



**WIN Semiconductors Corp.**

**Handbook of the 2013 Annual General**

**Shareholders' Meeting**

**Notice to readers**

*This English version handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*

Time: 9:00 a.m., June 10, Monday, 2013

Place: 2F, No. 68, Wuner 1st St., Gueishan Township, Taoyuan County  
(Fullon Hotel Linkou)

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## **I. MEETING PROCEDURE**

### **WIN Semiconductors Corp. Procedure for the 2013 Annual General Shareholders' Meeting**

Call the Meeting to Order

Chairperson Remarks

Report Items

Proposed Items

Discussion and Election Items

Special Motions

Adjournment

## **II. MEETING AGENDA**

### **WIN Semiconductors Corp.**

#### **Agenda of the 2013 Annual General Shareholders' Meeting**

Time: 9:00 a.m., June 10, Monday, 2013

Place: 2F, No. 68, Wuner 1st St., Gueishan Township, Taoyuan County  
(Fullon Hotel Linkou)

#### **I. Call the Meeting to Order**

#### **II. Chairperson Remarks**

#### **III. Report Items**

1. 2012 business report
2. 2012 supervisors' report
3. The status report of investments
4. The adjustments of retained earnings arisen from first-time adoption of IFRS and the appropriation of special reserves caused by optional exemption adopted under IFRS 1 "First-time Adoption of International Financial Reporting Standards"
5. Changing estimates of service life of M&E to 5 years from 2013
6. Amendment to the Company's "Rules and Procedures of Board of Directors Meetings"
7. The status of the meeting proposals and nominations of independent director candidates by shareholders
8. Other Report Item

#### **IV. Proposed Items**

1. Adoption of the 2012 business report and financial statements
2. Adoption of the proposal for distribution of 2012 profits

#### **V. Discussion and Election Items**

1. Amendment to the Company's "Procedures for Lending Funds to Other Parties"
2. Election of Board and Supervisors
3. Proposal for removal of "restriction on Board members over competing business involvement"

#### **VI. Special Motions**

#### **VII. Adjournment**

## **REPORT ITEMS**

Report 1: 2012 business report

See Attachment I (page 7-10).

Report 2: 2012 supervisors' report

See Attachment II (page 11-12).

Report 3: The status report of investments

See Attachment III (page 13).

Report 4: The adjustments of retained earnings arisen from first-time adoption of IFRS and the appropriation of special reserves caused by optional ex-emption adopted under IFRS 1 “First-time Adoption of International Financial Reporting Standards”

See Attachment IV (page 14).

Report 5: Changing estimates of service life of M&E to 5 years from 2013

See Attachment V (page 15).

Report 6: Amendment to the Company’s “Rules and Procedures of Board of Directors Meetings”

See Attachment VI (page 16-20).

Report 7: The status of the meeting proposals and nominations of independent director candidates by shareholders

See Attachment VII (page 21).

Report 8: Other report items

## **PROPOSED ITEMS**

### **1. Proposed by the Board**

#### **Proposal:**

Adoption of the 2012 business report and financial statements.

#### **Explanation:**

- (1) The Company's Financial Statements, including the balance sheets, statements of operations, statement of changes in shareholders' equity, and statements of cash flows, were audited by independent auditors, Fion Chen and Agnes Yang of KPMG. Also the Business Report and Financial Statements have been approved by the Board on March 22, 2013 and have been examined by the supervisors of the Company.
- (2) The 2012 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached hereto as Attachments I (page 7-10), VIII and IX. (page 22-33).

#### **Resolution:**

### **2. Proposed by the Board**

#### **Proposal:**

Adoption of the proposal for distribution of 2012 profits.

#### **Explanation:**

- (1) The Board has adopted a proposal for distribution of 2012 profits. The 2012 profit allocation proposal is attached hereto as Attachment X (page 34).
- (2) The proposed profit distribution for employee cash bonus is NT\$167,000,000 and directors' and supervisors' cash compensation is NT\$ 50,100,000.
- (3) The proposed dividend to shareholders is NT\$ 1,136,245,572, each common share holder will be entitled to receive a cash dividend of NT\$1.5 per share. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Chairman of the Board be authorized to resolve the ex-dividend date.
- (4) The total amount of common shares outstanding may change and the ultimate cash dividend to be distributed to each common share may need to be adjusted accordingly should WIN subsequently repurchase its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed that the Chairman of the Board of Directors of WIN be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

#### **Resolution:**

## **DISCUSSION AND ELECTION ITEMS**

**1.**

**Proposed by the Board**

**Proposal:**

Amendment to the Company's "Procedures for Lending Funds to Other Parties".

**Explanation:**

- (1) The Financial Supervisory Commission amended its "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies". Therefore, WIN's "Procedures for Lending Funds to Other Parties" should be amended to reflect the regulatory changes.
- (2) The proposed amendments to the Procedures for Lending Funds to Other Parties is attached hereto as Attachment XI (page 35-36).

**Resolution:**

**2.**

**Proposed by the Board**

**Proposal:**

Election of Board and Supervisors.

**Explanation:**

- (1) The Corporation shall have seven Directors (including two independent directors) and three Supervisors, who shall be elected by the shareholders' meeting among any persons with legal ability to act. The tenure of all Directors and Supervisors expires on June 23, 2013. The Board of Directors resolved that all Directors and Supervisors will be elected at this Annual General Shareholders' Meeting.
- (2) The tenure of newly elected directors and supervisors shall commence on June 10, 2013 and expire on June 9, 2016.
- (3) According to the relevant regulations, the election of independent directors is conducted under the "candidate nomination system". The independent directors shall be elected from the nominated candidates. The independent director candidates' academic background, experiences and relevant information were reviewed by the Board meeting on April 29, 2013 and attached hereto as Attachment XII (page 37).

**Voting Result:**



**3.**

**Proposed by the Board**

**Proposal:**

Proposal for removal of "restriction on Board members over competing business involvement".

**Explanation:**

- (1) According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) The newly elected directors of the Company who participate in the operations of another company, that engages in the same or similar business scope as the Company hereby requests the shareholders' approval to release these directors and their proxies from the non-competition restrictions.

**Resolution:**

**SPECIAL MOTIONS**

**ADJOURNMENT**

### **III. ATTACHMENT**

## ATTACHMENT I: 2012 BUSINESS REPORT

Global economies experienced significant turbulence throughout 2012, with the on-going European debt crisis and uncertainty surrounding the US fiscal cliff slowing economic momentum late in the year. Based on estimates from the Chinese Institute of Economic Research, the 2012 global economic growth rate was only 1.19%. In contrast to the muted global growth in 2012, the GaAs industry expanded at a much faster pace as a result of continued strong demand for smartphones and tablets, increased penetration of 3G-networks and the growth of 4G LTE services in the US. Additionally, the increased use of Wi-Fi and Bluetooth technologies, stable growth in cellular base stations and backhaul networks along with increased demand for RF components used in fiber-optic and satellite communications also contributed to growth in the GaAs industry. According to estimates from IDC, the growth rate of global mobile phone shipments in 2012 was only 1.4%, however, sales of smartphones grew 45% during the same period with shipments increasing to 717million units from 494 million the previous year.

In 2012, WIN achieved record high sales, exceeding 10-billion NT\$ revenue for the first time. Our sustained revenue growth comes from WIN's highly successful business model that supports diversified technologies, products and applications, as well as our advantage in manufacturing scale and unique market position. According to Strategy Analytics, WIN captured a 62.4% market share of the GaAs foundry industry in 2012.

2012 operating results and 2013 outlook are reported as follows:

### A. Operating Performance in 2012

#### 1. Operating Performance

The Company's 2012 non-consolidated revenues totaled NT\$11,066,244 thousand, representing an increase of 26.78% compared to the year 2011. 2012 net income was NT\$ 1,647,529 thousand, representing an increase of 28.85% compared to the prior year, and EPS for 2012 was NT\$2.45.

#### 2. Analysis of Receipts, Expenditures, and Profitability

Unit: NT\$ thousands; %

Items		2012	2011
Interest In- come & Interest Ex- pense	Interest Income	4,570	800
	Interest Expense	102,946	58,346
Profitability	Return on Total Assets (%)	8.22	7.93
	Return on Stockholders' Equity (%)	13.47	13.52

Items		2012	2011	
	Ratio to Issued Capital (%)	Operating In- come	31.86	25.73
		Pre-tax Income	25.57	18.03
	Profit Ratio (%)		14.89	14.65
	Earnings per Share (\$)		2.45	2.04

### 3. Budget Implementation

The Company is not required to make public its 2012 financial forecast information; however, the Board of Directors approved the budget plan and the overall operating plan is in good condition.

### 4. Research and Development Status

As the world's largest six-inch GaAs wafer foundry with two state-of-the-art production facilities and a wide range of technical capabilities, WIN provides customers with market leading foundry services for the manufacturing of HBT and pHEMT monolithic microwave integrated circuits (MMICs). WIN's 7/24 non-stop production line provides customers with not only state-of-the-art semiconductor manufacturing technology but also design layout services and wafer-level automated circuit testing services. WIN's technology covers operating frequencies ranging from 0.1 to 100 GHz and meet most product needs of this fast-growing market. For example, HBT can be used in mobile phones, low-frequency wireless products, as well as wireless LAN applications. Our pHEMT technologies can be applied to the Local Multipoint Distribution (LMDS) market, radar applications for the Aerospace and Defense segment as well as meeting stringent performance requirements for switching applications in mobile phones and wireless LAN products. Furthermore, both our HBT and pHEMT technologies have already been widely incorporated into the optical fiber products critical to high-speed networks. In addition to our comprehensive portfolio of internally developed technologies, WIN also collaborates with strategic partners to develop customized technology solutions and provide these select customers with a market advantage. To sustain WIN's future growth, WIN continually invests in R & D activities to improve product quality and manufacturing yields, while also developing new technology platforms required for the next generation of MMIC products. This constant investment in operational and technological improvements has made WIN the preferred provider of GaAs foundry services.

### B. Business Plan in 2013

Recently, several economic indicators suggest a stabilization of the global economy with some signs of improvement, and many research institutions have

also raised their forecast for economic growth. For instance, the DGBAS forecasts global economic growth will reach 3.6% in 2013. Gallium arsenide market demand for 2013 is expected to grow along with the global economic recovery driven by increasing sales of complex handheld devices, greater 3G-network penetration, and the adoption of 4G LTE as a global standard. Additional growth drivers for GaAs products are the inclusion of high-performance Wi-Fi as standard in most smartphones and the accelerating replacement of feature phones with introductory smartphone products. In particular, global smartphone and 4G LTE phone shipments are expected to be the fastest growing segments, and IDC predicts that the compound annual growth rate (CAGR) for global smartphone shipments will be 23.2% from 2011 through 2016, and the CAGR for LTE phones will be 108.6% for the same period.

The company's operating principle is to provide our global wireless communications customers with complete GaAs foundry solutions. The company sets the pursuit of excellence along with social responsibility as our mission. WIN adheres to the core values of integrity, innovation, discipline and efficiency. Production and marketing policy is to continually provide diversified technologies, production capacity and cost advantages to fulfill end market requirements and to maintain close cooperative relationships amongst the entire supply chain. By taking this approach WIN today manufactures critical RF components used across the entire wireless market; from the latest and most advanced handsets, Wi-Fi modules, cellular base stations, fiber optic networks and satellite systems, to the next generation of RF applications, WIN has the strategy, capacity and technology required by our customers to be their preferred outsourcing partner.

To maintain and expand our market position, the company will continue to devote more resources to drive technology innovation, quality improvement, and manufacturing cost reduction. This will be achieved by investing in advanced process technologies that will allow WIN to expand the scope of its foundry services and markets in the pursuit of not only yearly growth of sales and production volume, but also profitability and bring superior returns to our shareholders.

### **C. Development Strategy**

In the last decade the environment of the wireless industry has changed rapidly, and the speed at which new products are introduced is faster than ever. Also, industry demand patterns have shifted, with seasonality now dominated by new product introduction instead of the traditional holiday shopping season, which influences both consumer behavior and that of the supply chain. In response to this

rapid change, WIN's strategy is to focus on providing total manufacturing solutions to our customers by developing advanced foundry technologies and services to meet customer needs. This intense focus provides significant added value for our customers, creating a differentiation in service instead of just price competition. Providing significant additional value added services enables WIN to develop deep and strong partnerships with our customers, resulting in high barriers to competition and expansion of WIN's leading position in the industry. WIN strictly adheres to the pure-play foundry model and provides integration services to magnify WIN's core competitiveness and help our customers reduce their time to market. This unique market position enables WIN to have strong partnerships with all of the GaAs IDM's and fabless design houses, thereby insulating our own operation from the risks of market volatility.

**D. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment**

Competition is a key factor in driving company growth. WIN has been in a highly competitive environment for a long time and we constantly challenge ourselves to remain a market leader and improve our position in the industry. The volatility of the industry and changes in laws and cross-country regulations makes the business environment more challenging than ever. WIN will maintain its flexibility and efficiency in operations, adherence to effective cost controls and strengthen strategic customer relationships to maintain our long-term competitiveness.

Sincerely yours,

*Dennis Chen*

*Chairman & President*

*Yu-Chi Wang*

*CEO*

*Linna Su*

*Accounting Officer*

WIN Semiconductors Corp.

## **ATTACHMENT II: 2012 SUPERVISORS' REPORT**

### **2012 SUPERVISORS' REPORT**

The Board of Directors has prepared and submitted to us the Company's 2012 Business Report, Financial Statements, Consolidated Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit WIN's Financial Statements and Consolidated Financial Statements and has issued an audit report relating to the Financial Statements and Consolidated Financial Statements. The Business Report, Financial Statements, Consolidated Financial Statements, and proposal for allocation of profits have been reviewed and determined to be correct and accurate by us, supervisors of WIN Semiconductors Corp. According to article 219 of the Company Law, we hereby submit this report.

**WIN Semiconductors Corp.**  
**Supervisors**

*Mei-Lan Wang*

*Cheng-Li Huang*

*International Fiber Technology Co, Ltd.*  
*Representative: Shih-Chuan Hsieh*

March 22, 2013

## **2012 SUPERVISORS' REPORT**

The Board of Directors has prepared and submitted to us the Company's revised proposal for allocation of profits. The revised proposal for allocation of profits has been reviewed and determined to be correct and accurate by us, supervisors of WIN Semiconductors Corp. According to article 219 of the Company Law, we hereby submit this report.

**WIN Semiconductors Corp.**  
**Supervisors**

*Mei-Lan Wang*

*Cheng-Li Huang*

*International Fiber Technology Co, Ltd.*  
*Representative: Shih-Chuan Hsieh*

April 29, 2013



## ATTACHMENT III: THE STATUS REPORT OF INVESTMENTS

### WIN Semiconductors Corp.

Date: December 31, 2012

Securities Type and Name	Shares (in thousands)	Carrying value (NT\$ in thousands)	Percentage of ownership (%)	Market value (NT\$ in thousands)	Remark
Pegatron Corporation / Stock	323	12,129	0.01	12,129	
EPISTAR Corporation / Stock	16,006	843,516	1.72	843,516	
I-Chiun Precision Industry Co., Ltd. / Convertible Bond	250	25,075	-	25,075	
Fuh Hwa Yu Li Money Market Fund	7,635	100,057	-	100,057	
Allianz Global Investors Taiwan Money Market Fund	4,113	50,003	-	50,003	
Union Money Market Fund	10,142	130,101	-	130,101	
Capital Money Market Fund	7,668	120,101	-	120,101	
Polaris De-Bao Money Market Securities Investment Trust Fund	6,863	80,112	-	80,112	
Allianz Global Investors All Seasons Return Fund of Fund	7,239	100,076	-	100,076	
ING Taiwan Money Market Fund	2,524	40,002	-	40,002	
ITEQ CORPORATION / Stock	9,298	275,677	2.80	275,677	
MAG. LAYERS Scientific-Technics Co., Ltd. / Stock	1,931	72,393	2.44	72,393	
Solar Applied Materials Technology Corp. / Stock	400	14,160	0.10	14,160	
Speed Tech Corp. / Stock	12,591	149,838	9.20	149,838	
Tainergy Tech Co., Ltd. / Stock	7,130	70,589	3.46	70,589	
Shin Sheng III Venture Capital Investment Corp. / Stock	15,000	150,000	11.03	(Note 1)	
Inventec Solar Energy Corporation / Stock	33,000	186,151	11.00	(Note 1)	
IntelliEPI Inc. (Cayman) / Stock	500	5,306	1.93	(Note 1)	
WIN SEMI. USA, INC. / Stock	1,000	8,969	100.00	8,969	(Note 2)
Win Semiconductors Cayman Islands Co., Ltd. / Stock	7,000	308,685	100.00	308,685	(Note 2)
Inventec Energy Corporation / Stock	42,589	324,861	44.36	324,861	(Note 2)
Bright Led Electronics Corp. / Convertible Bond	4	360,000	-	(Note 3)	
MagiCap Venture Capital Co., Ltd. / Preferred Stock	20,000	200,000	18.26	(Note 1)	
<b>Total</b>		<b>3,627,801</b>			

Note 1: The stock is not publicly traded, and has no active market price.

Note 2: The stock is not publicly traded, and has no active market price. Disclosure of the investment of the net equity.

Note 3: The convertible bond was purchased privately, and had no active market price.

**ATTACHMENT IV: THE ADJUSTMENTS OF RETAINED EARNINGS  
ARISEN FROM FIRST-TIME ADOPTION OF IFRS AND THE  
APPROPRIATION OF SPECIAL RESERVES CAUSED BY OPTIONAL  
EX-EMPTION ADOPTED UNDER IFRS 1 “FIRST-TIME ADOPTION OF  
INTERNATIONAL FINANCIAL REPORTING STANDARDS”**

**Explanation:**

1. The financial statements have been prepared in accordance with the IFRS approved by FSC resulting in a increase of retained earnings amounted to NT\$ 149,313 thousand on January 1, 2012 (conversion date) and the accumulated increase of retained earnings amounted to NT\$ 48,655 thousand on January 1, 2013.
2. The Company does not adopt the optional exemptions, which are transferring the unrealized revaluation increment and gain on cumulative translation adjustment into retained earnings, under IFRS 1 “First-time Adoption of International Financial Reporting Standards”. In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, the Company does not need to reclassify as a special reserve from retained earnings regarding to the aforementioned exemptions on January 1, 2013.

## **ATTACHMENT V: CHANGING ESTIMATES OF SERVICE LIFE OF M&E TO 5 YEARS FROM 2013**

### **Explanation:**

The estimates of service life for partial machinery and equipment are changed in considering the regulatory requirement of financial statement in compliance with IFRS from 2013 and Guidelines for Preparation of Financial Statements by Securities Issuers amended as of December 22, 2011 as well as the prevailing circumstances of industry. While 6” GaAs wafer fabrication technology has been commercialized for more than 15 years, WIN Semiconductors was dedicated to developing advanced GaAs wafer manufacturing process for over 13 years, its technology is getting mature, and given advantages of booming smart phone and wireless communication business, it is expected GaAs manufacturing industry will be upgraded to more advanced wafer processing technologies in the future.

For past 10 years, WIN Semiconductors’ annual depreciation expense for machinery and equipment was computed by applying life time estimates based on then situation and real lifespan ranging from 5 to 10 years. To avoid the risk of one-time significant loss of disposal or obsolescence of the assets arising from the future fast improvement of manufacturing technology of the industry, it is considered that the original estimates of service life require revision. After reviewing status of existing machinery and equipment in its wafer fabs and characteristics of semiconductor industry, beginning 2013, WIN Semiconductors will reduce the estimated service life of its partial machinery and equipment to 5 years. The determination is made in an effort to reflect substantial cost effectiveness consideration and is consistent with evaluation principles of semiconductor industry.

As a result of the change of accounting estimate, the depreciation expense for 2013 will increase around NT\$464 million.

**ATTACHMENT VI: REVISIONS TO RULES AND PROCEDURES OF  
BOARD OF DIRECTORS MEETINGS**

**Mark-up and Clean Revisions**

<b>MARK-UP VERSION</b>	<b>CLEAN VERSION</b>
<p><b>Article 4 (Meeting Notices and Meeting Materials)</b>  <b>Paragraph 2</b>                      The written notice of convening a Board Meetings shall state the subjects and reasons, and shall be sent to each member of the Board of Directors and the Supervisors of the Company seven calendar days prior to a Board Meeting. In emergency circumstances, however, the Board Meetings can be called anytime. The notice set forth in the preceding paragraph may be effected by means of post, fax or electronic transmission, <u>after obtaining prior consent from the recipients thereof.</u></p>	<p><b>Article 4 (Meeting Notices and Meeting Materials)</b>  <b>Paragraph 2</b>                      The written notice of convening a Board Meetings shall state the subjects and reasons, and shall be sent to each member of the Board of Directors and the Supervisors of the Company seven calendar days prior to a Board Meeting. In emergency circumstances, however, the Board Meetings can be called anytime. The notice set forth in the preceding paragraph may be effected by means of post, fax or electronic transmission, after obtaining prior consent from the recipients thereof.</p>
<p><b>Article 8 (Meeting Materials, Other Attendants and Convention of Board Meetings)</b>  <b>Paragraph 2</b>                      When holding the Board Meetings, the Company may, as necessary for the meeting agenda, notify <del>non-director managers</del> personnel of relevant departments or subsidiaries to attend the Board Meetings as nonvoting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend <u>as nonvoting participants and to make explanatory statements, provided that they shall leave the Meeting when deliberation or voting takes place.</u></p>	<p><b>Article 8 (Meeting Materials, Other Attendants and Convention of Board Meetings)</b>  <b>Paragraph 2</b>                      When holding the Board Meetings, the Company may, as necessary for the meeting agenda, notify personnel of relevant departments or subsidiaries to attend the Board Meetings as nonvoting participants. When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the Meeting when deliberation or voting takes place.</p>
<p><b>Article 12 (Matters to be Discussed in the Board Meetings)</b>                      The following matters are required to be submitted to the Board of Directors for discussion:                      (1) Business plans of the Company;                      (2) Annual and semi-annual financial reports, <u>with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited by a certified</u></p>	<p><b>Article 12 (Matters to be Discussed in the Board Meetings)</b>                      The following matters are required to be submitted to the Board of Directors for discussion:                      (1) Business plans of the Company;                      (2) Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited by a certified</p>

MARK-UP VERSION	CLEAN VERSION
<p>public accountant (CPA);</p> <p>(3) Establishment or amendment of the internal control system of the Company pursuant to Article 14-1 of the Securities and Exchange Act (the “Act”);</p> <p>(4) Establishment or amendment of the procedures of material financial or business transactions, i.e. acquisition or disposal of assets, transactions of derivatives, and lending funds or providing endorsements and/or guarantees to other parties, pursuant to Article 36-1 of the Act.</p> <p>(5) The offering, issuance, or private placement of any equity-related securities;</p> <p>(6) The appointment or discharge of the financial, accounting, or internal auditing officer;</p> <p>(7) Remuneration suggestion provided by Compensation Committee;</p> <p><u>(8) A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following Board Meetings for retroactive recognition.</u></p> <p>(9) Matters set forth in Article 14-3 of the Act, or any other matters to be approved by the shareholders’ meeting of the Company or by the Board of Directors of the Company pursuant to laws and regulations or the Articles of Incorporation of the Company, or material matters so required by the competent authorities.</p> <p><u>The term “related party” in the eighth subparagraph of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means any individual donation, or cumulative donations within a one-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent</u></p>	<p>public accountant (CPA);</p> <p>(3) Establishment or amendment of the internal control system of the Company pursuant to Article 14-1 of the Securities and Exchange Act (the “Act”);</p> <p>(4) Establishment or amendment of the procedures of material financial or business transactions, i.e. acquisition or disposal of assets, transactions of derivatives, and lending funds or providing endorsements and/or guarantees to other parties, pursuant to Article 36-1 of the Act.</p> <p>(5) The offering, issuance, or private placement of any equity-related securities;</p> <p>(6) The appointment or discharge of the financial, accounting, or internal auditing officer;</p> <p>(7) Remuneration suggestion provided by Compensation Committee;</p> <p>(8) A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following Board Meetings for retroactive recognition.</p> <p>(9) Matters set forth in Article 14-3 of the Act, or any other matters to be approved by the shareholders’ meeting of the Company or by the Board of Directors of the Company pursuant to laws and regulations or the Articles of Incorporation of the Company, or material matters so required by the competent authorities.</p> <p>The term “related party” in the eighth subparagraph of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means any individual donation, or cumulative donations within a one-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent</p>

MARK-UP VERSION	CLEAN VERSION
<p><u>of net operating revenue or 5 percent of paid-in capital as stated in the CPA-audited financial statements for the most recent year.</u></p> <p><u>The term “within a one-year period” in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current the Board Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.</u></p> <p>With respect to the discussion of matters specified under Article 14-3 of the Act, Independent Directors shall attend the Board Meetings in person; if an Independent Director is unable to attend a Board Meeting in person and wishes to delegate his/her rights, he/she can only delegate another Independent Director to attend on his/her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board Meetings minutes. If Independent Directors are unable to attend Board Meetings in person to express their dissenting opinion or reservation, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board Meetings minutes.</p>	<p>of net operating revenue or 5 percent of paid-in capital as stated in the CPA-audited financial statements for the most recent year.</p> <p>The term “within a one-year period” in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current the Board Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.</p> <p>With respect to the discussion of matters specified under Article 14-3 of the Act, Independent Directors shall attend the Board Meetings in person; if an Independent Director is unable to attend a Board Meeting in person and wishes to delegate his/her rights, he/she can only delegate another Independent Director to attend on his/her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board Meetings minutes. If Independent Directors are unable to attend Board Meetings in person to express their dissenting opinion or reservation, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board Meetings minutes.</p>
<p><b>Article 14 (The Recusal of Conflict-Interested Directors)</b></p> <p>When the following matters are reviewed and discussed, a Director of the Board with interest related to him/her shall explain essentials of his/her interest involved during the Board Meeting, and if there is any concern that any interests of the Company may be jeopardized, such Director of the Board shall not participate in discussion and voting, and shall recuse himself/herself from discussion and voting, nor shall he/she acts as proxy of another Director of the Board to exercise voting right:</p> <ol style="list-style-type: none"> <li>(1) The matter is related to interest of the Director of the Board or the legal entity he/she represents;</li> <li>(2) The Director of the Board considers</li> </ol>	<p><b>Article 14 (The Recusal of Conflict-Interested Directors)</b></p> <p>When the following matters are reviewed and discussed, a Director of the Board with interest related to him/her shall explain essentials of his/her interest involved during the Board Meeting, and if there is any concern that any interests of the Company may be jeopardized, such Director of the Board shall not participate in discussion and voting, and shall recuse himself/herself from discussion and voting, nor shall he/she acts as proxy of another Director of the Board to exercise voting right:</p> <ol style="list-style-type: none"> <li>(1) The matter is related to interest of the Director of the Board or the legal entity he/she represents;</li> <li>(2) The Director of the Board considers</li> </ol>

MARK-UP VERSION	CLEAN VERSION
<p>recusal from the matter necessary, and  (3) A resolution requesting recusal of the Director of the Board is made by the Board of Directors.</p> <p>Under the circumstance set forth in the preceding paragraph of this Article, pursuant to the <del>two</del> third paragraph of Article 206 of the Company Law, the second paragraph two of Article 180 of the Company Law shall apply mutatis mutandis to the resolution adopted by the Board of Directors of the Company.</p>	<p>recusal from the matter necessary, and  (3) A resolution requesting recusal of the Director of the Board is made by the Board of Directors.</p> <p>Under the circumstance set forth in the preceding paragraph of this Article, pursuant to the third paragraph of Article 206 of the Company Law, the second paragraph two of Article 180 of the Company Law shall apply mutatis mutandis to the resolution adopted by the Board of Directors of the Company.</p>
<p><b>Article 15 (Meeting Items to be Recorded and Signed)</b>  <b>Paragraph 1</b>  The resolutions of every Board Meeting shall be recorded in the meeting minutes  The meeting minutes shall accurately record the following items</p> <ol style="list-style-type: none"> <li>1. The term (or year), place, and time of the Meeting</li> <li>2. The name of the Chairman;</li> <li>3. The attendance situation of the Directors, including the names and numbers of those who are present, on leave, and absent;</li> <li>4. The names and titles of the other attendants;</li> <li>5. The name of the recorder;</li> <li>6. Report items;</li> <li>7. Discussion items: the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; <u>the name of any Director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal;</u> any dissenting opinion or abstention with a written statement; any written statement provided by the Independent Directors pursuant to second paragraph of Articles 12 of the Rules and Procedures;</li> <li>8. Special motions: the names of the per-</li> </ol>	<p><b>Article 15 (Meeting Items to be Recorded and Signed)</b>  <b>Paragraph 1</b>  The resolutions of every Board Meeting shall be recorded in the meeting minutes  The meeting minutes shall accurately record the following items</p> <ol style="list-style-type: none"> <li>1. The term (or year), place, and time of the Meeting</li> <li>2. The name of the Chairman;</li> <li>3. The attendance situation of the Directors, including the names and numbers of those who are present, on leave, and absent;</li> <li>4. The names and titles of the other attendants;</li> <li>5. The name of the recorder;</li> <li>6. Report items;</li> <li>7. Discussion items: the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; the name of any Director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; any dissenting opinion or abstention with a written statement; any written statement provided by the Independent Directors pursuant to second paragraph of Articles 12 of the Rules and Procedures;</li> <li>8. Special motions: the names of the per-</li> </ol>

MARK-UP VERSION	CLEAN VERSION
<p>sons proposing the special motions; the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; <u>the name of any director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal</u>; any dissenting opinion or abstention with a written statement; and</p> <p>9. Other items that shall be recorded.</p>	<p>sons proposing the special motions; the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; the name of any director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; any dissenting opinion or abstention with a written statement; and</p> <p>9. Other items that shall be recorded.</p>



**ATTACHMENT VII: THE STATUS OF THE MEETING PROPOSALS AND  
NOMINATIONS OF INDEPENDENT DIRECTOR CANDIDATES BY  
SHAREHOLDERS**

**Explanation:**

1. According to Article 172-1 and 192-1 of the Company Act, the period for shareholders to submit proposals and nominations of independent director candidates of the Company is from April 8 to April 17, 2013.
2. In the above-mentioned period, the Board of Director proposed Mr. Chao-Shun Chang and Mr. Wei-Lin Wang as the independent director candidates, and there was no shareholder holding 1% or more of the total number of outstanding shares issued by the Company submitted proposals and nominations of independent director candidates to the Company.

## **ATTACHMENT VIII: INDEPENDENT AUDITORS' REPORT AND 2012 FINANCIAL STATEMENTS**

### **Independent Auditors' Report**

The Board of Directors  
WIN Semiconductors Corp.

We have audited the accompanying balance sheets of WIN Semiconductors Corp. (the "Company") as of December 31, 2011 and 2012, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WIN Semiconductors Corp. as of December 31, 2011 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

We have audited the consolidated financial statements as of and for the years ended December 31, 2011 and 2012 on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)  
March 22, 2013

#### **Note to Readers**

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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 accepted and applied in the Republic of China.

WIN Semiconductors Corp.

Balance Sheets

December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012		2011	2012
<b>Assets</b>			<b>Liabilities and Stockholders' Equity</b>		
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 4(a))	\$ 761,868	2,845,717	Financial liabilities at fair value through profit or loss (note 4(b))	\$ -	417
Financial assets at fair value through profit or loss (note 4(b))	1,599,992	1,501,172	Accounts payable	1,090,011	1,121,867
Available-for-sale financial assets—current (note 4(b))	-	512,068	Accrued expenses	720,428	662,949
Notes and accounts receivable, net (note 4(c))	237,887	466,496	Payable on equipment (note 5)	210,620	96,885
Account receivable—related parties (note 5)	280,103	536,618	Current portion of long-term borrowings (notes 4(j) and 6)	1,007,672	1,650,185
Other financial assets—current (note 4(d))	129,844	209,446	Other current liabilities	<u>31,163</u>	<u>49,142</u>
Inventories (note 4(e))	1,893,835	2,101,205	<b>Total current liabilities</b>	<u>3,059,894</u>	<u>3,581,445</u>
Other current assets	125,981	144,359	<b>Long-term liabilities:</b>		
Deferred income tax assets—current (note 4(l))	<u>360,481</u>	<u>298,495</u>	Long-term borrowings (notes 4(j) and 6)	<u>5,483,622</u>	<u>5,558,677</u>
<b>Total current assets</b>	<u>5,389,991</u>	<u>8,615,576</u>	<b>Other liabilities:</b>		
<b>Funds and investments:</b>			Accrued pension liabilities (note 4(k))	<u>4,246</u>	<u>20,907</u>
Available-for-sale financial assets—noncurrent (note 4(b))	160,021	70,589	<b>Total liabilities</b>	<u>8,547,762</u>	<u>9,161,029</u>
Financial assets carried at cost—noncurrent (note 4(b))	500,523	366,674	<b>Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):</b>		
Long-term investments under equity method (note 4(f))	680,715	642,515	Common stock	<u>6,485,930</u>	<u>7,541,877</u>
Investment in bonds with no active market—noncurrent (note 4(b))	<u>344,783</u>	<u>534,783</u>	Capital surplus:		
<b>Total funds and investments</b>	<u>1,686,042</u>	<u>1,614,561</u>	Capital surplus—additional paid-in capital	1,529,719	3,662,436
<b>Property, plant and equipment (notes 4(g), 5, 6 and 7):</b>			Capital surplus—long-term equity investments	28,469	-
Cost:			Capital surplus—employee stock options	<u>148,934</u>	<u>100,609</u>
Land	802,337	1,765,464	<b>Total capital surplus</b>	<u>1,707,122</u>	<u>3,763,045</u>
Buildings	721,851	722,426	Retained earnings:		
Machinery and equipment	9,149,329	10,381,768	Legal reserve	130,842	258,703
Factory and equipment	1,887,456	2,753,996	Special reserve	-	221,662
Office equipment	108,858	113,101	Retained earnings	<u>1,942,901</u>	<u>2,673,744</u>
Other equipment	<u>156,446</u>	<u>231,158</u>	<b>Total retained earnings</b>	<u>2,073,743</u>	<u>3,154,109</u>
	12,826,277	15,967,913	Other stockholders' equity adjustments:		
Less: accumulated depreciation	<u>(3,232,169)</u>	<u>(4,486,888)</u>	Cumulative translation adjustments	3,064	1,642
	9,594,108	11,481,025	Unrealized gain (loss) on financial instruments	<u>(224,726)</u>	<u>(35,656)</u>
Construction in progress	712,006	285,048	<b>Total other stockholders' equity adjustments</b>	<u>(221,662)</u>	<u>(34,014)</u>
Prepayment for purchases of land and buildings	-	702,128	<b>Total stockholders' equity</b>	10,045,133	14,425,017
Prepayment for purchases of equipment	<u>960,423</u>	<u>760,139</u>	<b>Commitments and contingencies (note 7)</b>		
<b>Net property, plant and equipment</b>	<u>11,266,537</u>	<u>13,228,340</u>			
<b>Intangible assets (note 4(h))</b>	<u>117,652</u>	<u>82,708</u>			
<b>Other assets:</b>					
Refundable deposits	19,658	19,444			
Restricted assets—noncurrent (note 6)	23,284	23,423			
Deferred income tax assets—noncurrent (note 4(l))	<u>89,731</u>	<u>1,994</u>			
<b>Total other assets</b>	<u>132,673</u>	<u>44,861</u>			
<b>Total Assets</b>	<b>\$ <u>18,592,895</u></b>	<b><u>23,586,046</u></b>	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ <u>18,592,895</u></b>	<b><u>23,586,046</u></b>

# WIN Semiconductors Corp.

## Statements of Operations

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2011	2012		
<b>Operating revenue</b>	\$ 8,754,834	11,104,260		
Less: sales returns	(9,180)	(11,983)		
sales discounts and allowances	<u>(16,840)</u>	<u>(26,033)</u>		
<b>Net revenue (note 5)</b>	8,728,814	11,066,244		
<b>Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m), 5 and 10)</b>	<u>(6,096,943)</u>	<u>(7,597,780)</u>		
<b>Gross profit</b>	<u>2,631,871</u>	<u>3,468,464</u>		
<b>Operating expenses (notes 4(h), 4(k), 4(m), 5 and 10)</b>				
Marketing expenses	(86,521)	(78,579)		
General and administrative expenses	(425,930)	(456,792)		
Research and development expenses	<u>(450,279)</u>	<u>(530,489)</u>		
<b>Operating income</b>	<u>(962,730)</u>	<u>(1,065,860)</u>		
	1,669,141	2,402,604		
<b>Non-operating income and gains:</b>				
Interest income	800	4,570		
Dividend income	78,487	16,670		
Gain on disposal of investments, net (note 4(b) and 4(f))	183	22,461		
Gain on disposal of property, plant and equipment	-	210		
Other income (notes 4(b) and 5)	<u>150,810</u>	<u>20,903</u>		
	<u>230,280</u>	<u>64,814</u>		
<b>Non-operating expenses and losses:</b>				
Interest expense (note 4(g))	(58,346)	(102,946)		
Investment loss recognized under equity method (note 4(f))	(15,894)	(76,519)		
Loss on disposal of property, plant and equipment	(14,688)	-		
Exchange loss, net	(19,068)	(42,167)		
Loss on valuation of financial assets, net (note 4(b))	(621,718)	(161,920)		
Impairment loss (note 4(b) and 4(f))	<u>-</u>	<u>(155,550)</u>		
	<u>(729,714)</u>	<u>(539,102)</u>		
<b>Income before income tax</b>	1,169,707	1,928,316		
<b>Income tax benefit (expense) (note 4(l))</b>	<u>108,903</u>	<u>(280,787)</u>		
<b>Net income</b>	<u>\$ 1,278,610</u>	<u>1,647,529</u>		
			<b>Before</b>	<b>After</b>
			<b>income tax</b>	<b>income tax</b>
			<b>Before</b>	<b>After</b>
			<b>income tax</b>	<b>income tax</b>
<b>Earnings per common share (expressed in dollars) (note 4(n)):</b>				
Basic earnings per share	\$ <u>1.87</u>	<u>2.04</u>	<u>2.87</u>	<u>2.45</u>
Diluted earnings per share	\$ <u>1.82</u>	<u>1.99</u>	<u>2.82</u>	<u>2.41</u>

**WIN Semiconductors Corp.**

**Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2011 and 2012**

**(Expressed in Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earn- ings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
<b>Balance on January 1, 2011</b>	\$ 6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)								
Legal reserve	-	-	130,842	-	(130,842)	-	-	-
Cash dividend	-	-	-	-	(513,291)	-	-	(513,291)
Issuance of common stock	116,800	186,880	-	-	-	-	-	303,680
Exercise of employee stock options (note 4)	193,455	62,997	-	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 3)	-	91,671	-	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	7,058	-	-	-	-	-	7,058
Increase in capital surplus resulting from long-term investments under equity method	-	24	-	-	-	-	-	24
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments	-	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011	-	-	-	-	1,278,610	-	-	1,278,610
<b>Balance on December 31, 2011</b>	<u>6,485,930</u>	<u>1,707,122</u>	<u>130,842</u>	<u>-</u>	<u>1,942,901</u>	<u>3,064</u>	<u>(224,726)</u>	<u>10,045,133</u>
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)								
Legal reserve	-	-	127,861	-	(127,861)	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-
Cash dividend	-	-	-	-	(518,874)	-	-	(518,874)
Issuance of common stock	1,000,000	2,017,939	-	-	-	-	-	3,017,939
Exercise of employee stock options (note 5)	55,947	114,778	-	-	-	-	-	170,725
Compensation cost arising from employee stock options (note 3)	-	(51,857)	-	-	-	-	-	(51,857)
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	4,789	4,789
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	3,532	-	-	-	-	-	3,532
Decrease in capital surplus resulting from disposal of long-term investments under equity method	-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term investments under equity method	-	107	-	-	-	-	-	107
Adjustments arising from change in percentage of ownership in equity method	-	(131)	-	-	(48,289)	-	-	(48,420)
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	184,281	184,281
Translation adjustments	-	-	-	-	-	(1,422)	-	(1,422)
Net income for the year ended December 31, 2012	-	-	-	-	1,647,529	-	-	1,647,529
<b>Balance on December 31, 2012</b>	<u>\$ 7,541,877</u>	<u>3,763,045</u>	<u>258,703</u>	<u>221,662</u>	<u>2,673,744</u>	<u>1,642</u>	<u>(35,656)</u>	<u>14,425,017</u>

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT\$58,100 and NT\$17,400, respectively, were recognized and accrued in the 2010 earnings.

Note 2: The appropriations for 2011 employee's bonus, directors' and supervisors' remuneration amounting to NT\$92,900 and NT\$27,800, respectively, were recognized and accrued in the 2011 earnings.

Note 3: For stock options granted to employees, compensation cost was recognized for the year ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus—employee stock options into capital surplus—additional paid-in capital.

Note 4: As the exercise price of the employees stock options is greater than book value as of December 31, 2011, the difference was credited to capital surplus—additional paid-in capital of NT\$1,157.

Note 5: As the exercise price of the employees stock options is less than book value as of December 31, 2012, the difference was debited to capital surplus—additional paid-in capital of NT\$539.

# WIN Semiconductors Corp.

## Statements of Cash Flows

For the years ended December 31, 2011 and 2012  
(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,278,610	1,647,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	975,883	1,256,723
Amortization	57,613	50,206
Amortization of cost of long-term borrowings	3,947	4,112
Loss on valuation of inventories and obsolescence	37,115	64,519
Investment loss recognized under equity method	15,894	76,519
Compensation cost arising from employee stock options	153,511	63,460
Deferred income tax (benefit) expense	(300,103)	150,351
Unrealized exchange loss on long-term borrowings	26,563	-
Loss (gain) on disposal of property, plant and equipment	14,688	(210)
Insurance claim on damaged and donated property, plant and equipment	-	54,610
Gain on disposal of investments	(183)	(22,461)
Impairment loss	-	155,550
Change in operating assets:		
Financial assets at fair value through profit or loss	1,873	183,016
Notes and accounts receivable	(24,489)	(228,609)
Account receivable—related parties	1,888	(256,515)
Other receivables—related parties	514	-
Other financial assets—current	(39,942)	(79,602)
Inventories	(627,472)	(341,201)
Other current assets	(25,211)	(19,311)
Change in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	417
Accounts payable	218,532	31,856
Accrued expenses	146,640	(64,853)
Other current liabilities	(11,713)	17,979
Accrued pension liabilities	1,771	16,661
<b>Net cash provided by operating activities</b>	<u>1,905,931</u>	<u>2,760,746</u>
<b>Cash flows from investing activities:</b>		
Increase in available-for-sale financial assets—current	-	(367,034)
Payment for purchase of investment in bonds with no active market—noncurrent	-	(190,000)
Payment for purchase of available-for-sale financial assets—noncurrent	-	(25,192)
Proceeds from disposal of long-term investments under equity method	-	259,220
Payment for purchase of long-term investments under equity method	(123,764)	(287,591)
Payment for purchase of financial assets carried at cost—noncurrent	-	(10,000)
Payment for purchase of property, plant and equipment	(3,335,520)	(3,317,284)
Proceeds from disposal of property, plant and equipment	2,607	298
(Increase) decrease in refundable deposit	(1,451)	214
Increase in restricted assets—noncurrent	(150)	(139)
Payment for purchase of intangible assets	(49,314)	(18,307)
<b>Net cash used in investing activities</b>	<u>(3,507,601)</u>	<u>(3,955,815)</u>

## WIN Semiconductors Corp.

### Statements of Cash Flows (Continued)

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(365,365)	-
Increase in long-term borrowings	4,017,000	1,899,000
Redemption of long-term borrowings	(1,606,610)	(1,185,544)
Payment of cash dividends	(513,291)	(518,874)
Issuance of common stock	303,680	3,028,928
Exercise of employee stock options	194,612	55,408
<b>Net cash provided by financing activities</b>	<u>2,030,026</u>	<u>3,278,918</u>
<b>Net increase in cash and cash equivalents</b>	428,360	2,083,849
<b>Cash and cash equivalents at the beginning of year</b>	<u>333,508</u>	<u>761,868</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ <u>761,868</u></u>	<u>\$ <u>2,845,717</u></u>
 <b>Additional disclosure of cash flow information:</b>		
Interest paid (excluding capitalized interest)	\$ <u>57,072</u>	<u>102,725</u>
Income tax paid	\$ <u>151,375</u>	<u>193,358</u>
 <b>Supplemental schedule of non-cash investing and financing activities:</b>		
Other current assets reclassified to plant, property and equipment	\$ <u>174</u>	<u>363</u>
Inventories reclassified to plant, property and equipment	\$ <u>65,912</u>	<u>69,312</u>
Other current assets reclassified to intangible assets	\$ <u>4,268</u>	<u>570</u>
Unrealized gain (loss) on financial instruments	\$ <u>(254,029)</u>	<u>189,070</u>
Translation adjustments	\$ <u>1,021</u>	<u>(1,422)</u>
Reclassification of current portion of long-term borrowings	\$ <u>1,007,672</u>	<u>1,650,185</u>
 <b>Purchase of property, plant and equipment</b>		
Increase in property, plant and equipment	\$ 3,452,515	3,203,549
Add: payable on equipment – beginning of year	93,625	210,620
Less: payable on equipment – end of year	(210,620)	(96,885)
Cash paid	\$ <u>3,335,520</u>	<u>3,317,284</u>
 <b>Disposal of property, plant and equipment</b>		
Disposal of property, plant and equipment	\$ 107	298
Add: other financial assets – current – beginning of year	2,500	-
Cash received	\$ <u>2,607</u>	<u>298</u>
 <b>Purchase of intangible assets</b>		
Acquisition of intangible assets	\$ 38,471	14,692
Add: accrued expenses – beginning of year	15,335	4,487
Less: accrued expenses – end of year	(4,487)	(872)
Cash paid	\$ <u>49,319</u>	<u>18,307</u>
 <b>Issuance of common stock</b>		
Issuance of common stock	\$ 303,680	3,017,939
Add: Transaction cost of issuance of common stock recognized as accrued expense – end of year	-	10,989
Cash received	\$ <u>303,680</u>	<u>3,028,928</u>

## **ATTACHMENT IX: INDEPENDENT AUDITORS' REPORT AND 2012 CONSOLIDATED FINANCIAL STATEMENTS**

### **Independent Auditors' Report**

The Board of Directors  
WIN Semiconductors Corp.

We have audited the accompanying consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of December 31, 2011 and 2012, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of WIN Semiconductors Corp., and subsidiaries as of December 31, 2011 and 2012, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

Taipei, Taiwan (the Republic of China)  
March 22, 2013

#### **Note to Readers**

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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 accepted and applied in the Republic of China.



WIN Semiconductors Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012		2011	2012
<b>Assets</b>			<b>Liabilities and Stockholders' Equity</b>		
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 4(a))	\$ 799,376	3,025,657	Financial liabilities at fair value through profit or loss (note 4(b))	\$ -	417
Financial assets at fair value through profit or loss (note 4(b))	1,599,992	1,501,172	Accounts payable	1,090,011	1,121,867
Available-for-sale financial assets—current (note 4(b))	-	512,068	Accrued expenses	721,729	666,490
Notes and accounts receivable, net (note 4(c))	652,822	1,049,355	Payable on equipment (note 5)	210,620	96,885
Other financial assets—current (note 4(d))	129,850	231,072	Current portion of long-term borrowings (notes 4(j) and 6)	1,007,672	1,650,185
Inventories (note 4(e))	1,893,835	2,101,205	Other current liabilities	<u>35,650</u>	<u>50,507</u>
Other current assets	129,248	145,801	<b>Total current liabilities</b>	<u>3,065,682</u>	<u>3,586,351</u>
Deferred income tax assets—current (note 4(l))	<u>360,481</u>	<u>298,495</u>	<b>Long-term liabilities:</b>		
<b>Total current assets</b>	<u>5,565,604</u>	<u>8,864,825</u>	Long-term borrowings (notes 4(j) and 6)	<u>5,483,622</u>	<u>5,558,677</u>
<b>Funds and investments:</b>			<b>Other liabilities:</b>		
Available-for-sale financial assets—noncurrent (note 4(b))	228,417	143,774	Accrued pension liabilities (note 4(k))	<u>4,246</u>	<u>20,907</u>
Financial assets carried at cost—noncurrent (note 4(b))	500,523	366,674	<b>Total liabilities</b>	<u>8,553,550</u>	<u>9,165,935</u>
Long-term investments under equity method (note 4(f))	442,289	324,861	<b>Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):</b>		
Investment in bonds with no active market—noncurrent (note 4(b))	<u>344,783</u>	<u>534,783</u>	Common stock	<u>6,485,930</u>	<u>7,541,877</u>
<b>Total funds and investments</b>	<u>1,516,012</u>	<u>1,370,092</u>	Capital surplus:		
<b>Property, plant and equipment (notes 4(g), 5, 6 and 7):</b>			Capital surplus—additional paid-in capital	1,529,719	3,662,436
Cost:			Capital surplus—long-term equity investments	28,469	-
Land	802,337	1,765,464	Capital surplus—employee stock options	<u>148,934</u>	<u>100,609</u>
Buildings	721,851	722,426	<b>Total capital surplus</b>	<u>1,707,122</u>	<u>3,763,045</u>
Machinery and equipment	9,149,329	10,381,768	Retained earnings:		
Factory and equipment	1,887,456	2,753,996	Legal reserve	130,842	258,703
Office equipment	110,185	113,688	Special reserve	-	221,662
Other equipment	<u>156,446</u>	<u>231,158</u>	Retained earnings	<u>1,942,901</u>	<u>2,673,744</u>
	12,827,604	15,968,500	<b>Total retained earnings</b>	<u>2,073,743</u>	<u>3,154,109</u>
Less: accumulated depreciation	<u>(3,233,291)</u>	<u>(4,487,349)</u>	Other stockholders' equity adjustments:		
	9,594,313	11,481,151	Cumulative translation adjustments	3,064	1,642
Construction in progress	712,006	285,048	Unrealized gain (loss) on financial instruments	<u>(224,726)</u>	<u>(35,656)</u>
Prepayment for purchases of land and buildings	-	702,128	<b>Total other stockholders' equity adjustments</b>	<u>(221,662)</u>	<u>(34,014)</u>
Prepayment for purchases of equipment	<u>960,423</u>	<u>760,139</u>	<b>Total stockholders' equity</b>	10,045,133	14,425,017
<b>Net property, plant and equipment</b>	<u>11,266,742</u>	<u>13,228,466</u>	<b>Commitments and contingencies (note 7)</b>		
<b>Intangible assets (note 4(h))</b>	<u>117,652</u>	<u>82,708</u>			
<b>Other assets:</b>					
Refundable deposits	19,658	19,444			
Restricted assets—noncurrent (note 6)	23,284	23,423			
Deferred income tax assets—noncurrent (note 4(l))	<u>89,731</u>	<u>1,994</u>			
<b>Total other assets</b>	<u>132,673</u>	<u>44,861</u>			
<b>Total Assets</b>	<u>\$ 18,598,683</u>	<u>23,590,952</u>	<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 18,598,683</u>	<u>23,590,952</u>

# WIN Semiconductors Corp. and Subsidiaries

## Consolidated Statements of Operations

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2011	2012		
<b>Operating revenue</b>	\$ 8,927,370	11,276,342		
Less: sales returns	(9,276)	(12,088)		
sales discounts and allowances	<u>(16,821)</u>	<u>(26,290)</u>		
<b>Net revenue</b>	8,901,273	11,237,964		
<b>Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m), 5 and 10)</b>	<u>(6,096,943)</u>	<u>(7,597,780)</u>		
<b>Gross profit</b>	<u>2,804,330</u>	<u>3,640,184</u>		
<b>Operating expenses (notes 4(h), 4(k), 4(m), 5 and 10)</b>				
Marketing expenses	(142,156)	(176,229)		
General and administrative expenses	(434,524)	(476,165)		
Research and development expenses	<u>(450,279)</u>	<u>(530,490)</u>		
<b>Operating income</b>	<u>1,777,371</u>	<u>2,457,300</u>		
<b>Non-operating income and gains:</b>				
Interest income	813	4,594		
Gain on disposal of property, plant and equipment	-	210		
Gain on disposal of investments, net (note 4(b) and 4(f))	183	22,461		
Dividend income	79,529	18,019		
Other income (notes 4(b) and 5)	<u>150,810</u>	<u>20,911</u>		
	<u>231,335</u>	<u>66,195</u>		
<b>Non-operating expenses and losses:</b>				
Interest expense (note 4(g))	(58,346)	(102,946)		
Investment loss recognized under equity method (note 4(f))	(114,698)	(78,339)		
Loss on disposal of property, plant and equipment	(14,688)	-		
Impairment loss (note 4(b) and 4(f))	-	(190,129)		
Loss on valuation of financial assets, net (note 4(b))	(621,718)	(161,920)		
Exchange loss, net	<u>(29,525)</u>	<u>(61,821)</u>		
	<u>(838,975)</u>	<u>(595,155)</u>		
<b>Income before income tax</b>	1,169,731	1,928,340		
<b>Income tax benefit (expense) (note 4(l))</b>	<u>108,879</u>	<u>(280,811)</u>		
<b>Net income</b>	<u>\$ 1,278,610</u>	<u>1,647,529</u>		
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>income</u>	<u>income</u>	<u>income</u>	<u>income</u>
	<u>tax</u>	<u>tax</u>	<u>tax</u>	<u>tax</u>
<b>Earnings per common share (expressed in dollars) (note 4(n)):</b>				
Basic earnings per share	\$ <u>1.87</u>	<u>2.04</u>	<u>2.87</u>	<u>2.45</u>
Diluted earnings per share	\$ <u>1.82</u>	<u>1.99</u>	<u>2.82</u>	<u>2.41</u>

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earn- ings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
<b>Balance on January 1, 2011</b>	\$ 6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)								
Legal reserve	-	-	130,842	-	(130,842)	-	-	-
Cash dividend	-	-	-	-	(513,291)	-	-	(513,291)
Issuance of common stock	116,800	186,880	-	-	-	-	-	303,680
Exercise of employee stock options (note 4)	193,455	62,997	-	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 3)	-	91,671	-	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	7,058	-	-	-	-	-	7,058
Increase in capital surplus resulting from long-term investments under equity method	-	24	-	-	-	-	-	24
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments	-	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011	-	-	-	-	1,278,610	-	-	1,278,610
<b>Balance on December 31, 2011</b>	<u>6,485,930</u>	<u>1,707,122</u>	<u>130,842</u>	<u>-</u>	<u>1,942,901</u>	<u>3,064</u>	<u>(224,726)</u>	<u>10,045,133</u>
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)								
Legal reserve	-	-	127,861	-	(127,861)	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-
Cash dividend	-	-	-	-	(518,874)	-	-	(518,874)
Issuance of common stock	1,000,000	2,017,939	-	-	-	-	-	3,017,939
Exercise of employee stock options (note 5)	55,947	114,778	-	-	-	-	-	170,725
Compensation cost arising from employee stock options (note 3)	-	(51,857)	-	-	-	-	-	(51,857)
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	4,789	4,789
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	3,532	-	-	-	-	-	3,532
Decrease in capital surplus resulting from disposal of long-term investments under equity method	-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term investments under equity method	-	107	-	-	-	-	-	107
Adjustments arising from change in percentage of ownership in equity method	-	(131)	-	-	(48,289)	-	-	(48,420)
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	184,281	184,281
Translation adjustments	-	-	-	-	-	(1,422)	-	(1,422)
Net income for the year ended December 31, 2012	-	-	-	-	1,647,529	-	-	1,647,529
<b>Balance on December 31, 2012</b>	<u>\$ 7,541,877</u>	<u>3,763,045</u>	<u>258,703</u>	<u>221,662</u>	<u>2,673,744</u>	<u>1,642</u>	<u>(35,656)</u>	<u>14,425,017</u>

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT\$58,100 and NT\$17,400, respectively, were recognized and accrued in the 2010 earnings.

Note 2: The appropriations for 2011 employee's bonus, directors' and supervisors' remuneration amounting to NT\$92,900 and NT\$27,800, respectively, were recognized and accrued in the 2011 earnings.

Note 3: For stock options granted to employees, compensation cost was recognized for the year ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus—employee stock options into capital surplus—additional paid-in capital.

Note 4: As the exercise price of the employees stock options is greater than book value as of December 31, 2011, the difference was credited to capital surplus—additional paid-in capital of NT\$1,157.

Note 5: As the exercise price of the employees stock options is less than book value as of December 31, 2012, the difference was debited to capital surplus—additional paid-in capital of NT\$539.

## WIN Semiconductors Corp. and Subsidiaries

### Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,278,610	1,647,529
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation	975,969	1,256,812
Amortization	57,613	50,206
Amortization of cost of long-term borrowings	3,947	4,112
Loss on valuation of inventories and obsolescence	37,115	64,519
Investment loss recognized under equity method	114,698	78,339
Compensation cost arising from employee stock options	160,569	66,992
Deferred income tax (benefit) expense	(300,103)	150,351
Unrealized exchange loss on long-term borrowings	26,563	-
Loss (gain) on disposal of property, plant and equipment	14,688	(210)
Insurance claim on damaged and donated property, plant and equipment	-	54,610
Gain on disposal of investments	(183)	(22,461)
Impairment loss	-	190,129
Change in operating assets:		
Financial assets at fair value through profit or loss	1,873	183,016
Notes and accounts receivable	(171,806)	(396,533)
Other financial assets – current	(39,948)	(79,596)
Inventories	(627,472)	(341,201)
Other current assets	(23,554)	(17,486)
Change in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	417
Accounts payable	218,532	31,856
Accrued expenses	145,191	(62,613)
Other current liabilities	(8,640)	14,857
Accrued pension liabilities	1,779	16,661
<b>Net cash provided by operating activities</b>	<u>1,865,441</u>	<u>2,890,306</u>
<b>Cash flows from investing activities:</b>		
Increase in available-for-sale financial assets – current	-	(367,034)
Payment for purchase of investment in bonds with no active market – noncurrent	-	(190,000)
Payment for purchase of available-for-sale financial assets – noncurrent	-	(25,192)
Proceeds from disposal of long-term investments under equity method	-	259,220
Payment for purchase of long-term investments under equity method	(123,764)	(287,591)
Payment for purchase of financial assets carried at cost – noncurrent	-	(10,000)
Payment for purchase of property, plant and equipment	(3,335,544)	(3,317,300)
Proceeds from disposal of property, plant and equipment	2,607	298
(Increase) decrease in refundable deposit	(1,451)	214
Increase in restricted assets – noncurrent	(156)	(139)
Payment for purchase of intangible assets	(49,319)	(18,307)
<b>Net cash used in investing activities</b>	<u>(3,507,627)</u>	<u>(3,955,831)</u>

## WIN Semiconductors Corp. and Subsidiaries

### Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(365,365)	-
Increase in long-term borrowings	4,017,000	1,899,000
Redemption of long-term borrowings	(1,606,610)	(1,185,544)
Payment of cash dividends	(513,291)	(518,874)
Issuance of common stock	303,680	3,028,928
Exercise of employee stock options	<u>194,612</u>	<u>55,408</u>
<b>Net cash provided by financing activities</b>	<u>2,030,026</u>	<u>3,278,918</u>
<b>Effect on cash due to changes in exchange rate</b>	<u>2,735</u>	<u>12,888</u>
<b>Net increase in cash and cash equivalents</b>	390,575	2,226,281
<b>Cash and cash equivalents at the beginning of year</b>	<u>408,801</u>	<u>799,376</u>
<b>Cash and cash equivalents at the end of year</b>	<u><b>\$ 799,376</b></u>	<u><b>3,025,657</b></u>
<b>Additional disclosure of cash flow information:</b>		
Interest paid (excluding capitalized interest)	<u>\$ 57,072</u>	<u>102,725</u>
Income tax paid	<u>\$ 151,399</u>	<u>193,382</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Inventories reclassified to plant, property and equipment	<u>\$ 65,912</u>	<u>69,312</u>
Other current assets reclassified to plant, property and equipment	<u>\$ 174</u>	<u>363</u>
Other current assets reclassified to intangible assets	<u>\$ 4,268</u>	<u>570</u>
Unrealized gain (loss) on financial instruments	<u>\$ (254,029)</u>	<u>189,070</u>
Translation adjustments	<u>\$ 1,021</u>	<u>(1,422)</u>
Reclassification of current portion of long-term borrowings	<u>\$ 1,007,672</u>	<u>1,650,185</u>
<b>Purchase of property, plant and equipment</b>		
Increase in property, plant and equipment	\$ 3,452,539	3,203,565
Add: payable on equipment – beginning of year	93,625	210,620
Less: payable on equipment – end of year	<u>(210,620)</u>	<u>(96,885)</u>
Cash paid	<u><b>\$ 3,335,544</b></u>	<u><b>3,317,300</b></u>
<b>Disposal of property, plant and equipment</b>		
Disposal of property, plant and equipment	\$ 107	298
Add: other financial assets – current – beginning of year	<u>2,500</u>	<u>-</u>
Cash received	<u><b>\$ 2,607</b></u>	<u><b>298</b></u>
<b>Purchase of intangible assets</b>		
Acquisition of intangible assets	\$ 38,471	14,692
Add: accrued expenses – beginning of year	15,335	4,487
Less: accrued expenses – end of year	<u>(4,487)</u>	<u>(872)</u>
Cash paid	<u><b>\$ 49,319</b></u>	<u><b>18,307</b></u>
<b>Disposal of long-term investments under equity method</b>		
Disposal of long-term investments under equity method	\$ -	280,846
Less: other financial assets – current – end of year	<u>-</u>	<u>(21,626)</u>
Cash received	<u><b>\$ -</b></u>	<u><b>259,220</b></u>
<b>Issuance of common stock</b>		
Issuance of common stock	\$ 303,680	3,017,939
Add: Transaction cost of issuance of common stock recognized as accrued expense – end of year	<u>-</u>	<u>10,989</u>
Cash received	<u><b>\$ 303,680</b></u>	<u><b>3,028,928</b></u>

## ATTACHMENT X: PROFIT ALLOCATION PROPOSAL

### WIN Semiconductors Corp. 2012 Profit Allocation Proposal

Unit: NT\$

<b>Net income of 2012 (Note)</b>	<b>1,647,529,430</b>
Less: 10% legal reserve	(164,752,943)
Add: special reserve	187,646,978
<b>Retained earnings in 2012 available for distribution</b>	<b>1,670,423,465</b>
Distributable item:	
Cash dividends to common share holders (NT\$1.5 per share)	(1,136,245,572)
<b>Unappropriated retained earnings of 2012</b>	<b>534,177,893</b>
Add: Unappropriated retained earnings of previous years	1,074,503,512
Less: Adjustments arising from change in percentage of ownership in equity method	(48,288,595)
<b>Unappropriated retained earnings, Dec. 31, 2012</b>	<b>1,560,392,810</b>
Note: After expensing the following and to be distributed after 2013 Annual Shareholders' Meeting:	
(1) Directors' and supervisors' compensation	50,100,000
(2) Employees' cash bonus	167,000,000

Article 22 of Article of Incorporation:

If there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equal to the total capital amount of the Company; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. Any balance left over shall be allocated according to the following principles:

1. Employee bonus: not less than 5% but no more than 10%. The cash and stock bonus ratio for employee bonus shall be in proportionate to that distributed to shareholders and shall be determined pursuant to Employee Bonus Procedure of the Corporation. Stock-type employee bonus may be distributed to qualified employees of affiliates of the Corporation.
2. Compensation of Directors and Supervisors: not less than 1% but no more than 3%.
3. The balance is shareholders' dividend, in which cash dividend shall not be lower than 10% of entire dividend.

As the Company is a high-tech firm with intensive capital expenditure, conditions, timing, amount and kinds of the above-stated dividend policy may be adjusted, taking into account economic cycles, industry change and the Company's growth and cash demand.

**ATTACHMENT XI: REVISIONS TO THE PROCEDURES FOR LENDING FUNDS TO OTHER PARTIES**

**Mark-up and Clean Revisions**

<b>MARK-UP VERSION</b>	<b>CLEAN VERSION</b>
<p><b>Article 2</b> The party to whom the Company may lend its funds shall be limited to:</p> <ol style="list-style-type: none"> <li>1. Those business or entities which have business relationships with the Company; or</li> <li>2. Those business or entities which who have short-term needs of funding from the Company. The total amount available for lending purpose shall not exceed 40% of the total net value of the Company.</li> </ol> <p>The short-term means one-year period. <del>When there is a lending for funding needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall not be subject to the second subparagraph of the first paragraph.</del></p>	<p><b>Article 2</b> The party to whom the Company may lend its funds shall be limited to:</p> <ol style="list-style-type: none"> <li>1. Those business or entities which have business relationships with the Company; or</li> <li>2. Those business or entities which who have short-term needs of funding from the Company. The total amount available for lending purpose shall not exceed 40% of the total net value of the Company.</li> </ol> <p>The short-term means one-year period.</p>
<p><b>Article 6 Execution and auditing procedures for lending funds</b></p> <ol style="list-style-type: none"> <li>4. Any lending of the Company's funds shall be evaluated with and subject to the Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 6, to the Board of Directors for its approval and no delegation shall be made to any person in this regard.</li> </ol> <p>The loans <del>between</del> of the Company, <del>its parent company</del> and subsidiaries or subsidiaries and subsidiaries shall be submitted to the Board of Directors for approval in accordance with aforesaid paragraph. Once the loans are approved by the Board, the Chairman of the Board of Directors is authorized to allocate the fund within a year under approved limits in several installments or revolving allocations.</p> <p><del>Except for the offshore companies that</del></p>	<p><b>Article 6 Execution and auditing procedures for lending funds</b></p> <ol style="list-style-type: none"> <li>4. Any lending of the Company's funds shall be evaluated with and subject to the Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 6, to the Board of Directors for its approval and no delegation shall be made to any person in this regard.</li> </ol> <p>The loans of the Company and subsidiaries or subsidiaries and subsidiaries shall be submitted to the Board of Directors for approval in accordance with aforesaid paragraph. Once the loans are approved by the Board, the Chairman of the Board of Directors is authorized to allocate the fund within a year under approved limits in several installments or revolving allocations.</p> <p>The aforesaid loan amount of the</p>

<b>MARK-UP VERSION</b>	<b>CLEAN VERSION</b>
<p><del>the Company holds 100% voting rights directly or indirectly, †</del>The aforesaid loan amount of the Company or its subsidiaries to any single enterprise shall not exceed 10% of the net worth of the latest financial reports of the Company.</p> <p>When the Company submits the loaning of funds for the Board of Directors' approval, the board shall fully take each independent director's opinions into consideration and record each director's reasons for pros and cons in the minutes.</p>	<p>Company or its subsidiaries to any single enterprise shall not exceed 10% of the net worth of the latest financial reports of the Company.</p> <p>When the Company submits the loaning of funds for the Board of Directors' approval, the board shall fully take each independent director's opinions into consideration and record each director's reasons for pros and cons in the minutes.</p>



**ATTACHMENT XII: LIST OF INDEPENDENT DIRECTOR CANDIDATES**

Name	Education	Major Experience	Current Position	Shareholdings
Chao-Shun Chang	Master degree in Public Finance, National Chengchi University, Taiwan	<ul style="list-style-type: none"> <li>• CPA (1976~upto date)</li> <li>• Supervisor &amp; Director of Share Long Securities Co., Ltd.</li> <li>• Supervisor of First Commercial Bank</li> <li>• Supervisor of First Financial Holding Co., Ltd.</li> <li>• Chairman of Franklin Templeton First Taiwan Securities Investment Trust Enterprise</li> <li>• Chairman of Bank of Overseas Chinese</li> <li>• Chairman of Taiwan Business Bank</li> <li>• Chairman of First Financial Holding Co., Ltd. and First Commercial Bank, Supervisor of Taiwan Stock Exchange Corporation</li> <li>• Supervisor of Taiwan Stock Exchange Corporation</li> <li>• Supervisor of Securities and Futures Institute, ROC</li> </ul>	<ul style="list-style-type: none"> <li>• CPA, Enrich CPAs &amp; Co.</li> <li>• Chairman, ACE Venture Consulting Corporation</li> <li>• Independent Director, Formosa Laboratories, Inc.</li> </ul>	0
Wei-Lin Wang	Juris Science Doctor, Washington University in St. Louis, USA	<ul style="list-style-type: none"> <li>• Partner, New Hope Law Firm, Taiwan</li> <li>• Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA</li> <li>• Sr. Counselor, Lee and Li, Attorneys-at-Law</li> <li>• Assistant Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan</li> <li>• Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• Assistant Professor, Graduate Institute of Financial and Economic Law, Feng Chia University</li> <li>• Independent Director, Young Fast Optoelectronics Co., Ltd.</li> <li>• Independent Director, Capital Futures Corporation</li> <li>• Independent Director, ANT Precision Industry Co. Ltd.</li> </ul>	0

## IV. APPENDIX

### APPENDIX I: RULES AND PROCEDURES OF SHAREHOLDERS' MEETING

#### WIN Semiconductors Corp.

#### Rules and Procedures of Shareholders' Meeting

1. Unless otherwise provided for in applicable laws and regulations or the Company's Articles of Incorporation, Shareholders' Meeting Rules and Procedures of the Company shall comply with the following articles.
2. The shareholders or their appointed proxies are referred to as shareholders on these articles.
3. Shareholders' meetings (the "Meeting") shall be held at the Company's premises or at another place that is convenient for shareholders to attend and suitable for a Meeting. The Meeting shall not start earlier than 9:00 AM or later than 3:00 PM.
4. The Company may appoint retained lawyers, certified public accountants or related persons to participate in the Meeting.
5. The Company shall provide a sign-in book allowing attending shareholders to sign in or require attending shareholders to submit attendance cards in lieu of signing in. Shareholders shall be admitted to the Meeting on the basis of attendance passes, attendance cards, or other attendance documents; those persons soliciting proxy forms shall be required to present identification documents for checking identities. When the government or a legal entity is a shareholder, more than one representative may attend the Meeting. However, a legal entity serving as proxy to attend the Meeting may appoint only one representative to attend.
6. Voting and attendance at the Meeting shall be based on number of shares. If a shareholder requests counting of number of the attendees, the chairman may turn it down. After such request was made, a resolution is duly passed should the attendance constitute the quorum if a voting is made on an agenda item.  
Shares of shareholders without voting rights shall not be included in the total number of issued and outstanding shares when voting on resolutions. If there is concern that a shareholder's interest may conflict with and adversely affect the Company's interests with regard to any matters discussed at the Meeting, such shareholder may not participate in voting, and may not represent another shareholder to exercise his or her voting rights.  
The number of shares of those persons not permitted to exercise their voting rights in the foregoing paragraph shall not be included in counting the total number of voting shares for attending shareholders.

Except in the case of a trust enterprise or securities proxy organization approved by

the securities competent authority, the proxy voting rights of a person serving as a proxy for two or more shareholders may not exceed 3% of total issued and outstanding shares voting rights; if it does exceed 3%, the excess portion shall not be counted.

7. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any person entitled to convene the Meeting other than the Board of Directors, such person shall be the chairman to preside at the Meeting. If there is more than one such person entitled to convene the Meeting, those persons shall nominate amongst themselves to be the Meeting's chairman.

The notifications and announcements shall state the reasons for the Meeting. The election or discharge of directors and supervisors, the amendment of this Company's Articles of Incorporation, the dissolution, merger, or spin-off of the Company, or the matters specified in the Article 185, Paragraph 1 of the Company Law, or Article 26-1 or Article 43-6 of the Securities and Exchange Law shall be listed among the reasons for the Meeting, and may not be proposed as provisional motions.

8. The Company shall locate the surveillance video taping at the entrance of the Meeting place, and the proceeding of the Meeting shall be audio recorded and videotaped and these tapes shall be preserved for at least one year. However, the said audio and video tapes shall be preserved until the conclusion of the lawsuit if a shareholder initiates a lawsuit in accordance with Article 189 of the Company Law.

9. The chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and the Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements, the number of shares represented by the attending shareholders has not yet constituted more than one-third of all issued and outstanding shares, the chairman shall announce the termination of the Meeting.

If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of

the Company Law of the Republic of China, and shareholders shall be notified to attend another shareholders' meeting to approve the tentative resolutions within one month.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

10. The agenda of the Meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the items (including provisional motions) listed in the agenda are completed.

11. When a shareholder attending the meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's account number (or the number of attendance card) and the account name of the shareholder. The chairman shall determine the sequence of shareholder's speeches.

If any attending shareholder 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 content of the speech of a shareholder is inconsistent with the content of the speech note, the content of actual speech shall prevail.

The same shareholder may not speak more than twice concerning the same item without the chairman's consent, and each speech time may not exceed five minutes. The chairman may stop the speech of any shareholder who violates the above provision or exceeds the scope of the agenda item.

Unless otherwise permitted by the chairman and the speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder, otherwise the chairman shall stop such interruption.

When a legal-entity shareholder has appointed two or more representatives to attend the Meeting, only one representative can speak for each agenda item.

The chairman may respond himself/herself or designate another person to respond after the speech of attending shareholder.

12. Unless otherwise listed in the agenda items, there shall be no discussion or voting. The chairman must provide sufficient time for the explanation and discussion of all items on the agenda and amendments and provisional motions submitted by

shareholders; the chairman may announce an end of discussion and submit an item for a vote if the chairman deems that the agenda item is ready for voting. If the item(s) discussion of which was ended by the chairman is announced by the chairman to submit for voting(s), the votings may be conducted at same time, but each agenda item shall be voted separately.

13. Except otherwise specified in the Company Law or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the attending shareholders. An agenda item shall be deemed approved and shall have the same effect as if it was voted by casting ballots if no objection is voiced by all the attending shareholders after solicitation by the chairman. If there is any objection, the chairman may request the shareholder making objection or waiving right raise his/her hand or stand up to count the voting rights. If the voting rights do not constitute the number required by the law or the Articles of Incorporation, the agenda item shall be deemed passed and no voting will be necessary.

Other items than the items listed the agenda of the Meeting, or any amendment to, or alternative to the original agenda items shall be seconded by another shareholder.

14. If there is amendment to or substitute for an agenda item, the chairman shall decide the sequence of voting for such original agenda item, the amendment and the substitute. If any one of them has been approved, the others shall be deemed vetoed and no further voting will be necessary.
15. The chairman shall appoint persons to handle checking and counting ballots during votes on agenda items. However, the persons responsible for checking ballots must be shareholders. The ballots shall be publicly counted at the Meeting venue and the results of voting shall be announced at the Meeting and placed on record.
16. During procession of the Meeting, the chairman may announce recession. In case of force majeure, the chairman may determine to suspend the Meeting and announce the time of resuming the Meeting. In accordance with Article 182 of the Company Law of the Republic of China, the shareholders may have resolution to extend or continue the Meetings in five days.

Before the agenda (including provisional motions) set for the Meeting are completed, if the Meeting place cannot continue to be used, a new place will be located for resumption of the Meeting.

17. Persons handling affairs of the Meeting shall wear identification cards or arm badges. The chairman may order disciplinary officers or security guards to assist in keeping order in the Meeting place. Such disciplinary officers or security guards shall wear arm badges marked "Disciplinary Personnel" when assisting in maintaining order in the Meeting place.

If the Meeting place is equipped with loudspeaker equipment, the chairman shall stop any shareholders using equipment not installed by the Company from speaking.

The chairman shall order disciplinary officers or security guard to escort any shareholders who violate these Rules and Procedures and fail to heed the chairman's correction, or disrupt the proceeding of the Meeting and fail to desist, to leave the Meeting place.

18. If the election of directors and supervisors is conducted during the Meeting, such an election shall be performed in accordance with the Company's Rules for Election of Directors and Supervisors, and the results must be announced at the Meeting.

The ballots casts in the election in the forgoing paragraph shall be sealed and signed by the persons responsible for checking ballots and kept for at least one year. If a shareholder initiates a lawsuit in accordance with Article 189 of the Company Law, ballots shall be kept until the end of the lawsuit.

19. Resolutions made at the Meeting shall be complied in the form of minutes. The chairman shall affix his signature or seal to the minutes, which shall be issued to shareholders within 20 days after the end of the Meeting.

With regard to the issue of minutes in the forgoing paragraph, the minutes may be distributed in the form of an announcement on the Market Observation Post System Website.

The minutes must faithfully record the Meeting's date (year, month, day), place, chairman's name, resolution method, summary of proceeding and results of resolutions.

The minutes of the Meeting shall be preserved for as long as the Company exists.

“There is no objection from any shareholders after solicitation by the chairman and the resolution is passed “shall be recorded in the minutes if no objection is voiced after solicitation by the chairman before an agenda item is put to a vote. If there are any objections, however, the resolution method, the number of approval votes cast and the percentage of the approval votes as to total votes shall be recorded in the minutes.

If any resolutions made by the Meeting are material information pursuant to the applicable laws and regulations or the Taiwan Stock Exchange Corporation's (GreTai Securities Market's) regulations, the Company shall transmit the content of such resolutions to the Market Observation Post System Website within the specified period of time.

20. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at the Meeting place.

21. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

## **APPENDIX II: ARTICLES OF INCORPORATION**

### **WIN Semiconductors Corp. Articles of Incorporation**

#### **Section I General Provisions**

##### **Article 1**

This Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 穩懋半導體股份有限公司 in Chinese.

##### **Article 2**

The scope of business of the Corporation shall be as follows:

1. CC01080 - Manufacturing of electronic parts and components.
2. F119010 - Wholesale of electronic materials.
3. ZZ99999 - All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### **Article 3**

The Corporation shall have its principal office in Taoyuan Hsien, Taiwan, and shall be free, whenever necessary and upon approval of the board of directors and government authorities in charge, to set up branch offices at various locations within or outside the territory of the Republic of China.

##### **Article 4**

The Corporation may provide endorsement and guarantee and act as a guarantor pursuant to the Corporation's Endorsement and Guarantee Procedure, whenever the Corporation deems it necessary to carry out its business.

#### **Section II Capital Stock**

##### **Article 5**

The total capital stock of the Corporation shall be in the amount of 10,000,000,000 New Taiwan Dollars, divided into 1,000,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments subject to the approval by the meeting of the Board of Directors. The Corporation may issue employee stock options from time to time. A total of 100,000,000 shares (representing 1,000,000,000 New Taiwan Dollars) among the above total capital stock shall be reserved for issuing employee stock options.



## **Article 6**

The share certificates of the Corporation shall all be name-bearing, signed by at least three directors and numbered, and issued after being authenticated by the government authority in charge or its designated stock issuance registration institution. After becoming a public company, the Corporation may issue shares without printing share certificates, provided that the stock shall be recorded with the centralized securities custody institution.

## **Article 7**

All transfers of stocks and name changes conducted by shareholders shall follow the Company Law and applicable regulations.

## **Article 8**

All transfers of stocks, pledges of rights, losses, successions, gifts, losses of seal, amendments of seal, changes of address or similar stock transactions conducted by shareholders of the Corporation shall follow the “Guidelines for Stock Operations of Public Companies” unless specified otherwise by securities laws and regulations.

### **Article 8 – 1**

When it is proposed that the Corporation cease public offering of its shares, the Corporation shall submit such proposal for approval by the Shareholders' Meeting in accordance with the Company Law of the Republic of China, provided that such clause shall not be varied or amended during the period of registration with and/or listing on the Emerging Market of Gre Tai Securities Market, Taiwan Stock Exchange Corporation and/or the Gre Tai Securities Market.

## **Section III Shareholders Meeting**

### **Article 9**

Shareholders' Meetings of the Corporation are of two types, namely: (1) regular meetings, and (2) special meetings. Regular meetings shall be convened within six (6) months after the close of each fiscal year. Special meetings shall be convened whenever necessary. The above-stated shareholders' meetings shall be convened by the Board of Directors unless otherwise provided for in the Company Law of the Republic of China.

### **Article 10**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it by signing/sealing a proxy stating scope of authorization. The handling of proxies shall follow Procedures Governing Using Proxies in Shareholders Meetings of a Public Company issued by the government authority in charge.

**Article 11**

Unless otherwise provided for by laws, each share of stock in the Corporation shall be entitled to one vote.

**Article 12**

Except as provided in the Company Law of the Republic of China, shareholders' meeting may be held if attended by shareholders representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

**Section IV Directors of the Board and Supervisors****Article 13**

The Corporation shall have seven (7) Directors and three (3) Supervisors, who shall be elected by the shareholders' meeting among any persons with legal ability to act, and to serve a term of office of three (3) years. All Directors and Supervisors shall be eligible for re-election.

After the public offering of the shares of the Corporation, the Corporation may have two (2) seats of Independent Directors out of the above-mentioned seven (7) seats of Directors, and Independent Directors shall be elected in accordance with the nomination system provided in Article 192-1 of the Company Law. Matters relevant to acceptance of candidate nomination, announcement, etc. shall be proceeded pursuant to the Company Law, Securities Exchange Law and the related laws and regulations. The election of Independent Directors and Directors of the Corporation shall be conducted concurrently and the number of the Independent Directors and Directors to be elected shall be calculated separately.

**Article 14**

The Board of Directors is consisted of Directors. The Directors shall elect from among themselves a Chairman of the Board of Directors and a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Board of Directors shall have the authority to undertake all matters on behalf of the Corporation pursuant to the laws and regulations, the Articles of Incorporation of the Corporation, and the resolutions adopted by the Shareholders' meeting and the meeting of the Board of Directors.

**Article 14 - 1**

The Board of Directors may establish various committees with different functions. The committees subordinated to the Board of Directors shall stipulate charters and rules regarding the exercise of rights and duties and which shall be put in force upon

approval by the Board of Directors.

#### **Article 15**

The Board of Directors shall hold a meeting at least once every quarter.

The reasons for convention of meetings of the Board of Directors shall be specified in the meeting notice and be given to each Director and Supervisor, provided that a meeting of the Board of Directors may be convened at any time in the event of emergency. The notice for convention of meetings of the Board of Directors shall be given to each Director and Supervisor in writing, in the form of electronic transmission or facsimile.

#### **Article 16**

The authorities of the Board of Directors shall follow the Company Law of the Republic of China and other applicable regulations.

#### **Article 17**

Meetings of the Board of Directors shall be presided by the Chairman of the Board of Directors. In his absence, acting for him shall be determined in accordance with Article 208 of the Company Law of the Republic of China. Other than the Board of Directors, anyone who has the right to convene a shareholders' meeting shall preside that shareholders' meeting. If there are two (2) or more persons who have the right to convene such meeting, a chairman shall be elected among themselves.

#### **Article 18**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting. A Director may, by written authorization stating the scope of authority, appoint another Director to attend the meeting, provided that one Director may not be acting for two or more Directors.

#### **Article 19**

The Corporation may defray compensation to all the Directors and Supervisors when they perform the duties relevant to the Corporation. The Board of Directors is authorized to determine the compensation for all Directors and Supervisors based on the standards of the industry, taking into account the individual performance and the long term performance of the Corporation, and the business operation risk of the Corporation. The compensation for Independent Directors may be reasonably different from Directors.

### **Article 19 - 1**

The Corporation may purchase liability insurance for Directors and Supervisors.

## **Section V Management**

### **Article 20**

The Corporation may appoint a Chief Executive Officer, whose appointment, discharge and compensation shall follow Article 29 of the Company Law of the Republic of China and be appointed by a resolution attended by a majority of Directors and adopted with the concurrence of the majority of the Directors present at the meeting.

## **Section VI Accounting**

### **Article 21**

After closing of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular Shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements, and
3. Proposal Concerning Appropriation of Net Profits or Losses.

### **Article 22**

If there is any net profit after closing of a fiscal year, the Corporation shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equal to the total capital amount of the Corporation; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. Any balance left over shall be allocated according to the following principles:

1. Employee bonus: not less than 5% but no more than 10%. The cash and stock bonus ratio for employee bonus shall be in proportionate to that distributed to shareholders and shall be determined pursuant to Employee Bonus Procedure of the Corporation. Stock-type employee bonus may be distributed to qualified employees of affiliates of the Corporation.
2. Compensation of Directors and Supervisors: not less than 1% but no more than 3%.
3. The balance is shareholders' dividend, in which cash dividend shall not be lower than 10% of entire dividend.

As the Corporation is a high-tech firm with intensive capital expenditure, conditions, timing, amount and kinds of the above-stated dividend policy may be adjusted, taking into account economic cycles, industry change and the Corporation's growth and cash

demand.

## **Section VII Supplementary Provisions**

### **Article 23**

The amount of re-investment by the Corporation may exceed 40% of its paid-in capital.

### **Article 24**

In regard to all matters not provided for in the Articles of Incorporation, the Company Law and relevant laws and regulations of the Republic of China shall govern.

### **Article 25**

The Article of Incorporation are agreed to and signed on December 12, 1999 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on May 12, 2000, the second Amendment on May 4, 2001, the third Amendment on June 24, 2002, the fourth Amendment on June 24, 2003, the fifth Amendment on October 26, 2004, the sixth Amendment on June 24, 2005, the seventh Amendment on June 2, 2006, the eighth Amendment on June 19, 2008, the ninth Amendment on June 26, 2009, the tenth Amendment on June 24, 2010, the eleventh Amendment on June 10, 2011 and the twelfth Amendment on June 5, 2012.

## **APPENDIX III: RULES AND PROCEDURES OF BOARD OF DIRECTORS MEETINGS**

### **WIN Semiconductors Corp.**

#### **Rules and Procedures of Board of Directors Meetings**

##### **Article 1 (Applicable Regulation of the Rules and Procedures)**

For the purposes of establishing a sound governance system by the Board of Directors (“Board Meetings”) of WIN Semiconductors Corp. (the “Company”) and strengthening the Board’s supervision function and management mechanism, the Company hereby promulgates the “Rules and Procedures of Board of Directors Meetings” (the “Rules”) pursuant to Article 2 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.

##### **Article 2 (Scope of the Rules and Procedures)**

Unless relevant laws and regulations or the Company’s Articles of Incorporation provide otherwise, the Board Meetings shall be conducted in accordance with the Rules.

##### **Article 3 (Convention Board Meetings)**

Board Meetings shall be held at least once every quarter but may be held at any time in case of urgent circumstances.

##### **Article 4 (Meeting Notices and Meeting Materials)**

The subject matters of Board Meetings shall be decided by the Chairman of the Board of Directors. The Board secretariat of the Company shall conduct the drafting of meeting agenda and minutes, and handle other administrative matters related to Board Meetings, and reports to the Chairman of the Board of Directors. The Company’s Board secretariat shall be appointed by the Chairman of the Board of Directors.

The written notice of convening a Board Meetings shall state the subjects and reasons, and shall be sent to each member of the Board of Directors and the Supervisors of the Company seven calendar days prior to a Board Meeting. In emergency circumstances, however, the Board Meetings can be called anytime. The notice set forth in the preceding paragraph may be effected by means of post, fax or electronic transmission, after obtaining prior consent from the recipients thereof.

Except for emergency or any other reasonable causes, any matters set forth in first paragraph of Article 12 of the Rules shall be stated in subjects and reasons of the notice of convening Board Meetings, and shall not be brought up by a special motion.

In case any Director of the Board of the Company deems the materials for the Board Meetings insufficient, he/she may request the Secretariat to supplement additional materials. If any Director of the Board of the Company deems materials for a discussion item of the Board Meetings insufficient, such discussion item may be postponed

to another Board Meetings subject to the respective resolution adopted by the Board of Directors of the Company.

**Article 5 (Attendance Signing Booklet and Proxies)**

While convening the Board Meetings, an attendance register shall be prepared for the Directors of the Board of the Company to sign and such attendance register shall be kept safely in the Company for record.

The Directors of the Board of the Company shall attend the Board Meetings in person. If any Director of the Board of the Company cannot attend the Board Meetings in person, he/she may give his/her written proxy to another Director of the Board of the Company to attend the Board Meetings on behalf of him/her in accordance with the Articles of Incorporation of the Company. Any Directors of the Board of the Company may participate in the Board Meetings via a video conference. Any Director attending the Board Meetings via video conference shall be deemed to have attended the Board Meetings in person but shall sign an attendance register and send it to the Board secretariat via facsimile in lieu of signing on the attendance register.

In case a Director of the Board of the Company intends to appoint another Director of the Board of the Company as his/her proxy to attend the Meeting on his/her behalf, he/she shall, in each occasion, issue a written proxy authorization which states the scope of authority of his/her proxy to each item to be discussed at the Meeting.

The proxy referred to under second paragraph of this Article shall only be appointed by and act for one (1) Director of the Board of the Company.

**Article 6 (Place and Time of Board Meetings)**

Board Meetings shall be held at the head office and during the office hours of the Company or at any other appropriate place and time convenient for the Directors to attend.

**Article 7 (Chairman of Board Meetings and Proxies)**

The Chairman of the Board of Directors of the Company shall call and preside over the Board Meetings. Nevertheless, the Director of the Board of the Company who receives votes representing the largest portion of voting rights at the shareholders' meeting of the Company shall call and chair the first Board Meetings of each newly elected Board of Directors of the Company. If there are two or more Directors of Board of the Company who are entitled to convene the above-mentioned initial Board Meetings, these Directors of the Board shall elect one person by and from among themselves to call and preside over the first Meeting.

In case the Chairman of the Board of Directors is on leave or unable to exercise his powers for any cause, the Chairman shall appoint a Director to act on his behalf. In the absence of such an appointee, the Directors shall elect from amongst themselves

one person to act on the behalf of the Chairman.

**Article 8 (Meeting Materials, Other Attendants and Convention of Board Meetings)**

Before and during the Board Meetings, the management shall prepare relevant materials for the Directors of the Board of the Company present at the Board Meetings to review at any time.

When holding the Board Meetings, the Company may, as necessary for the meeting agenda, notify personnel of relevant departments or subsidiaries to attend the Board Meetings as nonvoting participants.

When necessary, the Company may also invite certificated public accountants, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the Meeting when deliberation or voting takes place.

The Chairmen of the Board Meetings shall commence the Meeting if the time for the Board of Directors' Meeting is due and more than half of the Directors are present. If the commencement time for the Board Meetings is due but more than half of the all Directors are not present, the Chairman may postpone the Meeting; provided that the Meeting shall not be postponed more than twice. After the second stay, if the number of all Directors in attendance still falls below the minimum requirement, the Chairman shall reconvene the Board Meetings in accordance with the procedures set forth in second paragraph of Article 4.

“All Directors” mentioned in the above paragraph shall mean the incumbent Directors of the Boards.

**Article 9 (Tape-recording of Board Meeting Process)**

The whole proceedings of the Board Meetings shall be videotaped or tape-recorded for files as evidence and be kept for at least five years. The records and videos may be stored in electronic format.

Prior to the expiration of record-keeping period, in the event that any litigations arises in relation to the Board of Directors' resolutions, the relevant portion of records or videos in file shall continue to be preserved notwithstanding of the stipulations in the preceding paragraph.

If the Board Meetings is conducted by way of videoconference, the recording and videos of the meeting shall be preserved permanently as part of meeting minutes.

**Article 10 (Subject Matters of Board Meetings)**

The agenda of regular Board Meetings shall include at least the following items:

1. Report items:
  - (1) The meeting minutes of the preceding meeting;



- (2) Material business and financial reports;
  - (3) Internal audit matters reports; and
  - (4) Other important matters report
2. Discussion items:
- (1) Discussion items reserved by the preceding meeting; and
  - (2) Discussion items of the current meeting.
3. Special motions

#### **Article 11 (Discussion of Proposed Resolutions)**

In principle, the discussion of proposed resolutions at a Board Meeting shall proceed in accordance with the agenda attached to the meeting notice. However, if no objection is voiced by any Director present at the meeting or with more than half of the attending Directors' consent, the Chairman may make changes.

Unless otherwise resolved by the Board of Directors of the Company with affirmative vote of at least fifty percent (50%) of all Directors of the Board of the Company present at the Board Meetings, the Chairman shall not adjourn the Meeting.

During a Board Meeting, the Chairman of the meeting shall suspend the meeting if a motion is brought up by a Director of the Board of the Company, in the event that the number of the Directors of Board of the Company present in the meeting is less than fifty percentage (50%) of the Directors of Board of the Company present at the meeting. Under such circumstance, third paragraph of Article 8 of the Rules shall apply *mutatis mutandis*.

During a meeting, the Chairman may, at his discretion, set time for intermission or negotiation.

#### **Article 12 (Matters to be Discussed in the Board Meetings)**

The following matters are required to be submitted to the Board of Directors for discussion:

- (1) Business plans of the Company;
- (2) Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited by a certified public accountant (CPA);
- (3) Establishment or amendment of the internal control system of the Company pursuant to Article 14-1 of the Securities and Exchange Act (the "Act");
- (4) Establishment or amendment of the procedures of material financial or business transactions, i.e. acquisition or disposal of assets, transactions of derivatives, and lending funds or providing endorsements and/or guarantees to other parties, pursuant to Article 36-1 of the Act.
- (5) The offering, issuance, or private placement of any equity-related securities;

- (6) The appointment or discharge of the financial, accounting, or internal auditing officer;
- (7) Remuneration suggestion provided by Compensation Committee;
- (8) A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following Board Meetings for retroactive recognition.
- (9) Matters set forth in Article 14-3 of the Act, or any other matters to be approved by the shareholders' meeting of the Company or by the Board of Directors of the Company pursuant to laws and regulations or the Articles of Incorporation of the Company, or material matters so required by the competent authorities.

The term "related party" in the eighth subparagraph of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a one-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-audited financial statements for the most recent year.

The term "within a one-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current the Board Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

With respect to the discussion of matters specified under Article 14-3 of the Act, Independent Directors shall attend the Board Meetings in person; if an Independent Director is unable to attend a Board Meeting in person and wishes to delegate his/her rights, he/she can only delegate another Independent Director to attend on his/her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board Meetings minutes. If Independent Directors are unable to attend Board Meetings in person to express their dissenting opinion or reservation, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board Meetings minutes.

### **Article 13 (Voting)**

The Chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate for voting.

During the voting for a discussion item at the Board Meeting, a resolution shall be deemed adopted if no objection is voiced after the chairman of the Board Meeting solicits all the Directors of Board of the Company present in the Board Meeting. In case there is any objection, the discussion item shall be immediately submitted for voting.

One of the following voting methods may be adopted at the discretion of the Chair-

man of the Meeting for voting. In case a Director of Board of the Company present at the Meeting bring up an objection against the voting method as adopted by the Chairman, the voting method to be adopted shall be determined by the agreement of the majority of the Directors of the Board of the Company present at the Meeting.

- (1) Voting by raising hands or by voting devices;
- (2) Voting by roll call;
- (3) Voting by casting ballots.
- (4) Voting by the Company decided.

There shall be (a) person(s) to supervise and (a) person(s) to record the ballots during a voting at the Meeting and such person(s) shall be designated by the Chairman of the Meeting. However the person(s) to supervise the recording of the ballots shall be chosen from among the Directors of the Board of the Company.

Unless there is higher requirement provided by the Act and the Company Law of the ROC, the resolutions of the Board of Directors of the Company shall be adopted by affirmative vote of at least fifty percent (50%) of all Directors of the Board of the Company present with the attendance by at least one-half (1/2) of the total Directors of the Board of the Company in person or through representation.

If there is an amendment or an alternative for a discussion item, the Chairman of the Board Meeting may combine the amendment or alternative into the original discussion item, and determine the sequence of voting for the discussion item. If any one of the above discussion items has been resolved, the others shall be deemed vetoed and no further voting is necessary.

The result of voting shall be announced at the Board Meeting, and recorded in the meeting minutes of the Meeting.

“All the Directors of Board of the Company present in the Meeting” mentioned in this Article do not include the Director(s) who is prohibited from voting under the circumstance set forth in Article 14 hereof.

#### **Article 14 (The Recusal of Conflict-Interested Directors)**

When the following matters are reviewed and discussed, a Director of the Board with interest related to him/her shall explain essentials of his/her interest involved during the Board Meeting, and if there is any concern that any interests of the Company may be jeopardized, such Director of the Board shall not participate in discussion and voting, and shall recuse himself/herself from discussion and voting, nor shall he/she acts as proxy of another Director of the Board to exercise voting right:

- (1) The matter is related to interest of the Director of the Board or the legal entity he/she represents;
- (2) The Director of the Board considers recusal from the matter necessary, and
- (3) A resolution requesting recusal of the Director of the Board is made by the Board

of Directors.

Under the circumstance set forth in the preceding paragraph of this Article, pursuant to the third paragraph of Article 206 of the Company Law, the second paragraph two of Article 180 of the Company Law shall apply mutatis mutandis to the resolution adopted by the Board of Directors of the Company.

**Article 15 (Meeting Items to be Recorded and Signed)**

The resolutions of every Board Meeting shall be recorded in the meeting minutes

The meeting minutes shall accurately record the following items

1. The term (or year), place, and time of the Meeting
2. The name of the Chairman;
3. The attendance situation of the Directors, including the names and numbers of those who are present, on leave, and absent;
4. The names and titles of the other attendants;
5. The name of the recorder;
6. Report items;
7. Discussion items: the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; the name of any Director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; any dissenting opinion or abstention with a written statement; any written statement provided by the Independent Directors pursuant to second paragraph of Articles 12 of the Rules and Procedures;
8. Special motions: the names of the persons proposing the special motions; the voting method and the result of each proposed resolution; the summary of opinion by the Directors, Supervisors , experts, and other personnel; the name of any director that is an interested party as referred to first paragraph of the preceding Article, an explanation of the important aspects of the relationship of the interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; any dissenting opinion or abstention with a written statement; and
9. Other items that shall be recorded.

If any resolution adopted by the Board of Directors is accompanied by one of the following situations, such resolution shall, in accordance to be recorded in the meeting minutes of the Meeting, be further announced on the Market Observation Post System designated by Financial Supervisory Commission, Executive Yuan within two days after the date on which the Meeting is held:

- (1) Independent Directors have dissenting or qualified opinions with a record or written statement.

(2) Remuneration approved by the Board of Directors is better than Compensation Committee's suggestion.

The attendance register of the Meeting shall be part of the meeting minutes and shall be kept safely during the existence of the Company.

The meeting minutes of the Meeting shall be signed or sealed by the Chairman and the secretary of the Meeting and shall be distributed to all of the Directors of Board and Supervisors of the Company within twenty (20) days after the date on which the Meeting is held. The meeting minutes of the Meeting shall be categorized as one of the material records or files of the Company and shall be safely kept during the existence of the Company.

Preparation and distribution of the meeting minutes mentioned in first paragraph of this Article may be made in electronic format.

#### **Article 16 (Delegation of the Board of Directors)**

The Chairman of the Board of Directors shall act on behalf of the Board of Directors pursuant to the Company's objectives when the Board of Directors is not in session. In case the Chairman of the Board of Directors is unable to exercise his powers for any cause, the Vice Chairman of the Board of Directors or another Director shall act for him/her according to the Company's Articles of Incorporation and Article 208 of the Company Law.

#### **Article 17 (Cancellation of Board Meetings)**

In the case of special circumstances where a scheduled Board Meeting of the Company must be cancelled after meeting notices have been sent to the Directors, the Meeting may be cancelled if the person with convening right notifies the Directors in writing or electronic transmission at least three days prior to the scheduled meeting date. In the case of urgent circumstances where the scheduled Board Meeting must be cancelled and it is impossible to notify the Directors prior to the time specified above, the Meeting may be cancelled if the person with convening right notifies the Directors by telephone or other means at least three hours prior to the scheduled meeting time and confirms that each Director has received such notice.

#### **Article 18 (Effective Date and Amendment)**

After the Procedures have been approved by the Board of Directors, they shall be reported to a shareholders' meeting; any amendment to these Procedures shall be approved by the Board of Directors.

**APPENDIX IV: PROCEDURES FOR LENDING FUNDS TO OTHER PARTIES (BEFORE AMENDMENT)**

**WIN Semiconductors Corp.  
Procedures for Lending Funds to Other Parties**

Approved by the AGM on June 24, 2010

**Article 1** The Company shall follow the Procedures set forth below for lending funds to other parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

**Article 2** The party to whom the Company may lend its funds shall be limited to:

1. Those business or entities which have business relationships with the Company; or
2. Those business or entities which who have short-term needs of funding from the Company. The total amount available for lending purpose shall not exceed 40% of the total net value of the Company.

The short-term means one-year period.

When there is a lending for funding needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall not be subject to the second subparagraph of the first paragraph.

**Article 3** For any borrower, the evaluation guidelines are as follows:

1. Fund-lending to companies having business relationship with the Company shall be limited to a company with which the sales or purchasing transaction with the Company has occurred.
2. For the companies in need of funds for a short term period, the borrower shall be limited to:
  - (1) The Company holds long-term investments under equity method;
  - (2) The Company holds more than 50% of the shares, or
  - (3) Others approved by the Board of Directors of the Company.

**Article 4** Limitation of total amount for lending and funds lent to an individual company

1. The total amount for lending to a company

For any borrower, the total amount available and evaluation guidelines are as follows:

- (1) The total amount for lending to a company having business relationship with the Company shall not exceed the previous or this year's total transaction amount between the parties (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whi-

chever is higher.)

(2) The total amount for lending to a company having short-term funding needs shall not exceed 20% of the latest financial reports of the Company.

2. The total amount for lending of the Company

The total amount available for lending shall not exceed 40% of the latest financial reports of the Company.

**Article 5** The term and interest calculation of the loan

The term of the lending by the Company shall not exceed one year, and any extension of term should be approved by the Board of Directors. The interest rate of the loan shall not be lower than the average capital cost of the Company for its short-term loan with the financial institutions and the interests shall be calculated on a daily basis. Any adjustment shall be approved by the Board of Directors in special circumstances.

**Article 6** Execution and auditing procedures for lending funds

1. Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the loan amount requested, term, purpose and collateral, together with certain basic information and financial data, to the personnel in charge to facilitate the evaluation and credit checking by the Company.
2. After receiving the application for lending of funds, the Company's division in charge shall investigate and evaluate the necessity and reasonableness of the funding, whether there are direct or indirect business relations between the funding recipient and the Company, the recipient's financial and operational condition, the recipient's ability for repayment of indebtedness and its credit worthiness, profitability and intended usages of funds. The extents of impact of the Company's aggregate amount of funds lent on the Company's operations, financial conditions and shareholders' equity shall also be taken into consideration.
3. After credit investigation and risk evaluation is conducted, for those borrowers with poor credit or unjustifiable purpose, the Financial Division shall respond to the borrowers after getting the approval of the General Manager and the Chairman of the Board of Directors. For those cases with good credit and justifiable purposes, or those cases that the borrower can furnish collaterals in the same amount of funds to be lent and have no risks, the personnel in charge shall prepare a credit check result and opinion report and devise the criterion of the loan of funds and submit a proposal to the General Manager and the Chairman of the Board of Directors and get approval of the Board of Directors before lending of funds.
4. Any lending of the Company's funds shall be evaluated with and subject to the

Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 6, to the Board of Directors for its approval and no delegation shall be made to any person in this regard.

The loans between the Company, its parent company and subsidiaries or subsidiaries and subsidiaries shall be submitted to the Board of Directors for approval in accordance with aforesaid paragraph. Once the loans are approved by the Board, the Chairman of the Board of Directors is authorized to allocate the fund within a year under approved limits in several installments or revolving allocations.

Except for the offshore companies that the Company holds 100% voting rights directly or indirectly, the aforesaid loan amount of the Company or its subsidiaries to any single enterprise shall not exceed 10% of the net worth of the latest financial reports of the Company.

When the Company submits the loaning of funds for the Board of Directors' approval, the board shall fully take each independent director's opinions into consideration and record each director's reasons for pros and cons in the minutes.

5. When lending funds or providing short-term financing to others, the Company shall require the borrower to provide guarantee notes, collateral and/or other guarantee in the same amount of funds lent except for subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares and if necessary, shall require the borrower to provide personal property or real property as collaterals and to perfect the liens on the collaterals, and the Company shall evaluate quarterly whether the value of the collaterals provided is comparable to the balance of the amount of funds lent and shall demand additional collaterals if necessary. With regards to the aforementioned collateral, if the borrower provides guarantee from individual or corporation with considerable financial capability and credit worthiness as a substitute for the collaterals, the Board of Directors may, referring to the assessment report of the division in charge, consider such guarantee and make a decision; in the case of corporation guarantee, it is required to review if the guarantor's articles of incorporation provide that the provision of corporation guarantee is allowed.
6. All collateral, except land and securities, shall be covered by fire insurance. For vehicles, comprehensive liability insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The Company shall be named as the beneficiary of the insurance. The insured object, quantity, location and coverage conditions must be consistent with the requirements of the Company.
7. The financial department of the Company shall set up a record book for recording matters relating to fund lending by the Company. After a lending of funds has



been approved by the Board of Directors, the financial department shall record the details of the entity to which the lending of funds is made, amount, date of approval by the Board of Directors, drawdown date, and matters to be carefully evaluated in accordance with the Operating Procedures in the record book for further inspection.

8. Internal auditors shall perform auditing on the Company's lending profile every quarter and produce written auditing reports. Should there be any violation found, the internal auditors shall inform the Chairman of Board of Directors and CEO, handle the matters under their instructions, and a written report is needed to notify the supervisors.
9. Where the recipients of the fund lending are not in compliance with the Procedure or the amount of funds lent exceeds the limits set forth in the Procedure as a result of change of conditions, the financial department of the Company shall inform the Chairman of Board of Directors and CEO, handle the matters under their instructions and prepare corrective plans and submit such corrective plans to supervisors and rectify as scheduled under the corrective plans.
10. The Company shall, in accordance with GAAP, evaluate the status of the loan, list adequate preparatory bad debt, appropriately disclose relevant information in the financial reports, and provide relevant data for the certified public accountants to proceed with necessary auditing procedure.

**Article 7** Procedures of disclosure and report

1. When the Company lends its funds to other parties, the related information must be disclosed and reported to Market Observation Post System website designated by the Financial Supervisory Commission (FSC).
2. The Company shall, before the tenth day of each month, disclose and report its and its subsidiary's remaining amount of loan of last month.
3. In addition to the monthly public announcement and reporting of the Company's balance of lending of funding, the Company and subsidiaries whose loan balance reaches one of the following levels shall announce and report such event within two days from its occurrence to Market Observation Post System:
  - (1) The aggregate balance of the Company and its subsidiaries' loan reaches 20% or more of the Company's net worth as stated in its latest financial statements.
  - (2) The balance of the Company and its subsidiaries' loan for a single enterprise reaches 10% or more of Company's net worth as stated in its latest financial statements.
  - (3) The balance of the Company or its subsidiaries' newly added loan reaches NT\$10 millions or more and the aggregate amount of loan reaches 2% or more of Company's net worth as stated in its latest financial statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the third subparagraph of the preceding paragraph.

**Article 8** Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights

1. After each lending has been made, the financial department of the Company shall frequently monitor any changes in the borrowers' and guarantors' financial, business and related credit conditions, and any changes in the value of collaterals, and prepare written records of the monitoring results. If there is any significant change, the financial department of the Company shall promptly report to CEO and related divisions in charge for their timely actions.
2. When a borrower repays the loan on due date or, upon request of the Company, repays the loan before the due date, the financial department of the Company shall execute the following procedures:
  - (1) Confirm receipt of repaying the loan by the borrower.
  - (2) Report to the Chairman of Board of Directors and CEO and after getting their approval, return the promissory note with cancellation of the loan of funds or eliminate the collateral registration.
3. If repayment cannot be made on the due date, the borrower shall apply for a deferred repayment in advance and such defer request shall be submitted to the Board of Directors for approval; otherwise the Company may take enforcement actions against the collaterals or guarantors in accordance of applicable laws for recovery.

**Article 9** Procedures for controlling and managing loans of funds to others by subsidiaries

1. The Company shall urge its subsidiaries to enact the "Procedures for Lending Funds to Other Parties" and implement the procedures in accordance with proper authorizations of the organizations in charge..
2. The Company shall supervise subsidiaries to assure the latter's lending of funds are in compliance with the "Procedures for Lending Funds to Other Parties.

**Article 10** Penalty provisions

The Company's managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of related regulations or the Procedures, subsequent castigation is subject to the related personnel guidelines and procedures of the Company.

**Article 11** Effectiveness and amendment

After the Procedures have been approved by the Board of Directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; if any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor and a shareholders' meeting for discussing; the same applies when the procedures are amended.

When the Procedures are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration of each independent director's opinions and shall record each independent director's explicit opinion for assent or dissent and reasons for dissent in the minutes of the Board of Directors.

## **APPENDIX V: RULES FOR ELECTION OF DIRECTORS AND SUPERVISORS**

### **WIN Semiconductors Corp. Rules for Election of Directors and Supervisors**

#### **Article 1**

Unless relevant laws and regulations or the Company's Articles of Incorporation provide otherwise, the directors and supervisors of this Company shall be elected in accordance with the rules specified herein.

#### **Article 2**

Election of directors and supervisors of this Company shall be held at the shareholders' meeting separately or simultaneously. This Company shall prepare ballots and note the number of voting rights.

#### **Article 3**

In the election of directors and supervisors of this Company, the names of voters may be represented by shareholders' numbers.

#### **Article 4**

In the election of directors and supervisors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons.

#### **Article 5**

In the election of directors and supervisors of this Company, candidates who acquire more votes should win the seats. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

#### **Article 6**

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from the shareholders present.

#### **Article 7**

The ballot box used for voting shall be prepared by the Company and checked in public by the person to check the ballots before voting.

#### **Article 8**

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast

for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

#### **Article 9**

Ballots shall be deemed void under the following conditions:

- (1) Ballots not prepared by the Company;
- (2) Blank ballots not completed by the voter;
- (3) Illegible writing;
- (4) If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. If the candidate is not a shareholder of the Company, the name or ID number of the candidate filled in the ballot is incorrect;
- (5) The number of candidates filled in the ballot exceeding the number of the seats to be elected.
- (6) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (7) Ballots not placed in the ballot box;
- (8) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;
- (9) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
- (10) The total votes cast by the voter exceeding the total voting rights of such voter.

#### **Article 10**

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

#### **Article 11**

The Board of Directors shall issue notifications to the directors and supervisors elected.

#### **Article 12**

The Rules and any revision thereof shall become effective after approval by the shareholders' meeting.

**APPENDIX VI: DIRECTORS' AND SUPERVISORS' COMPENSATION AND EMPLOYEES' BONUS**

1. The Board adopted a proposal for 2012 compensation to directors and supervisors and employees' cash bonus at its Meeting on April 29, 2013. The proposal was as below:

Unit: NT\$

Item	2012
Directors' and supervisors' compensation	50,100,000
Employees' cash bonus	167,000,000

2. The amounts of the above-mentioned items, which have been expensed under the Company's 2012 income statements, do not differ materially from the amounts proposed by the Board.

**APPENDIX VII: EFFECT UPON BUSINESS PERFORMANCE, EARNINGS PER SHARE AND RETURN ON EQUITY OF ANY STOCK DIVIDEND DISTRIBUTION**

No stock dividend distributed, not applicable.

## APPENDIX VIII: SHAREHOLDING OF DIRECTORS AND SUPERVISORS

### WIN Semiconductors Corp. Shareholding of Directors and Supervisors

Book closure date: April 12, 2013

Position	Name	Shareholding	Shareholding ratio (%)
Chairman	Dennis Chen	21,737,971	2.87%
Director	Kou-I Yeh	30,042,791	3.97%
Director	Shen-Yi Li	300,000	0.04%
Director	Yu-Chi Wang	2,157,243	0.29%
Director	William Chang	845,000	0.11%
Independent Director	Cho-Shun Chang	0	0.00%
Independent Director	Wei-Lin Wang	0	0.00%
<b>Subtotal</b>	<b>Directors</b>	<b>55,113,005</b>	<b>7.28%</b>
Supervisor	International Fiber Technology Co, Ltd.- Representative: Shih-Chuan Hsieh	6,300,000	0.83%
Supervisor	Mei-Lan Wang	0	0.00%
Supervisor	Cheng-Li Huang	0	0.00%
<b>Subtotal</b>	<b>Supervisors</b>	<b>6,300,000</b>	<b>0.83%</b>

1. Total issued shares: 757,497,048 shares.
2. The minimum required combined shareholding of all directors by law:  
24,239,905 shares.  
The minimum required combined shareholding of all supervisors by law:  
2,423,990 shares.
3. The combined shareholding of all directors on the book closure date:  
55,113,005 shares (7.28%).  
The combined shareholding of all supervisors on the book closure date:  
6,300,000 shares (0.83%).