

**(English Translation)**

# **Winbond Electronics Corporation**

## **2020 Annual General Shareholders Meeting Agenda Handbook<sup>1</sup>**

**Date:** June 12, 2020

**Time:** 9:00 A.M.

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

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

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## **Procedure and Agenda for the 2020 Annual General Meeting of Shareholders**

I. Announcement of the Commencement of the Meeting

II. Opening Speech of the Chairman

III. Meeting Agenda

A. Matters to be reported

1. Business report of fiscal year 2019
2. Audit committee's review report on 2019 financial statements
3. Report of remuneration of employees and directors for fiscal year 2019
4. Report on distribution of cash dividends from the 2019 profits.
5. Other matters to be reported

B. Matters to be recognized and discussed and election of directors

1. To recognize business report and financial statements of fiscal year 2019
2. To recognize the proposal for distribution of 2019 profits
3. To discuss the amendment to the Procedures for Endorsements and Guarantees
4. Election of Directors

To vote by poll for Motions No.1~3 and to proceed with the election of directors:

5. To discuss the release of directors (including independent director) from the non-competition restriction

Voting by Poll for Motion 5.

IV. Other Extemporaneous Matters and Motions

V. Adjournment

## **Matters to be reported**

1. Business report of fiscal year 2019  
Both the business report and the financial statements of fiscal year 2019 are hereby presented (please refer to Attachment 1 for details). Please examine. To be reported by the President.
2. The Audit Committee's review report on 2019 financial statements  
The Audit Committee's review report is hereby presented (please refer to Attachment 3 for details). Please examine.
3. Report of remuneration of employees and directors for fiscal year 2019  
According to the Company's 2019 earnings audited by the certified public accountants, it is proposed to, in accordance with Article 22 of the Company's Articles of Incorporation, allot 1% of the balance to be the remuneration of directors, which is NT\$14,019,096 in total, and allot 2% of the balance to be the remuneration of employees, which is NT\$28,038,192 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. Report on distribution of cash dividends from the 2019 profits.  
Based on the authorization of Article 240 of the Company Act and the Articles of Incorporation of the Company, the Board of Directors meeting held on March 12, 2020 has resolved to issue cash dividends amounting to NT\$398,000,019 for fiscal year 2019, at NT\$0.1 cash dividend per common share, and rounded to the whole New Taiwan dollar (the part below one New Taiwan dollar will be unconditionally discarded). Any fractional amount less than one New Taiwan dollar will be accounted in the Company's other income. The Chairman of the Board of Directors is 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 buyback by the Company.
5. Other matters to be reported
  - (1) Report of the merger with Mobile Magic Design Corporation  
For the purpose of simplifying the organizational structure and creating group synergy, the Boards of Directors of the Company and its wholly owned subsidiary, Mobile Magic Design Corporation, approved the merger on July 26, 2019, respectively. The record date for the merger was scheduled for October 1, 2019. The Company is the surviving entity and Mobile Magic Design Corporation is the dissolved entity after the merger. The rights and obligations of the dissolving company are generally assumed by the Company. The corporate registration of the merger between the companies concerned is currently being reviewed by the competent authorities.
  - (2) Report on shareholdings of all directors
    - a. According to 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 shareholdings of all directors required should be 95,520,005 shares. The Company has set up an Audit Committee and thus the requirement on the minimum shareholdings of all supervisors is not applicable.
    - 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.
  - (3) During the period for accepting shareholders' proposals and nomination of director candidates, no shareholder submitted any written proposal or nomination to the Company for the 2020

annual general shareholders meeting in accordance with Article 172-1 and Article 192-1 of the Company Act.

## Matters to be recognized and discussed and election of directors

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

Proposal: The business report and financial statements of fiscal year 2019 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 2019.
2. The aforementioned financial statements had been approved by the Board of Directors and after audited by the certified public accountants, together with the business report, have been submitted to and reviewed by the Audit Committee.

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

Proposal: The proposal for distribution of 2019 profit of the Company is presented. Please acknowledge and recognize the same.

Explanation:

1. The Company made a profit of NT\$1,256,387,182 after tax for fiscal year 2019. The proposed statement of profit distribution is as follows.
2. The distribution of cash dividends for common shares has been approved by the resolution of the Board of Directors held on March 12, 2020.

Winbond Electronics Corporation  
Statement of Profit Distribution  
For the year ended December 31, 2019

(Unit : NT\$)

Summary	Total
Unappropriated Earnings, Beginning of Year	\$5,843,194,972
Plus : Net income of 2019	\$1,256,387,182
Minus : Losses on remeasurement of defined benefit plans	(115,561,039)
Plus : Gain on disposals of investments in equity instruments designated as at fair value through other comprehensive income and the cumulative gain or loss transferred to retained earnings	11,430,515
Net income of 2019 and other adjustments transferred to unappropriated earnings in 2019	1,152,256,658
Minus : 10% legal reserve appropriated	(115,225,666)
Earnings available for distribution as of December 31, 2019	\$6,880,225,964
Distributable items:	
Cash dividends to common shareholders (NT\$ 0.1 per share)[Note]	(398,000,019)
Unappropriated Earnings, End of Year	\$6,482,225,945

Note 1: Calculation and distribution of cash dividends will be rounded to the whole New Taiwan dollar (the part below one New Taiwan dollar will be unconditionally discarded). Any fractional amount less than one New Taiwan dollar will be accounted in the Company's other income.

Note 2: Distribution of the Company's interim profit or making up its losses for the end of half of 2019: None.

Chairman: Arthur Yu-Cheng Chiao

Manager: Pei-Ming Chen

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

Proposal: It is proposed to amend the Procedures for Endorsements and Guarantees of the Company.

Explanation:

1. It is conducted in accordance with Item 19 of Article 17 of the Articles of Incorporation of the Company and according to the actual needs.
2. It is proposed to adjust the limit on the total amount of endorsements and/or guarantees for any single entity specified in Paragraph (2) of Article 3 of the Procedures for Endorsements and Guarantees based on the Company's operational needs.
3. Please refer to Attachment 5 for the comparison table of amended articles and the full text of said procedures.
4. The proposal was approved by the Board of Directors.

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

Proposal: It is proposed to elect directors of the twelfth term.

Explanation:

1. The directors (including independent directors) of the eleventh term were elected at the annual general shareholders' meeting on June 13, 2017, with the term of office of three years, and their term of office will expire on June 12, 2020.
2. According to Article 13 of the Articles of Incorporation, the Company has nine to eleven directors and the number of independent directors should not be less than three and should account for not less than one-fifth of the total number of directors. The term of office of directors is three years. The twentieth-first meeting of the Board of Directors of the eleventh term resolved and passed that the total number of the directors (including independent directors) of the twelfth term shall be eleven (inclusive of four independent directors), and the newly-elected directors will take office and their term of office (from June 12, 2020 to June 11, 2023) will be effective after the 2020 annual general shareholders' meeting.
3. The Company's directors (including independent directors) of the twelfth term shall be elected according to the candidate nomination system and procedures. The list of director candidates (including independent directors) for this election has been reviewed and approved by the twenty-first meeting of the Board of Directors of the eleventh term. Please refer to Attachment 6 for the list of director candidates.

**Voting by Poll for Motion Nos. 1~3 and Election:**

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

Proposal: It is proposed to release the directors (including independent directors) of the Company from 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 7 for the items of competitive conduct of the newly elected directors of the twelfth term and the director of the eleventh term 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 lift the non-competition restriction on the directors (including independent directors) who conduct activities that fall within the Company's business scope and to waive the Company's right to request disgorgement of the profits gained by such directors from the date of acting as directors or managers of other companies in the same business.
4. The proposal was approved by the Board of Directors.

**Voting by Poll:**

Other Extemporaneous Matters and Motions:

Meeting Adjourned.

# **Attachment**



(English Translation)  
**Winbond Electronics Corporation**  
**2019 Business Report**

The global economic growth slowed down in 2019 amid U.S.-China trade war and rising geopolitical risk. The memory industry suffered as a result of slow inventory digestion and weaker than expected market demands. However, Winbond turned in a stable performance on the strength of diversified market deployment, good partnerships with customers, high value-added products and a flexible yet prudent capacity policy.

**Financial Performance**

In 2019, our consolidated revenue amounted to NT\$48.8 billion, down 5% in comparison with 2018. Memory and logic products made up respectively 79% and 21 % of total revenue. The consolidated gross margin was 27% and the operating margin was 3%. The Company recorded NT\$1.48 billion of consolidated net income after tax, down 81% from 2018. Earnings per share was NT\$0.32.

**Market and Product Applications**

In 2019, the revenue of our Code Storage Flash hit a record high, accounting for 51% of memory revenue and surpassing the DRAM revenue for the first time in the company's history. We have been diligently cultivating the Code Storage Flash market, provided high-quality and high-efficiency products to international clients with close partnership. We are the world's number 1 NOR Flash supplier, which contributes a major revenue stream and steady growth momentum for the Company. DRAM made up 49% of memory revenue. We are currently the world's top 5 own-brand DRAM supplier, focusing on R&D, production and sales of specialty DRAM. We have successfully positioned ourselves in a differentiated market with stable supply.

In terms of application, our products are evenly distributed among four major electronics product lines and we continue to optimize product mix. The weight of communication products as a percentage of memory revenue increased slightly to 30% in 2019, due to the booming mobile and networking market, while consumer products stayed at 28% of total revenue. The revenue of computer and peripheral products on the other hand dropped to 22% from 26% in the previous year, mainly due to decline in global PC shipment. Our high-quality products for automotive and industrial applications accounted for 20% of memory revenue.

**Capacity planning**

The production capacity of our fab at Central Taiwan Science Park (CTSP) has increased to 54,000 wafers per month in 2019. We will continue to increase the capacity at CTSP by using industry 4.0, smart manufacturing and flexible production in the hope to maximize output. We believe it will bring promising growth momentum to further lift Winbond's share and position in the memory market.

**Technology Development and Manufacturing**

We possess own memory process technology and embark on the development of innovative products to address future demands at Internet of Everything (IoE) and edge computing. For Code Storage Flash memory products, after having launched Low Power Flash, we furthermore released high-speed and high-quality SLC NAND Flash to broaden the scope of product application. For DRAM, we have developed a new generation of LPDDR4 with unique features of lower power, high bandwidth and better data transmission rate. We also make headway into low-pin-count and easy-to-design HyperRam, which markedly improves the efficiency of IoT terminal devices and human-machine interface devices, showing our commitment to green technology.

Our 25nm process has begun volume production in 2019. As we continue to invest in the development of advanced technology, we expect the 20nm DRAM process to enter scale production when it achieves satisfactory yield. It will set a solid foundation for Winbond's long-term growth and development. For Code Storage Flash products, we will continue to develop 45nm NOR Flash to accommodate demand of high density. We have always been relentlessly building up our R&D capability. We continue to enhance the technological competitiveness through strong core technology and value-added products.

**Honors and Awards**

We received several awards in quality certification and sustainable development in 2019. Winbond is the first

automotive memory manufacturer in Taiwan to obtain ISO 26262 – Road vehicles functional safety certified, thus enhancing reliability and safety of our automotive electronics products. We are a trustworthy partner of international automakers for our memory products.

In terms of sustainable development, Winbond won the Corporate Sustainability Report Gold Award in the 12th Taiwan Corporate Sustainability Awards (TCSA), which recognized Winbond's leadership and positive influence in corporate social responsibility and sustainable development.

### **Future Outlook**

Under the robust development of new applications such as IoT, AI and 5G, technology innovation leads to applications in information security, smart cloud, terminal sensing and edge computing. Holding onto the beliefs in business continuity and environmental sustainability, Winbond develops low power consumption, securing and highly efficient products which offer clients the best solutions. Winbond also strives to create maximum value for shareholders, customers and employees alike and aspires to become a hidden champion in providing sustainable semiconductors to enrich human life and meets the expectations of society.

On behalf of the management team at Winbond, I would like to thank you for your continued support.

Chairman: Arthur Yu-Cheng Chiao

President: Tung-Yi Chan

CFO: Jessica Chiou-Jii Huang

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,467,907	11	\$ 12,559,631	13
Current financial assets at fair value through profit or loss (Notes 4 and 7)	75,462	-	8,290	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	7,225,588	7	6,249,212	7
Accounts receivable, net (Notes 4 and 9)	6,085,003	6	6,469,413	7
Accounts receivable due from related parties, net (Note 27)	45,903	-	44,297	-
Other receivables (Note 6)	750,720	1	406,879	-
Inventories (Notes 4 and 10)	10,332,143	10	10,908,106	11
Other current assets	<u>1,574,560</u>	<u>1</u>	<u>882,418</u>	<u>1</u>
Total current assets	<u>37,557,286</u>	<u>36</u>	<u>37,528,246</u>	<u>39</u>
<b>NON-CURRENT ASSETS</b>				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	1,501,756	2	861,853	1
Investments accounted for using equity method (Notes 4 and 11)	4,548,939	4	3,585,328	4
Property, plant and equipment (Notes 4 and 12)	56,977,114	54	52,484,183	55
Right-of-use assets (Notes 4 and 13)	2,298,393	2	-	-
Investment properties (Notes 4 and 14)	44,207	-	50,527	-
Intangible assets (Notes 4 and 15)	407,722	-	229,195	-
Deferred income tax assets	923,902	1	953,726	1
Other non-current assets (Note 6)	<u>545,581</u>	<u>1</u>	<u>349,406</u>	<u>-</u>
Total non-current assets	<u>67,247,614</u>	<u>64</u>	<u>58,514,218</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 96,042,464</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 1,000,000	1	\$ -	-
Notes and accounts payable	4,786,251	5	4,317,866	4
Accounts payable to related parties (Note 27)	911,529	1	629,681	1
Payables on machinery and equipment	3,013,266	3	2,860,869	3
Other payables	3,125,368	3	3,776,574	4
Current tax liabilities (Note 21)	198,242	-	178,690	-
Lease liabilities - current (Notes 4 and 13)	186,556	-	-	-
Long-term borrowings - current portion (Note 16)	4,123,520	4	4,563,520	5
Other current liabilities	<u>170,736</u>	<u>-</u>	<u>142,544</u>	<u>-</u>
Total current liabilities	<u>17,515,468</u>	<u>17</u>	<u>16,469,744</u>	<u>17</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 17)	9,931,746	10	9,919,779	10
Long-term borrowings (Note 16)	9,730,473	9	4,179,273	4
Lease liabilities - non-current (Notes 4 and 13)	2,096,115	2	-	-
Net defined benefit liabilities, non-current (Notes 4 and 18)	1,251,869	1	1,167,325	1
Other non-current liabilities	<u>422,042</u>	<u>-</u>	<u>415,246</u>	<u>1</u>
Total non-current liabilities	<u>23,432,245</u>	<u>22</u>	<u>15,681,623</u>	<u>16</u>
Total liabilities	<u>40,947,713</u>	<u>39</u>	<u>32,151,367</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)</b>				
Share capital	39,800,002	38	39,800,002	41
Capital surplus	7,536,396	7	7,540,440	8
Retained earnings				
Legal reserve	1,798,091	2	1,053,441	1
Unappropriated earnings	6,995,451	6	10,567,845	11
Exchange differences on translation of foreign financial statements	(119,246)	-	(50,780)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	<u>5,009,928</u>	<u>5</u>	<u>3,533,423</u>	<u>4</u>
Total equity attributable to owners of the parent	61,020,622	58	62,444,371	65
<b>NON-CONTROLLING INTERESTS</b>	<u>2,836,565</u>	<u>3</u>	<u>1,446,726</u>	<u>2</u>
Total equity	<u>63,857,187</u>	<u>61</u>	<u>63,891,097</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 104,804,900</u>	<u>100</u>	<u>\$ 96,042,464</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 48,771,434	100	\$ 51,190,323	100
OPERATING COSTS (Note 10)	<u>35,857,582</u>	<u>73</u>	<u>32,039,220</u>	<u>63</u>
GROSS PROFIT	<u>12,913,852</u>	<u>27</u>	<u>19,151,103</u>	<u>37</u>
OPERATING EXPENSES				
Selling expenses	1,408,662	3	1,486,523	3
General and administrative expenses	2,123,292	4	2,045,248	4
Research and development expenses	8,132,031	17	7,697,343	15
Expected credit (gain) loss (Note 9)	<u>(5,342)</u>	<u>-</u>	<u>(4,708)</u>	<u>-</u>
Total operating expenses	<u>11,658,643</u>	<u>24</u>	<u>11,224,406</u>	<u>22</u>
INCOME FROM OPERATIONS	<u>1,255,209</u>	<u>3</u>	<u>7,926,697</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	95,203	-	93,833	-
Dividend income	531,803	1	416,339	1
Other income	49,788	-	45,572	-
Gains (losses) on disposal of property, plant and equipment	(1,039)	-	764	-
Foreign exchange gains (losses)	(137,534)	-	280,264	1
Gains (losses) on financial instruments at fair value through profit or loss	64,016	-	(328,890)	(1)
Share of profit of associates accounted for using equity method	241,034	-	228,981	-
Interest expense	(218,980)	-	(182,299)	-
Other expenses	(126,983)	-	(73,471)	-
Other impairment loss	<u>-</u>	<u>-</u>	<u>(12,890)</u>	<u>-</u>
Total non-operating income and expenses	<u>497,308</u>	<u>1</u>	<u>468,203</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,752,517	4	8,394,900	16
INCOME TAX EXPENSE (Notes 4 and 22)	<u>275,230</u>	<u>1</u>	<u>667,242</u>	<u>1</u>
NET PROFIT	<u>1,477,287</u>	<u>3</u>	<u>7,727,658</u>	<u>15</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans	\$ (135,829)	-	\$ (142,113)	-
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	724,814	1	(505,248)	(1)
Share of other comprehensive income (loss) of associates accounted for using the equity method	777,428	2	(1,157,275)	(2)
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>(71,657)</u>	<u>-</u>	<u>66,164</u>	<u>-</u>
Other comprehensive income (loss)	<u>1,294,756</u>	<u>3</u>	<u>(1,738,472)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,772,043</u>	<u>6</u>	<u>\$ 5,989,186</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 1,256,387	3	\$ 7,446,496	14
Non-controlling interests	<u>220,900</u>	<u>-</u>	<u>281,162</u>	<u>1</u>
	<u>\$ 1,477,287</u>	<u>3</u>	<u>\$ 7,727,658</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 2,560,295	5	\$ 5,810,825	12
Non-controlling interests	<u>211,748</u>	<u>1</u>	<u>178,361</u>	<u>-</u>
	<u>\$ 2,772,043</u>	<u>6</u>	<u>\$ 5,989,186</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.32</u>		<u>\$ 1.87</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 1.87</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Total	Non-controlling Interests	
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2018	\$ 39,800,002	\$ 7,540,440	\$ 498,385	\$ 31,429	\$ 7,355,893	\$ (120,988)	\$ -	\$ 5,107,003	\$ 60,212,164	\$ 1,414,827	
Effect of retrospective application and retrospective restatement	-	-	-	-	471,170	-	5,065,763	(5,107,003)	429,930	55,874	
BALANCE AT JANUARY 1, 2018 RESTATED	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	60,642,094	1,470,701	
Appropriation of 2017 earnings											
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-	-	
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-	-	
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)	-	
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	(3,980,000)	-	
Net profit for the year ended December 31, 2018	-	-	-	-	7,446,496	-	-	-	7,446,496	281,162	
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	(1,635,671)	(102,801)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	5,810,825	178,361	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	(28,548)	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(202,336)	
BALANCE AT DECEMBER 31, 2018	39,800,002	7,540,440	1,053,441	-	10,567,845	(50,780)	3,533,423	-	62,444,371	1,446,726	
Appropriation of 2018 earnings											
Legal reserve appropriated	-	-	744,650	-	(744,650)	-	-	-	-	-	
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)	-	
Total appropriations	-	-	744,650	-	(4,724,650)	-	-	-	(3,980,000)	-	
Net profit for the year ended December 31, 2019	-	-	-	-	1,256,387	-	-	-	1,256,387	220,900	
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(115,561)	(68,466)	1,487,935	-	1,303,908	(9,152)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,140,826	(68,466)	1,487,935	-	2,560,295	211,748	
Changes in ownership interests in subsidiaries	-	(4,044)	-	-	-	-	-	-	(4,044)	-	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	11,430	-	(11,430)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,178,091	
BALANCE AT DECEMBER 31, 2019	\$ 39,800,002	\$ 7,536,396	\$ 1,798,091	\$ -	\$ 6,995,451	\$ (119,246)	\$ 5,009,928	\$ -	\$ 61,020,622	\$ 2,836,565	

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,752,517	\$ 8,394,900
Adjustments for:		
Depreciation expense	8,666,391	7,480,661
Amortization expense	111,440	102,201
Expected credit (gain) loss recognized on accounts receivable	(5,342)	(4,708)
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	1,146,371	113,910
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(67,172)	24,455
Interest expense	218,980	182,299
Interest income	(95,203)	(93,833)
Dividend income	(531,803)	(416,339)
Share of (profit) loss of associates accounted for using equity method	(241,034)	(228,981)
(Gains) losses on disposal of property, plant and equipment	1,039	(764)
Impairment loss on non-financial assets	-	12,890
Compensation costs of employee share options	49,920	-
Other adjustments to reconcile (profit) loss	(679)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	391,215	187,018
(Increase) decrease in accounts receivable due from related parties	(1,606)	(10,751)
(Increase) decrease in other receivables	(345,490)	257,184
(Increase) decrease in inventories	(570,408)	(2,882,034)
(Increase) decrease in other current assets	68,173	101,095
(Increase) decrease in other non-current assets	(118,045)	(59,222)
Increase (decrease) in notes and accounts payable	471,003	(103,079)
Increase (decrease) in accounts payable to related parties	281,848	132,894
Increase (decrease) in other payables	(695,784)	449,962
Increase (decrease) in other current liabilities	28,192	(51,483)
Increase (decrease) in other non-current liabilities	(44,489)	(69,160)
Cash flows from (used in) operations	10,470,034	13,519,115
Interest received	94,164	89,052
Dividends received	586,655	416,339
Interest paid	(348,667)	(206,744)
Income taxes paid	(226,290)	(284,520)
Net cash flows from (used in) operating activities	<u>10,575,896</u>	<u>13,533,242</u>
		(Continued)

# WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial asset at fair value through other comprehensive income	\$ (992,439)	\$ (280,233)
Proceeds from disposal of financial asset at fair value through other comprehensive income	106,799	147,925
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,000	24,072
Acquisition of investments accounted for using the equity method	-	(750)
Net cash flow from acquisition of subsidiaries	(127,514)	-
Acquisition of property, plant and equipment	(13,431,076)	(16,930,434)
Proceeds from disposal of property, plant and equipment	1,967	2,549
Acquisition of intangible assets	<u>(197,990)</u>	<u>(25,260)</u>
Net cash flows from (used in) investing activities	<u>(14,636,253)</u>	<u>(17,062,131)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	1,000,000	(553,539)
Proceeds from issuing bonds	-	10,000,000
Proceeds from long-term borrowings	10,350,000	-
Repayments of long-term borrowings	(5,123,520)	(3,323,520)
Cash dividends paid	(3,980,000)	(3,980,000)
Change in non-controlling interests	1,124,126	(202,336)
Repayments of lease liabilities	(202,489)	-
Other financing activities	<u>(135,000)</u>	<u>(86,171)</u>
Net cash flows from (used in) financing activities	<u>3,033,117</u>	<u>1,854,434</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(64,484)</u>	<u>61,645</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,091,724)	(1,612,810)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>12,559,631</u>	<u>14,172,441</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 11,467,907</u>	<u>\$ 12,559,631</u>

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

(Concluded)



# WINBOND ELECTRONICS CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,424,966	6	\$ 9,384,525	10
Current financial assets at fair value through profit or loss (Notes 4 and 7)	69,425	-	7,526	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	7,173,101	7	6,174,768	7
Accounts receivable, net (Notes 4 and 9)	2,940,289	3	3,918,246	4
Accounts receivable due from related parties, net (Note 26)	1,477,313	2	1,213,213	1
Other receivables	221,601	-	469,494	1
Inventories (Notes 4 and 10)	8,750,071	9	9,330,646	10
Other current assets	<u>1,413,779</u>	<u>1</u>	<u>689,621</u>	<u>1</u>
Total current assets	<u>27,470,545</u>	<u>28</u>	<u>31,188,039</u>	<u>34</u>
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	17,476	-	23,657	-
Investments accounted for using equity method (Notes 4 and 11)	11,931,184	12	8,413,315	9
Property, plant and equipment (Notes 4 and 12)	55,691,405	57	51,577,630	56
Right-of-use assets (Notes 4 and 13)	1,716,292	2	-	-
Investment properties (Notes 4 and 14)	295,251	-	-	-
Intangible assets (Notes 4 and 15)	123,949	-	104,925	-
Deferred income tax assets (Notes 4 and 21)	652,000	1	667,000	1
Other non-current assets (Note 6)	<u>350,829</u>	<u>-</u>	<u>199,263</u>	<u>-</u>
Total non-current assets	<u>70,778,386</u>	<u>72</u>	<u>60,985,790</u>	<u>66</u>
TOTAL	<u>\$ 98,248,931</u>	<u>100</u>	<u>\$ 92,173,829</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,000,000	1	\$ -	-
Notes payable	181,352	-	207,394	-
Accounts payable	3,488,513	4	3,233,658	4
Accounts payable to related parties (Note 26)	911,529	1	629,681	1
Payables on machinery and equipment	2,919,647	3	2,790,736	3
Other payables	2,410,968	3	3,083,269	3
Current tax liabilities (Note 21)	86,193	-	73,504	-
Lease liabilities - current (Notes 4 and 13)	74,527	-	-	-
Long-term borrowings - current portion (Note 16)	4,123,520	4	4,563,520	5
Other current liabilities	<u>71,350</u>	<u>-</u>	<u>56,674</u>	<u>-</u>
Total current liabilities	<u>15,267,599</u>	<u>16</u>	<u>14,638,436</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	9,931,746	10	9,919,779	11
Long-term borrowings (Note 16)	9,230,473	9	4,179,273	4
Lease liabilities - non-current (Notes 4 and 13)	1,660,704	2	-	-
Net defined benefit liabilities, non-current (Notes 4 and 18)	952,775	1	758,432	1
Other non-current liabilities	<u>185,012</u>	<u>-</u>	<u>233,538</u>	<u>-</u>
Total non-current liabilities	<u>21,960,710</u>	<u>22</u>	<u>15,091,022</u>	<u>16</u>
Total liabilities	<u>37,228,309</u>	<u>38</u>	<u>29,729,458</u>	<u>32</u>
EQUITY (Note 19)				
Share capital	39,800,002	40	39,800,002	43
Capital surplus	7,536,396	8	7,540,440	8
Retained earnings				
Legal reserve	1,798,091	2	1,053,441	1
Unappropriated earnings	6,995,451	7	10,567,845	12
Exchange differences on translation of foreign financial statements	(119,246)	-	(50,780)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	<u>5,009,928</u>	<u>5</u>	<u>3,533,423</u>	<u>4</u>
Total equity	<u>61,020,622</u>	<u>62</u>	<u>62,444,371</u>	<u>68</u>
TOTAL	<u>\$ 98,248,931</u>	<u>100</u>	<u>\$ 92,173,829</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 37,884,848	100	\$ 40,733,527	100
OPERATING COSTS (Note 10)	<u>29,645,436</u>	<u>78</u>	<u>25,952,289</u>	<u>64</u>
GROSS PROFIT	<u>8,239,412</u>	<u>22</u>	<u>14,781,238</u>	<u>36</u>
OPERATING EXPENSES				
Selling expenses	930,591	2	1,034,591	3
General and administrative expenses	1,407,488	4	1,400,498	3
Research and development expenses	5,539,492	15	5,399,222	13
Expected credit (gain) loss (Note 9)	<u>(18,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total operating expenses	<u>7,859,571</u>	<u>21</u>	<u>7,837,311</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>379,841</u>	<u>1</u>	<u>6,943,927</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	56,775	-	65,662	-
Dividend income	461,274	1	342,184	1
Other income	42,671	-	38,459	-
Gains (losses) on financial instruments at fair value through profit or loss	64,269	-	(298,216)	(1)
Share of profit of subsidiaries and associates accounted for using equity method	808,579	2	830,792	2
Interest expense	(204,095)	(1)	(182,299)	(1)
Other expenses	(117,052)	-	(62,909)	-
Losses on disposal of property, plant and equipment	(903)	-	(411)	-
Foreign exchange (losses) gains	(131,507)	-	272,717	1
Other impairment loss	<u>-</u>	<u>-</u>	<u>(12,890)</u>	<u>-</u>
Total non-operating income and expenses	<u>980,011</u>	<u>2</u>	<u>993,089</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,359,852	3	7,937,016	19
INCOME TAX EXPENSE (Notes 4 and 21)	<u>103,465</u>	<u>-</u>	<u>490,520</u>	<u>1</u>
NET PROFIT	<u>1,256,387</u>	<u>3</u>	<u>7,446,496</u>	<u>18</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
(Gains) losses on remeasurement of defined benefit plans (Note 18)	\$ (74,024)	-	\$ (85,080)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive loss	700,754	2	(301,203)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	745,644	2	(1,319,596)	(3)
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(10,985)	-	(1,486)	-
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using equity method	<u>(57,481)</u>	<u>-</u>	<u>71,694</u>	<u>-</u>
Other comprehensive income (loss)	<u>1,303,908</u>	<u>4</u>	<u>(1,635,671)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,560,295</u>	<u>7</u>	<u>\$ 5,810,825</u>	<u>14</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.32</u>		<u>\$ 1.87</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 1.87</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	\$ 39,800,002	\$ 7,540,440	\$ 498,385	\$ 31,429	\$ 7,355,893	\$ (120,988)	\$ -	\$ 5,107,003	\$ 60,212,164
Effect of retrospective application and retrospective restatement	-	-	-	-	471,170	-	5,065,763	(5,107,003)	429,930
BALANCE AT JANUARY 1, 2018 RESTATED	<u>39,800,002</u>	<u>7,540,440</u>	<u>498,385</u>	<u>31,429</u>	<u>7,827,063</u>	<u>(120,988)</u>	<u>5,065,763</u>	-	<u>60,642,094</u>
Appropriation of 2017 earnings									
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)
Total appropriations	-	-	<u>555,056</u>	<u>(31,429)</u>	<u>(4,503,627)</u>	-	-	-	<u>(3,980,000)</u>
Net profit for the year ended December 31, 2018	-	-	-	-	7,446,496	-	-	-	7,446,496
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	(1,635,671)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	<u>7,330,635</u>	<u>70,208</u>	<u>(1,590,018)</u>	-	<u>5,810,825</u>
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	(28,548)
BALANCE AT JANUARY 1, 2019	39,800,002	7,540,440	1,053,441	-	10,567,845	(50,780)	3,533,423	-	62,444,371
Appropriation of 2018 earnings									
Legal reserve appropriated	-	-	744,650	-	(744,650)	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)
Total appropriations	-	-	<u>744,650</u>	-	<u>(4,724,650)</u>	-	-	-	<u>(3,980,000)</u>
Net profit for the year ended December 31, 2019	-	-	-	-	1,256,387	-	-	-	1,256,387
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(115,561)	(68,466)	1,487,935	-	1,303,908
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	<u>1,140,826</u>	<u>(68,466)</u>	<u>1,487,935</u>	-	<u>2,560,295</u>
Changes in ownership interest in subsidiaries	-	(4,044)	-	-	-	-	-	-	(4,044)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	11,430	-	(11,430)	-	-
BALANCE AT DECEMBER 31, 2019	<u>\$ 39,800,002</u>	<u>\$ 7,536,396</u>	<u>\$ 1,798,091</u>	<u>\$ -</u>	<u>\$ 6,995,451</u>	<u>\$ (119,246)</u>	<u>\$ 5,009,928</u>	<u>\$ -</u>	<u>\$ 61,020,622</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,359,852	\$ 7,937,016
Adjustments for:		
Depreciation expense	8,328,952	7,285,916
Amortization expense	30,120	24,420
Expected credit (gain) loss recognized on accounts receivable	(18,000)	3,000
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	1,087,821	69,522
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(61,898)	23,509
Interest expense	204,095	182,299
Interest income	(56,775)	(65,662)
Dividend income	(461,274)	(342,184)
Share of profit of subsidiaries and associates accounted for using equity method	(808,579)	(830,792)
Gains (losses) on disposal of property, plant and equipment	903	411
(Reversal of) impairment loss on non-financial assets	-	12,890
Unrealized profit (loss) on the transactions with subsidiaries	(14,010)	(15,664)
Other adjustments to reconcile (profit) loss	(669)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	995,957	(91,067)
(Increase) decrease in accounts receivable due from related parties	(198,643)	540,388
(Increase) decrease in other receivables	(10,826)	55,396
(Increase) decrease in inventories	(507,246)	(2,902,906)
(Increase) decrease in other current assets	40,542	44,360
(Increase) decrease in other non-current assets	(122,838)	(26,480)
Increase (decrease) in notes payable	(26,042)	(26,293)
Increase (decrease) in accounts payable	257,472	(38,328)
Increase (decrease) in accounts payable to related parties	281,744	132,894
Increase (decrease) in other payables	(689,328)	455,655
Increase (decrease) in other current liabilities	14,421	(28,117)
Increase (decrease) in other non-current liabilities	17,296	20,848
Cash generated from (used in) operations	9,643,047	12,421,031
Interest received	62,000	60,695
Dividends received	832,677	694,614
Interest paid	(335,849)	(206,744)
Income taxes paid	(70,855)	(130,233)
Net cash flows from (used in) operating activities	<u>10,131,020</u>	<u>12,839,363</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

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

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	\$ -	\$ 11,914
Acquisition of financial assets at fair value through other comprehensive income	(291,398)	(183,229)
Acquisition of investments accounted for using the equity method	(2,451,142)	(433,252)
Proceeds from capital reduction of investments accounted for using equity method	284,436	148,609
Acquisition of property, plant and equipment	(13,158,790)	(16,714,392)
Proceeds from disposal of property, plant and equipment	495	608
Acquisition of intangible assets	(29,423)	-
Net cash inflows from business combination	<u>26,375</u>	<u>-</u>
Net cash flows from (used in) investing activities	<u>(15,619,447)</u>	<u>(17,169,742)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	1,000,000	(553,539)
Proceeds from issuing bonds	-	10,000,000
Proceeds from long-term borrowings	9,850,000	-
Repayments of long-term borrowings	(5,123,520)	(3,323,520)
Cash dividends paid	(3,980,000)	(3,980,000)
Repayments of lease liabilities	(82,612)	-
Other financing activities	<u>(135,000)</u>	<u>(86,171)</u>
Net cash flows from (used in) financing activities	<u>1,528,868</u>	<u>2,056,770</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,959,559)</b>	<b>(2,273,609)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>9,384,525</b></u>	<u><b>11,658,134</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 5,424,966</b></u>	<u><b>\$ 9,384,525</b></u>

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

(Concluded)

## **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, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission 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 most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Occurrence of Sales Revenues

There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the twenty largest customers with changes in credit limits and temporary increase in credit limits in 2019 as a key audit matter for the year ended December 31, 2019. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

### **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by 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:

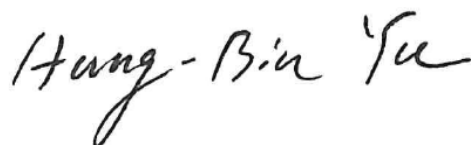
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Yea Shyu and Hung-Bin Yu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 7, 2020

Notice to Readers

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

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

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, 2019 and 2018, 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 (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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, 2019. 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.

### Occurrence of Sales Revenues

There is a significant risk on revenue recognition, and customers’ line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the twenty largest customers with changes in credit limits and temporary increase in credit limits in 2019 as a key audit matter for the year ended December 31, 2019. Refer to Note 4 to the consolidated financial statements for the Company’s revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

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

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

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

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

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

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

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

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

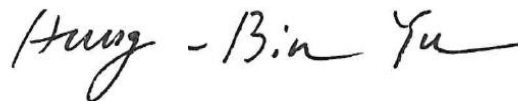
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Yea Shyu and Hung-Bin Yu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 7, 2020

Notice to Readers

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

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(English Translation)

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

To: The 2020 Annual General Meeting of Shareholders

The Board of Directors has prepared the Company's 2019 Business Report, the financial statements (including the consolidated financial statements) and proposal for distribution of earnings. The consolidated financial statements have been audited by Wen-Yea Shyu and Hung-Bin Yu from Deloitte & Touche, which has been retained by the Board of Directors as independent auditors. The independent auditors have issued an unmodified opinion. The Audit Committee has reviewed and determined the above Business Report, the consolidated financial statements, and proposal for distribution of earnings to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Winbond Electronics Corporation

Chairman of the Audit Committee : Allen Hsu

Date: March 16 2020

(English Translation)

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

Book closure date: April 14, 2020

Position	Name	Current shareholding (Shares)	Shareholding ratio (%)
Chairman	Arthur Yu-Cheng Chiao	63,472,995	1.59%
Vice Chairman	Yuan-Mou Su	801,279	0.02%
Director	Yung Chin	11,778,797	0.30%
Independent Director	Francis Tsai	0	0.00%
Independent Director	Allen Hsu	0	0.00%
Independent Director	Jerry Hsu	0	0.00%
Independent Director	Stephen Tso	0	0.00%
Director	Teresa Ma	0	0.00%
Director	Jamie Lin	0	0.00%
Director	Walsin Lihwa Corporation (Representative: Sophi Pan)	883,848,423	22.21%
Shareholdings of All Directors		959,901,494	24.12%

**Note:** This Company had a total of 3,980,000,193 issued shares as of April 14, 2020

## Winbond Electronics Corporation (the "Company")

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

Amended Articles	Current Articles	Note
<p>Article 3: Ceiling amount for endorsement/guarantee</p> <p>(1)Omitted.</p> <p>(2) The limit on the total amount of endorsements/guarantees for any single entity The total amount of endorsements/guarantees made by either the Company or the Company and its subsidiaries altogether for a single corporation shall not exceed twenty percent of the Company's net worth shown on the Company's latest financial report, or <u>1.5 times</u> the net worth of such endorsee/guarantee company, whichever is lower. If the Company engages in endorsements/guarantees because of its business relations, in addition to the aforesaid restriction, the aggregate amount of endorsements/ guarantees provided by the Company to any single corporation shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount. The restriction on the amount of endorsements/guarantees that the Company may provide to any single corporation and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its 100% owned subsidiaries.</p>	<p>Article 3: Ceiling amount for endorsement/guarantee</p> <p>(1)Omitted.</p> <p>(2) The limit on the total amount of endorsements/guarantees for any single entity The total amount of endorsements/guarantees made by either the Company or the Company and its subsidiaries altogether for a single corporation shall not exceed twenty percent of the Company's net worth shown on the Company's latest financial report, or the net worth of such endorsee/guarantee company, whichever is lower. If the Company engages in endorsements/guarantees because of its business relations, in addition to the aforesaid restriction, the aggregate amount of endorsements/guarantees provided by the Company to any single corporation shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount. The restriction on the amount of endorsements/guarantees that the Company may provide to any single corporation and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its 100% owned subsidiaries.</p>	<p>Adjust the limit on the total amount of endorsements/guarantees for any single entity to meet operational needs.</p>



Amended Articles	Current Articles	Note
(3)~(4)Omitted.	(3)~(4)Omitted.	

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

**I. PURPOSE**

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

**II. OBJECTIVE**

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

**III. CONTENTS**

**Article 1:**

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

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

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

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

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

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

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

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

- (2) The limit on the total amount of endorsements and/or guarantees for any single entity  
The total amount of endorsements and/or guarantees made by either the Company or the Company and its subsidiaries altogether for a single corporation shall not exceed twenty percent of the Company's net worth shown on the Company's latest financial report, or 1.5 times the net worth of such endorsee/guarantee company, whichever is lower.

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

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

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

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

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

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

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

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

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

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

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

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

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

minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.

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

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

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

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

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

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

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

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

#### **Article 9: Internal Audit**

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

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

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

statements.

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

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

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

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

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

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

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

subsidiaries.

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

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

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



### List of Candidates for Directors and Independent Directors of Twelfth Term

Category	Name	Education	Work Experience	Current Job	Shareholding (Unit : Share)	Name of institution Being represente
Director	Arthur Yu-Cheng Chiao	University of Washington Masters of Electrical Engineer and Business Administration	Chairman, Walsin Lihwa Corporation Chairman, Nuvoton Technology Corporation Supervisor, MiTAC Holdings Corporation Chairman, Taiwan Electrical and Electronic Manufacturers' Association	Chairman and CEO, Winbond Electronics Corporation Director, Nuvoton Technology Corporation Director, Walsin Lihwa Corporation Independent Director, Taiwan Cement Corporation Independent Director, Synnex Technology International Corporation Director, MiTAC Holdings Corporation	63,472,995	-
Director	Chin-Xin Investment Co., Ltd	Not applicable	Director, Walsin Lihwa Corporation Director, Nuvoton Technology Corporation Director, HannStar Board Corporation Director, Global Investment Holdings Co., Ltd. Director, Glorystone Inc.	Director, Walsin Lihwa Corporation Director, Nuvoton Technology Corporation Director, HannStar Board Corporation Director, Global Investment Holdings Co., Ltd. Director, Glorystone Inc.	221,003,072	Not applicable
Director	Jamie Lin	MBA, New York University Stern School of Business BS, Chemical Engineering (minor in economics), National Taiwan University	Founder, AppWorks Ventures Co., Ltd Director, HannsTouch Solution Incorporated Independent Director, Kingwaytek Technology Co., Ltd. Independent Director, Taiwan Taomee Co., Ltd.	Director and President, Taiwan Mobile Co., Ltd. Chairman and Partner, AppWorks Ventures Co., Ltd Director,Momo.com Inc. Managing Director, Taiwan Internet E-commerce Association Common Convener, Asian Silicon Valley Private Sector Advisory Committee Member, National Digital Innovation Economy Promotion Team, Executive Yuan Director, Winbond Electronics Corporation	-	-
Director	Teresa Ma	Ph.D., College of Humanities and Social Sciences, National Tsing Hua University Master of Business Administration for Senior Managers, Peking University, Department of East Asian Languages, University of California (Berkeley)	Chairman, Yuanta Securities Investment Trust Corporation Chairman, HannStar Display Corp.	Chairman, HannsTouch Solution Incorporated Chairman, Xin shi yue ma investment Co Ltd Chairman, Yuemayijao Investment Co Ltd Chairman, Glorystone Inc. Chairman, Golden Apple Investment Company Director, Walsin Lihwa Corporation Director, HannStar Display Corporation Director, Winbond Electronics Corporation	-	-
Director	Walsin Lihwa Corporation	Not applicable	Director, Walsin Technology Corporation Director, Walton Advanced Engineering, Inc. Director, HannStar Display Corporation Director, Winbond Electronics Corporation	Director, Walsin Technology Corporation Director, Walton Advanced Engineering, Inc. Director, HannStar Display Corporation Director, Winbond Electronics Corporation	883,848,423	Not applicable
Director	Tung-Yi Chan	Doctor of Science in Electrical Engineering, University of California, Berkeley Master of Management Science,	CEO, BCD Semiconductor Member of Compensation Committee, Walton Advanced Engineering, Inc. Director and President, Winbond Electronics Corporation	Vice CEO, Winbond Electronics Corporation Director, Walton Advanced Engineering, Inc.	901,000	-

		Stanford University				
Director	Yung Chin	Master of Applied Mathematics, University of Washington	Chief Auditor, Walsin Lihwa Corporation Vice President, Winbond Electronics Corporation	Director and Chief Administration Executive, Winbond Electronics Corporation Director, Nuvoton Technology Corporation Chairman, Hwa Bao Botanic Conservation Corp.	11,778,797	-
Independent Director	Allen Hsu	MBA, National Chengchi University, Further Education, Wharton College	Chairman, Altek Corporation Chairman, Taiwan Mask Corporation Chairman, Myson Century, Inc. Chairman, Chingis Technology Corporation Independent Director, ANZ Bank (Taiwan) Limited	Chairman, Hestia Power Inc. Chairman, Accelstor, Inc. Chairman, 3R Life Sciences Taiwan Ltd. Chairman, You Yuan Investment Ltd. Chairman, Fortune Star Investment Ltd. Director, Innodisk Corporation Director, Acme Electronics Corporation Director, Parpro Corporation Director, Bao Yue Investment Co. Independent Director, Nuvoton Technology Corporation Independent Director, Winbond Electronics Corporation	-	-
Independent Director	Stephen Tso	Ph.D & MS From Materials Science and Engineering U.C Berkeley	President, WaferTech General Manager, MCVD Applied Mate CIO & Sr. V.P, TMSC	Independent Director, Aopen Inc. Independent Director, Winbond Electronics Corporation	-	-
Independent Director	Francis Tsai	Department of Computing and Control Engineering, National Chiao Tung University	Vice President, Lian Tong Electronics Ltd. Vice President, Mitac Incorporated Vice Chairman, Mitac International Corporation Chairman/CEO, Getac Technology Corporation	Chairman/CEO, Waffer Technology Corp. Chairman, National Aerospace Fasteners Corporation Vice Chairman, Getac Technology Corporation Independent Director, Winbond Electronics Corporation	-	-
Independent Director	Jerry Hsu	International Business School, Waseda University	Director, Kinpo Electronics, Inc. Director, Cal-Comp Biotech Co., Ltd. Director, PCHOMESTORE INC.	Director and President, Acbel Polytech Inc. Director, Kinpo Electronics, Inc. Director, PChome online Inc. Director, The Eslite Spectrum Corporation Independent Director, Sirtec International Co., Ltd. Independent Director, Nuvoton Technology Corporation Independent Director, Winbond Electronics Corporation	-	-

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

### (1) Yuan-Mou Su :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Chairman/CEO	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing

### (2) Arthur Yu-Cheng Chiao :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing
Walsin Technology Corporation	Director	CC01080 Electronic Parts and Components Manufacture

### (3) Chin-Xin Investment Co., Ltd :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing
HannStar Board Corporation	Director	CC01080 Electronic Parts and Components Manufacture

### (4) Jamie Lin :

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

### (5) Teresa Ma :

Names of other companies Where he served	Title	Business items same or similar to the Company's
HannsTouch Solution	Chairman	CC01080 Electronic Parts and Components Manufacture

Incorporated		F401010 International Trade
HannStar Display Corporation	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade
Xin shi yue ma investment Co Ltd	Chairman	F401010 International Trade
Yuemayijao Investment Co Ltd	Chairman	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Glorystone Inc.	Chairman	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(6) Walsin Lihwa Corporation :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Waltuo Green Resources Corporation	Director	F401010 International Trade
HannStar Display Corporation	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade
Walsin Technology Corporation	Director	CC01080 Electronic Parts and Components Manufacture
Walton Advanced Engineering, Inc.	Director	CC01080 Electronic Parts and Components Manufacture
Min Maw Precision Industry Corp.)	Director	F401010 International Trade
Walsin Info-Electric Inc.	Director	CC01080 Electronic Parts and Components Manufacture F401010 International Trade I301010 Software Design Services I301020 Data Processing Services
Kuang Tai Metal Industrial Co., Ltd.	Director	F401010 International Trade
One-Seven Trading Co., Ltd.	Director	F401010 International Trade

(7) Tung-Yi Chan :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Walton Advanced Engineering, Inc.	Director	CC01080 Electronic Parts and Components Manufacture

(8) Yung Chin :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing

Nuvoton Electronics Technology (H.K.) Ltd.	Director	Sales of semiconductor
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(9) Allen Hsu :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Independent Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing
Parpro Corporation	Director	CC01080 Electronic Parts and Components Manufacture F401010 International Trade
Innodisk Corporation	Director	CC01080 Electronic Parts and Components Manufacture F401010 International Trade I301010 Software Design Services I501010 Product Designing
Hestia Power Inc.	Chairman	CC01080 Electronic Parts and Components Manufacture I301010 Software Design Services I301020 Data Processing Services I501010 Product Designing F401010 International Trade
Acme Electronics Corporation	Director	CC01080 Electronic Parts and Components Manufacture F401010 International Trade

(10) Francis Tsai :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Getac Technology Corporation	Vice Chairman	CC01120 Data Storage Media Manufacture and Duplication CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade I301010 Software Design Services I501010 Product Designing
National Aerospace Fasteners Corporation	Chairman	F401010 International Trade I501010 Product Designing
Waffer Technology Corp.	Chairman/CEO	CC01080 Electronic Parts and Components Manufacture F401010 International Trade I501010 Product Designing

(11) Jerry Hsu :

Names of other companies Where he served	Title	Business items same or similar to the Company's
Nuvoton Technology Corporation	Independent Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I501010 Product Designing

PChome online Inc.	Director	F401010 International Trade I301010 Software Design Services I301020 Data Processing Services I501010 Product Designing
Sirtec International Co., Ltd.	Independent Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade
Cal-Comp Biotech Co., Ltd.	Director	F401010 International Trade
Kinpo Electronics, Inc.	Director	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade I301010 Software Design Services I301020 Data Processing Services
Prudence Venture Investment Corp.	Director	H202011 Venture Investment
CAL-COMP BIG DATA, INC.	Director	CC01120 Data Storage Media Manufacture and Duplication F401010 International Trade I301010 Software Design Services I301020 Data Processing Services
The Eslite Spectrum Corporation	Director	F401010 International Trade I301010 Software Design Services I301020 Data Processing Services I501010 Product Designing
Acbel Polytech Inc.	Director and president	CC01080 Electronic Parts and Components Manufacture CC01110 Computers and Computing Peripherals Manufacture F401010 International Trade I301010 Software Design Services
Actel Electronic (Dongguan) Co., Ltd.	Director and president	The company mainly engages in the processing, manufacturing and sale of power supplies.
AcBel Electronic (Dongguan) Co., Ltd.	Director and president	The company mainly engages in the processing, manufacturing.
AcBel Polytech (Wuhan) Co., Ltd.	Director and president	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.

# Appendix

(English Translation)

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

The Ninth amendment was adopted by  
the Shareholders' Meeting of June 14, 2019

Article 1

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

Article 2

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

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

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

The matters specified in Paragraph 5 of Article 172 of the Company Act, or Article 26-1 or Article 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed among the reasons and explained in the notice for the meeting, and may not be proposed as extemporaneous motions. The essential contents of the matters specified in Paragraph 5 of Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

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

Article 3

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

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

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



The Company shall, prior to the delivery of the convention notice, notify all the shareholders who had submitted the proposals of the proposal screening results, and shall incorporate in the convention notice the proposals conforming to the requirements set out in this article. With regard to the proposals submitted by shareholders but not included in the agenda of the shareholders meeting, the Board of Directors shall explain reasons why such proposals are not included in the agenda of the shareholders meeting.

#### Article 4

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

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

After the Company receives the written proxy, in case the shareholder issuing the said proxy intends to attend the shareholders meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission, a proxy rescission notice in writing shall be delivered to the Company two days prior to the date of the shareholders meeting; otherwise, the voting right exercised by the authorized proxy at the meeting shall prevail.

#### Article 5

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

#### Article 6

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

#### Article 7

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

#### Article 8

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

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

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

received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

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

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

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

#### Article 9

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

#### Article 10

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

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

#### Article 11

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

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

#### Article 12

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

#### Article 13

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

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

#### Article 14

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

#### Article 15

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

#### Article 16

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

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

#### Article 17

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

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

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

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

#### Article 18

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

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

in the shareholders meeting.

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

#### Article 19

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

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

#### Article 20

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

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

#### Article 21

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

#### Article 22

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

#### Article 23

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

A motion is adopted by vote.

#### Article 24

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

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

a ballot is not thrown in the ballot box;

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

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

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

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

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

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

to authorize the Company's verification section to decide.

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

#### Article 25

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

#### Article 26

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

#### Article 27

Resolutions adopted at a shareholders meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The minutes of the meeting may be made and distributed by electronic way.

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

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

#### Article 28

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

#### Article 29

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

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

The Eighth amendment was adopted by  
the Shareholders' Meeting of June 14, 2019

**Article 1**

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

**Article 2**

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

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

**Article 3**

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

**Article 4**

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

**Article 5**

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

**Article 6**

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

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

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

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

#### **Article 7**

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

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

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

#### **Article 8**

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

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

#### **Article 9**

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

#### **Article 10**

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

**ARTICLES OF INCORPORATION  
WINBOND ELECTRONICS CORPORATION**

The twenty-ninth amendment was adopted by  
the Shareholders' Meeting of June 14, 2019

**Section 1: General Principles**

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

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

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

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

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

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

**Section 2: Shares**

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



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

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

Article 6: (Deleted)

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

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

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

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

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

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

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

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

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

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

The aggregate number of shares of nominal stock held by all the directors shall not be less than the percentage stipulated by the competent authority in accordance with law.

The Company shall establish an audit committee and the audit committee or its members shall be responsible for performing the functions and duties of supervisors provided under the Company Act, Securities and Exchange Act and other laws and regulations. The composition, convention, duties and meeting rules of the audit committee shall comply with relevant laws and regulations and the Company's rules.

The Board of Directors may additionally establish a compensation committee. The professional qualifications of the members, exercise of their duties, organizational rules and relevant matters of the compensation committee shall comply with relevant laws and regulations and the Company's rules. The Board of Directors may also establish other committees with different functions. The organizational rules of those committees shall be stipulated by the Board of Directors.

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

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

Article 14-1: Unless otherwise provided for by law, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors. When convening a meeting of the Board of Directors, a meeting notice specifying the reasons for convening such meeting shall be sent to each director within the period prescribed by the competent authority in charge of securities law; provided that a meeting may be convened at any time in case of emergency.

The meeting notice set forth in the preceding paragraph may be in writing or by fax or e-mail.

Unless otherwise provided by law, resolutions adopted at a meeting of the Board of Directors must be approved by a majority vote of the directors being present, who shall represent no less than half of the total number of directors.

Directors may designate other directors as their proxies to attend the meetings of the Boards of Directors; provided that each director may act as proxy for one other director only. The Board of Directors shall meet at least once every three months.

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

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

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

1. Review operating policies and short- and long- term development plans;
2. Review annual business plans and supervise its implementation;
3. Approve budget and review the results at year-end;
4. Propose capital increase or decrease;

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

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

Article 18: (Deleted)

## **Section 5: Management**

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

## **Section 6: Accounting**

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

Article 20-1: (Deleted)

Article 21: After the end of each fiscal year, the Board of Directors shall have the following documents prepared: (1) the business report; (2) the financial statements; and (3) the proposal for distribution of earnings or making up loss, and submit the same for recognition at the annual general shareholders' meeting in accordance with statutory procedures.

Article 22: From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the Board of Directors. The distribution of employee and director remuneration shall be reported to the shareholders' meeting.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the Board of Directors.

Article 23: If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The Board of Directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

Article 24: The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The statements and proposals set forth in Article 21 hereof shall be prepared by and then resolved by the Board of Directors.

The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with law; provided, however, that where the legal reserve amounts to the total paid-in capital, the

legal reserve needs not setting aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the Board of Directors, but where the profit is distributed in the form of newly issued share, such distribution shall be resolved by the shareholders' meeting.

## **Section 7: Supplementary Regulations**

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

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

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