except for those shareholders each holding less than 1,000 registered shares that may be notified by means of an announcement on the Market Observation Post System at least 15 days prior to the meeting.

Convention notices and announcements shall state the reasons for the meeting. The convention notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the shareholders.

The matters specified in Paragraph 5 of Article 172 of the Company Act, or Article 26-1 or Article 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 listed among the reasons and explained in the notice for the meeting, and may not be proposed as extemporaneous motions. The essential contents of the matters specified in Paragraph 5 of Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

The Company shall prepare the agenda handbook for shareholders meeting in accordance with Article 6 of the "Regulations Governing Content and Compliance Requirements for Shareholders Meeting Agenda Handbooks of Public Companies".

Article 3

The shareholders holding one percent or more of the total number of issued shares of the Company may propose in writing to the Company a proposal for discussion at an annual shareholders meeting; provided that only one matter shall be allowed in each single proposal. In case a proposal submitted by shareholder(s) contains more than one matter, such proposal shall not be included in the agenda of the shareholders meeting. The number of words of a proposal submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders meeting. The "300 words" includes the reasons and punctuation marks. If any of the circumstances listed in Paragraph 4 of Article 172-1 of the Company Act occurs to the proposal submitted by any shareholder, the Board of Directors of the Company may ignore that proposal.

The Company shall announce the acceptance of shareholders' proposal, the place and the period for shareholders to submit proposals to be discussed at the shareholders meeting prior to the commencement of the close period for share transfer. The period for accepting such proposals shall not be less than 10 days.

Shareholders submit proposals to be discussed at the shareholders meeting shall attend the shareholders meeting in person or by proxy, and participate in discussion of those proposals.

The Company shall, prior to the delivery of the convention notice, notify all the shareholders who had submitted the proposals of the proposal screening results, and shall incorporate in the convention 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 shareholders meeting, the Board of Directors shall explain reasons why such proposals are not included in the agenda of the shareholders meeting.

#### Article 4

Prior to any shareholders meeting, a shareholder may appoint a proxy to attend the meeting by issuing a power of attorney in the form provided by the Company stating the scope of authorization.

Each shareholder may issue one power of attorney only, and may appoint one person only to serve as a proxy. The written proxy must be delivered to the Company at least five days prior to each shareholders meeting. If two or more written proxies forms are received from a shareholder, the first one received by the Company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the Company receives the written proxy, 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 in writing shall be delivered to the Company two days prior to the date of the shareholders meeting; otherwise, the voting right exercised by the authorized proxy at the meeting shall prevail.

#### Article 5

Except that the "shareholder" referred to in Articles 2, 3 and 4 of these Rules means the shareholders in person, the "shareholder" referred to in these Rules means the shareholder himself/herself/itself and the proxy appointed by the shareholder in accordance with the laws and regulations.

#### Article 6

This Company shall prepare an attendance book for attending shareholders to sign in, or shareholder present may hand in an attendance card in lieu of signing on the attendance book. The number of shares representing shareholders present at the meeting shall be calculated in accordance with those indicated in the attendance book or the attendance cards, plus the number of shares whose voting right exercised in writing or by way of electronic transmission. Each shareholder attending the shareholders meeting in person (or proxy) shall wear an attendance pass and submit the attendance card in lieu of sign-in.

#### Article 7

Attendance and voting at the shareholders meeting shall be determined based on the number of shares.

#### Article 8

Unless otherwise restricted by, or subject to evasion in accordance with, the laws and regulations, and shares having no voting right in accordance with Paragraph 2 of Article 179 of the Company Law, a shareholder shall have one voting right in respect of each share.

The method for exercising the voting right shall be described in the convention notice of the shareholders meeting if the voting right will be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting right at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders meeting in person, but shall be deemed to have waived his/her/its voting right with respect to any extemporaneous motions and any amendments or replacements to the original proposals at the said shareholders meeting.

In case a shareholder elects to exercise his/her/its voting right in writing or by way of electronic transmission, his/her/its declaration of intention shall be delivered to the Company no later than two days prior to the scheduled shareholders meeting. If two or more declarations of intention are delivered to the Company, the first declaration of intention

received shall prevail; unless 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 right in writing or by way of electronic transmission intends to attend the shareholders meeting in person, the shareholder shall, two days prior to the shareholders meeting and in the same manner previously used in exercising his/her/its voting right, deliver a separate declaration of intention to revoke his/her/its previous declaration of intention made in exercising the voting right under the preceding paragraph. In the absence of a timely revocation of the previous declaration of intention, the voting right exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his/her/its voting right in writing or by way of electronic transmission and has also authorized a proxy to attend the shareholders meeting on his/her/its behalf, then the voting right exercised by the authorized proxy for the said shareholder shall prevail.

If the Company allows its shareholders to exercise their voting rights in writing or by way of electronic transmission, the Company shall finish the counting and verification of the votes cast in writing or by way of electronic transmission before the shareholders meeting.

If the Company allows its shareholders to exercise their voting rights in writing or by way of electronic transmission, the Company shall compile the number of votes cast in writing or by way of electronic transmission and prepare a statement of information and disclose such statement of information in explicit way at the place of the shareholders meeting.

#### Article 9

Shareholders meetings shall be held at the Company's premises or at another place that is convenient for shareholders to attend and suitable for such meetings. Shareholders meetings shall not start earlier than 9:00 AM or later than 3:00 PM.

#### Article 10

If a shareholders meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the chairman presiding at the meeting. If the Chairman of the Board of Directors is on leave or cannot perform his duties for some reason, the Vice-Chairman shall preside at the meeting on the Chairman's behalf. If the Company does not have a Vice-Chairman or the Vice-Chairman is on leave or cannot perform his duties for some reason, the Chairman of the Board of Directors shall appoint a managing director to serve on his behalf. If there are no managing directors, the Chairman of the Board of Directors shall appoint a director to serve on his behalf. If the Chairman of the Board of Directors has not appointed any representative, the managing directors or directors shall nominate a person among themselves to preside at the shareholders meeting.

If a shareholders meeting is convened by any person entitled to convene the meeting other than the Board of Directors, such person shall be the meeting's chairman; provided that if this meeting is convened by two or more persons, the chairman of the meeting shall be elected from among themselves.

#### Article 11

The Company may appoint lawyer(s) or certified public accountant(s) engaged by the Company, or relevant persons, to attend a shareholders meeting.

Persons handling affairs of the shareholders meeting shall wear identification cards or arm badges.

#### Article 12

The chairman of the shareholders meeting may order disciplinary officers (or security guards) to assist in keeping order at the meeting place. Such disciplinary officers (or security guards) shall wear arm badges marked "Disciplinary Personnel" when assisting in keeping order at the meeting place.

#### Article 13

Persons attending the shareholders meeting shall not bring anything that is harmful to the

safety of others' life, body, freedom or property.

#### Article 14

During the shareholders meeting, the chairman may request the police present at the meeting place to keep order.

#### Article 15

The process of the shareholders meeting shall be audio recorded or video recorded in its entirety and these records shall be preserved for at least one year. If the Company allows shareholders to exercise their voting right in writing or by way of electronic transmission, the related written and media data shall also be preserved for at least one year. However, if a lawsuit has been instituted by any shareholder pursuant to Article 189 of the Company Act, the records and data involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

#### Article 16

The chairman shall announce the commencement of the shareholders meeting at the time scheduled for the meeting. But if the number of shares represented by the shareholders present at the meeting is less than one-half of all issued shares of the Company at the time scheduled for the meeting, the chairman may announce the postponement of the meeting. The shareholders meeting can only be postponed for twice and the time of the postponement shall not be more than one hour in the aggregate. If after two postponements the number of shares represented by the shareholders present at the meeting is still less than one-half of all issued shares of the Company but the shareholders present at the meeting represent more than one-third of all issued shares, provisional resolutions may be made in accordance with Paragraph 1 of Article 175 of the Company Act.

If the number of the shares represented by the shareholders present at the shareholders meeting reaches one-half of all issued shares of the Company prior to the end of the meeting, the chairman may submit the foregoing provisional resolutions to the shareholders meeting for approval in accordance with Article 174 of the Company Act.

#### Article 17

The agenda of the meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The shareholders meeting shall be conducted according to the agenda, and unless otherwise provided by these Rules or laws and regulations, the agenda shall not be changed without the resolution of the shareholders meeting.

The above provision also applies to the shareholders meeting convened by any person entitled to convene such meeting other than the Board of Directors.

Unless otherwise resolved at the meeting, the chairman cannot announce adjournment of the meeting before all the items (including extemporary motions) listed in the agenda made according to the preceding two paragraphs are completed.

After the meeting is adjourned, shareholders cannot designate another person as chairman and continue the meeting at the same or other place.

#### Article 18

When a shareholder present at the meeting wishes to speak, he/she shall fill in a speech note specifying the summary of his/her speech, the shareholder's account number (or the number of attendance pass) and the account name of the shareholder. The chairman shall determine the sequence of shareholders' speeches.

If any shareholder present at the meeting submits a speech note but does not speak, no speech should be deemed to have been made by the shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note submitted by such shareholder, the contents of the actual speech shall prevail. The proxy's speech shall be complied with the written proxy, documents of public solicitation and advertisement. Unless otherwise provided by laws and regulations, the shareholders appointing a proxy to attend the shareholders meeting shall agree with any speeches and voting made by the proxy



in the shareholders meeting.

When a shareholder speaks at the meeting, unless otherwise permitted by the chairman and the speaking shareholder, no other shareholders shall interrupt the speech of the speaking shareholder; otherwise the chairman shall stop such interruption.

#### Article 19

The same shareholder may not speak more than twice for the same motion without the chairman's permission, and each speech time may not exceed 5 minutes.

The chairman may stop the speech of any shareholder who violates the above provision or when such speech is out of the scope of the motion.

#### Article 20

A legal entity serving as proxy to attend a shareholders meeting may designate only one representative to attend such meeting.

The number of representatives that a legal-entity shareholder appointed to attend the shareholders meeting should not exceed the number of directors to be elected at a shareholders meeting if there is an election of directors at that shareholders meeting, or the number of directors elected for a term of office if there is no election of directors at that shareholders meeting, and only one representative can speak for each motion.

#### Article 21

After the speech of the shareholder(s) present at the shareholders meeting, the chairman may respond in person or designate relevant person(s) to respond to the speech.

#### Article 22

When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

#### Article 23

Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. The voting right of shareholders shall be calculated according to the voting right that shareholders may exercise in accordance with the Company Act or the Company's Articles of Incorporation.

A motion is adopted by vote.

#### Article 24

The chairman shall appoint persons responsible for checking and counting ballots during votes on motions. The results of resolution shall be announced at the place and recorded in the minutes of the meeting. The persons responsible for checking ballots must be shareholders and shall monitor the voting procedure, prevent from inappropriate voting behaviors, examine ballots and monitor the records of the persons responsible for counting ballots. A ballot shall be invalid and shall not be calculated under any of the following conditions:

a ballot is not in the form provided by the Company;

a ballot is not thrown in the ballot box;

a blank ballot without writing words or expressing opinion regarding the motions;

a ballot with other words thereon other than those required to be filled in;

the handwriting on a ballot is too blurred or indistinct to be readable or is altered;

a ballot is used by the proxy who violates the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies"; or

any violation of laws or regulations or voting guidelines made by the Company.

The standard for recognition of invalid ballots in case the exercise of voting right in writing by shareholders is carried out in conformity mutatis mutandis with the Subparagraphs 1, 3, 4, 5 and 7 of the proceeding paragraph. If there is any doubt or disputes, the shareholders agree

to authorize the Company's verification section to decide.

In addition, the standard for recognition of invalid ballots in case the exercise of voting right by electronic transmission by shareholders is carried out in conformity *mutatis mutandis* with Subparagraph 7 of the proceeding paragraph, as well as in compliance with the relevant regulations of the authority.

#### Article 25

During the meeting, the chairman may, at his discretion, set time for intermission.

#### Article 26

In case of an air-raid alarm, an earthquake or other force majeure event, the chairman shall immediately announce to suspend the meeting and evacuate respectively. Once the reason of suspending the meeting is eliminated, the chairman shall decide if the meeting will resume.

#### Article 27

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 (20) days after the close of the meeting. The minutes of the meeting may be made and distributed by electronic way.

With regard to the distribution of the minutes in the foregoing paragraph, the minutes may be distributed by way of an announcement on the Market Observation Post System, instead of actual distribution of the minutes.

The minutes must faithfully record the meeting's date (year, month, day), place, chairman's name, resolution method, summary of proceedings, and results of resolutions. The minutes of shareholders' meeting shall be preserved for as long as the Company exists.

#### Article 28

Any matter concerned that is not provided in these Rules shall be handled in accordance with the Company Law and the related laws and regulations, and the relevant provisions of the Articles of Incorporation of the Company.

#### Article 29

These Rules shall be effective from the date they are approved by the shareholders' meeting. The same applies in the case of amendments.

**Winbond Electronics Corporation (hereinafter the "Company")  
"Rules Governing Election of Directors "**

The Eighth amendment will be submitted to the annual  
general shareholders meeting of June 14, 2019 for approval

**Article 1**

The election of directors of the Company shall be handled in accordance with these Rules.

**Article 2**

The candidate nomination system provided in Article 192-1 of the Company Act and the cumulated voting with single name registered on the ballot will be used for the election of directors. Each share has the number of exercisable votes same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates set forth on the list of candidates of directors. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed an elected director. Independent directors and non-independent directors shall be elected at the same time but the number of the elected independent directors and non-independent directors shall be separately calculated. The attendance card number of the electors may be used on the ballot instead of the name of the electors.

The candidate nomination and election of directors shall be conducted in accordance with the Company Act, Securities and Exchange Act and other relevant laws and rules. The professional qualification, shareholding, restrictions on concurrent serving in other companies and other matters to be complied with by independent directors shall be conducted in accordance with other relevant laws and rules.

**Article 3**

When the election commences, the chairperson of the meeting shall appoint ballot supervisor(s) from among the shareholders present. Other personnel responsible for counting and announcing the ballots and performing relevant duties shall be appointed by the chairperson of the meeting. The ballot box shall be prepared by the board of directors and examined by the ballot supervisor(s) in public before the voting.

**Article 4**

The number of directors will be as specified in the Company's articles of incorporation, with votes separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of votes will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, the persons of the same number of votes shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

**Article 5**

The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and printed with the number of voting rights of the shareholders.

**Article 6**

If the candidate is a shareholder of the Company, the electors shall fill in the name and the shareholder's number of such candidate in the column of "Candidate" of the ballot. If the candidate is not a shareholder of the Company, the electors shall fill in such candidate's name and the number of its identification certificate in the same column. If the candidate is a government agency or a legal entity, either the full name of the government agency or the legal entity or the full name of the government agency or the legal entity and the name(s) of their representative(s) should be filled in the column of candidate. If the government-linked shareholder or institutional

shareholder has several representatives, the name of each representative shall be filled in.

When a shareholder fill in the name and the shareholder's number of such candidate and the number of his/its identification certificate, he/it may use his/its seal instead.

In case that the electors cast their votes by electronic transmission, the electors shall check the box of the number of the candidates and fill in the number of votes to be allocated to each candidate. The number of candidates that an elector checked on the ballot shall not exceed the number of persons which should be elected and the aggregate number of votes to be allocated to each candidate shall not exceed the total number of voting rights of such elector.

#### **Article 7**

A ballot shall be void and excluded from the votes for any candidate upon any of the following conditions:

1. The ballot was not in the form provided in accordance with Article 5 of these Rules.
2. The ballot was not cast in the ballot box installed by the board of directors.
3. The ballot was blank when cast in the ballot box.
4. The ballot was not cast pursuant to Article 6 of these Rules or the handwriting on the ballot was blurred or illegible or has been altered.
5. The candidate listed on the same ballot does not appear in the list of candidates and there are two or more than two candidates filled in on the same ballot.
6. There are other written characters or symbols in addition to the name, shareholder's number or the number of identification certificate of the candidate on the ballot.
7. The name of a candidate filled in on the ballot is same as another shareholder's name but the respective shareholder's numbers or numbers of identification certificates are not indicated to distinguish them; or
8. Any violation of laws or regulations or these Rules.

For determining invalid ballots in case of voting in writing by shareholders, subparagraphs 1, 3, 4, 5, 6, 7 and 8 of the preceding paragraph shall apply mutatis mutandis. If there are any doubts or disputes, the shareholders agree to authorize the Company's verification unit to make a decision. For determining invalid ballots in case of voting by electronic transmission by shareholders, subparagraph 8 of the preceding paragraph shall apply mutatis mutandis, in addition to compliance with the relevant regulations of the competent authorities.

#### **Article 8**

The ballot box shall be opened and the ballots shall be counted on spot under the supervision of the ballot supervisor immediately after the completion of voting, and the result of counting the ballots shall be announced by the chairperson of the meeting.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year; provided, however, that the ballots shall be retained until the conclusion of the litigation if a shareholder files a lawsuit pursuant to Article 189 of the Company Act.

#### **Article 9**

Matters not provided in these Rules shall be handled in accordance with the Company Act and relevant laws and regulations, the Articles of Incorporation of the Company and the relevant provisions of the Rules Governing the Procedure of Shareholders Meeting of the Company.

#### **Article 10**

These Rules shall be effective upon approval of the shareholders' meeting. The same applies to amendments.

**ARTICLES OF INCORPORATION  
WINBOND ELECTRONICS CORPORATION**

The twenty-ninth amendment will be submitted to the annual general shareholders meeting of June 14, 2019 for approval

**Section 1: General Principles**

Article 1: The Company is incorporated as a company limited by shares in accordance with the Company Act (the "Company Act") and its name shall be 華邦電子股份有限公司 in Chinese language and Winbond Electronics Corporation in English language (the "Company").

Article 2: The business scope of the Company is as follows:  
Research and development, ODM, production and manufacture, repair, and sale of the following products:  
(i) Integrated circuits.  
(ii) Semiconductor memory parts and components and their systems products.  
(iii) Semiconductor components and system products for use in computer systems.  
(iv) Semiconductor components and system products for use in digital communications.  
(v) Semiconductor components and system products for use in peripherals.  
(vi) Other semiconductor components.  
(vii) Design of computer software programs and data processing.  
(viii) Import and export trade related to the business of the Company.  
Business categories and codes of the aforementioned products are as follows:  
(i) CC01080 Electronic Parts and Components Manufacture  
(ii) CC01110 Computers and Computing Peripherals Manufacture  
(iii) CC01120 Data Storage Media Manufacture and Duplication  
(iv) F401010 International Trade  
(v) I301010 Software Design Services  
(vi) I301020 Data Processing Services  
(vii) I501010 Product Designing

Article 2-1: The Company may act as a guarantor as required by its business operation.

Article 2-2: Total investment by the Company shall not be subject to the ceiling of an amount equivalent to 40 percent of its paid-in capital.

Article 3: The Company has its head-office in Central Taiwan Science-Based Industrial Park. Subject to the approval of the Board of Directors and government authority, the Company may, if necessary, set up branches or business offices within and outside of the Republic of China.

Article 4: Public notices by the Company shall be made in accordance with Article 28 of the Company Act.

**Section 2: Shares**

Article 5: The total capital of the Company is sixty-seven billion New Taiwan Dollars (NT\$67,000,000,000) divided into six billion seven hundred million (6,700,000,000) shares,

at ten New Taiwan Dollars per share and may be issued in a series of issuance. The un-issued shares may be issued by a resolution of the Board of Directors if the Board deems necessary.

A maximum of five billion New Taiwan Dollars may be used to be divided into five hundred million shares at ten New Taiwan Dollars per share may be used for issuance, in installments, of stock/subsorption warrants, preferred shares with subscription rights, or corporate bonds with subscription rights. The quota each for the issuance of stock/subsorption warrants, preferred shares with subscription rights or corporate bonds with subscription rights may be adjusted by the Board of Directors in consideration of factors concerning capital market and operation needs.

Article 6: (Deleted)

Article 7: Where the shares issued by the Company are in scripless form and without physical certificates, the Company shall register the shares with the central securities depository institution.

Article 8: The transfer, registration, loss or destruction of share certificates shall be handled in accordance with the Company Act and relevant regulations.

### **Section 3: Shareholders Meetings**

Article 9: Shareholders meetings shall be of two types, general meetings and special meetings. General meetings shall be convened by the Board of Directors once a year, within six months from the end of each fiscal year in accordance with law. Special meetings shall be convened in accordance with the law, whenever necessary.

Article 10: Shareholders may designate a proxy to attend a shareholders meeting with a power of attorney stating the scope of authority in accordance with the Company Act and the "Regulations for the Use of Proxies for the Attendance at Stockholders Meetings of Public Companies," promulgated by the competent governmental authority.

Article 11: Unless otherwise provided by the laws and regulations, each share has one voting right.

Article 12: Except otherwise provided by the laws and regulations, a resolution of the shareholders meeting shall be adopted by the majority of the votes represented by the attending shareholders who hold the majority of the Company's issued shares.

### **Section 4: Directors and Audit Committee**

Article 13: The Company shall have nine to eleven directors, among whom there should be not less than three independent directors making up not less than one-fifth of the total number of directors whose term of office is three years. Election of directors shall adopt the candidate nomination system prescribed in Article 192-1 of the Company Act. All of the directors are elected by the shareholders' meeting from the candidate list of directors, and are eligible for re-election. Independent and non-independent directors shall be elected at the same time, but the quota shall be calculated separately.

The method of candidate nomination and election of directors shall conform to the Company Act, the Securities and Exchange Act, and other relevant rules and regulations. The professional qualifications for, requirements relating to shareholdings of, restrictions on concurrent positions held by, and other compliance matters with respect to independent directors shall conform to relevant rules and regulations.

The Company shall establish an audit committee and the audit committee or its members shall be responsible for performing the functions and duties of supervisors provided under the Company Act, Securities and Exchange Act and other laws and regulations. The composition, convention, duties and meeting rules of the audit committee shall comply with relevant laws and regulations and the Company's rules. The Board of Directors may additionally establish a compensation committee. The professional qualifications of the members, exercise of their duties, organizational rules and relevant matters of the compensation committee shall comply with relevant laws and regulations and the Company's rules. The Board of Directors may also establish other committees with different functions. The organizational rules of those committees shall be stipulated by the Board of Directors.

Article 13-1: The Company may, after the approval of the Board of Directors, in view of the international and local industry standards, purchase liability insurance for directors with respect to the indemnification liabilities that the directors shall be liable resulting from exercising their duties during their terms of office according to law.

Article 14: The Board of Directors shall be formed by directors. The directors shall elect a Chairman of the Board of Directors from among themselves by a majority vote at a meeting attended by two-thirds or more of the directors. The Chairman of the Board of Directors represents the Company. A Vice Chairman may also be elected to assist the Chairman.

Article 14-1: Unless otherwise provided for by law, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. When convening a meeting of the Board of Directors, a meeting notice specifying the reasons for convening such meeting shall be sent to each director within the period prescribed by the competent authority in charge of securities law; provided that a meeting may be convened at any time in case of emergency.  
The meeting notice set forth in the preceding paragraph may be in writing or by fax or e-mail.  
Unless otherwise provided by law, resolutions adopted at a meeting of the Board of Directors must be approved by a majority vote of the directors being present, who shall represent no less than half of the total number of directors.  
Directors may designate other directors as their proxies to attend the meetings of the Boards of Directors; provided that each director may act as proxy for one other director only. The Board of Directors shall meet at least once every three months.

Article 15: In the case where the Chairman of the Board is on leave or otherwise unable to perform his/her duties, matters conducted on behalf of the Chairman shall be handled in accordance with Article 208 of the Company Act.

Article 16: Remuneration of directors shall be decided by the Board of Directors based on their contribution and involvement in the operations of the Company and by reference to remuneration for similar roles at comparable companies domestically and internationally.

Article 17: The functions and responsibilities of the Board of Directors shall be as follows:

1. Review operating policies and short- and long- term development plans;
2. Review annual business plans and supervise its implementation;
3. Approve budget and review the results at year-end;
4. Propose capital increase or decrease;
5. Propose profit distribution or loss make-up plans;
6. Review, approve, amend and terminate material contracts and contracts relating to procurement, transfer, licensing of important technology and

- patents and of important technical cooperation;
7. Propose and review plans in connection with using transfer as security, sale, lease, pledge, mortgage, or other disposal of all or a substantial portion of assets of the Company;
  8. Propose and review amendments to the Articles of Incorporation;
  9. Approve organizational by-laws and important operation rules;
  10. Decide the establishment, reorganization, or removal of branches or business offices;
  11. Approve major capital expenditures of NT\$500 Million or more (capital expenditures not exceeding the above amount shall be approved by the Chairman of the Board of Directors);
  12. Appoint or remove corporate officials at the level of vice presidents and higher;
  13. Convene shareholders meetings and make business reports;
  14. Examine and approve investment in other enterprises and purchase/sale of stocks of NT\$ 500 Million or more (The Chairman is authorized to approve the investment or purchase/sale if the transaction amount is less than NT\$500 Million);
  15. Appoint or dismiss auditing certified public accountant of the Company;
  16. Examine and approve the application to financial institutions or third parties for financing, guarantees, providing acceptance of commercial paper, any other extension of credit, and credit lines for derivatives products in an amount of NT\$500 Million or more. The Chairman of the Board of Directors is authorized to approve any of the above applications that is in an amount no more than NT\$500 Million.
  17. Examine and approve the amount of endorsements, guarantees, and acceptance of commercial paper to be made in the name of the Company;
  18. Examine and approve major business transactions between related parties (including affiliated enterprises);
  19. Perform such other duties and responsibilities prescribed by law or authorized by shareholders meetings.

Where it is necessary and legally permissible, actions listed above may first be approved or conducted by the Chairman of the Board of Directors and later reported to the Board of Directors for recognition. Actions covered by items 11, 14 and 16 above intending for the same purpose shall not be separately contracted, applied for or spent without prior approval.

Article 18: (Deleted)

## **Section 5: Management**

Article 19: The Company may have chief executive officer, vice executive officer, president and several vice presidents according to the resolution of the Board of Directors. Appointment, removal, and remuneration of the chief executive officer, vice executive officer, president and vice presidents shall be handled in accordance with Article 29 of the Company Act. The Board of Directors is authorized to determine the duties and function of the said managers or the Board of Directors may authorize the Chairman of the Board of Directors to determine the duties and functions of the said managers.

## **Section 6: Accounting**

Article 20: The Company's fiscal year shall be from January 1 to December 31 of each calendar year. Final accounting shall be prepared after the end of each fiscal year.

Article 20-1: (Deleted)



- Article 21: After the end of each fiscal year, the Board of Directors shall have the following documents prepared: (1) the business report; (2) the financial statements; and (3) the proposal for distribution of earnings or making up loss, and submit the same for recognition at the annual general shareholders' meeting in accordance with statutory procedures.
- Article 22: From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the Board of Directors. The distribution of employee and director remuneration shall be reported to the shareholders' meeting. However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph. The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the Board of Directors.
- Article 23: If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders. The Board of Directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.
- Article 24: The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The statements and proposals set forth in Article 21 hereof shall be prepared by and then resolved by the Board of Directors. The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with to law; provided, however, that where the legal reserve amounts to the total paid-in capital, the legal reserve needs not setting aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the Board of Directors, but where the profit is distributed in the form of newly issued share, such distribution shall be resolved by the

shareholders' meeting.

## **Section 7: Supplementary Regulations**

Article 25: In case of any matters not covered herein, the Company Act shall govern.

Article 26: The organizational rules of the Company shall be separately stipulated.

Article 27: These Articles of Incorporation were enacted on September 1, 1987, and were first amended on November 20, 1987. The second amendment was made on May 23, 1988; the third amendment was made on August 23, 1988; the fourth amendment was made on May 5, 1989; the fifth amendment was made on October 21, 1989; the sixth amendment was made on March 30, 1990; the seventh amendment was made on April 30, 1991; the eighth amendment was made on March 26, 1992; the ninth amendment was made on March 25, 1993; the tenth amendment was made on March 30, 1994; the eleventh amendment was made on March 17, 1995; the twelfth amendment was made on April 9; the thirteenth amendment was made on April 22, 1997; the fourteenth amendment was made on 17 April, 1998; the fifteenth amendment was made on April 23, 1999; the sixteenth amendment was made on April 27, 2000; the seventeenth amendment was made on April 16, 2001; the eighteenth amendment was made on May 17, 2002; the nineteenth amendment was made on May 6, 2003; the twentieth amendment was made on June 10, 2005; the twenty-first amendment on June 9, 2006; the twenty-second amendment was made on April 30, 2008; the twenty-third amendment was made on June 18, 2010. The twenty-fourth amendment was made on June 22, 2011; and the twenty-fifth amendment was made on June 19, 2013; and the twenty-sixth amendment was made on June 16, 2016; the twenty-seventh amendment was made on June 13 2017 ; the twenty-eighth amendment was made on June 11, 2018 and the twenty-ninth amendment was made on June 14, 2019 and shall become effective after approval by a resolution of the shareholders meeting. Any subsequent amendments to these Articles of Incorporation shall follow the same procedure.