

AU OPTRONICS CORP
Form 6-K
May 17, 2007

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

May 16, 2007

Commission File Number 001-31335

AU Optronics Corp.
(Translation of registrant's name into English)

No. 1 Li-Hsin Road 2
Hsinchu Science Park
Hsinchu, Taiwan
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form	X	Form
20-F		40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the

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jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
Not applicable

INDEX TO EXHIBITS

Item:

1. Agenda of AUO's 2007 Annual General Shareholders' Meeting dated June 13, 2007
 2. Proposed Candidate List for the Election of Directors
 3. Q&A with respect to the Election of Directors
-

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AU Optronics Corp.

Date: May 16, 2007

By: /s/ Max Cheng
Name: Max Cheng
Title: Chief Financial Officer

Item 1

AU OPTRONICS CORP.

2007 Annual General Shareholders' Meeting

Meeting Agenda

Date: June 13, 2007

NOTES TO SHAREHOLDERS:

1. For the Company's 2006 annual report on Form 20-F, which includes an explanation of the main differences between ROC GAAP and US GAAP affecting the Company's consolidated financial statements, please refer to the "US SEC filings" section under "Investors" of the Company's website

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at <http://www.auo.com/auoDEV/investors.php?sec=usSecFilings&func=ussecfilings&ls=en>
after July 1, 2007.

2. For the significant differences in the corporate governance between the practices of US and ROC, please refer to the “Corporate Governance” section under “Investors” of the Company’s website at
<http://www.auo.com.tw/auoDEV/investors.php?sec=invCG&func=governance&ls=en>
3. Shareholders who wish to obtain the 2006 annual report on Form 20-F may request copy to be sent free of charge by contacting the Depositary at 1-888-301-0508 after July 31, 2007.
4. After June 14, 2006, the Company’s resolution notice of 2007 Annual General Shareholders’ Meeting will be accessible on the Company’s website at
<http://www.auo.com/auoDEV/investors.php?sec=invInfo&func=information&ls=en>

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-----Disclaimer-----

THIS IS A TRANSLATION OF THE ADGENDA FOR THE 2007 ANNUAL GENERAL SHAREHOLDERS' MEETING ("THE AGENDA") OF AU OPTRONICS CORP. ("THE COMPANY"). THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

I. Meeting Procedure

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AU Optronics Corp.
2007 Annual General Shareholders' Meeting Procedure

1. Commencement
2. Chairman's address
3. Report items
4. Acceptances
5. Discussions and Elections
6. Extraordinary motions
7. Adjourn meeting

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II. Meeting Agenda

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AU Optronics Corp.
2007 Annual General Shareholders' Meeting Agenda

1. Time: 9:00 a.m., June 13, 2007

2. Place: 2 Hsin-An Road, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

(Auditorium in the Activity Center of Hsinchu Science Park)

3. Attendants: All shareholders or their proxy holders

4. Chairman's address

5. Report Items

- (1) 2006 Business Report.
- (2) Supervisors' Report of 2006 Audited Financial Reports.
- (3) Report of indirect investments in China in 2006.
- (4) Report on the merger with Quanta Display Inc. ("QDI").
- (5) Report on the "Rules for Meetings of Board of Directors".

6. Acceptances

- (1) To accept the 2006 Business Report and Financial Statements.
- (2) To accept the proposal for distribution of 2006 profits.

7. Discussions and Elections

- (1) To approve the capitalization of 2006 stock dividends and employee stock bonus.
- (2) To approve the revisions to Articles of Incorporation.
- (3) To approve the revisions to "Guidelines for Acquisition or Disposition of Assets", "Operating Guidelines for Conducting Derivative Transactions", "Guidelines for Lending" and "Guidelines for Endorsements and Guarantees".
- (4) To elect the Directors.
- (5) To release the Directors from non-competition restrictions.

8. Extraordinary Motions

9. Adjourn Meeting

1. Report Items**(1) 2006 Business Report**

Explanation : The 2006 Business Report is attached hereto as attachment 1.

(2) Supervisors' Report of 2006 Audited Financial Report

Explanation : The Supervisors' Report is attached hereto as attachment 2.

(3) Report of indirect investments in China in 2006

Explanation: The status of the Company's indirect investments in China:

Investee	Method of investment	Accumulated investment amount	As of Dec. 31, 2006 Limit for investment amount in China*
AU Optronics (Suzhou) Corp.		USD 200,000 thousand (or NTD 6,705,733 thousand)	
AU Optronics (Shanghai) Corp.		USD 1,000 thousand (or NTD 33,400 thousand)	
Darwin Precisions (Suzhou) Corp.	Indirect investment	USD 7,500 thousand (or NTD 245,362 thousand)	NTD 47,646,861 thousand
AU Optronics (Xiamen) Corp.	through an offshore entity	USD 50,000 thousand (or NTD 1,616,600 thousand)	
Darwin Precisions (Xiamen) Corp.		USD 3,000 thousand (or NTD 96,015 thousand)	
Tech-Well (Shanghai) Corp.		USD 80,000 thousand (or NTD 2,647,920 thousand)	

* As per local regulations, the limit is calculated based on AUO's net worth as of Dec 31, 2006 as follows
(Amount in NTD million): [net worth 230,734 – 10,000] * 20% + 5,000 * 30% + 5,000 * 40%.

(4) Report on the merger with Quanta Display Inc. ("QDI")Explanation :

-In order to upgrade the Company's competitiveness and expand the Company's market share, each of the Company's and QDI's board of directors and shareholders meeting held on June 15, 2006 approved the merger between the Company and QDI under the Merger and Acquisition Law and the Company Law. Upon consummation of the merger, the Company is the surviving company and QDI is a dissolved company.

-The Company issued one common share for every 3.5 common shares of QDI (after dividend distribution) and the total number of common shares issued by the Company to shareholders of QDI for merger is 1,479,110,029 common shares.

- The record date for merger is October 1, 2006 and all merger procedures have been completed in accordance with the applicable laws and regulations.

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The merger has been approved by the Financial Supervisory Commission on August 15, 2006 (Jing-Kuan-Cheng-1-Tzu-Di No. (1)-0950134972).

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(5) Report on the “Rules for Meetings of Board of Directors”

Explanation :

- It is proposed to revise the “Rules for the Meetings of Board of Directors” to comply with the ROC Securities and Exchange Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- The Rules for Meetings of Board of Directors is attached hereto as Attachment 3.

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2. Acceptances and Discussions

- (2) To accept the 2006 Business Report and Financial Statements (the proposal was submitted by the Board of Directors)

Explanation :

- The 2006 Financial Statements, including Balance Sheet, Statement of Income, Statement of Changes in Stockholders' Equity, and Statement of Cash Flows, have been audited by KPMG and approved by the Board of Directors. The Supervisors have reviewed the 2006 Business Report and Financial Statements.
- For 2006 Business Report, Supervisors' Review Report, and Financial Statements thereto, please refer to Attachment 1, 2 and 4 (page 13-15 and page 20- 27).

Resolution :

- (3) To accept the proposal for distribution of 2006 profits (the proposal was submitted by the Board of Directors)

Explanation :

- The proposed distributions are allocated from 2006 earnings available for distribution.
- The proposed have been approved by the Board of Directors and reviewed by the Supervisors. For 2006 earning distribution statement, please refer to Attachment 5 (page 28).

Resolution :

- (4) To approve the capitalization of 2006 stock dividends and employee stock bonus (the proposal was submitted by the Board of Directors)

Explanation :

- For the purpose of capacity expansion, it is proposed that a total of NTD 2,088,311,590 (representing 208,831,159 common shares) from AUO's retained earnings be capitalized and of which NTD 1,514,792,890 is allocated for shareholder stock dividend and NTD 573,518,700 for employee stock bonus.
- The capitalization plan will take effect upon the approval of related authorities. The stock dividend distribution will be based on the list of shareholders registered as of the record date of stock dividend. Each shareholder will be entitled to receive 20 common shares for every 1,000 common shares. If a portion of the dividend does not amount to one full share, the shareholders concerned may pool together fractional shares to form one full share and register the same within 5 days from the record date. Shareholders will be paid unregistered fractions of shares in cash based on the fraction of the face value represented with calculations rounded down to the nearest one NTD. The remaining shares will be designated for subscription at face value by AUO Employee Welfare Commission. AUO's Chairman is authorized to decide the allocation of employee stock bonus.
- It is proposed to authorize the Board of Directors to adjust the amount of dividends distributed if the number of outstanding shares changes as a result of the exercise of employee stock options, the conversion of convertible bonds, or the issuance of new common shares.
- The rights and obligations of the new common shares are the same as existing ones.
- The capacity expansion plan concerned will be completed by end of 2008, which is expected to result in the increase of the Company total production volume by approximately 900 thousand pieces from 2007 to 2011. The Board of Directors is authorized to determine or

amend all the matters related to the capacity expansion plan concerned, including but not limited to the use of proceeds and the schedule and estimated effect, as required by the competent authority or the market conditions.
-The Board is authorized to set the record date of stock dividend after the capitalization plan receives approval from related authorities.

Resolution :

(5) To approve the revisions to Articles of Incorporation (the proposal was submitted by the Board of Directors)

Explanation :

-It is proposed that Articles 10, 10-1, 10-2, 14, 15 and 17 be amended to accommodate the revision of law and regulation and the Company's operation needs.
-A comparison table for the Articles of Incorporation before and after revisions is attached hereto as attachment 6 (page 29-31).

Resolution :

(6) To approve the revisions to "Guidelines for Acquisition or Disposition of Assets", "Operating Guidelines for Conducting Derivative Transactions", "Guidelines for Lending" and "Guidelines for Endorsements and Guarantees". (the proposal was submitted by the Board of Directors)

Explanation :

-It is proposed to revise the "Guidelines for Acquisition or Disposition of Assets", "Operating Guidelines for Conducting Derivative Transactions", "Guidelines for Lending" and "Guidelines for Endorsements and Guarantees" to accommodate the revision of law and regulation and the Company's operation needs.
-The comparison tables for the "Guidelines for Acquisition or Disposition of Assets", "Operating Guidelines for Conducting Derivative Transactions", "Guidelines for Lending" and "Guidelines for Endorsements and Guarantees" before and after amendments are attached hereto as attachment 7~10 (page 32-63).

Resolution :

(7) To elect the Directors. (the proposal was submitted by the Board of Directors)

Explanation :

-The term of the office of the fourth term of directors and supervisors will expire on April 28, 2007. Thus, the board of directors proposes the 2007 annual general shareholders meeting to elect nine directors (including three independent directors) in accordance with the Company's Articles of Incorporation. The term of office of the new directors (including independent directors) is three years from the date on which they are elected at the 2007 annual general shareholders meeting. The old directors will leave their office on the date the new directors are elected. Because the Company will set the audit committee in accordance with the Securities and Exchange Law, thus, the Company will not have supervisors any more.

Resolution :

- (8) To release the Directors from non-competition restrictions. (the proposal was submitted by the Board of Directors)

Explanation :

- According to Article 209 of the Company Law, any Director conducting business for himself/herself or on another's behalf and the scope of the business coincides with the Company's business scope shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.
- It is proposed to release the newly-elected Directors from non-competition restrictions.

Resolution :

3. Extraordinary Motions

4. Adjourn Meeting

III. Attachments

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Attachment 1:

2006 Business Report

2006 was a year of expansion for AU Optronics Corp. (AUO). In April 2006, we announced our merger with Quanta Display, Inc. (QDI), a transaction which we successfully completed on October 1, 2006. This transaction represented the second merger in our history since the merger of Acer Display and Unipac in 2001 which established AUO. The two successful mergers have expedited our growth strategy and has positioned us alongside our Korean counterparts, Samsung and LG Philips, as world-class leaders in the TFT-LCD industry.

Our consolidated revenues in 2006 reached a record NT\$293.1 billion, a 34.8% increase over the previous year. However, our net income decreased to NT\$9.1 billion amid pricing pressures. Relative to the overall TFT-LCD industry performance, we continued to demonstrate a strong earning capability despite difficult market conditions.

The TFT-LCD industry has gone through a period of transformation in the past year. As we look back, there are four major trends worth mentioning:

1. Industry competition clearly favors large scale competitors as evidenced by the fact that the world's top three TFT-LCD panel makers are making up more than 65% of the total market share and 70% of the LCD TV panel market.
2. The TFT-LCD industry is taking a more rational approach towards capital investment which will help maintain a balance between market supply and demand resulting in order in the marketplace.
3. Increasing barriers to entry relating to the establishment of new generation fabs will widen the gap between tier one and tier two manufacturers in terms of capacity planning and technology advancement.
4. The continuous growth of the consumer electronics product-segment requires our product cycle to align with the consumer electronics market. Accordingly, we have to carefully manage our capacity planning and production costs to efficiently meet seasonal demand.

Our management team has developed its operational focus for 2007, which will be an extension of our operating plan in 2006. The following five business initiatives will be the basis of our continuous growth and achievements:

1. Our Taichung G7.5 operation commenced volume production in the fourth quarter of 2006, which made us the first volume supplier in Taiwan of 40", 42" and 46" LCD TV panels. By July 2007, our G7.5 fabrication facility will be operating on full capacity, which will further strengthen our global position.
2. Our merger with QDI will reinforce our competitive advantage in the market place in numerous ways. We believe benefits of this merger will be realized in the second quarter of this year as we combine QDI into our operating structure.
3. In addition to enhancing our competitive advantage in information technology (IT) display products for monitors and notebooks, we also plan to further develop our business in the area of LCD TV and mobile displays.
4. To cope with the new competitive environment, we are transforming our operational model from one that is driven by manufacturing to one that focuses more on our customers. We are reorganizing our operations into three business groups: IT Display Business Group (ITBG), Television Display Business Group (TVBG) and

Consumer Product Display

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Business Group (CPBG). Each business group will be vertically integrated and will have designated teams in research and development, manufacturing and supply chain management, which will offer a total solution to our end customers.

5. In 2007, for the first time, we will experience negative growth in our capital expenditures. We believe this will improve our loading rates of our fabs and help us actively manage our assets.

AUO celebrated its 10th anniversary in August 2006. The theme from our celebratory activities was, "Full-fledged At Ten Years Old, AUO Full Of Heartfelt Gratitude." We are grateful for the long-term support from our shareholders, employees and their devoted families. In return, AUO's management team will strive to achieve maximum return for our shareholders.

Thank You.

/s/ KY Lee
KY Lee, Chairman and CEO

/s/ HB Chen
HB Chen, President and COO

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Attachment 2:

Supervisors' Review Report

The Board of Directors has prepared and submitted to us the Company's 2006 Financial Statements, which have been audited by KPMG. The Financial Statements present fairly the financial position of the Company and the results of its operations and cash flows. We, as the Supervisors of the Company, have reviewed these Financial Statements, Business Report, and the proposals relating to distribution of net profit. According to Article 219 of the Company Law in ROC, we hereby submit this report.

AU Optronics Corp.

Supervisors:

/s/ Chieh-Chien Chao
Chieh-Chien Chao

Representative of China Development Industrial Bank

/s/ David Chen
Shin (David) Chen

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Attachment 3:

**AU OPTRONICS CORP.
(the “Company”)**

**Rules for Meetings of Board of Directors
(the “Rules”)**

Article 1Scope

Unless otherwise provided by the relevant laws and regulations or the Company’s Articles of Incorporation (“AOI”), meetings of the board of directors of the Company (the “Meetings”) shall be conducted in accordance with the Rules.

Article 2Convening the Meetings and Notices of the Meetings

The Company shall convene the Meetings quarterly and shall send the notice of each Meeting specifying the reasons for the Meeting to each director and supervisor seven days prior to the relevant Meeting, provided that the Company may convene the Meetings from time to time for urgent matters.

The first Meeting of each term of the board of directors shall be convened and chaired by the director (“Eligible Director”) who received a ballot representing the largest number of votes for election of directors at the shareholders meeting. If there are more than two Eligible Directors, the Eligible Directors shall elect one Eligible Director to convene and chair the Meeting.

Article 3Place and Time for the Meetings

Place and time of the relevant Meeting shall be specified in the notice for such Meeting.

Article 4In Charge Department and Meeting Materials

The in charge department (“In Charge Department”) for the Meetings is the finance department.

The In Charge Department shall set the agenda to be discussed at the Meeting and provide the sufficient materials for the Meeting which shall be sent out together with the notice for Meeting. If any director thinks the materials are not sufficient, he/she/it may request the In Charge Department to provide the supplement materials.

The agenda of the Meetings to be periodically convened shall include the following items:

- I. Report Items:
 1. Minutes of the last Meeting and implementation status.
 2. Report on important financial business.

3. Report on important audit business.
4. Report on other important business or items.

II. Discussion Items:

1. Discussion items reserved by the last Meeting.
2. Discussion items for this Meeting.

III. Extraordinary Motions

The following matters shall be submitted to the Meetings for discussion:

1. The Company's business plan.
2. The Company's financial statements.
3. Adoption of or amendment to the Company's internal control system.
4. Adoption of or amendment to the Company's Guidelines for Acquisition or Disposal of Assets, the Company's Guidelines for Conducting Derivative Transactions, the Company's Guidelines for Capital Lending, and the Company's Guidelines for Endorsements and Guarantees.
5. Offering, issuance or private placement of equity securities.
6. Appointment or discharge of the head of the finance department, the accounting department or internal auditing department.
7. Any matters required by Article 14-3 of the Securities and Exchange Law, other applicable laws or regulations or the AOI to be approved by the resolutions adopted by the shareholders meeting or to be submitted to the Meetings or any other significant matters as prescribed by the competent authority.

Article 5Preparation of Attendance Books and other Documents

Each director, supervisor and other person attending the Meetings shall sign in the attendance book. If any director or supervisor attends the Meetings via video conference, such director or supervisor shall be deemed as attendance in person and such shall be recorded in the attendance book.

Article 6Audio or Video Recording of Process of the Meetings

The entire proceedings of the Meetings shall be recorded on audio or video and such recordings shall be kept by the Company for at least five years.

If there is a lawsuit arising with respect to a resolution adopted at a Meeting, the relevant audio or video recordings shall be preserved for a further period, in which case, the preceding paragraph does not apply.

Where a Meeting is held via video conference, the audio or video recordings of such Meeting form a part of the Meeting minutes and shall be preserved permanently.

Article 7Chairperson and Attending Persons

Meetings shall be called and chaired by the chairman of the board of directors. If the chairman of the board of directors is on leave or for any reason is unable to exercise the powers of the chairman, the

vice chairman shall do so in place of the chairman, or, if there is no vice chairman or the vice chairman is also on leave or for any reason is unable to act, the chairman shall designate one director to act, or, if the chairman does not make such designation, the director elected by and from among themselves shall act.

A director appointing another director to attend a Meeting in his/her/its place, shall in each case give to that director a written proxy specifying the scope of authorization with respect to the reasons for the Meeting.

A director may accept one proxy from one director only.

The board of director shall invite the supervisors to attend the Meetings as non-voting participants. Attending supervisors may state their opinion.

The board of directors may also invite the managers of the relevant departments or other professionals to attend the Meetings and help directors to understand the Company's business and respond to the questions raised by the directors.

Article 8 Calling Meetings and Manner for Adoption of Resolutions

Agendas for the Meetings shall be set by the relevant personnel designated by the chairman and the Meetings shall proceed in accordance with the agendas.

When the time of a Meeting has arrived and one-half of the directors are not present, chairperson of the Meeting may announce postponement of the Meeting time, provided that only two postponements, in combined total of not more than one hour, may be made. If the quorum is still not met after two such postponements, the chairperson shall re-call the Meeting in accordance with the procedures prescribed by the relevant regulations.

During the Meeting, the chairperson may, at his discretion, set time for intermission. Unless otherwise announced by the chairperson, the Meeting shall not be adjourned. After adjournment of the Meeting, directors cannot elect by and from among themselves another chairperson to resume the Meeting. Unless otherwise approved by a majority of directors present at the Meeting, the chairperson cannot announce adjournment of the Meeting before all the discussion items listed in the agenda and extraordinary motions.

Each attending director has one vote with respect to each matter discussed at the Meeting.

Except otherwise provided by the Company Law or the AOI, a resolution on a matter discussed at the Meeting requires approval of a majority of the directors present at the Meeting that shall be attended by a majority of all directors. When a matter comes to a vote at a Meeting, if upon inquiry by the chairperson no director voices an objection, the subject matter is deemed approved, as if it has been approved by vote. If upon inquiry by the chairperson, there is any director voices an objection, the subject matter shall be voted. Voting shall be conducted in accordance with any of the following manners to be decided by the chairperson, provided that if any attendant voices an objection, the voting manner shall be decided by a majority of the directors present at the Meeting:

1. voting by raising hands;
2. voting by reading names of the directors; or

3. voting by casting ballots.

If there is amendment to or substitute for a discussion item, the chairperson shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been approved, the others shall be deemed voted and no further voting is necessary.

If it is necessary to appoint persons to monitor and count ballots, such persons shall be appointed by the chairperson and results of voting shall be announced by the chairperson.

Article 9 Minutes of Meetings and Signing Affairs

Discussion of matters at the Meetings shall fully consider opinion from the independent directors.

Summary of resolutions adopted at Meetings, voting manner and results shall be recorded accurately and completely. The dissenting opinion, if any, shall also be recorded. Minutes of the Meetings shall be affixed with the seals of the Company, the chairperson and the person who takes the minutes and distributed to each director and supervisor within 20 days after the Meeting. Production and distribution of the minutes may be done in electronic form.

Minutes of Meetings shall be preserved as important records of the Company during existence of the Company.

Article 10 System for Avoiding Directors' Conflict of Interest

Directors shall have good discipline. A director is prohibited from participating in discussion of or voting on a discussion item in which such director has a personal interest, which may impair the interest of the Company. Such director cannot vote nor exercise the voting right on behalf of another director.

Article 11 Others

During the Meeting, in case of incident of force majeure, the chairperson may decide to temporarily suspend the Meeting or call the Meeting at different time. The matters not provided in the Rules shall be governed by the Company Law, the AOI or other applicable laws or regulations.

Article 12

The Rules were approved by the board of directors and become effective from January 1, 2007 and shall be submitted to the shareholders meeting for reporting. The same shall apply to amendments to the Rules.

The Rules were enacted on October 25, 2006 and the first amendment was made on June 13, 2007.

Attachment 4:

**AU OPTRONICS CORP.
Financial Statements
December 31, 2005 and 2006
(With Independent Auditors' Report Thereon)**

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English Translation of Audit Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors
AU Optronics Corp.:

We have audited the balance sheets of AU Optronics Corp. as of December 31, 2006 and 2005, 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 auditing standards generally accepted in the Republic of China and the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants." Those 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 also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AU Optronics Corp. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports, Business Accounting Law, Regulations Governing Business Accounting, and Accounting Principles Generally Accepted in the Republic of China by Securities Issuers.

We have also audited the consolidated financial statements of AU Optronics Corp. as of and for the years ended December 31, 2006 and 2005, and have expressed an unqualified opinion on such financial statements.

KPMG Certified Public Accountants

Hsinchu, Taiwan (the Republic of China)
March 19, 2006

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.

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English Translation of Financial Statements Originally Issued in Chinese**AU OPTRONICS CORP.****Balance Sheets****December 31, 2005 and 2006****(Expressed in thousands of New Taiwan dollars)**

	<u>2006</u> NT\$	<u>2005</u> NT\$
Assets		
Current assets:		
Cash and cash equivalents	41,041,557	24,667,216
Notes and accounts receivable, net	46,992,982	34,841,347
Receivables from related parties	11,286,255	7,823,460
Other current financial assets	1,017,490	1,075,377
Inventories, net	37,168,055	16,508,466
Prepayments and other current assets	1,937,187	1,340,262
Deferred tax assets	2,669,232	3,709,886
Financial assets in available for sale-current	<u>1,841,663</u>	<u>1,586,504</u>
Total current assets	<u>143,954,421</u>	<u>91,552,518</u>
Long-term investments:		
Equity method		
Financial assets in available for sale-noncurrent	<u>23,617,842</u>	<u>12,008,161</u>
Financial assets at cost-noncurrent		
Total long-term investments	<u>23,617,842</u>	<u>12,008,161</u>
Property, plant and equipment:		
Land	6,273,615	3,590,536
Buildings	53,986,935	35,838,352
Machinery and equipment	392,989,948	232,185,409
Other equipment	<u>13,705,439</u>	<u>9,611,988</u>
	466,955,937	281,226,285
Less: accumulated depreciation	(133,189,203)	(88,479,610)
Construction in progress	3,182,163	559,132
Prepayments for purchases of land and equipment	<u>18,438,903</u>	<u>14,897,429</u>
Net property, plant and equipment	<u>355,387,800</u>	<u>208,203,236</u>
Intangible assets:		
Technology related fees	2,485,374	2,483,329
Goodwill	14,288,008	-
Core Technology	<u>3,369,392</u>	=
	<u>20,142,774</u>	<u>2,483,329</u>
Other assets:		
Idle assets, net	1,776,756	1,165,781
Refundable deposits	245,037	227,463
Deferred charges and others	2,459,633	1,087,466
Deferred tax assets	2,428,062	222,157
Restricted cash in bank	43,200	32,200
Long-term prepayments for materials	3,999,383	1,918,888
Prepaid pension	<u>70,602</u>	=

Total other assets	<u>11,022,673</u>	<u>4,653,955</u>
Total Assets	<u>554,125,510</u>	<u>318,901,199</u>

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English Translation of Financial Statements Originally Issued in Chinese**AU OPTRONICS CORP.****Balance Sheets (continued)****December 31, 2005 and 2006****(Expressed in thousands of New Taiwan dollars)**

	<u>2006</u> NT\$	<u>2005</u> NT\$
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	-	-
Accounts payable	37,120,245	27,814,737
Payables to related parties	34,886,477	19,734,700
Accrued expenses and other current liabilities	12,611,410	8,927,674
Financial liabilities at fair value through income statement-current	506,632	-
Equipment and construction in progress payable	29,157,160	19,040,116
Current installments of long-term liabilities	26,973,494	8,185,222
Current installments of Bonds	<u>10,818,265</u>	=
Total current liabilities	<u>152,073,683</u>	<u>83,702,449</u>
Long-term liabilities:		
Financial liabilities at fair value through income statement-noncurrent	1,534	-
Bonds payable, excluding current installments	16,000,000	12,000,000
Convertible bonds payable, excluding current installments	11,559,907	-
Long-term borrowings, excluding current installments	143,421,434	67,323,528
Derivative financial liability for hedging	<u>322,619</u>	=
Total long-term liabilities	<u>171,305,494</u>	<u>79,323,528</u>
Other liabilities	<u>12,029</u>	<u>173,035</u>
Total liabilities	<u>323,391,206</u>	<u>163,199,012</u>
Stockholders' equity:		
Capital stock:		
Common stock, NT\$10 par value	<u>75,734,028</u>	<u>58,305,471</u>
Capital surplus	<u>110,679,508</u>	<u>57,664,144</u>
Retained earnings:		
Legal reserve	6,527,244	4,964,545
Special reserve	201,809	201,809
Unappropriated retained earnings	<u>37,262,566</u>	<u>34,507,005</u>
	<u>43,991,619</u>	<u>39,673,359</u>
Cumulative translation adjustment	<u>305,857</u>	<u>59,213</u>
Unrealized gain or loss on financial instrument	<u>27,182</u>	=
Deferred compensation cost	(3,890)	=
	<u>329,149</u>	<u>59,213</u>
Minority interest		
Total stockholders' equity	<u>230,734,304</u>	<u>155,702,187</u>
Commitments and contingent liabilities		
Total Liabilities and Stockholders' Equity	<u>554,125,510</u>	<u>38,901,199</u>

English Translation of Financial Statements Originally Issued in Chinese**AU OPTRONICS CORP.****Statement of Income****Years ended December 31, 2005 and 2006****(Expressed in thousands of New Taiwan dollars, except for per share data)**

	<u>2006</u> NT\$	<u>2005</u> NT\$
Net sales	293,028,061	217,295,128
Cost of goods sold	<u>265,676,687</u>	<u>189,750,849</u>
Gross profit	<u>27,351,374</u>	<u>27,544,279</u>
Operating expenses :		
Selling	6,351,810	3,632,146
General and administrative	3,113,829	3,057,796
Research and development	<u>4,717,800</u>	<u>4,861,233</u>
	<u>14,183,439</u>	<u>11,551,175</u>
Operating income	<u>13,167,935</u>	<u>15,993,104</u>
Non-operating income and gains:		
Interest income	1,084,706	210,405
Investment gain recognized by equity method investment, net	-	308,337
Gain on sale of investments, net	-	106,080
Foreign currency exchange gain, net	512,261	629,050
Other income	<u>360,471</u>	<u>168,330</u>
	<u>1,957,438</u>	<u>1,422,202</u>
Non-operating expenses and losses:		
Interest expense	2,924,452	1,118,335
Investment loss recognized by equity method investment, net	974,086	-
Long-lived assets impairment loss	268,984	13,350
Loss on valuation of financial asset	610,629	-
Other loss	<u>228,188</u>	<u>183,201</u>
	<u>5,006,339</u>	<u>1,314,886</u>
Income before income tax	10,119,034	16,100,420
Income tax expense	<u>976,576</u>	<u>473,429</u>
Net income before cumulative effect of changes in accounting principles	9,142,458	15,626,991
Cumulative effect of changes in accounting principles	<u>(38,986)</u>	-
Net income	<u>9,103,472</u>	<u>15,626,991</u>
Attributable to:		
Equity holders of the parent company		
Minority interest		
Net income		
Earnings per common share:		
Basic earnings per common share	\$ <u>1.41</u>	\$ <u>2.77</u>
Diluted earnings per common share	\$ <u>1.31</u>	\$ <u>2.77</u>
Basic earnings per common share – retroactively adjusted	-	\$ <u>2.65</u>
Diluted earnings per common share –		

retroactively adjusted

- \$ 2.65

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English Translation of Financial Statements Originally Issued in Chinese

AU OPTRONICS CORP.
 Statements of Stockholders' Equity
 Years ended December 31, 2005 and 2006
 (Expressed in thousands of New Taiwan dollars, US dollars and shares)

	Capital Stock				Retained Earnings Unappropriated	
	Common shares	Common stock	Capital surplus	Legal reserve	Special reserve	(accumulated deficit) earnings
Balance at December 31, 2005		\$ 49,580,409	45,165,093	2,168,260	-	34,104,623
Appropriation for legal reserve		-	-	2,796,285	-	(2,796,285)
Appropriation for special reserve		-	-	-	201,809	(201,809)
Cash dividends		-	-	-	-	(5,935,249)
Issuance of shareholders stock dividends		4,451,437	-	-	-	(4,451,437)
Issuance of employee stock bonus		973,625	-	-	-	(973,625)
Cash employees' profit sharing		-	-	-	-	(649,084)
Directors' and supervisors' remuneration		-	-	-	-	(37,447)
Issuance of common stock for cash		3,300,000	12,294,150	-	-	-
Issuance of treasury stock to employees(note4-12)		-	-	-	-	(73,076)
Effect of disproportionate participation in investee's capital increase		-	204,901	-	-	(106,597)
Net income for 2005		-	-	-	-	15,626,991
Cumulative translation adjustment		-	-	-	-	-
Balance at December 31, 2005		58,305,471	57,664,144	4,964,545	201,809	34,507,005
Appropriation for legal reserve		-	-	1,562,699	-	(1,562,699)
Cash dividends		-	-	-	-	(1,749,164)
Issuance of shareholders stock dividends		1,749,164	-	-	-	(1,749,164)
Issuance of employee stock bonus		886,051	-	-	-	(886,051)
Cash employees' profit sharing		-	-	-	-	(379,736)
Directors' and supervisors' remuneration		-	-	-	-	(21,097)
Issuance new shares from merger under purchase method		14,791,100	52,957,471	-	-	-
Acquisition of QDI's stock options		-	79,952	-	-	-
Deferred compensation cost		-	-	-	-	-
Issuance of stock from exercising stock options		2,242	6,390	-	-	-
Effect of disproportionate participation in investee's capital increase and unrealized gain or loss on financial instrument(note 4-6)		-	(28,449)	-	-	-
Net income for 2006		-	-	-	-	9,103,472
Unrealized gain or loss on available for sale financial assets		-	-	-	-	-
Unrealized gain or loss on cash flow hedge		-	-	-	-	-

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Cumulative translation adjustment	-	-	-	-	-
Adjustments for changes in minority interests	-	-	-	-	-
Balance at December 31, 2006	75,734,028	110,679,508	6,527,244	201,809	37,262,566

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English Translation of Financial Statements Originally Issued in Chinese**Statements of Cash Flows****Years ended December 31, 2005 and 2006****(Expressed in thousands of New Taiwan dollars and US dollars)**

	<u>2006</u> NT\$	<u>2005</u> NT\$
Cash flows from operating activities:		
Net income	\$ 9,103,472	\$ 15,626,991
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,548,668	32,259,078
Amortization of intangible assets and deferred charges	-	-
Provision for inventory devaluation	2,956,725	576,949
Investment loss (gain)	-	(106,080)
Proceeds from cash dividends	-	187,425
Unrealized foreign currency exchange loss (gain), net	(393,310)	(391,789)
Provision for idle assets revaluation and others	268,984	13,350
Loss from disposal of property, plant and equipment	4,143	26,325
Amortization of discount for convertible bonds and commercial paper	(549,683)	-
Loss on valuation of financial asset and cumulative effect of changes in accounting principles	974,086	(308,337)
Loss on valuation of financial asset and Cumulative effect of changes in accounting principles	712,993	-
Increase in notes and accounts receivable (including related parties)	1,709,304	(22,088,556)
Increase in inventories	(16,492,930)	(3,291,942)
Decrease (increase) in prepayments and other current assets	-	-
Increase in deferred tax assets, net	(153,852)	(1,048,303)
Increase in long-term prepayments for materials	1,363,060	(3,348,409)
Increase in notes and accounts payable (including related parties)	6,220,677	22,521,812
Increase in accrued expenses and other current liabilities	5,842,244	3,960,143
Increase (decrease) in accrued pension liabilities and others	(87,790)	(19,299)
Net cash provided by operating activities	<u>61,026,791</u>	<u>44,569,358</u>
Cash flows from investing activities:		
Purchase of short-term investment	-	-
Proceeds from disposal of short-term investments	-	-
Acquisition of property, plant and equipment	(76,965,480)	(76,992,745)
Proceeds from disposal of property, plant and equipment	32,322	402,956
Purchase of long-term investments	(11,423,417)	(417,137)
Proceeds from disposal of long-term investments	-	297,198
Proceeds from long-term investments returned	-	-
Increase in intangible assets and deferred charges	(1,740,080)	(2,756,635)
Decrease in refundable deposits	51,016	882,221
Increase in restricted cash in bank	(11,000)	(3,000)

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Proceeds from acquisition of being merged company	<u>14,217,915</u>	=
Net cash used in investing activities	<u>75,838,724</u>	(78,587,142)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	-	(5,800,000)
Increase (decrease) in guarantee deposits	704	15
Increase in long-term borrowings and bonds payable	50,318,600	44,657,750
Proceeds from long-term borrowings and bonds payable	(16,772,480)	(5,896,110)
Issuance of common stock for cash	-	15,594,150
Cash dividends	(1,749,164)	(5,935,249)

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English Translation of Financial Statements Originally Issued in Chinese**Statements of Cash Flows (continued)****Years ended December 31, 2005 and 2006****(Expressed in thousands of New Taiwan dollars and US dollars)**

Proceeds from issuance of treasury stock	-	177,905
Proceeds from issuance of subsidiary shares to minority interests	=	=
Net cash provided by (used in) financing activities	<u>31,405,459</u>	<u>42,111,930</u>
Effect of exchange rate change on cash	(219,185)	<u>44,512</u>
Cash decrease resulting from consolidated entity changes		
Net increase (decrease) in cash and cash equivalents	16,374,341	8,138,658
Cash and cash equivalents at beginning of year	<u>24,667,216</u>	<u>16,528,558</u>
Cash and cash equivalents at end of year	<u>41,041,557</u>	<u>24,667,216</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	<u>2,452,789</u>	<u>1,009,396</u>
Cash paid (received) for income taxes	<u>1,232,844</u>	<u>607,279</u>
Additions to property, plant and equipment:		
Increase in property, plant and equipment	79,914,578	90,530,309
Increase in equipment and construction in process payable	(2,949,098)	(13,537,564)
Cash paid	<u>76,965,480</u>	<u>76,992,745</u>
Supplementary disclosure of non-cash investing and financing activities		
Current installments of long-term liabilities	<u>37,791,756</u>	<u>8,185,222</u>
Cash acquired through merger:		
Liability assumed from QDI	\$ 111,880,411	
Goodwill acquired	(14,288,008)	
Common stock issued for acquisition of QDI	67,764,472	
Stock options assumed from QDI	73,383	
Non-cash assets assumed from QDI	(151,212,343)	
Cash acquired through merger	<u>14,217,915</u>	

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Attachment 5:**2006 Earnings Distribution Statement**

Amount in NTD

Items	Amount
Net profit, 2006	9,103,471,536
Less:	
10% provisioned as legal reserve	910,347,154
2006 earnings available for distribution	8,193,124,382
Plus:	
Un-appropriated retained earnings for previous years	28,159,094,336
Reversal of Special Reverse	201,808,797
Un-appropriated retained earnings up to Dec. 31, 2006	36,554,027,515
Earnings distribution items:	
Remunerations to directors and supervisors (Note 1)	30,500,000
Profit sharing to employees in cash	245,793,731
Profit sharing to employees in stock	573,518,700
Stock dividends to common shareholders	1,514,792,890
Cash dividends to common shareholders (Note 2)	1,514,792,891
Total earnings distribution	3,879,398,212
Un-appropriated retained earnings after earnings distribution	32,674,629,303

Note:

1. Reversal of reservation for debit balance of 2004 cumulative translation adjustment.
2. Allocated as 0.37% of 2006 earnings available for distribution.
3. A list of shareholders as of the dividend record date will be entitled for cash dividends. Cash dividends will be paid per the number of shares held as of the record date, with calculations rounded down to the nearest one NTD.

Attachment 6:

**Comparison Table for the Articles of Incorporation
Before and After Amendments**

Number of Article	Before Amendment	After Amendment	Reason for Amendment
Article 10	<p>Board of Directors and Supervisors</p> <p>The Company shall have seven to nine directors and three supervisors elected at shareholders' meetings and the person to be elected must have legal competence. The term of office for all directors and supervisors shall be three (3) years. The directors and supervisors are eligible for re-election. The Board is authorized to determine the compensation for the directors and supervisors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.</p>	<p>Board of Directors and <u>Audit Committee</u></p> <p>The Company shall have seven to nine directors and three supervisors elected at shareholders' meetings and the person to be elected must have legal competence. The term of office for all directors and supervisors shall be three (3) years. The directors and supervisors are eligible for re-election. <u>The number of the directors shall be decided by the board of directors.</u></p> <p>The Board is authorized to determine the compensation for the directors and supervisors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.</p>	To be comprehensive
Article 10-1	<p>t to the Article 183 of the Securities and Exchange</p> <p>ompany shall have 3 independent directors on the independent directors shall be nominated under the Nomination System, and be elected from among the</p> <p>isted in the roster of independent director</p> <p>The professional qualifications, restrictions on the</p> <p>ngs and concurrent positions held, method of</p>	<p>In p Pursuant to the Article <u>14-2 and Article 183</u> of the Securities and Exchange Act, the Company shall have 3 independent directors on the Board. The independent directors shall be nominated under the Candidate Nomination System, and be elected from among the nominees listed in the roster of independent director candidates. The professional</p>	To be comprehensive

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n, and other matters with respect to independent shall be handled in accordance with the relevant laws and regulations.

qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination, and other matters with respect to independent directors shall be handled in accordance with the relevant laws and regulations.

Article 10-2

This is a new article

Pursuant to Article 14-4 and Article 183 of the Securities and Exchange Law, the Company shall have the audit committee which shall be composed of all independent directors. The first term of audit committee shall be established on the date on which the first term of independent directors are elected in accordance with Article 10-1. Commencing from the date on which the audit committee is established, the provisions relating to supervisors in Article 10 shall cease to be applied. The term of office of the elected supervisors shall expire on the date on which the provisions relating to supervisors in Article 10 shall cease to be applied.

To accommodate the amendment to law and regulation

Article 15

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent of any remaining net earnings shall be allocated as the Company's legal reserve and a certain amount shall be allocated as special reserve in accordance with applicable laws and regulations or as requested by the competent authority. The balance shall be distributed as follows:

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent of any remaining net earnings shall be allocated as the Company's legal reserve and a certain amount shall be allocated as special reserve in accordance with applicable laws and regulations or as requested by the competent authority. The balance shall be distributed as follows:

To accommodate the amendment to law and regulation

- | | |
|--|---|
| <p>1. employee bonus: 5% to 10%;</p> <p>2. remuneration of directors and supervisors: not more than 1%; and</p> <p>3. all or a portion of the remaining balance shall be distributed as shareholders' dividends.</p> | <p>3. employee bonus: <u>not less than 1%.</u></p> <p>4. remuneration of directors and supervisors : no more than 1%; and</p> <p>3. all or a portion of the remaining balance shall be distributed as shareholders' dividends.</p> |
|--|---|

<p>The Company's dividend policy is to pay dividends from surplus. consideration of factors such as the Company's current and future investment environment, cash requirements, competitive conditions inside and outside of the R.O.C. and capital budget requirements, the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan, the Board shall propose the profit allocation each year subject to relevant laws, then submit such proposal to the shareholders' meeting for approval. In principle, no less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash. However, the ratio for cash dividend may be adjusted in accordance with the actual profits generated in and the operation status of the fiscal year concerned.</p>	<p>The Company's dividend policy is to pay dividends from surplus. consideration of factors such as the Company's current and future investment environment, cash requirements, competitive conditions inside and outside of the R.O.C. and capital budget requirements, the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan, the Board shall propose the profit allocation each year subject to relevant laws, then submit such proposal to the shareholders' meeting for approval. In principle, no less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash. However, the ratio for cash dividend may be adjusted in accordance with the actual profits generated in and the operation status of the fiscal year concerned.</p>
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<p>Article 15-1</p>	<p>This is a new article</p>	<p><u>Subject to the resolutions adopted by the shareholders meeting, the Company may issue employee stock options at the price which is lower than the closing price of the Company's stock as of the issuance date.</u></p>	<p>To accommodate the amendment to law and regulation and the Company's operation need</p>
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Article 15-2	This is a new article	<u>Subject to the resolutions adopted by the shareholders meeting, the Company may transfer the treasury shares to employees at the price which is lower than the buy back price of such treasury shares.</u>	To accommodate the amendment to law and regulation and the Company's operation need
Article 17	These Articles of Incorporation were enacted by the promoters in the promoters meeting held on July 18, 1996 and were effectively approved by the competent authority.	These Articles of Incorporation were enacted by the promoters in the promoters meeting held on July 18, 1996 and were effectively approved by the competent authority.	To add amendment date
	The first amendment was made on September 18, 1996.	The first amendment was made on September 18, 1996.	
	The second amendment was made on September 15, 1997.	The second amendment was made on September 15, 1997.	
	The third amendment was made on April 23, 1998.	The third amendment was made on April 23, 1998.	
	The fourth amendment was made on April 23, 1999.	The fourth amendment was made on April 23, 1999.	

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The fifth amendment was made on March 9, 2000. The fifth amendment was made on March 9, 2000.

The sixth amendment was made on May 10, 2001. The sixth amendment was made on May 10, 2001.

The seventh amendment was made on May 10, 2001. The seventh amendment was made on May 10, 2001.

The eighth amendment was made on October 17, 2001. The eighth amendment was made on October 17, 2001.

The ninth amendment was made on May 21, 2002. The ninth amendment was made on May 21, 2002.

The tenth amendment was made on May 29, 2003. The tenth amendment was made on May 29, 2003.

The eleventh amendment was made on April 29, 2004. The eleventh amendment was made on April 29, 2004.

The twelfth amendment was made on June 14, 2005. The twelfth amendment was made on June 14, 2005.

The thirteenth amendment was made on June 15, 2006. The thirteenth amendment was made on June 15, 2006.

The fourteenth amendment was made on June 13, 2007.

Attachment 7:
Comparison Table for Guidelines for Acquisition or Disposition of Assets
(“Handling Procedures for Acquisition or Disposal of Assets”)
(“Handling Procedures”)
Before and After Amendments

Number of Article	Before amendment	After amendment	Reasons for Amendment
Article 1	In order to provide specific operating rules in respect of acquisition or disposal of assets by the Company, the Operational Procedures are enacted in accordance with the “Guidelines for Handling Acquisition or Disposal of Assets by Public Company” issued by the Securities and Futures Commission (“SFC”) on December 10, 2002 per the SFC letter (Ref. No.: Tai-Tsai-Cheng-(1)-0910006105).	In order to provide specific operating rules in respect of acquisition or disposal of assets by the Company, the <u>Handling Procedures</u> are enacted in accordance with the “Guidelines for Handling Acquisition or Disposal of Assets by Public Company” issued by the <u>Financial Supervisory Commission (“FSC”)</u> of the <u>Executive Yuan</u> .	To accommodate the amendment of law and regulation
Article 2	Scope of Application (1) Long term and short term investments such as stock, government bonds, corporate bonds, financial debentures, domestic beneficiary certificates, oversea mutual funds, depository receipts, call/put warrants, beneficial certificates, and asset-backed securities;	Scope of Application (1) Long term and short term investments such as stock, government bonds, corporate bonds, financial debentures, <u>securities representing interest in a fund</u> , depository receipts, call/put warrants, beneficial certificates, and asset-backed securities;	To accommodate the amendment of law and regulation
Article 3	Evaluating and Operating Procedures To conduct any acquisition or disposal of assets, the in-charge division shall submit to the authority division the reason for the proposed acquisition or	Evaluating and Operating Procedures To conduct any acquisition or disposal of assets, the in-charge division shall submit to the authority division the reason for the proposed acquisition or	To accommodate the amendment of law and regulation

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disposal, the object, the transaction
counterparty, the
transfer price, the payment terms, and the
price

disposal, the object, the transaction
counterparty, the
transfer price, the payment terms, and the
price

reference for their approval in accordance with

reference for their approval in accordance

Article 16 of the Operational Procedures, and
then the

Article 16 of the Handling Procedures, and
then the

acquisition or disposal of assets shall be
implemented

acquisition or disposal of assets shall be
implemented

by relevant division.

by relevant division.

Evaluation Report is Required for Acquisition

Evaluation Report is Required for

Article 5 or

Acquisition or

To

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Disposal of Real Properties or Other Fixed Assets	Disposal of Real Properties or Other Fixed Assets	accommodate the amendment
<p>(1) Except for the assets which are to be acquired from a government institution or by ways of mandating others to build on the Company's own land or on the land leased by the Company or the machines and equipments which are to be acquired for business use, any acquisition or disposal of real property or other fixed assets the transaction amount of which reaches 20% of the Company's paid-in capital or is more than NT\$300,000,000, shall be subject to obtaining the evaluation report issued by the professional appraisers and compliance with the following provisions:</p>	<p>(1) Except for the assets which are to be acquired from a government institution or by ways of mandating others to build on the Company's own land or on the land leased by the Company or the machines and equipments which are to be acquired for business use, any acquisition or disposal of real property or other fixed assets the transaction amount of which reaches 20% of the Company's paid-in capital or is more than NT\$300,000,000, shall be subject to obtaining the evaluation report issued by the professional appraisers and compliance with the following provisions:</p>	of law and regulation
<p>i) If a limited price or a specified price is used as a reference for determination of the transactional price due to special reason, such transaction shall be submitted to the Board of Directors for prior approval. The same procedure shall apply to amendments to the transaction terms.</p>	<p>i) If a limited price, a specified price <u>or a special price</u> is used as a reference for determination of the transactional price due to special reason, such transaction shall be submitted to the Board of Directors for prior approval. The same procedure shall apply to amendments to the transaction terms.</p>	
<p>Article 6 Certified Public Accountant's Opinion is Required for Acquisition or Disposal of Securities, Certificate of</p>	<p>Certified Public Accountant's Opinion is Required for Acquisition or Disposal of Securities, Certificate of</p>	To accommodate the
<p>Membership and Intangible Assets</p>	<p>Membership and Intangible Assets</p>	amendment of law and
<p>(1) The latest financial statements of the target</p>	<p>(1) The latest financial statements of the target</p>	regulation

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company certified or reviewed by the certified public accountants shall be used as a reference to determine the transaction price of any acquisition or disposal of the securities. A certified public accountant shall be retained to issue a fairness opinion on the transaction price, if the relevant transaction falls into any of the following circumstances and the transaction amount reaches 20% of the Company's paid-in capital or is more than NT\$300,000,000:

company certified or reviewed by the certified public accountants shall be used as a reference to determine the transaction price of any acquisition or disposal of the securities. A certified public accountant shall be retained to issue a fairness opinion on the transaction price, if the ~~relevant~~ ~~transaction falls into any of the following circumstances and the~~ transaction amount reaches 20% of the Company's paid-in capital or is more than NT\$300,000,000 ÷ This requirement does

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i) acquiring or disposal of securities which are not listed on any stock exchange or traded on any over-the-counter market; or

not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the FSC.

ii) acquiring or disposal of privately placed securities.

~~i) acquiring or disposal of securities which are not listed on any stock exchange or traded on any over the counter market; or~~

~~ii) acquiring or disposal of privately placed securities.~~

Article 9	<p>Acquisition of Real Property from Related Parties</p> <p>(1) Acquisition or disposal of real property from related party, by way of purchase or exchange of property, shall be subject to the resolution procedures and appraisal reports as provided in Articles 5 and 8 and this Article.</p> <p>(2) Acquisition of real property from related party shall be subject to the Board of Directors' prior approval of the following matters which shall also be submitted to the supervisors for reorganization:</p> <p> iii) the relevant information required for evaluation of the reasonableness of the proposed transaction terms in accordance with Paragraph 3 and Paragraph 4 of this Article;</p> <p>(6) If the transaction cost evaluated under all the methods provided for in Paragraph 3 of this Article</p>	<p>Acquisition of Real Property from Related Parties</p> <p>(1) Acquisition or disposal of real property from related party, by way of purchase or exchange of property, shall be subject to the resolution procedures and appraisal reports as provided in Articles 5, <u>6</u>, 8 and this Article.</p> <p>(2) Acquisition of real property from related party shall be subject to the Board of Directors' prior approval of the following matters which shall also be submitted to the supervisors for reorganization:</p> <p> iii) the relevant information required for evaluation of the reasonableness of the proposed transaction terms in accordance with Paragraph 3, Paragraph <u>4, Paragraph 5, and Paragraph 6</u> of this Article;</p> <p>(6) If the transaction cost evaluated under all the methods provided for in Paragraph 3 of this Article</p>	<p>To accommodate the amendment of law and regulation</p>
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is less than the transaction price,
acquisition of real
property from related parties shall be
handled in
accordance with Paragraph 7 of this
Article;
provided, that, if in any of the following
circumstances, objective evidence is
provided and
the Company obtains reasonable opinion on
the
transaction price from a real property
professional

is less than the transaction price,
acquisition of real
property from related parties shall be
handled in
accordance with Paragraph 7 of this
Article;
provided, that, if in any of the following
circumstances, objective evidence is
provided and
the Company obtains reasonable opinion on
the
transaction price from a real property
professional

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appraiser and the certified public accountant, such acquisition of real property from a related party will not be subject to Paragraph 7 of this Article:

ii) the Company provides evidence to prove that the terms of the target real property are similar to the terms of a similar transaction done by an unrelated party within the previous one year for similar size property in the neighborhood where the target property is located.

(7) If the transaction cost evaluated under all the methods provided for in this Article is less than the transaction price, the Company shall conduct the following for acquisition of real property from the related party:

ii) supervisors shall handle the subject matter pursuant to Article 218 of the Company Law; and

appraiser and the certified public accountant, such acquisition of real property from a related party will not be subject to Paragraph 7 of this Article:

ii) the Company may provide § evidence to prove that the terms of the target real property are similar to the terms of a similar transaction done by an unrelated party within the previous one year for similar size property in the neighborhood where the target property is located.

(7) If the transaction cost evaluated under all the methods provided for in this Article is less than the transaction price, the Company shall conduct the following for acquisition of real property from the related party:

ii) Audit Committee shall handle the subject matter pursuant to Article 218 of the Company Law;

iv) If a special reserve is required to be set aside under this Article, such special reserve may not be utilized until the Company has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo has been restored, or

there is other evidence confirming that
there was
noting unreasonable about the transaction,
and
the FSC has grant its consent. When the
Company acquires real property from a
related
party, it shall also comply with this
Article, if
there is other evidence indicating that the
acquisition was not an arms length
transaction.

Article Conducting the Derivative Transactions

Conducting the Derivative Transactions

To

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10	The Company shall conduct derivative transactions in accordance with the Handling Procedures for Conducting Derivative Financial Translations. Merger, Spin-off, Acquisition, and Share Transfer	The Company shall conduct derivative transactions in accordance with the Handling Procedures for Conducting Financial Derivative Translations. Merger, Spin-off, Acquisition, and Share Transfer	accommodate the amendment of law and regulation
Article 11	<p>(1) The Company shall retain a certified public accountant, lawyer or underwriter to issue the fairness opinion on share swap ratio, acquisition price or the amount of cash or other property distributed to shareholders prior to convening the relevant board of directors meeting to discuss the subject merger, spin-off, acquisition, or share transfer. Such fairness opinion should be submitted to the board of directors meeting for discussion and approval.</p> <p>(2) Unless otherwise provided by laws that the resolution adopted by the shareholders' meeting is not required for a merger, spin-off, or acquisition, the material terms of or the matters relating to a merger, spin-off, or acquisition shall be included in a public documents together with the above-mentioned fairness opinion and the meeting notice delivered to shareholders prior to the shareholders meeting as a reference to shareholders to decide vote for or against such merge, spin-off or acquisition.</p> <p>If the Company fails to convene the required</p>	<p>(1) The Company shall retain a certified public accountant, lawyer or underwriter to issue the fairness opinion on share swap ratio, acquisition price or the amount of cash or other property distributed to shareholders prior to convening the relevant board of directors meeting to discuss the subject merger, spin-off, acquisition, or share transfer. Such fairness opinion should be submitted to the board of directors meeting for discussion and approval.</p> <p>(2) Unless otherwise provided by laws that the resolution adopted by the shareholders' meeting is not required for a merger, spin-off, or acquisition, the material terms of or the matters relating to a merger, spin-off, or acquisition shall be included in a public documents together with the above-mentioned fairness opinion and the meeting notice delivered to shareholders prior to the shareholders meeting as a reference to shareholders to decide vote for or against such merge, spin-off or acquisition.</p> <p>If the Company fails to convene the required</p>	<p>To accommodate the amendment of law and regulation</p>

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shareholders' meeting or adopt the resolution at such meeting to approve the merger, spin-off, or acquisition due to the insufficient quorum or other legal restrictions, the Company shall immediately make a public announcement of the reasons for such occurrence, the follow-up measures to be taken, and the date scheduled for convening the shareholders meeting.

shareholders' meeting or adopt the resolution at such meeting to approve the merger, spin-off, or acquisition due to the insufficient quorum or other legal restrictions, the Company shall immediately make a public announcement of the reasons for such occurrence, the follow-up measures to be taken, and the date scheduled for convening the shareholders meeting.

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(3) Unless otherwise provided by laws or under special circumstances where the prior approval has been obtained from the Securities and Futures

Commission (“SFC”), the Company and other companies participating the subject merger, spin-off or acquisition shall convene the board of directors meetings and the shareholders’ meetings on the same date to discuss and approve such merger, spin-off or acquisition.

Unless otherwise provided by laws or under special circumstances where the prior approval has been obtained from the SFC, the companies participating the share transfer shall convene the board of directors meetings on the same date.

(5) Except in any of the following circumstances, the share swap ratio or acquisition price cannot be changed and the permitted situations for changing such share swap ratio or acquisition price must be included in the contract for merger, spin-off, acquisition or share transfer:

(6) The contract for conducting merger, spin-off, acquisition, or share transfer shall specify the rights and obligations of the companies participating in such merger, spin-off, acquisition, or share transfer and shall also specify the following:

(3) Unless otherwise provided by laws or under special circumstances where the prior approval has been obtained from the FSC, the Company and

other companies participating the subject merger, spin-off or acquisition shall convene the board of directors meetings and the shareholders’ meetings on the same date to discuss and approve such merger, spin-off or acquisition.

Unless otherwise provided by laws or under special circumstances where the prior approval has been obtained from the FSC, the companies participating the share transfer shall convene the board of directors meetings on the same date.

(5) Except in any of the following circumstances, the share swap ratio or acquisition price cannot be changed and the permitted situations for changing such share swap ratio or acquisition price must be included in the contract for merger, spin-off, acquisition or share transfer:

(6) The contract for conducting merger, spin-off, acquisition, or share transfer shall specify the rights and obligations of the companies participating in such merger, spin-off, acquisition, or share transfer and shall also specify the following:

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(7) After the proposed merger, spin-off, acquisition, or share transfer becomes public information, if any company participating in such merger, spin-off, acquisition, or share transfer intends to conduct a further merger, spin-off, acquisition, or share transfer

(7) After the proposed merger, spin-off, acquisition, or share transfer becomes public information, if any ~~party company~~ participating in such merger, spin-off, acquisition, or share transfer intends to conduct a further merger, spin-off, acquisition, or share transfer

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with another company, any procedures or legal actions already carried out by the companies participating in the initial merger, spin-off, acquisition, or share transfer shall be carried out by all the companies participating in the further merger, spin-off, acquisition, or share transfer, except that if the number of participating companies decreases and the board of directors has been authorized by the shareholders' meetings to amend terms of the subject merger, spin-off, acquisition or share transfer, the participating companies are not required to convene the shareholders meeting(s) to approve such amendment.

(8) If any participating company is a non-public company, other participating companies which are public companies must enter into an agreement with such non-public company to ensure such non-public company's compliance with Paragraphs 3, 4 and 7 above of this Article.

with another company, any procedures or legal actions already carried out by the companies participating in the initial merger, spin-off, acquisition, or share transfer shall be carried out by all the companies participating in the further merger, spin-off, acquisition, or share transfer, except that if the number of participating companies decreases and the board of directors has been authorized by the shareholders' meetings to amend terms of the subject merger, spin-off, acquisition or share transfer, the participating companies are not required to convene the shareholders meeting(s) to approve such amendment.

(8) When participating in a merger, spin off or acquisition, a company whose shares are listed on an exchange or traded on an OTC market shall prepare a full written record of the following information and retain such record for five years for examination and check.

(i) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin off or acquisition prior to public disclosure of the information.

(ii) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution

of a contract, and the convening of a board of directors meeting.

(iii) Important documents and minutes:
Including
merger, spin off or acquisition plans, any letter
of
intent or memorandum of understanding,
material
contracts, and minutes of board of directors
meetings.

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(9) When participating in a merger, spin off, acquisition, or transfer of another company's shares, a company whose shares are listed on an exchange or traded on an OTC market shall, within two days of after the relevant resolutions were adopted by the board of directors, shall report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs (i) and (ii) of the preceding paragraph to the FSC for recordation.

(10) Where any of the companies participating in a merger, spin off, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such non-listed company whereby the latter is required to abide by the provisions of paragraphs (8) and (9).

(11) If any participating company is a non-public company, other participating companies which are public companies must enter into an agreement with such non-public company to ensure such non-public company's compliance with Paragraphs 3, 4 and 7 above of this Article.

Article 12	Penalty If any manager or person in-charge of the acquisition or disposal of assets, due to his/her negligence,	Penalty If any manager or person in-charge of the acquisition or disposal of assets, due to his/her negligence,	To accommodate the amendment of law and regulation
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violates the Operational Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is

violates the Handling Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is

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<p>Article 13</p>	<p>found that such manager or person intentionally violated the Operational procedures and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting. The Procedures for Supervising Acquisition or Disposal of Assets by Subsidiaries</p>	<p>found that such manager or person intentionally violated the <u>Handling Procedures</u> and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting. The Procedures for Supervising Acquisition or Disposal of Assets by Subsidiaries</p>	<p>To accommodate the amendment of law and regulation</p>
	<p>(1) Acquisition or disposal of assets by the Company's subsidiary shall be made in accordance with such subsidiary's own "Operational Procedures for Acquisition or Disposal of Assets" which shall be adopted in accordance with the "Rules Governing Acquisition and Disposal of Assets by Public Companies" promulgated by the SFC and after consulting with the Company's opinions. Subsidiary's Operational Procedures shall be approved by the subsidiary's Board of Directors and submitted to the shareholders' meeting for approval. The same shall apply to amendments to such Operational Procedures.</p>	<p>(1) Acquisition or disposal of assets by the Company's subsidiary shall be made in accordance with such subsidiary's own "<u>Handling Procedures</u> for Acquisition or Disposal of Assets" which shall be adopted in accordance with the "Rules Governing Acquisition and Disposal of Assets by Public Companies" promulgated by the <u>FSC</u> and after consulting with the Company's opinions. Subsidiary's <u>Handling Procedures</u> shall be approved by the subsidiary's Board of Directors and submitted to the shareholders' meeting for approval. The same shall apply to amendments to such <u>Handling Procedures</u> .</p>	
<p>(2) If the above mentioned subsidiary is not a domestic public company and the subject acquisition</p>	<p>(2) If the above mentioned subsidiary is not a</p>		

or disposal of assets by such subsidiary is required to subject to the information disclosure as provided in Article 4 of the Operational Procedures, the Company shall make a public announcement and file the necessary report(s), for and on behalf of such subsidiary, of acquisition or disposal of the subject assets by such subsidiary.

domestic public company and the subject acquisition or disposal of assets by such subsidiary is required to subject to the information disclosure as provided in Article 4 of the Handling Procedures , the Company shall make a public announcement and file the necessary report(s), for and on behalf of such subsidiary, of acquisition or disposal of the subject assets by such subsidiary.

Article 14	Miscellaneous (6) The term “make a public announcement” and “file	Miscellaneous (6) The term “make a public announcement” and “file	To accommodate the amendment
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	<p>the necessary report(s)” as used in the Operational</p>	<p>the necessary report(s)” as used in the <u>Handling</u></p>	<p>of law and</p>
	<p>Procedures, shall mean information disclosure</p>	<p><u>Procedures</u> , shall mean information disclosure</p>	<p>regulation</p>
	<p>posted in the website designated by the SFC.</p>	<p>posted in the website designated by the <u>FSC</u> .</p>	
<p>Article</p>	<p>The Operational Procedures approved by the Board</p>	<p><u>Enactment of or amendment to the Handling</u></p>	<p>To</p>
<p>15</p>	<p>of Directors shall be delivered to each supervisor and</p>	<p><u>Procedures shall be approved by a majority of all</u></p>	<p>accommodate</p>
	<p>submitted to shareholders’ meeting for approval. If</p>	<p><u>members of the Audit Committee and further</u></p>	<p>the</p>
	<p>there is any dissenting opinion from any director</p>	<p><u>submitted to the board of directors for resolution. If</u></p>	<p>amendment</p>
	<p>which has been recorded in the minutes or submitted</p>	<p><u>enactment of or amendment to the Handling</u></p>	<p>regulation</p>
	<p>in writing to the Board of Directors, such dissenting</p>	<p><u>Procedures is not approved by a majority of all</u></p>	
	<p>opinion should also be delivered to each supervisor</p>	<p><u>members of the Audit Committee,</u></p>	
	<p>and submitted to shareholders’ meeting for discussion. The same shall apply to</p>	<p><u>alternatively, such</u></p>	
	<p>amendments to</p>	<p><u>may be approved by two-thirds of all</u></p>	
	<p>the Operational Procedures.</p>	<p><u>directors,</u></p>	
	<p>When discussing the Guidelines in the meeting of the</p>	<p><u>provided that in such case, the resolutions</u></p>	
	<p>Board of Directors, the opinions of each independent</p>	<p><u>adopted by</u></p>	
	<p>director shall be fully considered. The consent</p>	<p><u>the Audit Committee shall be recorded in the</u></p>	
	<p>or</p>	<p><u>minutes</u></p>	
	<p>dissenting opinion from each independent</p>	<p><u>of the meeting of the board of directors.</u></p>	
	<p>director</p>	<p><u>If the relevant acquisition or disposal of assets</u></p>	
	<p>and the reasons of such dissenting opinion</p>	<p><u>or the</u></p>	
	<p>shall be</p>	<p><u>Handling Procedures are required to be</u></p>	
	<p>recorded in the minutes of the meeting of the</p>	<p><u>submitted to</u></p>	
	<p>Board</p>	<p><u>the board of directors for discussion, the</u></p>	
	<p>of Directors.</p>	<p><u>board of</u></p>	
		<p><u>directors shall fully consider the opinion from</u></p>	
		<p><u>each</u></p>	
		<p><u>independent director. If any independent</u></p>	
		<p><u>director</u></p>	
		<p><u>has dissenting or qualified opinion, such</u></p>	
		<p><u>opinion shall</u></p>	
		<p><u>be recorded in the minutes of the meetings of</u></p>	
		<p><u>the</u></p>	
		<p><u>board of directors.</u></p>	
		<p><u>The Handling Procedures shall be approved</u></p>	
		<p><u>by the</u></p>	
		<p><u>board of directors and further submitted to the</u></p>	

shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

“All members of the Audit Committee” referred to in the Handling Procedures and “all directors” referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

Article	The Operational Procedures were enacted on June 7,	The <u>Handling Procedures</u> were enacted on June 7,	To add the date of amendment
17	1991;	1991;	

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first amendment was made on April 17, 1993; first amendment was made on April 17, 1993;
sixth amendment was made on May 23, 2003. sixth amendment was made on May 23, 2003;
seventh amendment was made on June 13,
2007.

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Attachment 8:

**Comparison Table for Operating Guidelines for Conducting Derivative Transactions
 (“Handling Procedures for Conducting Derivative Transactions”)
 (“Handling Procedures”)
 Before and After amendments**

Before Amendment	After Amendment	Reason of Amendment
Handling Procedures for Derivative Transactions	Handling Procedures for <u>Conducting Derivative Transactions</u>	To accommodate the amendment to law and regulation
Number of Article	After Amendment	Reason of Amendment
Article 2	Scope of Application (types of Derivative transactions)	To accommodate the amendment to law and regulation
(1) The derivative transactions which the Company may conduct mean products the value of which derives from an assets, interest rates, exchange rates, index-based financial products or others, such as forward contracts, options, futures, swaps and combinations thereof. The Handling Procedures shall also apply to the bond margin trading transactions.	(1) The derivative transactions which the Company may conduct mean <u>forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is</u> derives from assets, interest rates, exchange rates, indexes or other interests. <u>The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long term leasing contracts, or long-term purchase (sales) agreements.</u>	regulation
Article 3	Operational <u>or Hedge</u> Strategies	To accommodate the amendment to law and regulation
The derivative transactions should be conducted for the purpose to ensure profits of the Company’s business and avoid risks associated with fluctuation in exchange	The derivative transactions should <u>mainly</u> be conducted for the purpose to ensure profits of the Company’s business and avoid risks associated with fluctuation in exchange rate,	

rate, interest rate, and/or value of assets, rather than for the speculative purpose. Conducting other transactions should be approved by the general manager of the Company.

interest rate, and/or value of assets. ~~rather than for the speculative purpose. Conducting other transactions should be approved by the general manager of the Company~~

Article 4	<p>Authorized Department for Trading</p> <p>The finance department of the Company shall:</p> <p>(2) make the periodic performance evaluation;</p> <p>(3) provide information regarding positions of risk exposure; and</p> <p>(4) make public announcement and file the required report periodically.</p>	<p>Authorized Department for Trading</p> <p><u>Head Office of the finance department of the Company shall:</u></p> <p><u>(2) establish the position of the confirmation and settlement personnel; confirmation personnel is in charge of confirmation with the transaction counterparty and settlement personnel is in charge of settlement of the transaction at the maturity.</u></p> <p><u>(3) make the periodic performance evaluation;</u></p> <p><u>(4) provide information regarding positions of risk exposure; and</u></p> <p><u>(5) make public announcement and file the required report periodically.</u></p>	<p>To meet the actual need</p>
Article 5	<p>Key Points for Performance Evaluation</p> <p>(1) Positions held in derivative transactions by the Company shall be evaluated at least every two weeks. The evaluation report shall be submitted to the most senior decision making officer of the finance division for approval and instruction.</p> <p>(2) Performance on the evaluation date shall be compared with the benchmark set for such evaluation. The result of</p>	<p>Key Points for Performance Evaluation</p> <p>(1) Positions held in derivative transactions by the Company shall be evaluated at least every two weeks. The evaluation report shall be submitted to the most senior decision making officer of the finance division for approval and instruction.</p> <p>(2) Performance on the evaluation date shall be compared with the benchmark set for such evaluation. The result of evaluation shall be used as a reference for decision-making in the</p>	<p>To delete partial provisions and move certain provisions to Article 10</p>

evaluation shall be used as a reference for decision-making in the future.

future.

Article 6 Permitted Aggregate Contracts Amount and Maximum Loss
(1)

Trading Limit and Authorization

To meet the actual need

(1) Aggregate amount of all contracts

Derivative transactions for hedge purpose/ revenue of the latest quarter	Derivative transactions for speculation purpose/ revenue of the latest quarter
100%	10%

1. Hedge transactions required for daily business
(i) exchange rate transactions : The amount for hedge transactions shall base on the position arising from the Company's business. Except for the cross currency swap transactions for funding purpose, the aggregate amount of all contracts shall be limited to the Company's revenue of the prior three months.

The aggregate amount of

all contracts

Maximum loss for all contracts

Maximum loss for individual contract

–	US\$ 500,000
–	US\$ 50,000

(ii) interest rate transactions : With respect to the expenditure for the specified purposes, including, without limitation the long term interest rate position arising from the syndication facilities and etc. for the hedge purpose, the aggregate amount of all contracts shall be limited to the Company's long term borrowings with floating interest.

If the aggregate amount of all contracts or the maximum loss exceeds the above

limits, any subsequent derivative transaction shall be subject to the approval of the Chairman of the Board of Directors.

(iii) other hedge transactions : In order to hedge the risk of exchange rate or interest and etc. arising from issuance of overseas equity (such as ADR and etc.) or bonds (such as ECB, CB and etc.) or other financial products, the aggregate amount of all contracts shall be limited to the total outstanding amount of such issued instruments (i.e. ADR, ECB, CB), provided that such transactions together with the evaluation report shall be submitted to the general manager for approval.

(2) A stop-loss point shall be set in accordance with the average price of the derivative products traded by the Company. If the market price such derivative is below the stop-loss point, a meeting attended by

the relevant personnel shall be held to discuss the measures to deal with the situation.

(iv) Authorization for exchange rate/interest rate

transactions:

<u>Authorization</u>	<u>Authorized Amount</u>
----------------------	--------------------------

<u>Authorization Amount</u>	
-----------------------------	--

<u>Level</u>	<u>per transaction</u>
<u>per day</u>	

<u>General Manager</u>	<u>USD45M above</u>
	<u>USD90M above</u>

<u>Chief Financial Officer</u>	<u>USD45M</u>
	<u>USD90M</u>

<u>Finance Director</u>	<u>USD30M</u>
	<u>USD60M</u>

<u>Finance Manager</u>	<u>USD15M</u>
	<u>USD30M</u>

2. Transactions not for the above purposes (speculation transactions) shall together with the evaluation reports be submitted to the meeting of the board of directors for approval. The aggregate amount of all contracts shall be limited to 10% of the Company's revenue for the prior three months.

(2) Maximum loss for all contracts and for individual contract:

1. Hedge transactions

This kind of transaction is to be made to hedge the Company's position arising from operation, thus no stop-loss point shall be set.

2. Speculation transactions

(i) Maximum loss for all speculation contracts shall be limited to 10% of the aggregate amount of all contracts

(ii) Maximum loss for individual contract shall be limited to 5% of the amount of

individual contract

~~(3)~~ If the maximum loss for all contracts or individual contract is reached, a meeting attended by the relevant personnel shall be held to discuss the measures to deal with the situation.

Article 7 The Operational Procedures

(3) Decide methods to be used for hedge:
i) the target of the derivative transaction;
ii) the position to be held in the derivative transaction;
iii) the proposed price and range; and
iv) the trading strategy and pattern of the derivative transaction.

(4) Obtain the approval for derivative transaction.

(5) Execute the derivative transaction:
i) Transaction counterparties: Unless otherwise approved by the most senior decision-making officer of the finance department, the counterparties shall be limited to the domestic or foreign financial institutions.

ii) Trading personnel: The personnel authorized and approved by the most senior decision-making officer of the finance department (“authorized personnel”) may conduct the derivative transactions for and on behalf of the Company and the Company shall inform the corresponding financial institutions of names of the authorized personnel. Persons other than authorized personnel are not permitted to

The Operational Procedures

(3) Decide methods to be used for hedge:
i) the target of the derivative transaction;
ii) the position to be held in the derivative transaction;
iii) the proposed price and range; and
iv) the trading strategy and pattern of the derivative transaction.

v) the reference price shall be based on the price provided by the trading platform of Reuters.

(4) Obtain the approval for derivative transaction.

(5) Execute the derivative transaction:
i) Transaction counterparties: ~~Unless otherwise approved by the most senior decision-making officer of the finance department, the counterparties shall be limited to~~ The first priority for choosing the transaction counterparty is to consider the credit risk of the counterparty. In order to avoid the legal risk, any documentation to be entered into with a financial institution, shall be reviewed by the Company’s legal personnel or professional lawyer prior to execution.

To meet the actual need

conduct derivative transactions.

ii) Trading personnel: The personnel authorized and approved by the most senior decision-making officer of the head office of the finance department (“authorized personnel”) may conduct the derivative transactions for and on behalf of the Company and the Company shall inform the corresponding financial institutions of names of the authorized personnel. Persons other than authorized personnel are not permitted to conduct derivative transactions.

Article 10 Internal Control System

Internal Control System

To accommodate the amendment to law and regulation

(1) The risk management measures include:

(1) The risk management measures include:

iii) Liquidity risk management: To ensure the liquidity, the authorized personnel shall check with the treasury personnel prior to conducting the derivative transaction to make sure that the proposed transaction amount will not cause liquidity shortage.

iii) Liquidity and cash flow risk management: To ensure the liquidity, the authorized personnel shall check with the treasury personnel prior to conducting the derivative transaction to make sure that the proposed transaction amount will not cause liquidity shortage.

(2) Internal control

(2) Authorized trading personnel of financial department shall not concurrently engage in confirmation and settlement of the derivative transactions.

i) Authorized trading personnel of financial division shall not concurrently engage in confirmation and settlement of the derivative transactions.

(3) Measurement, supervision and control personnel and the above personnel cannot be in the same department and shall report to the board of directors or the senior decision making officer who is not in charge of the decision making of the transaction or position.

ii) Authorized trading personnel shall deliver the transaction document or contract to the recording personnel to record the transaction in the book.

iii) The recording personnel shall check with the counterparties or record

(4) Positions held in derivative transactions by the Company shall be evaluated at least once

derivative transactions in the book periodically.

every week, provided that the hedge transactions for business need shall be evaluated at least twice every month and the evaluation report shall be submitted to the senior decision making officer authorized by the board of directors.

(5) Internal Control

i) Authorized trading personnel shall deliver the transaction document or contract to the recording personnel to record the transaction in the book.

ii) The recording personnel shall check with the counterparties or record derivative transactions in the book periodically.

Article 11 (this is a new article)

Board of Directors

To accommodate the amendment to law and regulation

(1) If the Company conducts derivative transactions, the board of director shall faithfully supervise and manage such transactions in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivative transaction risk.

2. Periodically evaluate whether derivative transactions performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

(2) Senior management personnel authorized by the board of directors shall manage derivative transaction in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Handling Procedures.

2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors and an independent director shall be present at the meeting and express an opinion.

(3) If any personnel is authorized by the Company to handle derivate transactions in accordance with the Handling Procedures, such authorization shall be reported to the board of directors afterwards.

(4) If the relevant derivative transaction is required to be submitted to the board of directors for discussion, such transaction shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If such transaction is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.

(5) If the relevant derivative transaction is required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent

director has dissenting or qualified opinion, such opinion shall be recorded in the minutes of the meetings of the board of directors.

(6) “All members of the Audit Committee” referred to in the Handling Procedures and “all directors” referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

<p>Article 12</p> <p>Article 11</p> <p>Internal Auditing</p> <p>(1) Internal auditing personnel shall periodically review the appropriateness of internal controls for derivative transactions in accordance with the “Internal Control System” and make monthly checks of the trading department’s compliance with the Handling Procedures and make the auditing report. If internal auditing personnel finds any serious violation of the Handling Procedures, they should inform each supervisor of such violation in writing.</p> <p>(2) The above-mentioned auditing report(s) and any rectification of an irregularity shall be filed with the Securities and Futures Commission (“SFC”), in accordance with the “Guidelines Governing Establishment of Internal Control Systems by Public Companies”.</p>	<p>Internal Auditing</p> <p>(1) Internal auditing personnel shall periodically review the appropriateness of internal controls for derivative transactions in accordance with the “Internal Control System” and make monthly checks of the trading department’s compliance with the Handling Procedures and make the auditing report. If internal auditing personnel finds any serious violation of the Handling Procedures, they should inform each supervisor <u>the Audit Committee</u> of such violation in writing.</p> <p>(2) The above-mentioned auditing report(s) and any rectification of an irregularity shall be filed with the Securities and Futures Commission (“SFC”), <u>the Financial Supervisory Commission of the Executive Yuan (“FSC”)</u> in accordance with the “Guidelines Governing Establishment of Internal Control Systems by Public Companies”.</p>	<p>To change the sequence of the article and to accommodate amendment to the law and regulation</p>
<p>Article 13</p> <p>Article 12</p> <p>The Procedures for Supervising Derivative Transactions Conducted by Subsidiaries</p> <p>(1) If any Company’s subsidiary is to</p>	<p>The Procedures for Supervising Derivative Transactions Conducted by Subsidiaries</p> <p>(1) If any Company’s subsidiary is to conduct derivative transactions, such subsidiary’s own “Handling Procedures for Conducting</p>	<p>To accommodate the amendment of law and regulation</p>

conduct derivative transactions, such subsidiary’s own “Handling Procedures for Conducting Derivative Transactions” shall be adopted in accordance with the “Rules Governing Acquisition and Disposal of Assets by Public Companies” promulgated by the SFC and after consulting with the Company’s opinions. Such Handling Procedures shall be approved by the subsidiary’s Board of Directors and submitted to the shareholders’ meeting for approval. The same shall apply to amendments to the Handling Procedures.

Derivative Transactions” shall be adopted in accordance with the “Rules Governing Acquisition and Disposal of Assets by Public Companies” promulgated by the FSC and after consulting with the Company’s opinions. Such Handling Procedures shall be approved by the subsidiary’s Board of Directors and submitted to the shareholders’ meeting for approval. The same shall apply to amendments to the Handling Procedures.

Article 14 Article 13

Penalty

If any manager or person in-charge of the derivative transactions, due to his/her negligence, violates the Handling Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance department immediately.

Such manager or person’s violation shall be handled in accordance with the relevant internal personnel and administration

regulations of the Company. If it is

found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the Company may, in addition to the punishment made in

accordance with its relevant internal regulations, require such manager or person to compensate the Company’s loss. The

Penalty

If any manager or person in-charge of the derivative transactions, due to his/her negligence, violates the Handling Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance department immediately. Such manager or person’s violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company.

If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company,

the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company’s loss. The punishment and how to handle the above mentioned violation shall be reported to the next

Board of Directors meeting.

To change the sequence of the article

	punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting.		
Article 15	Article 14 Miscellaneous	Miscellaneous	To change the sequence of article and accommodate the amendment of law and regulation
	(2) The term “make a public announcement” and “file the necessary report(s)” as used in the Derivative Guidelines, shall mean information disclosure posted in the website designated by the SFC.	(2) The term “make a public announcement” and “file the necessary report(s)” as used in the Derivative Guidelines, shall mean information disclosure posted in the website designated by the <u>FSC</u> .	
Article 16	Article 15	Article 16 <u>Effectiveness and Amendment</u>	To change the sequence of article and accommodate the amendment of law and regulation
	The Handling Procedures approved by the Board of Directors shall be delivered to each supervisor and submitted to shareholders’ meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.	<u>(1) Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.</u>	
		<u>(2) If the derivative transaction is required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent director has dissenting or qualified opinion, such opinion shall be recorded in the minutes of the meetings of the board of directors.</u>	
		<u>(3) The Handling Procedures shall be approved by the board of directors and further</u>	

submitted to the shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

Article 17 Article 16

The Handling Procedures were enacted on October 9, 1998; first amendment was made on February 19, 2001; second amendment was made on August 7, 2002; third amendment was made on October 23, 2002; and forth amendment was made on May 29, 2003.

The course of change and development
 The Handling Procedures were enacted on October 9, 1998; first amendment was made on February 19, 2001; second amendment was made on August 7, 2002; third amendment was made on October 23, 2002; forth amendment was made on May 29, 2003; and the fifth amendment was made on June 13, 2007.

Schedule

Authorization for forward and interest rate swap transactions:

Per Transaction Per Day Total Amount

GM USD50M USD100M USD300M

CFO USD30M USD60M USD300M

Finance

Manager USD10M USD30M USD100M

Finance

Vice Manager USD5M USD10M USD50M

To change the sequence of onarticle and to meet the actual need
 To incorporate the Schedule into the provisions and to meet the actual need

Attachment 9:

**Comparison Table for Guidelines for Lending
 (“Handling Procedures for Capital Lending”)
 (“Operational Procedures”)
 Before and After amendments**

	Before Amendment	After Amendment	Reason for Amendment
	Operational Procedures for Capital Lending	Handling Procedures for Capital Lending	To accommodate the amendment of law and regulation
Number of Article Article 1	<p>Before Amendment</p> <p>Purpose</p> <p>In order to provide specific operating rules in respect of capital lending by the Company, the Operational Procedures are enacted in accordance with the</p> <p>“Guidelines for Handling Capital Lending, Endorsements and Guarantees Made by Public Companies” promulgated by the Securities and Futures Commission (“SFC”) on December 18, 2002 per the SFC letter (Ref. No.: Tai-Tsai-Cheng-(6)-0910161919).</p> <p>Information Disclosure</p>	<p>After Amendment</p> <p>Purpose</p> <p>In order to provide specific operating rules in respect of capital lending by the Company, the <u>Handling Procedures</u> are enacted in accordance with the “Guidelines for Handling Capital Lending, Endorsements and Guarantees Made by Public Companies” promulgated by the <u>Financial Supervisory Commission (“FSC”)</u> of <u>the Executive Yuan</u>.</p> <p>Information Disclosure</p> <p><u>(5) The term “make a public announcement” and “file the necessary report(s)” as used in the Handling Procedures, shall mean information disclosure posted on the website designated by the FSC.</u></p>	<p>Reason for Amendment</p> <p>To accommodate the amendment of law and regulation</p>
Article 6			To accommodate the amendment of law and regulation

Article 7

The Subsequent Measures for Supervising Capital Lending and the Procedures for Handling Overdue Lending	The Subsequent Measures for Supervising Capital Lending and the Procedures for Handling Overdue Lending	To meet the actual need
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(4) If the relevant capital lending is required to be

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submitted to the board of directors for discussion.
such lending shall be approved by a majority of all members of the Audit Committee and submitted to the board of directors for resolution. If such lending is not approved by a majority of all members of the Audit Committee, alternatively,
such lending may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.

(5) If the relevant capital lending is required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent director has dissenting or qualified opinion, such opinion shall be recorded in the minutes of the meetings of the board of directors.

(6) "All members of the Audit Committee" referred to in the Handling Procedures and "all directors" referred to in item (5) above shall mean the actual number of the committee members/directors.

Article 8	Penalty	Penalty	To accommodate
	If any manager or person in-charge of capital lending, due to his/her negligence, violates the	If any manager or person in-charge of capital lending, due to his/her negligence, violates the <u>Handling</u>	the amendment of law and regulation

Guidelines and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that such manager or person intentionally violated the Guidelines and as a result caused damages to the Company, the

Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the

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<p>Article 9</p>	<p>Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting. The Procedures for Supervising Capital Lending by Subsidiaries</p>	<p>Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting. The Procedures for Supervising Capital Lending by Subsidiaries</p>	<p>To accommodate the amendment</p>
	<p>(1) If the Company's subsidiary intends to lend capital to the third party, the Company shall supervise such subsidiary to adopt its own Guidelines for Capital Lending in accordance with the "Rules Governing Capital Lending and Endorsements and Guarantees by Public Companies" promulgated by the SFC, after consulting with the Company's opinions. Subsidiary's Guidelines shall be approved by the subsidiary's Board of Directors and submitted to the shareholders' meeting for approval. The same shall apply to amendments to such Guidelines. (2) The Company shall supervise its subsidiaries to check whether or not the Operational Procedures promulgated by the subsidiaries are in compliance with the relevant regulations and whether or not the capital lending transactions are done in accordance with the Operational Procedures.</p>	<p>(1) If the Company's subsidiary intends to lend capital to the third party, the Company shall supervise such subsidiary to adopt its own <u>Handling Procedures</u> for Capital Lending in accordance with the "Rules Governing Capital Lending and Endorsements and Guarantees by Public Companies" promulgated by the <u>FSC</u>, after consulting with the Company's opinions. Subsidiary's <u>Handling Procedures</u> shall be approved by the subsidiary's Board of Directors and submitted to the shareholders' meeting for approval. The same shall apply to amendments to such <u>Handling Procedures</u>. (2) The Company shall supervise its subsidiaries to check whether or not the <u>Handling Procedures</u> promulgated by the subsidiaries are in compliance with the relevant regulations and whether or not the capital lending transactions are done in accordance with the <u>Handling Procedures</u>.</p>	<p>of law and regulation</p>
<p>Article 10</p>	<p>Miscellaneous (1) The term "subsidiary" as used in the Operational</p>	<p>Miscellaneous (1) The term "subsidiary" as used in the <u>Handling</u></p>	<p>To meet the actual need</p>

Procedures shall have the same meaning as defined in the Statements for Financing Accounting Standards No. 5 and No. 7 issued by Accounting Research and Development Foundation of the Republic of China.

Procedures shall have the same meaning as defined in the Statements for Financing Accounting Standards No. 5 and No. 7 issued by Accounting Research and Development Foundation of the Republic of China.

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<p>(2) The term “make a public announcement” and “file the necessary report(s)” as used in the Guidelines, shall mean information disclosure posted in the website designated by the SFC.</p>	<p>(2) The term “make a public announcement” and “file the necessary report(s)” as used in the Guidelines, shall mean information disclosure posted in the website designated by the SFC.</p>	
<p>(3) The internal auditing personnel shall examine and audit the Guidelines and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Guidelines, they shall inform each supervisor of such violation in writing immediately.</p>	<p>(3) The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Handling Procedures, they shall inform the <u>Audit Committee</u> of such violation in writing immediately.</p>	
<p>(4) If the outstanding amount of capital lending exceeds the limit provided for in the Guidelines due to change of the circumstances, such situation shall be improved within a prescribed period and the improvement plan shall be submitted to each supervisor.</p>	<p>(3) If the outstanding amount of capital lending exceeds the limit provided for in the Handling Procedures due to change of the circumstances, such situation shall be improved within a prescribed period and the improvement plan shall be submitted to <u>the Audit Committee</u>.</p>	
<p>(5) Matters not provided for in the Guidelines shall be governed by relevant laws, regulations, and the Company’s other internal regulations.</p>	<p>(4) Matters not provided for in the <u>Handling Procedures</u> shall be governed by relevant laws, regulations, and the Company’s other internal regulations.</p>	
<p>Article 11 (1) The Operational Procedures approved by the Board of Directors shall be delivered to each supervisor and submitted to shareholders’ meeting</p>	<p>(1) <u>Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee and further</u></p>	<p>To meet the actual need</p>

for approval. If there is any dissenting opinion from any director which has been recorded in the minutes or submitted in writing to the Board of Directors, such dissenting opinion should also be delivered to each supervisor and submitted to shareholders' meeting for discussion. The same shall apply to amendments to the Operational Procedures.

(2) When discussing the Operational Procedures in

submitted to the board of directors for resolution.
If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.

the meeting of the Board of Directors, the opinions of each independent director shall be fully considered. The consent or dissenting opinion from each independent director and the reasons of such dissenting opinion shall be recorded in the minutes of the meeting of the Board of Directors.

(2) If the Handling Procedures are required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent director has dissenting or qualified opinion, such opinion shall be recorded in the minutes of the meetings of the board of directors.

(3) The Handling Procedures shall be approved by the board of directors and further submitted to the shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

Article 12 The Operational Procedures approved by the Board of Directors shall be delivered to each supervisor and submitted to shareholders' meeting for approval and will become effective afterwards. The same shall apply to amendments to the Operational Procedures.

The Handling Procedures were enacted on October 9, 1998; first amendment was made on April 11, 2002; second amendment was made on May 29, 2003 and the third amendment was made on _____, 2007.

To add the amendment date

Article 13 The Operational Procedures were enacted on October 9, 1998; first amendment was made on April 11, 2002 and second amendment was made on May 29, 2003.

To change the sequence of Articles

Attachment 10:

**Comparison Table for Guidelines for Endorsements and Guarantees
 (“Handling Procedures for Providing Endorsements
 and Guarantees for Third Parties”)
 (“Handling Procedures”)
 Before and After amendments**

	Before amendment	After amendment	Reason of amendment
Number of Article	Guidelines for Endorsements and Guarantees	<u>Handling Procedures for Providing Endorsements and Guarantees for Third Parties</u>	To accommodate the amendment to law and regulation
Article 1	In order to provide specific operating rules in respect of the endorsements and guarantees to be provided by the Company, the Guidelines are enacted in accordance with the “Guidelines for Handling Capital Lending, Endorsements and Guarantees Made by Public Companies” promulgated by the Securities and Futures Commission (“SFC”) on December 18, 2002 per the SFC letter (Ref. No.: Tai-Tsai-Cheng-(6)-0910161919). The Procedures for Supervising Endorsement or Guarantee Provided by Subsidiaries	In order to provide specific operating rules in respect of the endorsements and guarantees to be provided by the Company, the Guidelines are enacted in accordance with the “Guidelines Handling Capital Lending, Endorsements and Guarantees Made by Public Companies” promulgated by the <u>Financial Supervisory Commission (“FSC”) of the Executive Yuan</u>	To accommodate the amendment to law and regulation
Article 7	The Procedures for Supervising Endorsement or Guarantee Provided by Subsidiaries	The Procedures for Supervising Endorsement or Guarantee Provided by Subsidiaries	To accommodate the amendment of law and regulation
	If the Company’s subsidiary wishes to provide endorsement or guarantee for other companies, the Company shall supervise such subsidiary to adopt its own Guidelines for Endorsements and Guarantees in accordance with the “Rules	If the Company’s subsidiary wishes to provide endorsement or guarantee for other companies, the Company shall supervise such subsidiary to adopt its own <u>Handling Procedures for Providing Endorsements and Guarantees for Third Parties</u> in accordance with the “Rules Governing Capital	

Governing Capital Lending and Endorsements
and
Guarantees by Public Companies” promulgated by the SFC, after consultation with the Company. after
by Public Companies” promulgated by the FSC,
the SFC, after consultation with the Company. after
Subsidiary’s Guidelines shall be approved by
the subsidiary’s Board of Directors and submitted Handling Procedures shall be approved by
to the subsidiary’s Board of Directors and submitted
shareholders’ meeting for approval. The same shall
shareholders’ meeting for approval. The same
shall
apply to amendments to such Guidelines. shall
apply to amendments to such Handling
Procedures.

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Article 9	The Management level Responsible for Decision-Making and Authorization	The Management level Responsible for Decision-Making and Authorization	To meet the actual need
	<p>.....</p> <p>(3) If the company for which the Company provides endorsement or guarantee is no longer the Company's subsidiary due to change of the circumstances, the Company shall establish the improvement plan which shall be submitted to each supervisor. If the outstanding amount of endorsement or guarantee exceeds the limit provided for in the Guidelines due to change of the circumstances, the Board of Directors shall terminate the exceeding portion within a prescribed period.</p>	<p>.....</p> <p>(3) If the company for which the Company provides endorsement or guarantee is no longer the permitted subsidiary due to change of the circumstances, the Company shall establish the improvement plan which shall be submitted to the <u>Audit Committee</u>. If the outstanding amount of endorsement or guarantee exceeds the limit provided for in the Guidelines due to change of the circumstances, the Board of Directors shall terminate the exceeding portion within a prescribed period.</p>	
		<p><u>(4) If the relevant endorsement/guarantee transaction is required to be submitted to the board of directors for discussion, such transaction shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If such transaction is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.</u></p>	
		<p><u>(5) If the relevant endorsement/guarantee transaction is required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent director</u></p>	

has dissenting or qualified opinion, such
opinion
shall be recorded in the minutes of the
meetings of
the board of directors.

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(6) “All members of the Audit Committee” referred to in the Handling Procedures and “all directors” referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

Article Internal Auditing
11

The internal auditing personnel shall examine and audit the Guidelines and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Guidelines, they shall inform each supervisor of such violation in writing immediately.

Internal Auditing

To meet the actual need

The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Handling Procedures, they shall inform the Audit Committee of such violation in writing immediately.

Article Penalty
12

If any manager or person in-charge of endorsement and/or guarantee, due to his/her negligence, violates the Guidelines and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person’s violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that

Penalty

If any manager or person in-charge of endorsement and/or guarantee, due to his/her negligence, violates the Handling Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person’s violation shall be handled in accordance with the relevant internal personnel and

such manager or person intentionally violated the Guidelines and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting.

administration regulations of the Company. If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting.

Article Miscellaneous
13

Miscellaneous
.....

To accommodate the amendment of

			law and regulation
	(3) The term “make a public announcement” and “file the necessary report(s)” as used in the Guidelines, shall mean information disclosure posted in the website designated by the SFC.	(B) The term “make a public announcement” and “file the necessary report(s)” as used in the <u>Handling Procedures</u> , shall mean information disclosure posted in the website designated by the <u>FSC</u> .	
Article 14	The Guidelines approved by the Board of Directors shall be delivered to each supervisor and submitted to shareholders’ meeting for approval. If there is any dissenting opinion from any director which has been recorded in the minutes or submitted in writing to the Board of Directors, such dissenting opinion should also be delivered to each supervisor and submitted to shareholders’ meeting for discussion. The same shall apply to amendments to the Guidelines. When discussing the Guidelines during the meeting of the Board of Directors, the opinions of each independent director shall be fully considered. The consent or dissenting opinion from each independent director and the reasons of such dissenting opinion shall be recorded in the minutes of the meeting of the Board of Directors.	Effectiveness and Amendment <u>(1) Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution.</u> <u>If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.</u> <u>(2) If the Handling Procedures are required to be submitted to the board of directors for discussion, the board of directors shall fully consider the opinion from each independent director. If any independent director has dissenting or qualified opinion, such opinion shall be recorded in the minutes of the meetings of the board of directors.</u> <u>(3) The Handling Procedures shall be approved by the board of directors and further submitted to the shareholders meeting for approval and will become effective afterwards. The same shall</u>	To meet the actual need

		<u>apply to amendments to the Handling Procedures.</u>	
Article	The Guidelines were enacted on October 9, 1998;	The Guidelines were enacted on October 9, 1998;	To add the
15	first amendment was made on May 29, 2003 and	first amendment was made on May 29, 2003; the	date of
	the second amendment was made on June 15, 2006.	second amendment was made on June 15, 2006 <u>and the third amendment was made on June 13, 2007</u>	amendment

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IV. Appendices

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Appendix 1: Shareholding of Directors and Supervisors

As of April 14, 2007, the local record date of 2007 Annual Shareholders' Meeting, AUO has issued capital stocks for NTD 75,739,644,550 representing 7,573,964,455 common shares. In accordance with the Article 26 of ROC Securities & Exchange Act, the minimum requirements of the collective shareholding are 302,958,578 common shares for Directors and 30,295,858 shares for Supervisors.

As of the local record date, April 14, 2007, the actual collective shareholdings of Directors and Supervisors were 654,749,899 and 678,762,421 shares, respectively. The sum of the both accounted for 9.18% of AUO's total issued shares. Each of their shareholdings is shown as below:

Title	Name of Representative	Shareholders represented	No. of shareholding	Shareholding %
Chairman	Kuen-Yao (KY) Lee Hsuan Bin (HB)		9,697,454	0.13
Director	Chen Hsi-Hua Sheaffer		5,461,956	0.07
Director	Lee	BenQ Corporation	638,029,792	8.42
Director	Chee-Chun Leung	BenQ Corporation	638,029,792	8.42
Director	Hui Hsiung	BenQ Corporation	638,029,792	8.42
Director	Michael Wang Vivien Huey-Juan	Darly 2 Venture Ltd.	1,560,697	0.02
Independent Director	Hsieh		0	0.00
Independent Director	T.J. Hunag		0	0.00
Independent Director	Cheng-Chu Fan		0	0.00
Total			654,749,899	8.64
Independent Supervisor	Chieh-Chien Chao		0	0.00
Supervisor	Ko-Yung (Eric) Yu	BenQ Corporation China Development	638,029,792	8.42
Supervisor	Shin (David) Chen	Industrial Bank	40,732,629	0.53
Total			678,762,421	8.96

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Appendix 2: AUO Rules and Procedures for Shareholders' Meeting

Approved by the Shareholders' Meetings

on April 17, 1997

Amended by the Shareholders' Meetings

on April 23, 1999

1. Shareholders' meeting of the Company shall be conducted in accordance with the Rules and Procedures.
2. Shareholders or their proxies attending the shareholders' meeting (the "Meeting") shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies.
3. The quorum required for the Meeting and the votes cast by the shareholders shall be calculated in accordance with the number of shares representing by shareholders attending the Meeting.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. 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. In case the chairman of the board of directors is on leave or cannot exercise his power and authority for any reason, the vice chairman shall act on behalf of the chairman. In case the Company has no vice chairman, or the vice chairman is also on leave or unable to exercise his and authority for any reason, the chairman of the board of directors shall designate one of the directors to act on behalf of the chairman. If the chairman does not make such designation, the directors shall elect from and among themselves an acting chairman of the board of directors. If the Meeting is convened by the person other than the board of directors who is permitted to convene such Meeting, such person shall be the chairman presiding the Meeting.
6. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
8. 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 Meeting shall not be postponed for longer than one hour in the aggregate. 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 of the Company, tentative resolutions may be made in accordance with Paragraph 1, Article 175 of the Company Law of the Republic of China. If during the process of the Meeting the number of 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.

9. The agenda of the Meeting shall be set by the board of directors, if the Meeting is convened by the board of directors. The Meeting shall proceed in accordance with the agenda unless otherwise resolved at the Meeting. During the Meeting, the chairman may, at his/her discretion, set time for intermission. Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items listed in the agenda are resolved. The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.
10. When a shareholder present at the Meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's number, and the name of the shareholder. The sequence of speeches by shareholders

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should be decided by the chairman. If any shareholder presenting the Meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholder, otherwise the chairman shall stop such interruption.

11. Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a legal entity designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chairman may respond him/herself or appoint an appropriate person to respond.
14. The chairman may announce to end the discussion of any discussion item and go into voting if the chairman deems it appropriate.
15. The person(s) to monitor and the person(s) to count the ballots shall be appointed by the chairman. The person(s) monitoring the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and recorded in the minutes of the Meeting.
16. Except otherwise provided in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
17. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other shall be deemed vetoed and no further voting is necessary.
18. The chairman may require or supervise the disciplinary officers or the security guards to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officer" for identification purpose.
19. In case of incident due to force majeure, the chairman may decide to temporarily suspend the Meeting or to announce adjournment and decide the day to reconvene the Meeting.
20. Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Law of Republic of China and the Articles of Incorporation of the Company.
21. The Rules and Procedures shall become effective from the date on which the Rules and Procedures are approved by the Meeting. The same shall apply to amendments to the Rules and Procedures.

Appendix 3: Articles of Incorporation (before amendments)

Chapter 1: General Provisions

Article 1

The Company is incorporated, registered and organized as a company limited by shares and permanently existing in accordance with the Company Law of the Republic of China (the "Company Law") and the Company's English name is AU Optronics Corp.

Article 2

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

- | | |
|--|--|
| 1. CC01080 | Electronic parts and components manufacturing business |
| 2. F119010 | Electronic material wholesale business (for operations outside the Science Park only) |
| 3. CC01030
within Central Taiwan Science Park only) | Electronic appliances and AV electronics products manufacturing business (for operations |

To research, develop, produce, manufacture and sell the following products:

- (1) Plasma display and related systems
- (2) Liquid crystal display and related systems
- (3) Organic light emitting diodes and related systems
- (4) Amorphous silicon photo sensor device parts and components
- (5) Thin film photo diode sensor device parts and components
- (6) Thin film transistor photo sensor device parts and components
- (7) Touch imaging sensors
- (8) Full color active matrix flat panel displays
- (9) Field emission displays
- (10) Single crystal liquid crystal displays
- (11) Original equipment manufacturing for amorphous silicon thin film transistor process and flat panel display modules
- (12) Original design manufacturing and original equipment manufacturing business for flat panel display modules

(13) The simultaneous operation of a trade business relating to the Company's business

The operation of the businesses listed above shall be conducted in accordance with the relevant laws and regulations.

Article 3

The head office of the Company shall be in the Science-Based Industrial Park, Hsinchu, Taiwan, the Republic of China ("R.O.C.") or such other appropriate place as may be decided by the board of directors (the "Board"). Subject to the approval of the Board and other relevant authorities, the Company may, if necessary, set up branches, factories, branch operation offices or branch business offices both inside and outside of the R.O.C.

Article 4

The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Law. The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.

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Chapter 2: Shares

Article 5

The total capital of the Company is Ninety Billion New Taiwan Dollars (NT\$90,000,000,000), divided into Nine Billion (9,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) each and in registered form. The Board of Directors is authorized to issue the un-issued shares in installments.

A total of 100,000,000 shares among the above total capital should be reserved for issuance of employee stock options, which may be issued in installments.

Article 6

The share certificates of the Company shall be all in registered form. The share certificates, after due registration with the competent authority, shall be signed or sealed by at least three directors and shall be legally authenticated prior to issue.

Where it is necessary for the Company to deliver its share certificates to the Taiwan Securities Central Depository Co., Ltd. ("TSCD") for custody of such share certificates, the Company may, upon request of the TSCD, combine its share certificates into larger denominations.

The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities through the book-entry system maintained by the TSCD, instead of physical certificates evidencing shares or other securities.

Article 7

The Company may charge its net cost for handling, replacing or exchanging share certificates if the original share certificates were transferred, lost or destroyed.

Chapter 3: Shareholders' Meetings

Article 8

Shareholders' meetings shall be of two types, ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened annually by the Board within six months of the end of each fiscal year. Extraordinary meetings shall be convened in accordance with the relevant laws, whenever necessary.

Article 9

Unless otherwise provided in the Company Law, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more than two shareholders, any of his voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Law and applicable rules.

Chapter 4: Directors and Supervisors

Article 10

The Company shall have seven to nine directors and three supervisors elected at shareholders' meetings and the person to be elected must have legal competence. The term of office for all directors and supervisors shall be three (3) years. The directors

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and supervisors are eligible for re-election.

The Board is authorized to determine the compensation for the directors and supervisors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

Article 10-1

In pursuant to the Article 183 of the Securities and Exchange Act, the Company shall have 3 independent directors on the Board. The independent directors shall be nominated under the Candidate Nomination System, and be elected from among the nominees listed in the roster of independent director candidates. The professional qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination, and other matters with respect to independent directors shall be in compliance with the laws and regulations prescribed by the competent authority.

Article 11

The Company shall have a chairman of the Board. The chairman of the Board shall be elected by and among the directors by a majority of directors present at a meeting attended by more than two thirds of directors. As necessary, a vice chairman may be elected by and among the directors. The chairman of the Board shall preside internally at the meetings of the Board and shall externally represent the Company. In case the chairman of the Board cannot exercise his power and authority, the vice chairman shall act on his behalf. In case there is no vice chairman or the vice chairman is also on leave or cannot exercise his power and authority for any reason, the chairman of the Board may designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect a designee from among themselves.

Article 12

Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 205 of the Company Law. Each director may act as a proxy for one other director only.

Chapter 5: President & Vice Presidents

Article 13

The Company shall have a president and several vice presidents. Appointment, dismissal, and remuneration of the president and vice presidents shall be subject to the provisions of the Company Law.

Chapter 6: Accounting

Article 14

After the end of each fiscal year, the Board shall submit the following documents: (1) business report, (2) financial statements, (3) proposal for allocation of surplus or recovery of loss. The above documents shall be examined by the supervisors or audited by an accountant appointed by the supervisors and then submitted to the shareholders at the ordinary meeting of shareholders for their adoption.

Article 15

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Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to recover losses for preceding years. Ten percent of any remaining net earnings shall be allocated as the Company's legal reserve and a certain amount shall be allocated as special reserve in accordance with applicable laws and regulations or as requested by the competent authority. . The balance shall be distributed as follows:

5. employee bonus: 5% to 10%;

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6. remuneration of directors and supervisors: no more than 1%; and
3. all or a portion of the remaining balance shall be distributed as shareholders' dividends.

The Company's dividend policy will be to pay dividends from surplus. Upon consideration of factors such as the Company's current and future investment environment, cash requirements, competitive conditions inside and outside of the R.O.C. and capital budget requirements, the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan, the Board shall propose the profit allocation each year subject to relevant laws, then submit such proposal to the shareholders' meeting for approval. In principle, no less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash.

Chapter 7: Supplementary Articles

Article 16

With respect to the matters not provided herein, the Company Law and other applicable laws and regulations shall govern.

Article 17

These Articles of Incorporation were enacted by the incorporators in the incorporators meeting held on July 18, 1996 and were effectively approved by the competent authority.

The first amendment was made on September 18, 1996.

The second amendment was made on September 15, 1997.

The third amendment was made on April 23, 1998.

The fourth amendment was made on April 23, 1999.

The fifth amendment was made on March 9, 2000.

The sixth amendment was made on May 10, 2001.

The seventh amendment was made on May 10, 2001.

The eighth amendment was made on October 17, 2001.

The ninth amendment was made on May 21, 2002.

The tenth amendment was made on May 29, 2003.

The eleventh amendment was made on April 29, 2004.

The twelfth amendment was made on June 14, 2005.

The thirteenth amendment was made on June 15, 2006.

Appendix 4: Influence of proposed stock dividend distribution upon 2007 operating performance, EPS, and return on investment

Items	Year	2007 (forecast)
Capital stock, beginning of the year		NTD 75,739,645 thousand
Dividend distribution (per common share)	Cash dividend	NTD 0.2(Note 1)
	Stock dividend from retained earnings	0.02 common shares (Note 1)
	Stock dividend from capital surplus	-
Operating performance	Operating Income	Note 2
	% change in operating profit (YoY)	Note 2
	Net Income	Note 2
	% change in net income (YoY)	Note 2
	EPS	Note 2
	% change in EPS	Note 2
	Average return on investment (%)	Note 2
Pro forma EPS and P/E ratio	If retained earnings distributed in cash dividend	
	Pro forma EPS	Note 2
	Pro forma average return on investment (%)	Note 2
	If capital surplus not distributed in stock dividend	
	Pro forma EPS	Note 2
	Pro forma average return on investment (%)	Note 2
	If retained earnings distributed in cash dividend & capital surplus not distributed in stock dividend	
	Pro forma EPS	Note 2
	Pro forma average return on investment (%)	Note 2

Note:

1. Earnings distribution proposal is to be approved by Annual Shareholders' Meeting on June 13, 2007.
2. The Company will not announce any financial forecast for year 2007. The influence of proposed stock dividend distribution upon 2007 operating performance and EPS is not applicable.

Appendix 5: Earning distribution proposal and the presumed EPS after the distribution (resolved by the Board of Directors meeting on April 24, 2007)

- (1) Employee profit sharing: NTD 573,518,700 distributed in stock at par value (NTD 10), and NTD 245,793,731 distributed in cash.

Remuneration for Directors and Supervisors: NTD 30,500,000 in cash.

- (2) The amount of employee stock bonus is estimated to be 27.46% of the total capitalization of 2006 stock dividends and employee stock bonus.
- (3) Presumed EPS is NTD 1.28 to reflect distribution of employee profit sharing and cash remuneration for Directors and Supervisors.

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AU Optronics Corp.***Director Candidate List***

Name	ID No.	Shareholding (Note 1)	Education & Current/Selected Past Positions
(Independent Director) Vivien Huey-Juan Hsieh	P200062523	0	<ul style="list-style-type: none"> • Ph.D., Finance, University of Houston, U.S.A. • Director, AU Optronics Corp. • Professor, National Taipei University of Technology
(Independent Director) Chieh-Chien Chao	J100588946	0	<ul style="list-style-type: none"> • Ph.D., Economics, National Taiwan University • Supervisor, AU Optronics Corp. • Professor, Department of Information and Finance Management, National Chiao Tung University • Ph.D., Business Administration, National Chengchi University
(Independent Director) Tze-Kaing Yang	A102241340	0	<ul style="list-style-type: none"> • Chairman, Yangtze Associates • Director, Taiwan Stock Exchange Corporation • M.B.A., International Institute for Management Development, Switzerland • Chairman and CEO, AU Optronics Corp. • Chairman and CEO, BenQ Corporation.
Kuen-Yao (KY) Lee	K101577037	9,697,454	<ul style="list-style-type: none"> • B.S. Communications Engineering, National Chiao Tung University • Director, President, and COO, AU Optronics Corp. • Ph.D., Physics, University of California, Berkeley, U.S.A. • Director and Executive President, AU Optronics Corp.
Hsuan Bin (HB) Chen	J101514119	5,461,956	<ul style="list-style-type: none"> • Master, Electrical Engineering, National Taiwan University • Director, AU Optronics Corp.
Hui Hsiung	Y100138545	3,700,000	<ul style="list-style-type: none"> • Ph.D., Chemical Engineering, National Tsing Hua University • Vice President, AU Optronics Corp.
Cheng-Chu Fan – Representative of BenQ Corporation	J101966328	638,027,792 (Note2)	<ul style="list-style-type: none"> • Director, AU Optronics Corp.
Lai-Juh Chen – Representative of BenQ Corporation	A121498798	638,027,792 (Note2)	<ul style="list-style-type: none"> • Vice President, AU Optronics Corp.

Ching-Shih Han E220500302 40,732,629 • M.B.A., University of Connecticut
– Representative of China (Note2) • Vice President, Direct Investment Department, China
Development Industrial Bank Development Industrial Bank

Note 1: Number of common shares held as of April 14, 2007

2: The shareholding held by the represented entity.

Item 3

AU Optronics Corp. (“AUO”)

2007 Annual General Shareholders’ Meeting

Q & A

1. What is candidate nomination system adopted for Independent Directors?

Pursuant to the ROC Company Law, the board of directors or any shareholder holding 1% or more of the total number of outstanding shares issued by the Company may submit to the Company in writing a roster of independent director candidates. The board of directors or other authorized conveners of shareholders’ meetings shall examine and/or screen the data and information of each candidate nominated; and shall, unless under any of the circumstances specified in the ROC Company Law, include all qualified candidates in the final roster of candidates accordingly.

The shareholders shall elect the independent directors from among the nominees listed in the roster of candidates.

2. What is cumulative voting?

Cumulative voting is a method of voting for the election of directors of AUO, where each common share is entitled to as many votes as the number of directors to be elected.

The votes can be concentrated on one candidate only or be allocated among several candidates. An ADS holder can allocate his/her votes among the candidates in a manner whereby the votes allocated to one candidate shall be the integral multiple of the number of shares of common stock underlying the ADSs held as of the ADS Record Date.

3. How do I calculate how many votes I have for the election of directors?

There are nine (9) directors (including three (3) independent directors) to be elected at our 2007 Annual General Shareholders’ Meeting **and please note that each ADS represents 10 common shares of AUO.**

Election of directors: you are entitled to a number of votes equal to nine (9) times the total number of common shares underlying your ADSs as of the ADS Record Date.

For example, if you own 10 ADSs as of the ADS Record Date, you are entitled to: 9 (number of candidates) x 10 (number of ADSs held as of the ADS Record Date) x 10 (number of common shares represented by each ADS) = 900 votes for directors:

4. Can I vote for more than one candidate for the board of directors?

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You can cast all your votes for one candidate only or allocate your votes among several candidates in a manner whereby the votes allocated to one candidate shall be the integral multiple of the number of common shares underlying your ADSs held as of the Record Date. If you wish to allocate your votes among the candidates proposed, you must select the "EXCEPTIONS" box.

In the example provided in question number 3, you can cast your votes in the following combinations: (The votes to be allocated to one candidate shall be 100 votes or integral multiples of 100 votes, i.e. 10 ADSs held times 10 common shares represented by each ADS)

	Candidate #1	Candidate #2	Candidate #3	Candidate #4	Candidate #5	Candidate #6	Candidate #7	Candidate #8	Candidate #9	
Alternative #1	900	0	0	0	0	0	0	0	0	Effective
Alternative #2	400	0	100	100	300	0	0	0	0	Effective
Alternative #3	100	100	100	100	100	100	100	100	100	Effective
Alternative #4	50	850	0	0	0	0	0	0	0	Void

Please note that there are various alternative ways in which you may cast your votes, and the above combinations are just some examples for illustration purpose.

5. What happens if I vote for each candidate on the ballot?

If you vote for each candidate on the ballot, your votes will be split equally among the candidates. You can vote for each candidate proposed by selecting the “FOR ALL” box.

6. What happens if the Depositary does not receive vote from 51% of the outstanding ADSs?

Subject to the Deposit Agreement, if the Depositary does not receive timely voting instructions from 51% of all outstanding ADSs to vote in the same manner on any resolution on the agenda, **including the election of the directors**, the holders of all ADSs outstanding shall be deemed to have authorized and directed the Depositary to authorize the Chairman of our board of directors, or his designee, to vote the common shares underlying their ADSs in his discretion, with respect to the resolution for the election of director for which the Depositary has not received the above-mentioned 51% of the votes.

7. If I am a beneficial owner what do I need to do to cumulate my votes for the elections of directors and supervisors?

Beneficial owners should contact their broker, bank or nominee to cumulate votes for directors election.