



**MACRONIX  
INTERNATIONAL Co., LTD.**

Agenda of Macronix International Co., Ltd.

**2008 General Shareholders' Meeting**

Held on June 6, 2008

# **MEETING AGENDA**

Time & Date : 9:30 a.m., June 6, 2008

Venue : The Auditorium in the Activity Center of the Hsinchu Science Park.

(No.2, Hsin-Ann Rd., Hsinchu Science Park, Hsinchu, 300, Taiwan, R.O.C.)

Chairman : Chairman of the board of directors , Wu , Miin-Chyou

## **I. Speech by Chairman**

## **II. Report Items**

1. Report of 2007 business
2. Supervisors' review report of 2007
3. Report of amending the "Procedure Rules of the Board of the Director Meeting"
4. Other report

## **III. Ratification Items**

1. Ratification of 2007 Business Report and Financial Statements
2. Ratification of proposal for distribution of 2007 earnings

## **IV. Discussion Items**

1. Approval of the capitalization of 2007 dividends and employee bonus
2. Approval of amending of the " Procedures for Acquisition or Disposal of Assets"

## **V. Other agenda and Special resolution**

- . Meeting adjourned

# **Report items**

Item 1. Report of 2007 business (Attachment 1)

Item 2. Supervisors' review report of 2007 (Attachment 2)

Item 3. Report of amending the "Procedure Rules of the Board of the Director Meeting"  
(Attachment 3)

Item 4. Other Report

# Ratification items

ITEM 1 (Proposed by the Board of Directors)

Proposal : Ratification of 2007 Business Report and Financial Statements

Explanation : 1. The Financial Statements and Consolidated Financial Statements of 2007 have been audited by Deloitte & Touche, the Company's Independent Auditor, and approved by the sixth meeting of the Seventh Term of the Board. The Board of directors forwarded Business Report and Financial Statements of Year 2007 to supervisors for their auditing. Supervisor Audit Report is attached. (Attachment 2)

2. 2007 Business Report and Financial Statements is attached. (Attachment 1)

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : The proposal of 2007 earnings distribution.

Explanation : 1. The net income after tax as of December 31, 2007 is NT\$4,653,665,788. The distributable earnings shall be NT\$4,223,642,028, i.e., the balance after deducting NT\$ 465,366,579 (the 10% legal reserve), plus NT\$35,342,819 (the un-distributed retained earnings of previous years).

2. The appropriation of distributable earnings for shareholders shall be NT\$3,368,344,852. Each shareholder will be entitled to receive a cash dividend of NT\$1 per share and a stock dividend of 10 shares for each 1,000 shares held by such shareholders. The actual cash dividend paid for each shareholder will subtract the fractional cash which is less than one dollar. If the stock dividends include any fractional shares which are less than one full share, the shareholders concerned may arrange for pooling together their fractional shares to form one full share and register the share within 5 days after the starting date of book closure period for distribution. For the fractional shares which cannot be pooled, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by persons arranged by the Chairman as authorized by Shareholders' Meeting.

3. The total amount of common shares outstanding may change and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly should MXIC 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 to AGM for authorizing the Board of Directors to adjust the cash and stock to be distributed to each common share based on the number of actual common shares outstanding on the record date for distribution.

4. It is proposed to AGM for authorizing the Board of Directors to determine a record date for distribution of cash dividend.
5. The proposal of 2007 earnings distribution is as attached. (Attachment 4)

Resolution :

## **Discussion items**

ITEM 1 (Proposed by the Board of Directors)

Proposal : Approval of the capitalization of 2007 dividends and employee bonus.

Explanation : 1. For financial plan, it is proposed to increase MXIC's paid-in capital by capitalizing the stock dividends to shareholders for an amount of NT\$306,213,170 and employee bonus for an amount of NT\$297,206,900 to be allocated from 2007 distributable earnings.

2. The total amount of paid-in capital increased shall be NT\$603,420,070, and 60,342,007 common shares, at par value of NT\$10 per share.

3. The shareholder's rights and/or obligations of the new shares to be issued shall be the same as those of the existing shares.

4. The AGM is hereby proposed to authorize the Board of Directors to determine a record date for distribution of new shares after approval from governmental authority in charge.

5. As of December 31, 2007, the number of exercisable shares of employees' stock options that the Company granted is approximately 310,826,000 shares. In accordance with MXIC's Employee Stock Options Plans, the Company has to adjust upwards the number of outstanding employees' stock options in proportion to the share distribution rate. It is estimated that the number of such additional employees' stock options is approximately 3,108,000 shares. Since the additional employees' stock options are issued in proportion to the share distribution rate, it shall not cause any material impact to shareholders' interest. There are sufficient common shares reserved in the Articles of Incorporation for granting the aforesaid employees' stock options.

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : Submitted for approval of amending the "Procedures for Acquisition or Disposal of Assets" for the Company operation needs.

Explanation : The comparison chart of the rule for the "Procedures for Acquisition or Disposal of Assets" is as attached. (Attachment 5)

Resolution :

## **Other agenda and Special Motion**

**Meeting Adjourned**

## **Attachment 1**

### **2007 Business Report**

First we would like to express our appreciation to all our investors for your support and encouragement to the Macronix leadership team. 2007 was a very good year for Macronix. After several years of highly focused leadership, under the strategy of focusing business activity and strengthening our management constitution, the company achieved goals of targeted integration, faster manufacturing process and stronger customer relationships, and all of this led to a big jump in profit level growth. 2007 operating revenue was NT\$24.3 billion, a 7% growth over previous year; after-tax net profits were NT\$4.65 billion, growth of 129% over previous year; earnings per share were NT\$1.55, 128% growth year-on-year. Also, to ensure that we have complete understanding of our customers' direction, market and terminal product trends, we have not only strengthened our cooperative 'design-in' relationships with customers, to continuously deepen our foundation, but we have also actively opened up new markets and customers so that our market share continues to grow. At the same time, we explore chances to leverage external production ability to fully satisfy customer needs, and ensure that our customers can have the highest quality sources of supply.

With focused management and a strengthening of management quality, profits have been steadily rising, and 2007 showed profit for every quarter and for the year overall. As a result of a rapid upgrading of our manufacturing process technology, improvements in product design, and continued improvement in cost structure, our business results grew every quarter. Overall year average gross margin reached 39%, operating profit 17%. In particular, the 3rd quarter gross margin was 44% and operating profit 26%, both highs for the last 5 years. 2007 business activities created new cash flow of NT\$8.5 billion, debt ratio steadily lowered to 17%, inventory maintenance was around the NT\$ 4.1 billion level, and book value per share was NT\$11.79. Clearly the company's operating results are good, earnings are stable, and its financial structure is healthy.

Macronix continues to concentrate on Research & Development, further stressing short-, mid- and long-term R&D project management, and we will commercialize R&D results to give the company a good basis for earnings and developmental advantages. The company is continuously developing new technologies and products. In 2007 we applied for 669 patents and were granted 372, bringing cumulative totals to 5,179 applications and 2,724 patents granted.

In the area of ROM, in the 4th quarter last year 100nm products contributed 70% of ROM revenue. This year with an even shorter delivery period, 4-bit per cell products, and a strategy to come out with even higher density products, we can completely satisfy customer needs in every area.

In terms of Flash, 130nm products formally entered mass production in the 4th quarter last year and can thus expect a major reduction in costs, which will further increase earnings capacity. Moreover, Macronix will raise market share by providing complete specifications for serial products,

supporting Parallel and Serial Products solutions and System-in-Package (SiP) for Known Good Die (KGD) solutions, and related strategies. In developing new customers, last year we passed validation for 26 new suppliers, and took part in 106 cases of core product design in product application areas including LCD TV, Blu-ray ODD, GPS and so on. We also became the preferred flash vendor for 12 new companies, and successfully increased our share of the NOR Flash market.

Macronix is continuously focused on developing Non-volatile memory core technologies and opening markets. Under the rigorous testing requirements in the global environment, we will interact even more closely with our customers, grasp market sales opportunities, understand market trends, and speed the improvement of manufacturing technologies, to provide our customers with the most competitive solutions. Moreover we will strictly control inventory levels, to ensure that the company can maximize profits while considering long-term development. Looking forward to the new year, besides ensuring our existing customers and markets, Macronix will develop even more new customers and markets, and new product application areas, through product design advantages and manufacturing cost advantages. We aim to provide optimal solutions to satisfy the diverse needs of different customers.

Rapid improvement in our manufacturing processes is the guarantee of Macronix' competitive advantage. Our XtraROMTM 75 nm manufacturing process 1Gb / 2Gb products have already earned affirmation from our customers, and this year will make a clear contribution to earnings and profits. Moreover we will continue the march toward 65 nm manufacturing, and through the most advanced manufacturing satisfy customers' clear development needs. Flash is also already evolving towards 75 nm, which will further reduce costs, raise product competitiveness, and provide customers a complete Non-volatile memory solution. This year the company plans capital expenditures of over NT\$1.6 billion, mainly to be used in improving manufacturing. We will also continue to leverage external production, to meet increased customer needs during peak seasons.

Looking ahead to the future, besides having outstanding R&D design capability and management capability, Macronix will continuously improve manufacturing precision, optimize production efficiency, open up high quality customers, and employ highly efficient inventory management. We will integrate company internal talent and all resources, and raise operational and business efficiency, to let all of our employees work effectively in a harmonious, secure, and comfortable environment, while precisely executing to meet customer and market product needs, and further pursuing company development. This year the company will be devoted to market sales strategy and execution, to cope with the intense business competition and changes in the external environment, and to create yet another huge growth wave.

Once again we thank everybody for many years of support and caring for Macronix. We look forward to continuously strengthening the competitiveness of Macronix, to create maximum benefits for every customer and shareholder.

## **Attachment 2**

### **Supervisor Audit Report**

To: 2008 General Shareholders Meeting of Macronix International Co., Ltd.

The Board of Directors of the Company has prepared the 2007 financial report and consolidated financial report audited by Deloitte & Touche, the proposal of 2007 earnings distribution, and business report of 2007. The undersigned supervisors have reviewed and found the aforesaid documents made by the Board of Directors and the audit report issued by Deloitte & Touche are in accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: Ping Tien Wu

Supervisor: Jyr Dwo Lee

Supervisor: Wen Ren Lo

Dated: April 2, 2008

## **Attachment 3**

### **Regulations of Procedure for the Board of Directors Meetings**

Approved by the 6<sup>th</sup> meeting of  
Board of director of seven term on Mar. 6 2008

- Article 1 These Regulations are adopted pursuant to Article 26-3, paragraph 8, of the Securities and Exchange Act (the "Act") for the purpose of enhancing the efficiency of board of director and strengthening the decision making process.
- Article 2 Except otherwise provided by laws, regulations, or the Articles of Incorporation of MXIC ("AOI"), the procedure of board of directors meeting shall be based on this Regulations and "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".
- Article 3 The Company's board of directors shall meet at least quarterly, which shall be set out in the rules of procedure.  
The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. When necessary, however, a meeting may be called on shorter notice.
- Article 4 The Company's board of directors shall appoint Board secretary as an agenda working group, which shall prepare agenda items for board of directors meetings and provide sufficient pre-meeting materials, to be sent together with the notice of the meeting. The notice and materials of the meeting may be effected by means of electronic transmission  
A director of the opinion that the pre-meeting materials provided are insufficient in content may request the agenda working group to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the board of directors.  
Agenda items for regular board of directors meetings shall include at least the following:
1. Reports:
    - 1-1 Minutes of the last meeting and actions arising.
    - 1-2 Reporting on important financial and business matters.
    - 1-3 Reporting on internal audit activities.
    - 1-4 Other important matters to be reported.
  2. Discussions:
    - 2-1 Items discussed and continued from the last meeting.
    - 2-2 Items for discussion at this meeting.
    - 2-3 Extraordinary motions.
- Article 5 When a meeting of the board of directors is held, an attendance book shall be made

ready for signature by directors attending the meeting. The directors taking part in the meeting via visual communication network shall be deemed to have attended the meeting in person. However, the director shall fax an attendance card in lieu of signing on the attendance book.

- Article 6 A board of directors meeting shall be held at the location and during the business hours of the company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 7 Meetings of the board of directors shall be called and chaired by the chairman of the board. However, the first meeting of each newly elected board of directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so. In case the chairman of the board is on leave or unable to exercise his/her functional duties for any reason, a director shall be designated to act in his/her behalf; and if no representative is so designated, the representative shall be elected by directors from among themselves.
- Article 8 With the exception of the related laws and Article 14 of these rules to be submitted for consideration by the board of directors, with respect to the delegation by the board of directors, in accordance with laws and regulations or the company's articles of incorporation, the executive levels of such delegation and the content and matters covered by it shall be specific.
- Article 9 When holding a meeting of the board of directors, a company may, as necessary for the agenda items of the meeting, notify non-director officers from relevant departments to attend the meeting as nonvoting participants. When necessary, the company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants.
- Article 10 A company shall record on audio or video tape the entire proceedings of a board of directors meeting, and preserve the recordings for at least five years, in electronic form or otherwise.  
If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved until the legal proceedings of the foregoing lawsuit have been concluded.  
Where a board of directors meeting is held via tele- or video-conference, the CD-video recordings of the meeting form a part of the meeting minutes and shall be preserved during the existence of the company.
- Article 11 The Company's supervisors may attend as nonvoting participants.
- Article 12 When the time of a meeting has arrived and one-half all board directors are present, the meeting chair may announce to convene the meeting. If there are not more than half of the directors present at the meeting, the meeting chair may announce postponement of

the meeting time, provided that only two postponements. If the quorum is still not met after two such delays, the chair may re-call the meeting following the procedures in an emergency.

The term "all board directors " as used in the rules herein shall be calculated as the number of directors then in office.

Article 13 The proceedings of a board of directors meeting shall be conducted in a predetermined procedure of agenda items as stated in the meeting notice.

However, the procedure may be changed with the approval of a majority of directors present at the meeting.

The meeting chair may not declare the meeting closed unless with the approval of a majority of directors present at the meeting. The meeting chair may decide a short break during the proceeding of a board of directors meeting.

If at any time during the proceeding of a board of directors meeting the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case the preceding article shall apply mutatis mutandis.

Article 14 The following items shall be submitted for discussion by the Company's board of directors:

1. Corporate business plan.
2. Annual and semi-annual financial reports.
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be resolved by a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

With respect to a matter required by Article 14-3 of the Securities and Exchange Act to be resolved by a meeting of the board of directors, each independent director shall attend the meeting in person, or appoint another independent director to attend the meeting. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 15 When the chair at a board of directors meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote.

When a matter comes to a vote at a board of directors meeting, if upon inquiry by the chair, none of the presented directors voices an objection, the matter is deemed approved. The chair may conduct the voting in any one of the following manners in his discretion. But, if there are disagreements, the chair shall take note of the views of a majority of the directors and determine the voting process.

1. Voting by show of hands.
2. Roll call voting.
3. Voting by ballots.
4. Other voting process chosen by the company.

The chair shall appoint directors or supervisors to supervise the casting of votes and the counting thereof for resolutions.

The term “presented directors” in this Article does not include the director who is prohibited from voting.

Article 16 Except as otherwise provided by the laws and regulations, a resolution may be adopted by the majority of attending directors. If there shall be an amendment or alternative to one motion, the chairman may combine the amendment or alternative into the original motion, and determine their orders for resolution. If any one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.

When a resolution is put to the vote, the chairman shall direct ballot supervising personnel and several ballot counting personnel to perform relevant matters, if deemed necessary. The results of voting shall be reported on the spot and recorded.

Article 17 A board of director is prohibited and avoids from participating in discussion of or voting on an agenda item in which the director or the juristic person that the director represents is an interested party, where such participation is likely to prejudice the interest of the company, and likewise is prohibited from voting on such an item as a proxy of another director.

But a prohibited director can express the opinions and make a reply.

A director shall not vote on any issue where:

- 1.such director believes that he/she should not vote upon the issue;
- 2.such director is resolved by the BOD or the Committee in accordance with the law to not vote upon the issue.

Article 18 Minutes shall be prepared of the discussions at board of directors meetings; the meeting minutes shall record the following:

1. Session (or year), time, and place of meeting.
2. Name of the meeting chair.
3. Attendance of directors at the meeting, specifying the names and number of

members present, excused, and absent.

4. Names and titles of those attending the meeting as nonvoting participants.
5. Name of minutes taker.
6. Matters reported on.
7. Agenda items: specify the resolution method and result for each proposal, and summarize the comments made by, and specify any objections or reservations expressed by, directors, supervisors, experts, or any others at the meeting that has been included in records or stated in writing, and any opinion issued in writing by an independent director under Article 7, paragraph 2.
8. Extraordinary motions: specify the name of the mover, the resolution method and result for each motion, and summarize the comments made by, and specify any objections or reservations expressed by, directors, supervisors, experts, or any others at the meeting that has been included in records or stated in writing.
9. Other matters required to be recorded.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting ,The production and distribution of the meeting minutes may be done in electronic form

When the board of director discuss financial and business transactions such as :internal control system ,acquisition or disposal of assets , loaning fund to others and making of endorsement/guarantees , sufficient consideration shall be given to the opinion of the audit committee or that of the independent directors, Any vote for or against the proposal and the reasons therefore shall be recorded in the minutes.

The minute shall be well preserved as important company records during the existence of the company.

The attendance book and record of fax form a part of the minutes for each board of directors meeting and shall be preserved during the existence of the company.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and be published on an information reporting website designated by the competent authority:

1. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
2. If the company has an audit committee, any matter adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee.

The attendance book forms a part of the minutes for each board of directors meeting and shall be preserved permanently.

Article 19 The Audit committee or other functional committee shall adopt regulations governing their duty and power and submit to the board of director for approval.

Article 20 The adoption and revision of these Regulations shall be approved by the board of

director.

Article 21 This regulations has been approved by board of director on March 30, 2004 ; first revision on October 25, 2006 and second revision on August 24, 2007 and third revision on March 6, 2008.

## **Attachment 4**

### **MACRONIX INTERNATIONAL CO., LTD.**

#### **The statement of appropriation of 2007 profit**

Units : NT\$

<b>Item</b>	<b>Amount</b>
Net Income of 2007	4,653,665,788
Less : 10% Legal reserve	465,366,579
Plus : undistributed earnings of previous years	35,342,819
Distributable earnings	4,223,642,028
Distribution Items :	
Bonus to Directors & Supervisors	83,765,984
Cash Dividends to Shareholders	3,062,131,682
Stock Dividends to Shareholders	306,213,170
Employees' Bonus Sharing (in cash)	297,206,900
Employees' Bonus Sharing (in stock)	297,206,900
Total Distribution	4,046,524,636
Unallocated earnings	177,117,392

## Attachment 5

### The comparison chart of the rule for Procedures for Acquisition or Disposal of Assets

<b>Article</b>	<b>Before Revision</b>	<b>After Revision</b>
Article 7	<p>Total amounts of real property and securities acquired by the Company and each subsidiary company for non-operating use, and limits on individual securities.</p> <ol style="list-style-type: none"> <li>1. Total amounts of real property <u>and securities</u> acquired by the Company: within 20% of <u>shareholder equity of the latest financial reports audited or reviewed by CPA</u>.</li> <li>2. The limits on individual securities acquired by the Company: within <u>10% of shareholder equity of the latest financial reports audited or reviewed by CPA</u>.</li> <li>3. <u>Total amounts of long-term investment acquired by the Company: the capital of the Company. But the limit of investing on a single company is 30% of the capital of the Company.</u></li> <li>4. <u>Total amounts of long-term investment and short-term marketable securities</u> acquired by the Company: within 80% of <u>shareholder equity of the latest financial reports audited or reviewed by CPA</u>.</li> <li>5. Total amounts of real property and securities and limits on individual securities acquired by the Company's subsidiaries which are not investment professionals are subject to all the preceding paragraphs.</li> <li>6. Total amounts of real property and securities and limits on individual securities acquired by the Company's subsidiaries which are investment professionals are the capital of the subsidiary.</li> </ol>	<p>Total amounts of real property and securities acquired by the Company and each subsidiary company for non-operating use, and limits on individual securities.</p> <ol style="list-style-type: none"> <li>1. Total amounts of real property acquired by the Company <u>for non-operating use</u>: within 20% of <u>book value</u>.</li> <li>2. The limits on individual securities acquired by the Company: within <u>the book value</u>.</li> <li>3. Total amounts of securities acquired by the Company: within <u>150% of book value</u></li> <li>4. Total amounts of real property and securities and limits on individual securities acquired by the Company's subsidiaries which are not investment professionals are subject to all the preceding paragraphs.</li> <li>5. Total amounts of real property and securities and limits on individual securities acquired by the Company's subsidiaries which are investment professionals are the capital of the subsidiary.</li> </ol>

## **Attachment 6**

# **MACRONIX INTERNATIONAL CO., LTD.**

## **ARTICLES OF INCORPORATION**

June 29, 2007

Revised by the regular shareholders' meeting of 2007

### **CHAPTER1: GENERAL PROVISIONS**

- Article 1: The Company is incorporated under those provisions of the Company Law relating to companies limited by shares, and is named as "Macronix International Co. Ltd.".
- Article 2: The businesses engaged in by this Company shall be as follows:  
The research & development, design, manufacture, testing, sale and consultation of the following products:
- I. Parts and modules for integrated circuit and semi-conductors, and system application products (including integrated circuit cards (boxes) and circuit modules, etc.)
    - (1) IC products for telecommunication systems;
    - (2) IC products for personal computers and peripheral devices;
    - (3) Products for consumable electronic systems;
    - (4) Multi-media computer products;
    - (5) Automatic electro-mechanical integrated products.
  - II. Light and electric components, parts and modules.
  - III. Design of software and process of computer data.
  - IV. To engage in the import and export trading business related to this Company's businesses.
- Article 3: Upon consent of the board of directors, the Company may provide guarantees for third parties in accordance with its Operational Measures Governing Guarantees and Endorsements which shall be separately enacted.
- Article 4: The Company's principal executive offices shall be located in the Science-Based Industrial Park in Hsinchu, Taiwan, R.O.C. The Company may, upon approval of the board of directors and competent authority, establish branch offices in Taiwan or abroad.
- Article 5: The total amount of investment made by this Company shall be exempted from the restriction provided in Article 13 of the Company Law.

## CHAPTER 2: CAPITAL STOCKS

- Article 6: The Company's authorized capital is 65.5 billion NT dollars to be divided into 6.55 billion shares, with par value of NT\$10 per share; shares not yet issued will be issued pursuant to the decision of the Board of Directors.  
650 million shares will be reserved from the above authorized capital for employee stock option to be issued pursuant to the decision of the Board of Directors.
- Article 7: The share certificate of this Company shall be issued in registered form and signed by or affixed with the seal of at least three directors and numbered accordingly. The shares won't be effective until the authentication of the competent authority or the agencies of issuance and registration under their approval.  
When issuing new shares, this Company may print collaborately the total amount of the issuance, but may be exempted from printing the share certificates, including the issuance of security other than shares.
- Article 8: The handling of stock affairs of this Company shall be in accordance to the "Guidelines for Handling of Stock Affairs by Public Companies" and other relevant laws and regulations.
- Article 9: For any new shares to be issued by the Company, except those set aside to be issued for purchase by employees and others pursuant to relevant laws and regulations, the shareholders shall have the preemptive right to subscribe to the new shares in proportion to their shareholdings.

## CHAPTER 3: SHAREHOLDERS' MEETINGS

- Article 10: Shareholders' meetings shall be convened as follows:
1. General shareholders' meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year except as otherwise approved by the competent authority for good cause shown.
  2. Special shareholders' meetings may be convened according to the laws whenever it is necessary.
- Article 11: The chairman of the board shall preside at shareholders' meetings if the shareholders' meeting is convened by the board of directors. When the chairman of the board is unable to preside at a meeting, the directors present shall elect one from among themselves as proxy.  
If the shareholders' meeting is convened by others with legitimate right, the one who convenes it shall preside at the meeting. When more than one conveners are present, they shall elect one from among themselves to preside.

- Article 12: Notice shall be provided to each shareholder at least thirty (30) days prior to a general shareholders' meeting. Notice shall be provided to each shareholder at least ten (10) days prior to an extraordinary shareholders' meeting. The notice shall state the date and venue of the meeting and the purpose or purposes for which the meeting is called.
- Article 13: Except as otherwise provided by the laws and regulations, shareholders of the Company are entitled to one vote for each capital stock.
- Article 14: Except as otherwise provided by the laws and regulations, a resolution may be adopted by the shareholders or proxy of a simple majority of the votes of the issued and outstanding capital stocks represented at a shareholders' meeting at which the shareholders of a majority of issued and outstanding capital are present or by proxy.
- Article 15: When a shareholder of the Company is unable to attend a shareholders' meeting for any reason, the shareholder may appoint a representative to attend such shareholders' meeting by presenting a written proxy form, which shall specify the scope of proxy. Where one person is acting as proxy for more than two shareholders, unless such person is engaged in the trust business or other proxy institutions of stock affairs approved by the competent authority, the votes exercised by such person shall not exceed three percent of all the issued and outstanding capital stocks, and the portion in excess thereof shall not be counted.
- Article 16: The resolution adopted at the shareholders' meeting shall, pursuant to the laws, be recorded in the minutes of the meetings which shall be signed or sealed by the chairman of the board and kept forever at the Company during its existence. The roster of attendance and the written proxy forms shall be kept for at least a year; provided, however, that shareholder file a litigation in accordance with Article 189 of the Company Law, the minutes shall be kept till the end of such litigation.
- Article 16-1: When Powerchip Semiconductor Corp. and its affiliates (individually and/or collectively "PSC") itself serves or designates others to serve the director of this company (individually and/or collectively "PSC Director"), neither PSC nor PSC Director shall use information of this company on matters other than the operation of this company, or disclose such information to any third party. The transaction between this company and each PSC ("Transaction") shall obtain the prior approval of more than one half of the shareholders (other than PSC) attending the shareholders' meeting of this company. However, in the event the Transaction merely grants rights to this company, it can be proceeded if more than one half of the directors of this company (other than PSC Director) approve said Transaction and its details are reported to the following shareholders' meeting. The president of this company shall report the progress of the Transaction to the supervisor from time to time, and the negotiation and conclusion of any and all Transaction shall be represented by non-PSC supervisor(s) of this company. The Transaction is invalid if the foregoing is violated.

## CHAPTER 4: DIRECTORS, SUPERVISORS AND MANAGERS

- Article 17: The Company shall have nine to fifteen directors (including three independent directors while the remaining directors are non-independent) to be elected by the Shareholders from nomination list, with a term of three-year and renewable upon re-election. Corporate shareholders may appoint representative to serve the directorship and may appoint new representative to take over as director for the remaining term of the directorship.
- Compensation for the chairman, non-independent directors and independent directors shall be determined by the Board of Directors in accordance with their respective participation and contribution to the operations of the business, and the domestic and international business standards. The Company shall purchase liability insurance for the directors (including independent and non-independent).
- Article 18: The Company shall have three to four supervisors to be elected by the shareholders from a nomination list, with a term of three-year and renewable upon re-election. In the event an audit committee, i.e., a committee to be formed by at least three independent directors with at least one independent director specialized in accounting or finance) is established, the Company is not required to elect supervisor. In the case that supervisors have been elected, they will be terminated immediately upon the formation of the audit committee and the provisions relating to Supervisor hereof shall become void.
- Compensation for supervisors shall be determined in accordance with their participation and value of contribution, and the domestic and international business standards. The Company shall purchase liability insurance for the supervisors.
- Corporate shareholders may appoint representative to be elected as supervisors and may appoint new representatives or supervisor to take over as supervisors for the remaining term.
- Article 19: The Directors shall elect from among themselves a board chair acting as the representative of the Company, by a majority in a meeting attended by over two-thirds of the Directors.
- Article 20: The directors' meeting shall be convened by the chairman of the board. The initial directors' meeting of each term shall be convened by the director who receives the number of ballots representing the largest number of votes. If a director is unable to attend a directors' meeting, the director may appoint another director to attend the meeting as proxy; provided, however, that the proxy shall accept the appointment of one director only. A director who lives abroad may appoint in written form another shareholder domiciled within the territory of R.O.C. to attend regularly by proxy any directors' meeting. Such appointment of proxy shall be registered with the competent authority.
- If the directors' meeting is conducted in a manner of digital videoconference, the

directors who participate in such conference via digital video shall be deemed be present in person.

- Article 21: The notice of directors' meeting shall specify the purposes for which the meeting is convened and the agenda. Notice shall be provided to the directors and supervisors at least seven (7) days prior to a directors' meeting, provided, however, that a special directors' meeting and a managing directors' meeting may be convened without any notice in written form as deemed necessary.
- Article 22: The chairman of the board shall preside at directors' or managing directors' meeting. The chairman of the board shall appoint a managing director as proxy to preside at such meetings when the chairman of the board is unable to preside. In the absence of such appointment, the managing directors or directors shall elect one from amongst themselves.
- Article 23: When passing upon any resolution, each director shall have one vote. Unless the laws, regulations or articles of incorporation specifically provide otherwise, a directors' meeting at which a resolution is adopted shall be attended by a majority of the directors and a majority of those present votes in favor of such a resolution. Minutes of directors' meetings shall be prepared to record the businesses transacted at a directors' meeting.
- Article 24: Responsibility of the Board of Directors.
1. Approve the operation directives and the long term as well as short term development plans.
  2. Review, implement and supervise the annual business plan.
  3. Approve the budget and annual financial report.
  4. Propose the increase and decrease of capital.
  5. Propose distributions of earning and/or offset of losses.
  6. Discuss and approve material agreements.
  7. Approve the purchase and disposal of material assets.
  8. Approve the distributions for technology shares.
  9. Propose amendments to these Articles of incorporation
  10. Approve bylaws and internal rules.
  11. Approve establishment, restructure or dissolution of branch offices.
  12. Approve material capital expenditure.
  13. Hiring and dismissing managers.
  14. Convene shareholders meeting and report on the operations of the business.
  15. Establish functional committees and approve rules regarding said committee.
  16. Other authority imposed by law or shareholders' meeting.
- Article 25: In the event the supervisor ship is established, the responsibility of such supervisor are as the following:

1. Investigate the business and financial status of the Company.
2. Audit company documents.
3. Supervise business implementations.
4. Other authority imposed by law or by shareholders' meeting.

Article 26: This Company shall have several managers. The appointment, removal and remuneration of such managers shall be determined by a resolution of a directors' meeting which is attended by a majority of directors and where a majority of those present votes are in favor of such a resolution.

Article 27: The manager of this Company, within his powers and authorities, shall have the authority to manage the affairs of this Company and to sign on behalf of the said Company. The relevant authorization measures shall be stipulated by the board of directors.

Article 28: The fiscal year of this Company shall commence on the first day of January each year and shall end on the thirty-first day of December. A year-end accounting statement shall be prepared at the end of each fiscal year.

Article 29: At the end of the year, the Board of Directors shall deliver the following documents to the annual shareholders' meeting for approval in accordance with applicable laws, and submitted to the relevant government agency:

1. Business reports.
2. Financial statements.
3. Plan to distribute surplus or to appropriate fund in case of loss.

## CHAPTER 5: ACCOUNTING

Article 30: In the case that the annual final audit results in surplus, funds shall be appropriated first for income tax payments and to compensate for losses from the previous year; 10% of the surplus shall then be appropriated for the legal reserve (except where legal reserve has exceeded total capital) and to reserve certain surplus in accordance with applicable laws. 2% of the balance will be distributed in cash as compensation for directors and supervisors. The remaining shall be added to the undistributed surplus from previous year and distributed in the following manner: 1) 85% as shareholder dividends; 2) 15% for employee bonus. The employee bonus can be distributed in form, i.e., cash or dividend, similar to shareholders' dividend.

The aforementioned dividends (including shareholder dividends and employee bonus) may be reserved in whole or in part as undistributed surplus to be distributed in the subsequent year.

Distributions shall be made in cash dividends or in stock dividends. shareholders dividend and employee bonus shall first be issued in cash dividends, however, the Company may, if necessitated by financial, business, or administrative needs, issue

stock dividends, to the extent it does not exceed 50% of the current year's distribution. Employees eligible to receive stock dividends may include employees from the affiliated companies if they meet the criteria set by the Board of Directors.

- Article 31: Dividends and bonuses to shareholders shall be distributed to those shareholders whose names are listed on the registrar of shareholders as of the record date set for purposes of the distribution.
- Article 32: Any rules or measures related to the articles of incorporation shall be stipulated separately by the board of directors.

## SECTION 6: SUPPLEMENTARY PROVISIONS

- Article 33: Matters not provided for in this articles of incorporation shall be undertaken in accordance with relevant laws and regulations.
- Article 34: This chapter is first enacted on August 21st, 1989; first revised on April 21st, 1990; second revision on September 9th, 1990; third revision on April 27th, 1991; fourth revision on November 9th, 1991; fifth revision on July 18th, 1992; sixth revision on June 19th, 1993; 7th revision on November 27th, 1993; eighth revision on May 28th, 1994; ninth revision on June 5th, 1995; tenth revision on January 24th, 1996; eleventh revision on June 22nd, 1996; twelfth revision on May 31st, 1997; thirteenth revision on June 29th, 1998; fourteenth revision on May 3rd, 2000; sixteenth revision and seventeen revisions on May 30th, 2002; eighteenth revision on June 27th, 2003; nineteenth revision on June 18th, 2004; twentieth revision on June 30th, 2006; twenty-first and twenty-second revision on June 29th, 2007.