



**Winbond Electronics Corporation**  
**Minutes of 2018 Annual General Meeting of Shareholders<sup>1</sup>**  
**(English Translation)**

Time and Date: 9:00 a.m., June 11, 2018 (Monday)

Place: 1st Floor-The Ballroom, No.15, Ln.168, Xingshan Rd., Neihu Dist., Taipei City.

Shares present at the meeting: Shareholders who were present in person or by proxy together held 3,079,844,244 shares (including 1,050,420,271 shares present by electronic means), representing 77.38 % of the total number of issued shares of the Company, which is 3,980,000,193 shares.

Chairman: Arthur Yu-Cheng Chiao, the Chairman of the Board of Directors

Recorder: Jessica Chiou-Jii Huang

Attendees :

Directors : Mr. Yuan-Mou Su (Vice Chairman), Mr. Allen Hsu (Independent Director), Ms. Wei-Hsin Ma (Director), Ms.Sophi Pan (Director Representative of Walsin Lihwa Corporation)

Others : Mr. Ker-Chang Wu and Ms. Ming-Yu Chiu, CPA, Deloitte  
Ms. Hsin-Lan Hsu, Attorney-at-Law, Lee and Li

Meeting called:

The total number of issued shares of the Company is 3,980,000,193 shares. As of 9:00 a.m., the number of shares present were 3,079,316,536 shares (including 1,155,020,927 shares in person, 873,875,338 shares by proxy, and 1,050,420,271 shares by electronic means), which constituted the quorum of shareholders representing at least two-thirds of issued shares of the Company, and therefore the Chairman announced the commencement of the meeting.

Opening Speech of the Chairman : (omitted )

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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.

## **I. Matters to be reported**

### **1. Business report of fiscal year 2017**

Both the business report and the financial statements of fiscal year 2017 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 of 2017**

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

### **3. Report of remuneration of employees, directors and supervisors for fiscal year 2017.**

After the certified public accountants audited the Company's earnings for 2017, 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 and supervisors, which is NT\$67,881,308 in total, and to allot 1% of the balance to be the remuneration of employees, which is NT\$67,881,308 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 shareholdings of all directors**

- a. In accordance with Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Share Ownership Ratios of Directors and Supervisors of Public Companies, The minimum combined shareholding of all directors required by laws and regulations is 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.
- b. 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.
- c. The aggregate shareholdings of all directors meet the minimum shareholding required by laws and regulations.

#### **(2) During the period for accepting shareholders' proposals, no shareholder submitted any written proposal to the Company for the 2018 annual general shareholders meeting in accordance with Article 172-1 of the Company Act .**

## **Matters to be acknowledged and discussed**

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

Proposal: The business report and financial statements of fiscal year 2017 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 2017.
2. The aforementioned financial statements have been approved by the Fifth Meeting of the Board of Directors of the Eleventh Term and after audited by the certified public accountants, together with the business report, have been submitted to and reviewed by the Audit Committee.

Resolution: Total number of voting rights present at the time of voting: 3,079,844,032. Yes votes: 2,780,515,760 (including voting via electronic transmission); No votes: 218,687 (including voting via electronic transmission) ; invalid votes: 0; abstained votes and uncast votes:

299,109,585 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 90.28% of the voting shares present.

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

Proposal: The proposal for distribution of 2017 profit of the Company is presented. Please acknowledge and recognize the same.

Explanation:

1. The Company has a net profit after tax of NT\$5,550,562,625 for the year of 2017. The proposed statement of profit distribution is as follows.
2. After this proposal is resolved by the annual general shareholders meeting, the Chairman is authorized to designate a record date for dividend distribution and a dividend payment date.
3. The Chairman 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 Sixth Meeting of the Board of Directors of the Eleventh Term.

Winbond Electronics Corporation  
Statement of Profit Distribution  
For the year ended December 31, 2017

(Unit : NTD\$)

Items	Total
Unappropriated Retained Earnings, Beginning of Year	\$1,878,756,044
Minus : Losses on Remeasurement of Defined Benefit Plans	(73,425,467)
Unappropriated Retained Earnings after adjustment	1,805,330,577
Plus : Net Income of 2017	5,550,562,625
Minus : 10% Legal Reserve Appropriated	(555,056,263)
Plus : Reversal of Appropriated Special Reserve	31,428,976
	5,026,935,338
Retained Earnings Available for Distribution as of December 31, 2017	\$6,832,265,915
Distributable items:	
Cash Dividends to Common Shareholders (NT\$ 1 per share)	(3,980,000,193)
Unappropriated Retained Earnings, End of Year	\$2,852,265,722

(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

Resolution: Total number of voting rights present at the time of voting: 3,079,844,032. Yes votes: 2,802,074,386 (including voting via electronic transmission); No votes: 360,668 (including voting via electronic transmission) ; invalid votes: 0; abstained votes and uncast votes: 277,408,978 (including voting via electronic transmission). This Proposal was passed as

originally made by a simple majority, with affirmative vote of 90.98% of the voting shares present.

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

Proposal: It is proposed to raise long-term capital, the Company proposes to offer GDRs through issuance of new common shares for cash capital increase. Please review and approve the same.

Explanation:

1. For the purpose of supporting its future capacity expansion plan, increasing its working capital or meeting the capital needs for its long-term development, and diversifying the funding channels, the Company plans to raise funds by offering GDRs through issuance of new common shares for cash capital increase within one year. It is proposed to the shareholders meeting that the Board of Directors be authorized to identify optimal timing and adjust the number of new common shares to be issued, up to 350 million, depending upon the prevailing financial market conditions within one year from the date of resolution by the shareholders meeting in order to raise funds.
2. Pursuant to Article 267 of the Company Act, 10% of the new shares shall be reserved for employee subscription, and it is proposed to the shareholders meeting that the shareholders waive their pre-emptive rights to subscribe to the remaining 90% of the new shares and such remaining shares shall be allocated for public offering in accordance with Article 28-1 of the Securities and Exchange Act and serve as the underlying securities of this offering of GDRs. The Chairman of the Board is authorized to arrange specific persons to subscribe to the shares left unsubscribed by the Company's employees, or to include the unsubscribed shares as underlying securities to sponsor the offering of GDRs depending on market demand.
3. The issue price of the new shares for cash capital increase for sponsoring the offering of GDRs shall not be lower than 90% of the Reference Price (which means (i) the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the pricing date, or (ii) the simple arithmetic closing price of the Company's common shares listed on the Taiwan Stock Exchange for any of the period of one, three or five days prior to the pricing date) after adjusting for distribution of cash and stock dividends (or distribution of stock after capital reduction); provided that, the aforesaid pricing formula may be adjusted in accordance with changes to relevant domestic laws and regulations. In view of the short-term dramatic volatility of domestic share prices, the Chairman is authorized to determine the issue price within the aforesaid extent in consultation with the underwriter(s), based on international practice, market conditions and aggregate book building status, so as to enhance the attractiveness to overseas investors. Given the above, the method to determine the issue price should be reasonable. Equity dilution due to issuance of new common shares for cash capital increase for sponsoring the offering of GDRs will be up to approximately 8% and therefore will not have a material dilutive effect on the original shareholding. The actual issue price is based on the fair market price of the common stock on the domestic centralized exchange market, and is subject to the condition that the issue price may not be lower than 90% of the reference price, after excluding stock dividends, cash dividends and stock distribution after capital reduction. Existing shareholders may still purchase the common shares on the domestic stock market at a price close to the issue price of the GDRs without taking the foreign exchange risk and liquidity risk. In view of the possible enhancement of the Company's competitiveness and benefit for the shareholders after the benefits of this capital increase emerge, the offering of GDRs should not have material impact on existing shareholders' rights and interests.
4. Proceeds from the issuance of common shares for cash capital increase for sponsoring the GDRs are expected to be used for one or multiple purpose(s), such as factory expansion, equipment procurement, overseas material procurement, working capital augmentation, re-investment and bank loan repayment within around three years after completion of such issuance. The execution of this plan is expected to bolster the Company's competitiveness, enhance operating efficiency and have a positive effect on the shareholders' rights and interests.
5. It is proposed to the shareholders meeting that the Board of Directors be authorized to adjust, decide and handle, in view of market condition, all material matters in connection with the issuance of new common shares for cash capital increase to sponsor the offering of GDRs, including issue price,

number of shares to be issued, the amount to be raised, offering plan, items for the funds usage plan, schedule, expected benefits, and other relevant processes, including necessary amendments to be made per the instructions of the competent authority or in consideration of objective changes in market conditions.

6. For the purpose of cash capital increase by issuing new common shares to sponsor the offering of GDRs, it is proposed to the shareholders meeting to authorize the Chairman or the person designated by the Chairman with full power and authority to approve and execute on behalf of the Company any and all documents regarding the cash capital increase by issuing new common shares to sponsor the offering of GDRs and conduct all matters in connection with such offering for the Company.
7. After obtaining approval from the competent authority for cash capital increase by issuing new common shares to sponsor the offering of GDRs, it is proposed to the shareholders meeting that the Board of Directors be authorized to handle relevant matters regarding the issuance of new common shares.
8. It is proposed to the shareholders meeting to authorize the Chairman of the Board with full power and authority to handle, in accordance with applicable laws, any and all matters not mentioned above in connection with the cash capital increase by issuing new common shares to sponsor the offering of GDRs.
9. The proposal was approved by the Sixth Meeting of the Board of Directors of the Eleventh Term.

Resolution: Total number of voting rights present at the time of voting: 3,079,844,032. Yes votes: 2,778,717,934 (including voting via electronic transmission); No votes: 2,470,675 (including voting via electronic transmission) ; invalid votes: 0; abstained votes and uncast votes: 298,655,423 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 90.22% of the voting shares present.

**Motion 4:** (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 according to the practical needs.
2. Please refer to Attachment 5 for the comparison table for the amendment to the Articles of Incorporation.
3. The proposal was approved by the Sixth Meeting of the Board of Directors of the Eleventh Term.

Resolution: Total number of voting rights present at the time of voting: 3,079,844,032. Yes votes: 2,802,287,488 (including voting via electronic transmission); No votes: 302,694 (including voting via electronic transmission) ; invalid votes: 0; abstained votes and uncast votes: 277,253,850 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 90.98% of the voting shares present.

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

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

Explanation:

1. Amendments to the internal rules of the Company are as follows:
  - A. It is proposed to amend the Procedures of Acquisition or Disposal of Assets of the Company. Please review and approve the same.
    - (a) It is proposed to amend the Company's Procedures of Acquisition or Disposal of Assets to reflect the fact of establishment of the Audit Committee to replace Supervisors

beginning from the Board of Directors of the 11th term.

- (b) Please refer to Attachment 6 for the comparison chart of the articles proposed to be amended & revised edition .

B. It is proposed to amend the Procedures for Engaging in Financial Derivatives Transactions.

- (a) It is conducted according to the practical needs.

- (b) This amendment mainly aims to unify the authorized amount of all kinds of financial derivatives transactions, adjust the maximum unrealized losses on total derivatives transactions and under individual contracts and accommodate the substitution of the Audit Committee for Supervisors.

- (c) Please refer to Attachment 7 for the comparison chart of the articles proposed to be amended & revised edition .

2.The proposal was approved by the Fourth and the Sixth Meeting of the Board of Directors of the Eleventh Term.

Resolution: Total number of voting rights present at the time of voting: 3,079,844,032. Yes votes: 2,802,254,021 (including voting via electronic transmission); No votes: 356,666 (including voting via electronic transmission) ; invalid votes: 0; abstained votes and uncast votes: 277,233,345 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 90.98% of the voting shares present.

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

Proposal: It is proposed to release the directors 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 8 for the items of competitive conduct of the directors 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 who conduct activities that fall within the Company's business scope and not to seek 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 Sixth and the Seventh Meeting of the Board of Directors of the Eleventh Term.

Resolution:

(6-A) Mr. Francis Tsai did not own any shares in the Company and thus is not required to abstain from voting. Total number of voting rights present at the time of voting: 3,079,844,032 (including voting via electronic transmission). Yes votes: 2,770,123,793 (including voting via electronic transmission); No votes: 561,126 (including voting via electronic transmission) ; invalid votes: 0; abstain votes and uncast votes: 309,159,113 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 89.94% of the voting shares present.

(6-B) Mr. Jerry Hsu did not own any shares in the Company and thus is not required to abstain from voting. Total number of voting rights present at the time of voting: 3,079,844,032 (including voting via electronic transmission). Yes votes: 2,770,121,435 (including voting via electronic transmission); No votes: 566,503 (including voting via electronic transmission) ; invalid votes: 0; abstain votes and uncast votes: 309,156,094 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 89.94% of

the voting shares present.

- (6-C) Mr. San-Cheng Chang did not own any shares in the Company and thus is not required to abstain from voting. Total number of voting rights present at the time of voting: 3,079,844,032 (including voting via electronic transmission). Yes votes: 2,770,137,225 (including voting via electronic transmission); No votes: 560,714 (including voting via electronic transmission) ; invalid votes: 0; abstain votes and uncast votes: 309,146,093 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 89.94% of the voting shares present.
- (6-D) Ms. Wei-Hsin Ma did not own any shares in the Company and thus is not required to abstain from voting. Total number of voting rights present at the time of voting: 3,079,844,032 (including voting via electronic transmission). Yes votes: 2,769,870,245 (including voting via electronic transmission); No votes: 817,695 (including voting via electronic transmission) ; invalid votes: 0; abstain votes and uncast votes: 309,156,092 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 89.93% of the voting shares present.
- (6-E) Total number of voting rights present at the time of voting: 2,195,984,573 excluding 883,848,423 voting shares held by shareholder Walsin Lihwa Corp. (shareholder no.1) voluntarily abstained and 11,036 voting shares held by shareholder Sophi Pan (shareholder no. 387520) voluntarily abstained. Yes Vote: 1,886,283,012 (including voting via electronic transmission); No Vote: 556,489 (including voting via electronic transmission); invalid votes: 0; abstain votes and uncast votes: 309,145,072 (including voting via electronic transmission). This Proposal was passed as originally made by a simple majority, with affirmative vote of 85.89% of the voting shares present.

Other Extemporary Matters and Motions : None.

Meeting Adjourned ° (09:51 a.m.).

# **Attachment**



(English Translation)

## **Business Report 2017**

Year 2017 marks a new chapter of Winbond. The recovery of global economy drove strong demand for electronic products of semiconductor industry. Winbond is a specialty memory solution provider and has been vigorously developing new technologies, expanding product applications, and valuing customer relations. We achieved strong results in 2017 with revenue and earnings per share rising to a 17-year high.

### **Financial Performance**

The consolidated revenue, including that of Nuvoton Technology Corp and other subsidiaries, amounted to NT\$47,590 million in 2017, up 13% from 2016. Memory and logic products made up respectively 81% and 19 % of total revenue. Consolidated net profits were NT\$5,820 million and stand-alone net profit NT\$5,550 million, NT\$1.54 per share in 2017.

### **Market and Product Applications**

Main product lines of our memory business - DRAM and Flash have brought balanced and stable growth. In 2017, DRAM revenue accounted for 53% of memory business, while Flash revenue grew to 47% of memory business in 2017 from 37% in 2016. The steady DRAM revenue steam was generated by Specialty and Mobile memory products. With respect to Code Storage Flash memory, our high-quality products have won customers' trust and injected momentum for revenue growth as we grow together with our customers.

Since Winbond transformed into a Specialty DRAM maker with own brand, we have been building a partnership with world class clients on the strength of high-quality products, excellent after-sale services and timely delivery.

In the aspect of product applications, communications and consumer products contributed respectively 29% of memory revenue due to the robust demands for network and displays. The revenue of computer and peripheral products on the other hand dropped to 23% due to extended replacement cycle. In addition, our longstanding efforts in expanding IC product applications in automotive electronics, security, surveillance and games have panned out. The percentage of automotive and industrial applications of memory revenue jumped to 19% in 2017.

### **Technology Development and Manufacturing**

Given the constantly evolving technologies, we put relentless efforts at innovative features in developing low-power, high-speed, and security value-added products. In the aspect of technological development, our in-house developed 38nm DRAM process went into mass production in 3Q 2017. We are also developing 25nm DRAM process technology. We put forth considerable resources in developing high-quality, high-speed and secured Flash products in the hope to trigger growth momentum with innovative knowhow.

In 2017, our fab at Central Taiwan Science Park (CTSP) outputs 48,000 12-inch wafers per month. To meet customer demands, we completed the fund-raising of NT\$8.8 billion with capital increased by cash in December 2017 to expand the monthly capacity of our CTSP fab to 52,000 wafers per month. Our CTSP fab is equipped with highly functional and sophisticated equipment that use big data analytics and industry 4.0 knowledge to build high-efficiency process and improve yields to create competitive advantages. In addition, we have granted a piece of land from the Ministry of Science and Technology for building a new fab at Kaohsiung Science Park.

### **Future Outlook**

Along with the ongoing deployment of the Internet of Things ecosystem and the applications of artificial intelligence, electronic devices used in our lives will change from passive execution to active

sensing and from linking people to linking everything. Technological innovation will combine a variety of topics - life experience, human insight, environmental sustainability, etc. Being a world-class provider of high value-added specialty memory solutions, Winbond focus on the ongoing improvement of quality, adding value and enhancing productivity. We expect to embrace technology, humanity, vision and co-prosperity with the environment to maximize value and return for shareholders, customers and employees.

On behalf of the management team at Winbond, I would like to thank our shareholders for your support and encouragement.

Chairman:Arthur Yu-Cheng Chiao   President:Tung-Yi Chan   CAO:Jessica Chiou-Jii Huang

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	2017		2016	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 14,172,441	16	\$ 7,683,817	11
Current financial assets at fair value through profit or loss (Notes 4 and 7)	32,745	-	5,559	-
Current available-for-sale financial assets (Notes 4 and 8)	6,502,762	7	4,486,893	7
Notes and accounts receivable, net (Notes 4 and 9)	6,707,490	8	5,756,815	8
Accounts receivable due from related parties, net (Note 26)	33,546	-	49,531	-
Other receivables (Note 6)	654,836	1	518,048	1
Inventories (Notes 4 and 10)	8,139,982	9	7,536,161	11
Other current assets	996,403	1	1,222,919	2
Total current assets	37,240,205	42	27,259,743	40
<b>NON-CURRENT ASSETS</b>				
Non-current available-for-sale financial assets (Notes 4 and 8)	289,789	-	146,913	-
Non-current financial assets measured at cost (Notes 4 and 11)	340,875	1	611,699	1
Investments accounted for using equity method (Notes 4 and 12)	4,430,985	5	2,654,477	4
Property, plant and equipment (Notes 4 and 13)	43,828,707	50	34,372,537	51
Investment properties (Notes 4 and 14)	56,278	-	61,673	-
Intangible assets (Notes 4 and 15)	288,013	-	285,304	-
Deferred income tax assets (Notes 4 and 21)	1,351,087	2	2,353,422	4
Other non-current assets (Note 6)	290,184	-	243,727	-
Total non-current assets	50,875,918	58	40,729,752	60
<b>TOTAL</b>	<u>\$ 88,116,123</u>	<u>100</u>	<u>\$ 67,989,495</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 553,539	1	\$ -	-
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	47,288	-
Notes and accounts payable	4,420,945	5	4,209,720	6
Accounts payable to related parties (Note 26)	496,787	-	472,489	1
Payables on machinery and equipment	3,734,501	4	3,826,462	6
Other payables	3,516,869	4	2,786,505	4
Long-term borrowings, current portion (Note 16)	3,323,520	4	3,090,180	4
Other current liabilities	194,027	-	173,091	-
Total current liabilities	16,240,188	18	14,605,735	21
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	8,728,773	10	6,638,273	10
Net defined benefit liabilities, non-current (Notes 4 and 17)	1,087,089	1	1,062,706	1
Other non-current liabilities	433,082	1	461,982	1
Total non-current liabilities	10,248,944	12	8,162,961	12
Total liabilities	26,489,132	30	22,768,696	33
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 18)</b>				
Share capital	39,800,002	45	35,800,002	53
Capital surplus	7,540,440	8	2,471,044	3
Retained earnings				
Legal reserve	498,385	1	208,606	-
Special reserve	31,429	-	1,395,063	2
Unappropriated earnings	7,355,893	8	2,952,901	5
Exchange differences on translation of foreign financial statements	(120,988)	-	23,433	-
Unrealized gains on available-for-sale financial assets	5,107,003	6	1,176,299	2
Treasury shares	-	-	(106,387)	-
Total equity attributable to owners of the parent	60,212,164	68	43,920,961	65
<b>NON-CONTROLLING INTERESTS</b>	1,414,827	2	1,299,838	2
Total equity	61,626,991	70	45,220,799	67
<b>TOTAL</b>	<u>\$ 88,116,123</u>	<u>100</u>	<u>\$ 67,989,495</u>	<u>100</u>

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, 2017 AND 2016 (In Thousand of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 47,591,792	100	\$ 42,091,709	100
OPERATING COSTS (Note 10)	<u>31,268,105</u>	<u>66</u>	<u>30,073,937</u>	<u>71</u>
GROSS PROFIT	<u>16,323,687</u>	<u>34</u>	<u>12,017,772</u>	<u>29</u>
OPERATING EXPENSES				
Selling expenses	1,376,250	3	1,243,513	3
General and administrative expenses	1,566,084	3	1,308,571	3
Research and development expenses	<u>6,725,585</u>	<u>14</u>	<u>5,752,732</u>	<u>14</u>
Total operating expenses	<u>9,667,919</u>	<u>20</u>	<u>8,304,816</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>6,655,768</u>	<u>14</u>	<u>3,712,956</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	35,349	-	175,417	-
Dividend income	340,284	1	126,790	-
Other income	58,660	-	38,495	-
Gains (losses) on disposals of property, plant and equipment	1,267	-	(4,520)	-
Gains (losses) on disposals of investments	25,489	-	(1,811)	-
Gains on financial instruments at fair value through profit or loss	215,100	1	55,725	-
Share of profit of associates accounted for using equity method (Note 12)	192,125	-	12,384	-
Interest expenses	(78,625)	-	(187,010)	-
Other expenses	(68,089)	-	(33,008)	-
Foreign exchange losses	(269,799)	(1)	(94,713)	-
Impairment loss on financial assets (Note 11)	(10,000)	-	(30,000)	-
Impairment loss on property, plant and equipment (Note 13)	<u>-</u>	<u>-</u>	<u>(16,085)</u>	<u>-</u>
Total non-operating income and expenses	<u>441,761</u>	<u>1</u>	<u>41,664</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	7,097,529	15	3,754,620	9
INCOME TAX EXPENSE (Notes 4 and 21)	<u>1,274,579</u>	<u>3</u>	<u>614,546</u>	<u>2</u>
NET PROFIT	<u>5,822,950</u>	<u>12</u>	<u>3,140,074</u>	<u>7</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousand of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 17)	\$ (80,813)	-	\$ (82,556)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(155,904)	-	(77,894)	-
Unrealized gains on available-for-sale financial assets	2,402,035	5	1,728,371	4
Share of the other comprehensive income of associates accounted for using equity method	<u>1,584,383</u>	<u>3</u>	<u>917,195</u>	<u>2</u>
Other comprehensive income	<u>3,749,701</u>	<u>8</u>	<u>2,485,116</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,572,651</u>	<u>20</u>	<u>\$ 5,625,190</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 5,550,562	12	\$ 2,897,791	7
Non-controlling interests	<u>272,388</u>	<u>-</u>	<u>242,283</u>	<u>-</u>
	<u>\$ 5,822,950</u>	<u>12</u>	<u>\$ 3,140,074</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 9,263,420	19	\$ 5,376,238	13
Non-controlling interests	<u>309,231</u>	<u>1</u>	<u>248,952</u>	<u>-</u>
	<u>\$ 9,572,651</u>	<u>20</u>	<u>\$ 5,625,190</u>	<u>13</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.54</u>		<u>\$ 0.81</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 0.81</u>	

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, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
						Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets				
	Share Capital	Capital Surplus	Retained Earnings								
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2016	\$ 35,800,002	\$ 2,470,292	\$ -	\$ -	\$ 2,086,060	\$ 88,771	\$ (1,436,767)	\$ (106,387)	\$ 38,901,971	\$ 1,196,568	\$ 40,098,539
Appropriation of 2015 earnings											
Legal reserve	-	-	208,606	-	(208,606)	-	-	-	-	-	-
Special reserve	-	-	-	1,395,063	(1,395,063)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(358,000)	-	-	-	(358,000)	-	(358,000)
Total appropriations	-	-	208,606	1,395,063	(1,961,669)	-	-	-	(358,000)	-	(358,000)
Net profit for 2016	-	-	-	-	2,897,791	-	-	-	2,897,791	242,283	3,140,074
Other comprehensive income (loss) for 2016	-	-	-	-	(69,281)	(65,338)	2,613,066	-	2,478,447	6,669	2,485,116
Total comprehensive income (loss) for 2016	-	-	-	-	2,828,510	(65,338)	2,613,066	-	5,376,238	248,952	5,625,190
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	752	-	-	-	-	-	-	752	-	752
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(145,682)	(145,682)
BALANCE, DECEMBER 31, 2016	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	-	-	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 income (loss) 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 18)	4,000,000	4,787,673	-	-	-	-	-	-	8,787,673	-	8,787,673
Share-based payments (Note 20)	-	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 18)	-	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

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, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 7,097,529	\$ 3,754,620
Adjustments for:		
Depreciation expense	5,981,027	5,570,860
Amortization expense	103,348	99,669
Provision for allowance for doubtful accounts	28,351	4,932
Recognition (reversal) of provisions for declines in market value, obsolescence and scraps of inventories	125,748	(44,645)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(74,474)	19,302
Interest expense	78,625	187,010
Interest income	(35,349)	(175,417)
Dividend income	(340,284)	(126,790)
Share-based payments	239,200	-
Share of profit of associates accounted for using equity method	(192,125)	(12,384)
(Gain) loss on disposal of property, plant and equipment	(1,267)	4,520
Impairment loss on financial assets	10,000	30,000
Impairment loss on non-financial assets	-	16,111
(Gain) loss on disposal of investments	(25,489)	1,811
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(922,470)	(576,408)
Decrease in accounts receivable due from related parties	15,985	31,384
Increase in other receivables	(185,922)	(45,677)
(Increase) decrease in inventories	(729,569)	1,044,319
Decrease (increase) in other current assets	226,535	(103,203)
(Increase) decrease in other non-current assets	(46,457)	37
Increase in notes and accounts payable	211,225	366,754
Increase (decrease) in accounts payable to related parties	24,298	(234,575)
Increase in other payables	514,388	355,737
Increase in other current liabilities	20,936	34,437
(Decrease) increase in other non-current liabilities	(72,146)	43,305
Cash generated from operations	12,051,643	10,245,709
Interest received	40,958	34,907
Dividends received	340,284	126,790
Interest paid	(210,451)	(238,139)
Income tax paid	(79,160)	(177,843)
Net cash generated from operating activities	12,143,274	9,991,424
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of available-for-sale financial assets	(68,842)	(504,432)
Proceeds from disposal of available-for-sale financial assets	315,312	146,565
Proceeds from capital reduction of available-for-sale financial assets	6,067	7,913
Proceeds from repayment of held-to-maturity financial assets	-	101,100
Proceeds from disposal of financial assets measured at cost	-	8,243

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	2017	2016
Proceeds from capital reduction of financial assets measured at cost	\$ 229,651	\$ 18,017
Acquisitions of property, plant and equipment	(15,411,661)	(4,988,580)
Proceeds from disposal of property, plant and equipment	2,940	1,121
Acquisition of intangible assets	(103,190)	(111,444)
Decrease in financial lease receivables	<u>-</u>	<u>574,353</u>
Net cash used in investing activities	<u>(15,029,723)</u>	<u>(4,747,144)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	553,539	-
Proceeds from long-term borrowings	6,900,000	1,000,000
Repayments of long-term borrowings	(4,590,180)	(4,352,267)
Cash dividends paid	(2,143,489)	(357,248)
Proceeds from issuing shares	8,800,000	-
Proceeds from sale of treasury shares	144,399	-
Change in non-controlling interests	(205,724)	(158,238)
Other financing activities	<u>(12,327)</u>	<u>(38,600)</u>
Net cash generated from (used in) financing activities	<u>9,446,218</u>	<u>(3,906,353)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(71,145)</u>	<u>(50,725)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,488,624	1,287,202
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>7,683,817</u>	<u>6,396,615</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 14,172,441</u>	<u>\$ 7,683,817</u>

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

(Concluded)



# WINBOND ELECTRONICS CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousand of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,658,134	14	\$ 4,874,171	8
Current financial assets at fair value through profit or loss (Notes 4 and 7)	31,035	-	5,559	-
Current available-for-sale financial assets (Notes 4 and 8)	6,281,754	7	4,275,910	7
Notes and accounts receivable, net (Notes 4 and 9)	3,830,179	5	3,320,240	5
Accounts receivable due from related parties, net (Note 25)	1,753,601	2	1,230,340	2
Other receivables (Note 6)	247,805	-	211,734	-
Inventories (Notes 4 and 10)	6,497,262	8	6,365,674	10
Other current assets	<u>746,871</u>	<u>1</u>	<u>986,006</u>	<u>1</u>
Total current assets	<u>31,046,641</u>	<u>37</u>	<u>21,269,634</u>	<u>33</u>
NON-CURRENT ASSETS				
Non-current financial assets measured at cost (Notes 4 and 11)	27,649	-	37,649	-
Investments accounted for using equity method (Notes 4 and 12)	9,003,400	11	7,201,908	11
Property, plant and equipment (Notes 4 and 13)	42,969,011	51	33,607,842	52
Intangible assets (Notes 4 and 14)	115,325	-	69,438	-
Deferred income tax assets (Notes 4 and 20)	1,087,000	1	2,066,000	3
Other non-current assets (Note 6)	<u>160,974</u>	<u>-</u>	<u>146,579</u>	<u>1</u>
Total non-current assets	<u>53,363,359</u>	<u>63</u>	<u>43,129,416</u>	<u>67</u>
TOTAL	<u>\$ 84,410,000</u>	<u>100</u>	<u>\$ 64,399,050</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 553,539	1	\$ -	-
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	46,581	-
Notes payable	233,687	-	301,550	-
Accounts payable	3,271,986	4	3,023,405	5
Accounts payable to related parties (Note 25)	496,787	1	472,489	1
Payables on machinery and equipment	3,683,587	4	3,761,758	6
Other payables	2,712,160	3	2,018,276	3
Long-term borrowings, current portion (Note 15)	3,323,520	4	3,090,180	5
Other current liabilities	<u>84,791</u>	<u>-</u>	<u>46,177</u>	<u>-</u>
Total current liabilities	<u>14,360,057</u>	<u>17</u>	<u>12,760,416</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	8,728,773	10	6,638,273	10
Net defined benefit liabilities, non-current (Notes 4 and 16)	652,453	1	572,610	1
Other non-current liabilities	<u>456,553</u>	<u>1</u>	<u>506,790</u>	<u>1</u>
Total non-current liabilities	<u>9,837,779</u>	<u>12</u>	<u>7,717,673</u>	<u>12</u>
Total liabilities	<u>24,197,836</u>	<u>29</u>	<u>20,478,089</u>	<u>32</u>
EQUITY (Note 17)				
Share capital	39,800,002	47	35,800,002	55
Capital surplus	7,540,440	9	2,471,044	4
Retained earnings				
Legal reserve	498,385	-	208,606	-
Special reserve	31,429	-	1,395,063	2
Unappropriated earnings	7,355,893	9	2,952,901	5
Exchange differences on translation of foreign financial statements	(120,988)	-	23,433	-
Unrealized gains on available-for-sale financial assets	5,107,003	6	1,176,299	2
Treasury shares	<u>-</u>	<u>-</u>	<u>(106,387)</u>	<u>-</u>
Total equity	<u>60,212,164</u>	<u>71</u>	<u>43,920,961</u>	<u>68</u>
TOTAL	<u>\$ 84,410,000</u>	<u>100</u>	<u>\$ 64,399,050</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, 2017 AND 2016 (In Thousand of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 38,102,813	100	\$ 33,534,343	100
OPERATING COSTS (Note 10)	<u>25,944,812</u>	<u>68</u>	<u>25,274,520</u>	<u>75</u>
GROSS PROFIT	<u>12,158,001</u>	<u>32</u>	<u>8,259,823</u>	<u>25</u>
OPERATING EXPENSES				
Selling expenses	927,513	2	808,914	3
General and administrative expenses	987,205	3	788,131	2
Research and development expenses	<u>4,532,594</u>	<u>12</u>	<u>3,692,984</u>	<u>11</u>
Total operating expenses	<u>6,447,312</u>	<u>17</u>	<u>5,290,029</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>5,710,689</u>	<u>15</u>	<u>2,969,794</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	16,325	-	155,112	1
Dividend income	225,684	1	63,800	-
Other income	73,762	-	20,094	-
Gains (losses) on disposals of property, plant and equipment	644	-	(4,327)	-
Gains (losses) on disposals of investments	22,800	-	(10,472)	-
Gains on financial instruments at fair value through profit or loss	209,770	-	60,455	-
Share of profit of subsidiaries and associates accounted for using equity method (Note 12)	766,998	2	463,221	1
Interest expenses	(78,625)	-	(187,009)	(1)
Other expenses	(46,770)	-	(13,188)	-
Foreign exchange losses	(238,909)	(1)	(94,112)	-
Impairment loss on financial assets (Note 11)	(10,000)	-	(36,053)	-
Impairment loss on property, plant and equipment (Note 13)	<u>-</u>	<u>-</u>	<u>(16,085)</u>	<u>-</u>
Total non-operating income and expenses	<u>941,679</u>	<u>2</u>	<u>401,436</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	6,652,368	17	3,371,230	10
INCOME TAX EXPENSE (Notes 4 and 20)	<u>1,101,806</u>	<u>3</u>	<u>473,439</u>	<u>1</u>
NET PROFIT	<u>5,550,562</u>	<u>14</u>	<u>2,897,791</u>	<u>9</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousand of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 16)	\$ (69,455)	-	\$ (46,647)	-
Share of other comprehensive loss of subsidiaries accounted for using equity method	(3,970)	-	(22,634)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	223	-	(93)	-
Unrealized gains on available-for-sale financial assets	2,266,196	6	1,642,970	5
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	<u>1,519,864</u>	<u>4</u>	<u>904,851</u>	<u>2</u>
Other comprehensive income	<u>3,712,858</u>	<u>10</u>	<u>2,478,447</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,263,420</u>	<u>24</u>	<u>\$ 5,376,238</u>	<u>16</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 1.54</u>		<u>\$ 0.81</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 0.81</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, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2016	\$ 35,800,002	\$ 2,470,292	\$ -	\$ -	\$ 2,086,060	\$ 88,771	\$ (1,436,767)	\$ (106,387)	\$ 38,901,971
Appropriation of 2015 earnings									
Legal reserve	-	-	208,606	-	(208,606)	-	-	-	-
Special reserve	-	-	-	1,395,063	(1,395,063)	-	-	-	-
Cash dividends	-	-	-	-	(358,000)	-	-	-	(358,000)
Total appropriations	-	-	208,606	1,395,063	(1,961,669)	-	-	-	(358,000)
Net profit for 2016	-	-	-	-	2,897,791	-	-	-	2,897,791
Other comprehensive income (loss) for 2016	-	-	-	-	(69,281)	(65,338)	2,613,066	-	2,478,447
Total comprehensive income (loss) for 2016	-	-	-	-	2,828,510	(65,338)	2,613,066	-	5,376,238
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	752	-	-	-	-	-	-	752
BALANCE, DECEMBER 31, 2016	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	-	-	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 income (loss) 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 17)	4,000,000	4,787,673	-	-	-	-	-	-	8,787,673
Share-based payments (Note 19)	-	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 17)	-	38,012	-	-	-	-	-	106,387	144,399
BALANCE, DECEMBER 31, 2017	<u>\$ 39,800,002</u>	<u>\$ 7,540,440</u>	<u>\$ 498,385</u>	<u>\$ 31,429</u>	<u>\$ 7,355,893</u>	<u>\$ (120,988)</u>	<u>\$ 5,107,003</u>	<u>\$ -</u>	<u>\$ 60,212,164</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, 2017 AND 2016

(In Thousand of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 6,652,368	\$ 3,371,230
Adjustments for:		
Depreciation expense	5,796,410	5,393,102
Amortization expense	24,420	18,827
Provision for allowance for doubtful accounts	16,000	10,000
Recognition (reversal) of provisions for declines in market value, obsolescence and scraps of inventories	92,399	(76,451)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(72,057)	19,974
Interest expense	78,625	187,009
Interest income	(16,325)	(155,112)
Dividend income	(225,684)	(63,800)
Share-based payments	239,200	-
Share of profit of subsidiaries and associates accounted for using equity method	(766,998)	(463,221)
(Gain) loss on disposal of property, plant and equipment	(644)	4,327
(Gain) loss on disposal of investments	(22,800)	10,472
Impairment loss on financial assets	10,000	36,053
Impairment loss on non-financial assets	-	16,085
Gain on foreign currency exchange of held-to-maturity financial assets	-	(1,200)
Unrealized profit on the transactions with subsidiaries	23,871	6,268
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(525,939)	(528,130)
(Increase) decrease in accounts receivable due from related parties	(523,261)	94,830
Increase in other receivables	(44,386)	(46,849)
(Increase) decrease in inventories	(223,987)	1,225,569
Decrease in other current assets	239,135	30,810
Increase in other non-current assets	(47,195)	(275)
Decrease in notes payable	(67,863)	(217,950)
Increase in accounts payable	248,581	349,781
Increase (decrease) in accounts payable to related parties	24,298	(234,575)
Increase in other payables	575,872	253,245
Increase (decrease) in other current liabilities	38,614	(33,980)
Increase in other non-current liabilities	14,341	58,928
Cash generated from operations	11,536,995	9,264,967
Interest received	15,777	19,285
Dividends received	529,572	303,706
Interest paid	(210,451)	(238,139)
Income tax returned (paid)	6,701	(12,262)
Net cash generated from operating activities	11,878,594	9,337,557

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousand of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of available-for-sale financial assets	\$ -	\$ (319,655)
Proceeds from disposal of available-for-sale financial assets	276,220	110,162
Proceeds from capital reduction of available-for-sale financial assets	6,067	7,913
Proceeds from repayments of held-to-maturity financial assets	-	101,100
Proceeds from capital reduction of financial assets measured at cost	-	12,512
Acquisition of investments accounted for using equity method	-	(50,000)
Proceeds from capital reduction of investments accounted for using equity method	282,249	-
Acquisitions of property, plant and equipment	(15,107,937)	(4,796,651)
Proceeds from disposal of property, plant and equipment	2,025	11,132
Acquisition of intangible assets	(56,287)	-
Decrease in finance lease receivables	-	574,353
Net cash used in investing activities	<u>(14,597,663)</u>	<u>(4,349,134)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	553,539	-
Proceeds from long-term borrowings	6,900,000	1,000,000
Repayments of long-term borrowings	(4,590,180)	(4,352,267)
Cash dividends paid	(2,148,000)	(358,000)
Proceeds from issuing shares	8,800,000	-
Other financing activities	<u>(12,327)</u>	<u>(38,600)</u>
Net cash generated from (used in) financing activities	<u>9,503,032</u>	<u>(3,748,867)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,783,963	1,239,556
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,874,171</u>	<u>3,634,615</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 11,658,134</u>	<u>\$ 4,874,171</u>

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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.

#### **Impairment of Accounts Receivable**

The recognition of allowances for doubtful accounts is subject to management's estimation of the recoverable amount of past due and uncollectible accounts receivable, and the impairment loss on accounts receivable is influenced by management's assumptions of customer credit risk. We especially pay attention to material and slow-collecting balances of accounts receivable and the rationale of impairment loss provisioned by management.

Accounting policies for accounts receivable are set out within Note 4 of the consolidated financial statements. Refer to Note 9 of the consolidated financial statements for disclosures of the carrying amounts of accounts receivable.

Our audit procedures in response to the impairment of accounts receivable included:

1. Evaluating the rationale of the classification and provision rates used in the aging reports of accounts receivable prepared by management, examining the calculation of the aging reports, comparing the aging distribution and actual write-offs of accounts receivable of the current year with those of the prior year and assessing the collectability of outstanding balances of accounts receivable by checking cash collection after the balance sheet date.
2. Inspecting the authorization of customer credit lines and reviewing the transaction records of ledgers to ensure the validity of the internal controls for accounts receivable.

#### Impairment of Inventory

Fluctuating market prices of inventory caused by rapid changes in market demand and technology development may lead to slow-moving or obsolescent inventory. In addition, the cost allocation of inventory and the net realizable value are subject to management's judgment and estimation. We especially pay attention to the Group's inventory held at the lower of cost and net realizable value in conformity with the requirements of IAS 2 and the reasonableness of the impairment loss of inventory provisioned by management.

The accounting policy for the valuation of inventory is set out within Note 4 of the consolidated financial statements. Refer to Note 10 of the consolidated financial statements for disclosures of the provision amounts of inventory devaluation, obsolescence and scraps.

Our audit procedures in response to inventory valuation included:

1. Obtaining the summary statement of provision loss for inventory prepared by management, testing the aging data of inventory, verifying the calculation of the summary statement and comparing the provision for losses with the actual inventory write-offs to evaluate the validity of the inventory provision policy.
2. Selecting samples of inventory items and comparing the latest actual selling prices with the book values to ensure inventory has been stated at the lower of cost and net realizable value.
3. Comparing the year-end quantity of inventory with the inventory count reports to confirm the existence and completeness of the inventory. Moreover, by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of the inventory provision for obsolete and damaged goods.

#### **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016 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

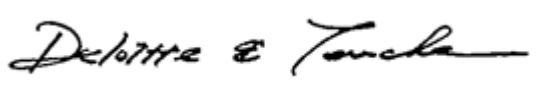
responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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, 2017 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 Hung-Bin Yu and Ker-Chang Wu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 2, 2018

#### 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.*



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## **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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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.

#### Impairment of Accounts Receivable

The recognition of allowances for doubtful accounts is subject to management's estimation of the recoverable amount of past due and uncollectible accounts receivable, and the impairment loss on accounts receivable is influenced by management's assumptions of customer credit risk. We especially pay attention to material and slow-collecting balances of accounts receivable and the rationale of

impairment loss provisioned by management.

Accounting policies for accounts receivable are set out within Note 4 of the financial statements. Refer to Note 9 of the financial statements for disclosures of the carrying amounts of accounts receivable.

Our audit procedures in response to the impairment of accounts receivable included:

1. Evaluating the rationale of the classification and provision rates used in the aging reports of accounts receivable prepared by management, examining the calculation of the aging reports, comparing the aging distribution and actual write-offs of accounts receivable of the current year with those of the prior year and assessing the collectability of outstanding balances of accounts receivable by checking cash collection after the balance sheet date.
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The accounting policy for the valuation of inventory is set out within Note 4 of the financial statements. Refer to Note 10 of the financial statements for disclosures of the provision amounts of inventory devaluation, obsolescence and scraps.

Our audit procedures in response to the impairment of inventory included:

1. Obtaining the summary statement of provision loss for inventory prepared by management, testing the aging data of inventory, verifying the calculation of the summary statement and comparing the provision for losses with the actual inventory write-offs to evaluate the validity of the inventory provision policy.
2. Selecting samples of inventory items and comparing the latest actual selling prices with the book values to ensure inventory has been stated at the lower of cost and net realizable value.
3. Comparing the year-end quantity of inventory with the inventory count reports to confirm the existence and completeness of the inventory. Moreover, by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of the inventory provision for obsolete and damaged goods.

#### **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 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 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 financial statements for the year ended December 31, 2017 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 Hung-Bin Yu and Ker-Chang Wu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 2, 2018

#### Notice to Readers

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*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

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

To: The 2018 Annual General Meeting of Shareholders

The Board of Directors has prepared the Company's 2017 Business Report, the consolidated financial statements and proposal for distribution of earnings in 2017. The consolidated financial statements have been audited by HUNG-BIN, Yu and KER-CHANG, Wu from Deloitte & Touche, which has retained by the Board of Directors as independent auditors. The independent auditors have issued an unmodified opinion. The Audit Committee have reviewed and determined the above Business Report, the consolidated financial statements, and proposal for distribution of earnings in 2017 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 26, 2018

(English Translation)

**Winbond Electronics Corporation**  
**Shareholdings of All Directors of the Eleventh Term**

Book closure date: April 12, 2018

Position	Name	Current shareholding (Shares)	Shareholding ratio (%)
Chairman	Arthur Yu-Cheng Chiao	63,472,995	1.59%
Vice Chairman	Yuan-Mou Su	999,279	0.03%
Director	Matthew Feng-Chiang Miao	108,938	0.00%
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		960,208,432	24.13%

**Note:** This Company had a total of 3,980,000,193 issued shares as of April 12, 2018



## WINBOND ELECTRONICS CORPORATION

### COMPARISON TABLE OF THE ARTICLES OF INCORPORATION

Article No.	Amended Article	Current Article	Note
Article 22	<p>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, and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.</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>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 meeting certain criteria" set forth in the first Paragraph.</p>	<p>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, and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.</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>Before establishment of the audit committee, supervisors' remuneration shall be incorporated into directors' remuneration for the purpose of calculation of the distribution ceiling of the directors' remuneration provided in the first Paragraph.</del></p> <p>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 meeting certain criteria" set forth in the first Paragraph.</p>	<p>The provision relating to supervisors is deleted due to establishment of the audit committee to replace supervisors.</p>

Article 22-1	<p>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.</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 manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 50% of the <u>remaining amount of the net profit after tax of the</u></p>	<p>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.</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 manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 50% of <u>the distributable retained earnings</u> of the current</p>	This article is amended according to the actual needs.
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	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.	year 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 25	These Articles of Incorporation were enacted on September 1, 1987.....(Omitted)..... 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; the twenty-sixth amendment was made on June 16, 2016; <u>the twenty-seventh amendment was made on June 13, 2017 and the twenty-eighth amendment was made on June 11, 2018</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.....(Omitted)..... 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; the twenty-sixth amendment was made on June 16, 2016 <del>and</del> ; the twenty-seventh amendment was made on June 13, 2017 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.	Add an amendment date

## (English Translation)

**Winbond Electronics Corporation (the "Company")**  
**Comparison Table of the Procedures of Acquisition or**  
**Disposal of Assets**

Amended Article	Current Article	Note
<p>Article 14: The procedures of acquisition or disposal of securities 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.</p> <p>Hereafter Omitted</p>	<p>Article 14: The procedures of acquisition or disposal of securities 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 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.</p> <p>Hereafter Omitted</p>	<p>The language of this article is modified due to replacement of the supervisors with the audit committee.</p>
<p>Article 15: The procedures of acquisition or disposal of real property</p> <p>1. The Responsible Unit should submit the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal, to the General Manager and the Chairman for their respective</p>	<p>Article 15: The procedures of acquisition or disposal of real property</p> <p>1. The Responsible Unit should submit the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal, to the General Manager and the Chairman for their respective</p>	<p>Same as above</p>

Amended Article	Current Article	Note
<p>approval and then submit it to <u>the audit committee</u> and the board of directors for approval.</p> <p>2.~3. Omitted</p> <p>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 <u>the audit committee and the board of directors</u>:</p> <p>(1)~(7) Omitted</p> <p>(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.</p> <p>(9) <u>When</u> 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.</p>	<p>approval and then submit it to the board of directors for approval.</p> <p>2.~3. Omitted</p> <p>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 board of directors <del>and recognition by the supervisors</del>:</p> <p>(1)~(7) Omitted</p> <p>(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 <del>and recognized by the supervisors</del> need not be counted again when calculating the transaction amount.</p> <p>(9) <del>Where the Company has installed independent directors, when</del> <u>When</u> 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.</p>	

Amended Article	Current Article	Note
<p>(10) <u>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.</u></p> <p>Hereafter Omitted</p>	<p>(10) <del>Where an Audit Committee has been established, matters which require recognition by the supervisors</del> 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.</p> <p>Hereafter Omitted</p>	
<p>Article 16: Where the Company 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. Omitted</p> <p>2. <u>Audit Committee members who act as independent directors concurrently shall comply with the provisions of Article 218 of the Company Law.</u></p> <p><u>Hereafter Omitted</u></p>	<p>Article 16: Where the Company 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. Omitted</p> <p>2. <del>Supervisors</del> Shall comply with the provisions of Article 218 of the Company Law.</p> <p>Hereafter Omitted</p>	Same as above
<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</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</p>	Same as above

Amended Article	Current Article	Note
<p>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 <u>the Audit Committee and the board of directors meeting for approval.</u></p> <p>2.~3. Omitted</p> <p>4. With respect to the acquisition or disposal of equipment for operational 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 foregoing to the next <u>the Audit Committee and the board of directors meeting for retroactive recognition.</u></p>	<p>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 board of directors meeting for approval.</p> <p>2.~3. Omitted</p> <p>4. With respect to the acquisition or disposal of equipment for operational 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 foregoing to the next board of directors meeting for retroactive recognition.</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), the General Manager 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 <u>the Audit Committee and the board of directors meeting for approval.</u></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), the General Manager 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 board of directors meeting for approval.</p> <p>Hereafter Omitted</p>	Same as above
<p>Article 22: The procedures of acquisition or disposal of assets through mergers, spin-offs, acquisitions or assignment of shares</p>	<p>Article 22: The procedures of acquisition or disposal of assets through mergers, spin-offs, acquisitions or assignment of shares</p>	Same as above

Amended Article	Current Article	Note
<p>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 <u>the Audit Committee and</u> 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 <u>the Audit Committee and</u> 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.</p> <p>Hereafter Omitted</p>	<p>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 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 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.</p> <p>Hereafter Omitted</p>	
<p>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, <u>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.</u></p> <p>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</p>	<p>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, <del>and where a director expresses dissent and it is contained in the minutes or a written statement, the Company shall distribute the director's opinion to each supervisor.</del></p> <p><del>Where the Company has installed independent directors,</del> when an acquisition or disposal of assets transaction is reported to the board of directors for deliberation under the</p>	Same as above



Amended Article	Current Article	Note
shall be given full consideration and their dissenting or qualified opinion shall be entered into the meeting minutes.	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.  <del>Where the Company has established an Audit Committee,</del> any transaction involving major assets transactions shall be approved by more than half of all Audit Committee members and submitted to the board of directors for resolution, and Paragraphs 4 and 5 of Article 31 shall apply mutatis mutandis.	
Article 31: These Procedures are effective subject to the approval of <u>the Audit Committee and</u> 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	Article 31: These Procedures are effective subject to the approval of the board of directors <del>and then submitted first to the supervisors,</del> then the shareholders meeting for approval. The preceding procedures shall apply if there is any amendment to these Procedures. Where a director expressed dissent and such dissent is contained in the minutes or a written statement, the Company shall distribute the director's opinion to each supervisor.  <del>Where the Company has installed independent directors,</del> 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.  <del>Where the Company has established</del>	Same as above

Amended Article	Current Article	Note
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.	<del>an Audit Committee</del> , when these Procedures are adopted or amended, they <u>shall be subject to approval by more than half of all Audit Committee members and submitted to the board of directors for resolution.</u>	
Hereafter Omitted	Hereafter Omitted	
	<p><del>Article 32: Where the Company has established an Audit Committee, the provisions of the "Procedures Governing Engagement in Derivatives Transactions" relating to supervisors set out in Articles 15, 24 and 31 and Article 19 shall apply mutatis mutandis to the Audit Committee.</del></p> <p><del>Where the Company has established an Audit Committee, the provisions set out in Paragraph 2 of Article 16 shall apply mutatis mutandis to the Independent Directors of the Audit Committee.</del></p>	This article is deleted to reflect the Company's establishment of the Audit Committee to replace supervisors.

**(English Translation)**  
**Procedures of Acquisition or Disposal of Assets<sup>2</sup> (revised edition)**

**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. Derivatives.
6. Assets acquired or disposed of through mergers, spin-offs, acquisitions or assignments of shares in accordance with law.
7. 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

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<sup>2</sup> This English translation is for reference only. In the event of discrepancy between the Chinese version and the English translation, the Chinese version shall prevail.

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 term "Subsidiary" under these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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.

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 assets, interest rates, foreign exchange rates, indexes 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.

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 Paragraph 8, Article 156 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 not be a Related Party of any party to the transaction. 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 may not exceed 1% of the Company's net value; the total amount obtained from securities may not exceed 50% of the net value of the Company; however, the amount obtained from individual security may not exceed 25% 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, 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 may not exceed 100% of the net value of such Subsidiary; the amount for such Subsidiary to obtain securities may not exceed 500% 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 may not exceed 10% of the net value of such Subsidiary; the amount used to obtain securities may not exceed 100% 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 50% 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-inspection 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 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

1. The Responsible Unit should submit the purpose or use, the basis of determination of transaction price and transaction method for the acquisition or disposal, to the General Manager and the Chairman for their respective approval and then submit it to the audit committee and the board of directors for approval.
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.

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 of real property from a Related Party, 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 real property from a Related Party, 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 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 from a Related Party and appraises the cost of the real property 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 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 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 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.
- 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.
  - (iii) Completed leasing 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.
- (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 completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for 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 completed 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.

Article 16: Where the Company 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:

1. The difference between the real property transaction price and the appraised costs 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 at a premium, or they have been disposed of, 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 from a Related Party if there is other evidence indicating that the transaction was not an arms length transaction.

Article 17: The procedures of acquisition or disposal of equipment

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.

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 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.
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.
4. With respect to the acquisition or disposal of equipment for operational 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 foregoing to the next the Audit Committee and the board of directors meeting for retroactive recognition.

Article 18: The evaluation of real property or equipment

In acquiring or 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:

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 directors, and the same procedure aforesaid shall be followed for any future changes 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 General Manager 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 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

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 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 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 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.

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-inspection report of its Subsidiaries.

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 from or to a Related Party, or acquisition or disposal of assets other than real property 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 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 type of the asset acquired or disposed of is equipment for operational use and the transaction counterpart 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 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 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 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 the event the type of transaction specified therein reaches 20% of paid-in capital or 10% of the total assets.

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 the case of an issuer whose shares have no par value or 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.

#### **Chapter IV Penalty**

Article 29: When managers 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 degrees of violation by each person based on the facts and evidences provided by the Responsible Unit or auditing division. Penalty on persons in charge will be submitted and approved by the Chairman after approval by the General Manager; penalty on managers will be submitted and resolved by the board meeting after approved by the Chairman.

2. In the event any irrecoverable losses of the Company are caused due to the willful or negligent acts or omissions of the manager or person in charge, the person in charge and the manager may be suspended from duties, respectively subject to approval of the General Manager and the Chairman.
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

Chapter and Section	Amended Article	Current Article	Note
<b>III. CONTENTS Chapter I Principles and Directions of Transaction</b>	<b>Article 2: Strategy of Operation <u>or</u> Hedge</b>  <u>In principle</u> , to engage in financial derivatives transactions should be for hedging the risk resulting from the operation of the Company.	<b>Article 2: Strategy of Operation <u>and</u> Hedge</b>  <del>The main economic substantial purpose</del> to engage in financial derivatives transactions should be for <del>—hedging purposes. The Company should choose the derivatives transaction, which may</del> hedge the risk resulting from the operation of the Company. <del>To avoid the risk of default, credit risk should be considered when choosing counter party. The goal is to choose among the financial institutions with higher credit rating and having a solid working relation with the Company and capable of providing professional knowledge to the Company. Before engaging in exchange rate and interest rate transactions, the Company should clearly classify whether such transaction complies with the condition of hedging accounting and hedging relations in advance for booking and evaluating purposes.</del>	1. Certain texts are revised in accordance with relevant laws or regulations and the relevant contents are simplified.
	<b>Article 3: Separation of Powers and Obligations</b>  1. The Finance Division:  (Deleted)	<b>Article 3: Separation of Powers and Obligations</b>  1. The Finance Division:  <del>a. Financial — Risk — Management Subdivision: This Subdivision consists of the trading officers under the Finance Division, department chiefs, the chief of the Finance Division and the chief of the Finance Center. The Finance Division shall conduct all matters with regard to gathering financial market information, trend analysis, familiarization with financial instruments, rules and regulations and transaction method and should also provide sufficient and in time information to the management</del>	1. The current Subparagraph aof Paragraph 1 is the description of the Finance Division's risk management function and does not affect the practical operation. Therefore, said provision is deleted.

	<p>1. The Finance Division shall have <u>trading, telephone confirmation and settlement officers for financial derivatives</u>. <u>The trading officer should be responsible for trading financial derivatives</u>; the <u>telephone confirmation officer</u> should be responsible for transaction confirmation with banks by telephone; <u>and the settlement officer</u> are responsible for arranging the settlement matters <u>pursuant to the transaction agreement</u>.</p> <p>(Moved)</p> <p>2. Accounting Division: This division should be responsible for derivatives confirmation.</p> <p>3. <u>The respective functions of trading, confirmation and settlement shall be performed by different officers.</u></p> <p>4. <u>Setting up</u> risk-assessment, risk-supervision, and risk-control <u>personnel who should belong to a different department from the above personnel</u>, and report to the higher</p>	<p><del>level, and related departments for their reference. In addition, the Finance Division shall be under the supervision and management of the chief of the Finance Center and shall take financial risk measures based on the Company's policies.</del></p> <p>b. The Finance Division shall have <del>one oral confirmation officer and one settlement officer based on its needs</del>. The confirmation officer should be responsible for transaction confirmation with banks by telephone. The settlement officer should be responsible for <del>the key in of the front end debt system and arranging the settlement matters based on the transaction confirmation, upon the expiration date of the transaction agreement</del>.</p> <p>e. <del>Capital Management Department under Finance Division (non trading department)</del> should be responsible for risk-assessment, risk-supervision, and risk-control <del>and auditing of the remaining balance</del>. It shall report to the higher level chiefs who are not involved in trading or its relevant position policy implementation.</p> <p>2. Accounting Division: This division should be responsible for the <del>back end bookkeeping and</del> written derivatives confirmation.</p> <p>(Moved)</p> <p>(Moved)</p>	<p>2. The current Subparagraph b of Paragraph 1 is revised to reflect the officers set up and their functions based on the practical operation and adjust the wording and is moved to become the amended Paragraph 1.</p> <p>3. The current Subparagraph c of Paragraph 1 is moved to become Paragraph 4 and is revised by reference to Paragraph 3 of Article 19 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p> <p>4. Paragraph 2 is revised according to the description of the practical operation.</p> <p>5. The current Paragraph 2 of Article 12 is moved to become the amended Paragraph 3 of Article 3.</p>
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	level chiefs who are not <u>involved</u> in trading or its relevant position policy implementation.		6. Please refer to the above explanation of No. 3.
	(Deleted)	<p><b>Article 4: Type of Hedging Relation</b></p> <p><del>Based on the definition of International Financial Report Standards "IAS 39 Financial Instruments: Recognition and Measurement", the types of hedgin</del></p> <p><del>1. Hedging Risk to Fair Value: means a hedge of the exposure to changes in fair value of the recognized assets, liabilities, previously unrecognized firm commitments or a hedge of the exposure to changes in fair value of the identified portion of the abovementioned assets, liabilities or firm commitment, that is attributable to a specific risk and could affect profit and loss</del></p> <p><del>2. Hedging Risk to Cash Flow: means a hedge of the exposure to variability in cash flows that (i) is attributable to the recognized assets or liabilities (such as all or some future interest payments on variable rate debts) or a specific risk associated with a highly probable forecast transaction and (ii) could affect profit or loss.</del></p> <p><del>3. Hedging Risk to the Net Investment in a Foreign Operating Institution as defined in International Accounting Standard No. 21.</del></p>	Relevant clauses regarding accounting have been incorporated into Article 9 and thus are deleted.
	<p><b>Article 4:</b> 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.</p>	(Moved)	Reclassification is conducted according to the laws and regulations. The current Paragraph 4 of Article 6 is moved to become the amended Article 4.
	<p><b>Article 5: Set Stop Loss Limit</b></p> <p>1. The maximum amount of unrealized losses for all contracts of financial derivatives transaction in which the Company engages in should be the lesser of the amount of <u>20%</u> of the total amount of contracts or 3% of the shareholders' equity.</p>	<p><b>Article 5: Set Stop Loss Limit</b></p> <p>1. The maximum amount of unrealized losses for all contracts of financial derivatives transaction in which the Company engages in should be the lesser of the amount of <u>30%</u> of the total amount of contracts or 3% of the shareholders' equity.</p>	<p>1. To reduce the maximum amount of the unrealized losses for all contracts by reference to the practical operation and to</p>

	<p>2. <u>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.</u></p> <p>3. <u>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.</u></p>	<p><del>2. It shall be reported to the responsible chief, by written (or through e-mail) and oral communication, the purpose of the transaction, the existing risk and the model of possible remuneration (loss) in connection with this transaction before engaging in the transaction. It should be confirmed that the responsible chief completely understands the risk of this transaction before giving his/her authorization. Whenever the loss of each transaction reaches 5% of the transaction amount, it should be reported to the chief the Finance Center for his/her approval of the settlement of the position. Whenever the loss of each transaction exceeds 5% of the transaction amount, it should be reported to the Chairman for his approval of the settlement of the position. The maximum loss should be 10% of the transaction amount. If the losses reach said amount, the Company should announce the material information in accordance with the relevant regulations and report to the board of directors after the announcement. However, the total amount of the valuing loss recognized for financial assets, in accordance with fair value, shall not exceed USD 3,000,000 every week. If it exceeds the said amount, the position should be settled immediately, unless prior approval from the Chairman was obtained, in order to efficiently control the risks.</del></p> <p>3. <del>The maximum amount of acceptable losses for each contract of securities transaction</del></p> <p><del>It shall be reported to the responsible chief, by written (or through e-mail) and oral communication, the purpose of the transaction, the existing risk and the model of possible remuneration (loss) in connection with this transaction before its undertaking. It should be confirmed that the responsible chief completely understands the risk of this transaction before giving his authorization.</del></p> <p><del>(1) If the evaluation loss of at least 90% of the principal guaranteed products upon maturity reaches</del></p>	<p>control the risks.</p> <p>2. To combine Subparagraphs 2 and 3 as explained as follows:</p> <p>(1) In view that the financial derivatives transactions engaged by the Company are mainly for hedging, the provision is simplified and the maximum amount of the unrealized losses on one single contract is raised;</p> <p>(2) The maximum amount of losses on one single contract in different kinds of financial derivatives transaction is deleted and the maximum amount of losses on one single contract is uniformly revised to 20%.</p> <p>3. The current Paragraph 3 is amended based on the amended provisions of Paragraphs 1 and 2.</p>
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	<p><b>Article 6:</b> The <u>essentials</u> of performance evaluation shall be based on the <u>evaluation of hedging effect</u> on the financial derivatives transactions engaged by the Company.</p>	(Moved)	<p>The current Article 19 is moved to become the amended Article 6. The wording of this article is slightly revised pursuant to the requirement items in the laws and regulations and explains the performance evaluation based on the practical operation.</p>
Chapter II Operation Procedures	<p><b>Article 7: Authorized Amount</b></p> <p>1. <u>The authorized amount and level of transactions are as follows. The authorized level applicable to the total amount per day and the</u></p>	<p><b>Article 6: Authorized Amount</b></p> <p>1. <del>The authorized amount of transaction is made based on the growth of the sales revenue and the change of risk position. It should be submitted to the shareholders' meeting for its approval after its ratification by the board and amendment thereof should also be submitted to the shareholders' meeting for its approval as well, after its ratification by the board.</del></p> <p>2. <del>If the authorized amount for engaging in derivatives transaction is applied in duplicate, it should be subject to the</del></p>	<p>1. To modify the order of the article.</p> <p>2. The current Paragraph 1 is deleted. The change to the description of the procedures for engaging in financial derivatives transactions does not affect</p>

aggregate net position shall be the higher level of the responsible chief for the above two items.

<u>Authorized Level</u>	<u>Total Amount Per Day</u>	<u>Aggregate Net Position</u>
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)

(Deleted)

~~instruction by the higher level of the responsible chief:~~

3. If the total amount of aggregated net position exceeds USD 240,000,000, such transaction should be reported to ~~the President or the Chairman~~ after its completion.
4. ~~The total operation amount of exchange rate/interest rate based transaction for trading purposes and complying with the hedging accounting and securities transaction Should not exceed 30% of the net value of the Company.~~
5. ~~Corresponding banks may be notified of the authorization threshold if the Company deems it necessary for the purpose of supervision and management. If there is any change in the authorization threshold, the above provision will be applied as well.~~

~~(1) Exchange Rate Transaction—  
The authorized amount of transaction is as follows:~~

	<u>Individual Transaction</u>	<u>Total Amount Per Day</u>	<u>Aggregate Net Position</u>
Chief of Finance-Center	<del>More than USD 10,000,000</del>	Above USD 20,000,000	Above USD 120,000,000
Chief of Finance Division	<del>USD 10,000,000 (inclusive)</del>	USD 20,000,000 (inclusive)	USD 120,000,000 (inclusive)
Chief of Corporate Finance-Department	<del>USD 5,000,000 (inclusive)</del>	USD 10,000,000 (inclusive)	USD 60,000,000 (inclusive)

~~The maximum total operating amount for this transaction:~~

~~for economic substantial hedging against risks exchange rate arising from the import of raw materials: the maximum of foreign exchange position based on the import quantity required by the Company in the following six months.~~

~~(ii) for economic substantial hedging against risks of exchange rate arising from the export financing: the maximum amount of foreign exchange~~

the practical operation.

3. The order of the current Paragraph 2 is modified and the wording is revised according to the practical operation.
4. The current Paragraph 3 is moved to become Paragraph 2. The net aggregate position is adjusted based on the quarterly revenue, and the reporting level is adjusted to the Chairman.
5. The current Paragraph 4 is moved to become the amended Article 4 and the wording is revised according to the practical operation.
6. The current Paragraph 5 is deleted. This is an explanation for the transaction procedure and does not affect the practical operation.
7. The current items (i), (ii) and (iii) of Paragraph 5 are deleted. The authorized amounts for different types of derivatives transactions are

		<p>position based on the export foreign exchange received by the Company in the following six months.</p> <p>(iii) <del>for economic substantial hedging against risks of exchange rate arising from the purchase of the machineries for projects; the maximum amount of foreign exchange position based on the fixed assets purchased by the Company in the following one year.</del></p> <p>(2) <del>Interest Rate Transaction</del>  <del>The authorized amount of transaction is as follows:</del></p> <table> <tr> <th></th><th>Individual Transaction</th><th>Total Amount Per Day</th><th>Aggregate Net Position</th></tr> <tr> <td>Chief of Finance Center</td><td>More than USD 10,000,000</td><td>More than USD 20,000,000</td><td>More than USD 120,000,000</td></tr> <tr> <td>Chief of Finance Division</td><td>USD 10,000,000 (inclusive)</td><td>USD 20,000,000 (inclusive)</td><td>USD 120,000,000 (inclusive)</td></tr> <tr> <td>Chief of Corporate Finance Department</td><td>USD 5,000,000 (inclusive)</td><td>USD 10,000,000 (inclusive)</td><td>USD 60,000,000 (inclusive)</td></tr> </table> <p><del>The maximum amount of total operating amounts of the interest rate transactions for the long term interest rate position arising from long term loans; based on the approved credit line of a long term loan.</del></p> <p>(3) <del>Securities Price Transaction</del>  <del>The "Securities" referred to in this means stocks, government bonds, corporate bonds, financial debentures, domestic beneficiary certificates, offshore mutual funds, deposit receipts, warranties, beneficiary securities assets backed securities, etc.</del>  <del>The authorized amount of transaction is as follows:</del></p> <table> <tr> <th></th><th>Individual Transaction</th><th>Total Amount Per Day</th><th>Aggregate Net Position</th></tr> <tr> <td>President or Chairman</td><td>More than USD 20,000,000</td><td>More than USD 30,000,000</td><td>More than USD 50,000,000</td></tr> <tr> <td>Chief of Finance Center</td><td>USD 20,000,000 (inclusive)</td><td>USD 30,000,000 (inclusive)</td><td>USD 50,000,000 (inclusive)</td></tr> <tr> <td>Chief of Finance Division</td><td>USD 10,000,000 (inclusive)</td><td>USD 20,000,000 (inclusive)</td><td>USD 20,000,000 (inclusive)</td></tr> </table>		Individual Transaction	Total Amount Per Day	Aggregate Net Position	Chief of Finance Center	More than USD 10,000,000	More than USD 20,000,000	More than USD 120,000,000	Chief of Finance Division	USD 10,000,000 (inclusive)	USD 20,000,000 (inclusive)	USD 120,000,000 (inclusive)	Chief of Corporate Finance Department	USD 5,000,000 (inclusive)	USD 10,000,000 (inclusive)	USD 60,000,000 (inclusive)		Individual Transaction	Total Amount Per Day	Aggregate Net Position	President or Chairman	More than USD 20,000,000	More than USD 30,000,000	More than USD 50,000,000	Chief of Finance Center	USD 20,000,000 (inclusive)	USD 30,000,000 (inclusive)	USD 50,000,000 (inclusive)	Chief of Finance Division	USD 10,000,000 (inclusive)	USD 20,000,000 (inclusive)	USD 20,000,000 (inclusive)	<p>deleted and the authorized amount is unified.</p> <p>8. For the authorized amount and level in Paragraph 1, the individual transaction amount is deleted because the risk is controlled by the total amount per day.</p> <p>9. Considering that the Company's financial derivatives transactions are conducted to hedge risks and that the Company has relevant authorized amount mechanisms for the aggregate net positions in place, the maximum amount of overall transactions is thus deleted.</p>
	Individual Transaction	Total Amount Per Day	Aggregate Net Position																																
Chief of Finance Center	More than USD 10,000,000	More than USD 20,000,000	More than USD 120,000,000																																
Chief of Finance Division	USD 10,000,000 (inclusive)	USD 20,000,000 (inclusive)	USD 120,000,000 (inclusive)																																
Chief of Corporate Finance Department	USD 5,000,000 (inclusive)	USD 10,000,000 (inclusive)	USD 60,000,000 (inclusive)																																
	Individual Transaction	Total Amount Per Day	Aggregate Net Position																																
President or Chairman	More than USD 20,000,000	More than USD 30,000,000	More than USD 50,000,000																																
Chief of Finance Center	USD 20,000,000 (inclusive)	USD 30,000,000 (inclusive)	USD 50,000,000 (inclusive)																																
Chief of Finance Division	USD 10,000,000 (inclusive)	USD 20,000,000 (inclusive)	USD 20,000,000 (inclusive)																																

	<p>2. If the total amount of aggregated net position reaches <u>the quarterly revenue</u>, such transaction should be reported to the Chairman after its completion.</p> <p>3. Any major derivatives transactions to be <u>engaged by</u> 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 <u>paragraph</u> shall be the actual incumbent members or directors.</p>	<p>(Moved)</p> <p>(Moved)</p>	<p>10. Please refer to the above explanation of No. 4.</p> <p>11. The current Paragraph 3 of Article 18 is moved to become the amended Paragraph 3 of Article 7, and the wording is revised.</p>
(Deleted)		<p><b><del>Article 7: The Decision of Transaction Amount and Reference Basis</del></b></p> <p><del>The trading officer should confirm if the transaction price is reasonable through an on-line price reporting system (i.e., Reuters) before executing the transaction.</del></p>	<p>Relevant description of the transaction operation details is deleted and this does not affect the practical operation.</p>
(Deleted)		<p><b><del>Article 8: Execution of Transaction</del></b></p> <p><del>1. Execution units: In consideration of special characters of derivatives transactions with rapid change, huge amount and complicated calculation, the transaction of derivatives and their management shall be handled by highly capable professionals. Therefore, all derivatives transactions should be executed by the relevant authorized officers of the Finance Division.</del></p> <p><del>2. Execution of Contracts: The board of the directors authorizes the Chairman to sign the relevant transaction contracts with financial institutions in connection with derivatives transactions.</del></p>	<p>As the above.</p>



		<del>3. Execution Procedures: The Company should strictly obey the Procedures Chart I as attached.</del>	
<b>Chapter III Procedures of Public Announcement and Report</b>	<b>Article 8</b>  The Company should make announcements and reports in accordance with "Procedures for Handling Acquisition or Disposal of Properties" of the Company.	<b>Article 2</b>  The Company should make announcements and reports in accordance with <del>Articles 25 and 26 of</del> "Procedures for Handling Acquisition or Disposal of Properties" of the Company.	To simplify this article and to change the numeral order of this article.
<b>Chapter IV Accounting Method</b>	<b>Article 9:</b> The accounting of derivatives transactions entered into by the Company shall be processed pursuant to <u>the international accounting standards and the relevant laws and regulations.</u>	<b>Article 10:</b> The accounting of derivatives transactions entered into by the Company shall be processed pursuant to <del>the International Financial Report Standards- "IAS 39 Financial Instruments: Recognition and Measurement", "IAS 32 Financial Instruments: Presentation" and "IFRS 7 Financial Instruments: Disclosure" and should be accounted in accordance with the opinion of the Company's CPA</del>	The accounting method has already been in compliance with the international accounting standards, so there is no need to specify the accounting principles here. The legal compliance requirement is added. In addition, the numeral order of the article is adjusted.
<b>Chapter V Internal Control System</b>	<b>Article 10: Risk Management</b>  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.  (Deleted)  2. Market <u>price</u> risk: <u>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.</u>  3. Liquidity risk: To ensure the market liquidity, the trading <u>counterparty</u> shall be equipped with adequate facilities,	<b>Article 11: Risk Management</b>  1. <del>In consideration of</del> 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. <del>In consideration of maintaining a good relationship with banks: Among the financial institutions with lower credit risk, the counterparty should have a good working relationship with, the Company, as well as being able to provide professional information.</del>  3. <del>In consideration of</del> Market risk: <del>The transaction should be mainly conducted through the OTC (Over the counter) market.</del>  4. <del>In consideration of</del> Liquidity risk: To ensure the market liquidity, the trading <u>financial institutions</u> shall be equipped with adequate	1. The numeral orders of the article and paragraphs are adjusted.  2. The wording of the current Paragraphs 1, 3 to 6 and 8 is simplified and the numeral orders are adjusted.  3. The current Paragraphs 2 and 7 are deleted. These are relevant descriptions of the transaction operation and do not affect the practical operation.

	<p>information, capital and the ability to trade in any major international market.</p> <p>4. Operating risk: (Omitted)</p> <p>5. Legal risk: The documents that the Company executes with the <u>counterparties</u> shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.</p> <p>(Deleted)</p> <p>6. Cash <u>flow</u> risk: The authorized transaction officer should monitor the cash flow of the Company, in order to make sure that there is sufficient cash.</p> <p>7. <u>Other important risk management measures.</u></p>	<p>facilities, information, capital and the ability to trade in any major international market.</p> <p>5. <del>In consideration of</del> Operating risk: (Omitted)</p> <p>6. <del>In consideration of</del> Legal risk: The documents that the Company executes with <u>banks</u> shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.</p> <p>7. <del>In consideration of products risk: The internal transaction officers and counterparty should have sufficient and correct professional knowledge of derivatives transactions and should request financial institutions to completely disclose risks to avoid any possible loss resulting from derivatives transactions.</del></p> <p>8. <del>In consideration of</del> <u>settlement</u> risk: The authorized transaction officer, <del>in addition to obeying the rules in each chart about the authorized trading amount,</del> should monitor the cash flow of the Company <del>at ordinary periods</del> in order to make sure that there is sufficient cash. <del>to pay at the settlement. In addition, he/she should also monitor the credit conditions of the counterparty.</del></p> <p>(Added)</p>	<p>4. Paragraph 7 is added to comply with the requirements of laws and regulations.</p>
	<p><b>Article <u>11</u>: Internal Control</b></p> <p>1. (Omitted)</p> <p>(Moved)</p>	<p><b>Article <u>12</u>: Internal Control</b></p> <p>1. (Omitted)</p> <p>2. The respective functions of confirmation/settlement and trading shall be performed by different officers.</p>	<p>1. The numeral orders of the article and paragraphs are adjusted.</p> <p>2. The current Paragraph 2 of Article 12 is moved to become the amended Paragraph 3 of</p>

<p>2. (Omitted)</p> <p>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 stop-loss point, limit on the total transaction amount, the conditions of the current position and other items meeting the characteristic of each product.</p> <p>4. The written confirmation officer shall maintain the account book and issue written verification regularly with the corresponding bank.</p> <p>(Deleted)</p>	<p>3. (Omitted)</p> <p>4. 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 stop-loss point, limit on the total transaction amount, the conditions of the current position and other items meeting the characteristic of each product (<del>Attachments 1 and 2 are the samples of foreign exchange forward contracts and option contracts. Should the transaction be of a different type, the officer should make transaction records meeting the characteristic of such transaction based on the same spirit</del>).</p> <p>5. The written confirmation officer shall maintain the account book and issue written verification regularly with the corresponding bank. <del>They shall also assist the non trading department of the Finance Division to conduct its auditing.</del></p> <p>6. <del>The trading officer should examine whether the total transaction amount exceeds the authorized amount on a regular basis and should make lists (Attachments 3 and 4 are the samples of foreign exchange forward contracts and option contracts. Should the transaction be of a different type, the officer should make transaction records meeting the characteristic of such transaction based on the same spirit) to the chiefs responsible based on the authorized standard for their review.</del></p>	<p>Article 3.</p> <p>3. The current Paragraph 3 is moved to become Paragraph 2.</p> <p>4. In the current Paragraphs 4 and 6, the descriptions of certain transaction operation details and attachment are deleted and they do not affect the practical operation. In addition, Paragraph 4 is moved to become Paragraph 3.</p> <p>5. The current Paragraph 5 is simplified and moved to become Paragraph 4.</p>
<p><b>Article 12: Periodical Evaluation</b></p> <p>The center chief should supervise the financial department to mark derivatives to market on weekly basis. However, evaluation on the hedging transactions <u>for hedging risks arising from business operation</u> 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</p>	<p><b>Article 13: Periodical Evaluation</b></p> <p>The chief of <u>Financial Center</u> should supervise the financial department to mark derivatives to market on weekly basis. However, evaluation on the hedging transactions <u>which are of economic substance pursuant to business needs</u> shall be made at least twice a month and spreadsheet of such evaluation is required (<del>Attachments 5 and 6 are the samples of foreign exchange forward contracts and</del></p>	<p>1. The numeral orders of the article and paragraphs are adjusted.</p> <p>2. The descriptions of certain transaction operation</p>

[illegible]

		mentioned in <u>paragraph 3</u> , and the members of a full board of directors, <del>as mentioned in the preceding paragraph</del> , shall be calculated on the basis of actual incumbency.	
	(Moved)	<b>Chapter VII Evaluation of Performance</b>  <b>Article 19:</b> <del>The trading officer's performance should be evaluated based on the calculation of profit or loss resulting from derivatives transactions and analysis of future potential risks and reported to the chief of Finance Center each month.</del>	The current Article 19 is moved to become the amended Article 6. In addition, performance evaluation is explained according to the practical operation.
	<b>Chapter VII Internal Audit</b>  <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> .	<b>Chapter VIII Internal Audit</b>  <b>Article 20:</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>the supervisors</u> .	1. The numeral orders of the chapter and article are modified. 2. The audit committee is established and therefore replaces the supervisors.
	<b>Chapter VIII Penalty</b> <b>Article 18:</b> It is handled in accordance with the "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.	<b>Chapter IX Penalty</b> <b>Article 21:</b> It is handled in accordance with the <del>"IV Penalty"</del> "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.	The numeral orders of the chapter and article are modified, and certain wording is revised.
<b>IV.PROMULGATION AND AMENDMENT</b>	<p>The Procedures shall be approved by <u>one-half or more of all members of the audit committee and submitted to the board of directors for resolution</u>. 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 <u>the audit committee</u>.</p> <p>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, <u>and the consent of, or the opinion and reason of objections raised by independent directors shall be recorded in the minutes</u>.</p>	<p>The Procedures shall be approved by the board of the directors <del>and submitted to the supervisors</del>. 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 <u>the supervisors</u>.</p> <p><del>If there are independent directors in the board of the directors,</del> The board of 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. <u>Any objections or reservations raised by independent directors shall be recorded in the minutes.</u></p> <p>Where an audit committee is formed, promulgation or amendment of the</p>	The audit committee is established and replaces the supervisors; therefore relevant contents are amended.

	<p>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.</p> <p>Full audit committee members, as mentioned in <u>this paragraph</u>, and the members of a full board of directors, as mentioned in the preceding paragraph, shall be calculated on the basis of actual incumbency.</p>	<p>Procedures shall be approved by more than half of the full audit committee members and submitted to the board of directors for deliberation.</p> <p>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.</p> <p>Full audit committee members, as mentioned in <u>paragraph 3</u>, and the members of a full board of directors, as mentioned in the preceding paragraph, shall be calculated on the basis of actual incumbency.</p>	
<b>V. REFERENCE DOCUMENTS</b>	<u>The Company's "Procedures for Acquisition or Disposal of Assets"</u>		A reference document is added.

**(English Translation)**  
**Procedures for Engaging in Derivatives Transactions (revised edition)<sup>3</sup>**

**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, 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.

**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

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<sup>3</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.

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.

<u>Authorized Level</u>	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 each member of 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"

**Attachment 8**

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

(1) Independent Director : Francis Tsai

Names of other companies Where he served	Title	Business items same or similar to the Company's
Waffer Technology Corp.	manager	CC01080 Electronic Parts and Components Manufacture I501010 Product Designing F401010 International Trade

(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.	Manager	CC01080 Etronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade I301010 Software Design Services
The Eslite Spectrum Corporation	Director	F401010 International Trade I301010 Software Design Services I301020 Data Processing Services I501010 Product Designing
Kang Exhibition Electronics (Dongguan) Co., Ltd.	Director	The company mainly engages in the processing, manufacturing and sale of power supplies.
AcBel Polytech (Dongguan) Co., Ltd.	Director	The company mainly engages in the processing, manufacturing and sale of power supplies.
AcBel Polytech (Wuhan) Co., Ltd.	Director and General Manager	The company mainly engages in the processing, manufacturing and sale of power supplies.
AcBel (USA) Polytech Inc.	Director	The company mainly engages in providing the after-sale maintenance services.
AcBel Polytech (SAMOA) Investment Inc.	Director	The company mainly engages in general investments.
AcBel Polytech (Singapore) Pte Ltd.	Director	The company mainly engages in general investments.
AcBel Polytech (UK) Limited	Director	The company mainly engages in providing the after-sale maintenance services.
AcBel Polytech Japan Inc.	Director	The company mainly engages in marketing and services of electronic products.
Power Station Holdings Ltd	Director	The company mainly engages in general investments.

(3) Independent Director : San-Cheng Chang

Names of other companies Where he served	Title	Business items same or similar to the Company's
Acer Incorporated	Independent Director	I301010 Software Design Services I301020 Data Processing Services CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade

(4) Director : Wei-Hsin Ma

Names of other companies Where he served	Title	Business items same or similar to the Company's
Yue ma ihao Investment Ltd.	Chairman	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
White Stone Corporation	Chairman	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(5) Director : Sophi Pan (Representative of Walsin Lihwa Corporation)

Names of other companies Where he served	Title	Business items same or similar to the Company's
Walsin Info-Electric Inc.	Director	CC01080 Electronic Parts and Components Manufacture F401010 International Trade I301010 Software Design Services I301020 Data Processing Services
Min Maw Precision Industry Corp.	Director	F401010 International Trade